New China Life Insurance Company Ltd.

新華人壽保險股份有限公司

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

Stock Code: 01336

Annual Report 2019

NCI 新华保险

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IMPORTANT INFORMATION

1. The board of directors, the board of supervisors and directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.

2. The Annual Report 2019 of the Company was considered and approved at the 8th meeting of the seventh session of the board of directors of the Company on 25 March 2020, which 15 directors were required to attend and 15 of them attended in person.

3. Ernst & Young conducted the audit on the 2019 consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards and issued the standard unqualified audit report.

4. The Company plans to distribute an annual cash dividend of RMB1.41 (tax included) per share to all of H shareholders and A shareholders for 2019, approximately RMB4,399 million in total, representing approximately 30.2% of the net profit attributable to the shareholders of the Company as contained in the 2019 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the Articles of Association. The above dividend distribution plan is subject to the approval of the Annual General Meeting of 2019.

5. Mr. LIU Haoling, the chairman of the board of directors (the "**Board**"), Mr. LI Quan, the chief executive officer and president, Mr. YANG Zheng, the chief financial officer and the person in charge of finance of the Company, Mr. GONG Xingfeng, the chief actuary of the Company and Mr. ZHANG Tao, the officer in charge of the accounting department of the Company guarantee the correctness, accuracy and completeness of the financial report in the Annual Report 2019.

6. In addition to the facts stated herein, this report includes some forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warranty or undertaking as to its future performance. The investors and relevant persons should have adequate awareness of risks and understand the differences between plans, forecasts and undertakings.

7. There is no non-operating usage of funds by the controlling shareholder or its related parties for the Company.

8. There is no external guarantee provided by the Company which violates the decision-making procedures of the Company.

9. The major risks of the Company include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk, liquidity risk, etc. The Company has taken various measures to effectively manage and control all sorts of risks. Please refer to the "Risk Management" of this annual report for details.

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DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company
Health Technology	New China Village Health Technology (Beijing) Co., Ltd., a subsidiary of the Company
Xinhua Seniors Service	Xinhua Village Seniors Service (Beijing) Co., Ltd., a subsidiary of the Company
New China Pension	New China Pension Co., Ltd., a subsidiary of the Company
Shanggu Real Estate	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd., a subsidiary of the Company
New China Health	New China Life Excellent Health Investment Management Co., Ltd.
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	Hefei New China Life Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Xinhua Haoran	Xinhua Haoran Construction Technology Co., Ltd., a subsidiary of the Company
Guangzhou Yuerong	Guangzhou Yuerong Project Construction Management Co., Ltd., a subsidiary of the Company
Hainan Seniors	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd., a subsidiary of the Company
Rehabilitation Hospital	Beijing New China Excellent Rehabilitation Hospital Co., Ltd., a subsidiary of the Company
Weiyuanzhou	Nanjing Weiyuanzhou Industrial Co., Ltd.
China Jinmao	China Jinmao Holdings Group Limited
Foundation	New China Life Foundation
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
National Social Security Fund	National Council for Social Security Fund of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CBIRC Beijing Bureau	China Banking and Insurance Regulatory Commission Beijing Bureau
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
Pt	Percentage points
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan

SECTION 1
DEFINITIONS

Company Law	Company Law of the People's Republic of China
Insurance Law	Insurance Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Articles of Association	Articles of Association of New China Life Insurance Company Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

CORPORATE INFORMATION

Legal Name in Chinese: 新華人壽保險股份有限公司
Abbreviation in Chinese: 新華保險

Legal Name in English: NEW CHINA LIFE INSURANCE COMPANY LTD.
Abbreviation in English: NCI

Legal Representative: LIU Haoling

Board Secretary/Joint Company Secretary: GONG Xingfeng
Securities Representative: XU Xiu
Tel: 86-10-85213233
Fax: 86-10-85213219
Email: ir@newchinalife.com
Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

Joint Company Secretary: LEE Kwok Fai Kenneth
Tel: 852-28220158
Fax: 852-35898359
Email: kenneth.lee@tmf-group.com
Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Registered Office: No.16, East Hunan Road, Yanqing District, Beijing, P.R.C. (Zhongguancun Yanqing Park)
Postal Code: 102100
Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Postal Code: 100022
Place of Business in Hong Kong: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Website: http://www.newchinalife.com
Tel: 86-10-85210000
Email: ir@newchinalife.com
Customer Service and Complaint Hotline: 95567

SECTION 2
CORPORATE INFORMATION

Newspapers for Information Disclosure (A Share): China Securities Journal, Shanghai Securities News
Website for Publishing Annual Report (A Share):
http://www.sse.com.cn
Website for Publishing Annual Report (H Share):
http://www.hkexnews.hk
Place where copies of annual reports are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange
Stock Name for A Share: 新華保險
Stock Code for A Share: 601336
A Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address: 36th Floor, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, P.R.C.

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited
Stock Name for H Share: NCI
Stock Code for H Share: 01336
H Share Registrar: Computershare Hong Kong Investor Services Limited
Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Domestic Auditor: Ernst & Young Hua Ming LLP
Address: Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, P.R.C.
Signing Certified Public Accountants: WU Zhiqiang and WANG Ziqing

International Auditor: Ernst & Young
Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Domestic Legal Advisor: Commerce & Finance Law Offices
Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

Hong Kong Legal Advisor: Clifford Chance LLP
Address: 27th Floor, Jardine House,1 Connaught Place, Central, Hong Kong

BUSINESS OVERVIEW

Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing. New China Life offers comprehensive life insurance products and services to more than 32,662 thousand individual customers and 86 thousand institutional customers through nationwide distributional networks and diversified marketing channel, manages and deploys the insurance funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in 2011.

Unit: RMB in millions

878,970
Total assets

84,451
Equity attributable to shareholders of the Company

1.41 RMB per share(1)
Dividend per share

174,566
Operating revenue

14,559
Net profit attributable to shareholders of the Company

4.9 %
Total investment yield

205,043
Embedded value

9,779
Value of one year's new business

283.64 %
Comprehensive solvency margin ratio

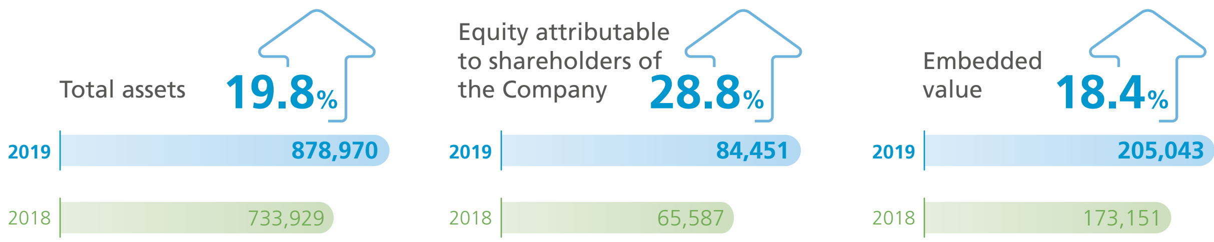
Note

1. Subject to approval of the general meeting of shareholders.

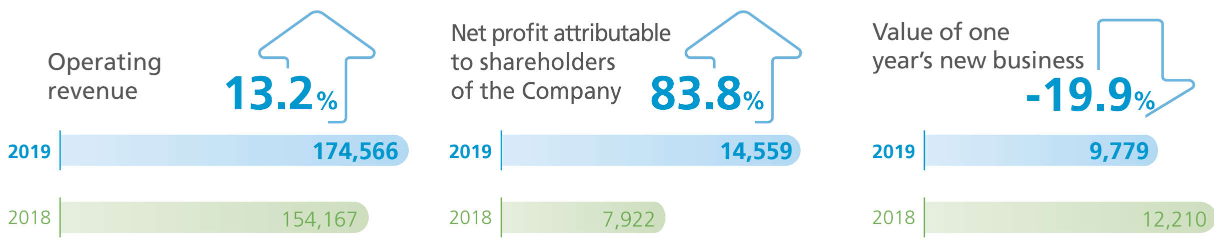
MAJOR INDICATORS

Unit: RMB in millions

As of 31 December



For the 12 months ended 31 December



Unit: RMB in millions

Key Operational Indicators	2019/As of 31 December 2019	2018/As of 31 December 2018	Change
Gross written premiums	**138,131**	122,286	13.0%
First year premiums from long-term insurance business	**25,396**	20,811	22.0%
Regular premiums	**19,341**	20,734	-6.7%
Regular premiums with payment periods of ten years or more	**10,726**	12,603	-14.9%
Renewal premiums	**105,821**	95,860	10.4%
Number of total individual agents (in thousands)	**507**	370	37.0%
Investment assets	**839,447**	699,826	20.0%
Total investment yield (%)	**4.9**	4.6	0.3pt
Net investment yield (%)	**4.8**	5.0	-0.2pt
Value of one year's new business	**9,779**	12,210	-19.9%
New business margin (%)	**30.3**	47.9	-17.6pt
Embedded value	**205,043**	173,151	18.4%
Core solvency margin ratio (%)	**283.64**	269.64	14.00pt
Comprehensive solvency margin ratio (%)	**283.64**	274.51	9.13pt

HONORS AND AWARDS

Assessment Institution	Honors & Awards
• Forbes	• Ranking 336 in the World's 2000 Largest Public Companies in 2019
• Fortune China	• Ranking 64 in China's Fortune 500 in 2019
• Moody's Ratings	• IFS Rating at A2
• Fitch Ratings	• IFS Rating at A
• World Brand Lab	• Ranking 226 in Top 500 Asian Brand in 2019
• Brand Finance	• Ranking 94 in the China's 500 Most Valuable Brands in 2019
• WPP&Millward Brown	• Ranking 60 at BrandZ™ Top 100 Most Valuable China Brands
• China Enterprise Confederation	• Ranking 126 at China's Top 500 Enterprises in 2019
• China Association for Quality Promotion	• 3•15 National Excellent Demonstration Enterprise of Quality and Integrity Brand
• China Business Journal	• The Most Socially Responsible Enterprise in 2019
• Securities Times	• China's Top 100 Most Valuable Mainboard Listed Companies in 2019
• Insurance Culture	• The Most Outstanding Life Insurance Company in 2019
• National Business Daily	• Golden Tripod Award · Outstanding Life Insurance Company of 2019
• Sina.com.cn	• Golden Kylin · Best Service Life Insurance Company of 2019
• Shanghai Securities News	• Golden Wealth Management· Excellent Insurance Service of 2019
• China Times	• Golden Cicada Award · Life Insurance Company of 2019
• China Investment Network	• Golden Jubilee Award ·The Most Socially Responsible Enterprise of 2019

Special Topics: NCI is fighting against COVID-19

The Spring Festival of 2020 in China is definitely unforgettable with the unexpected outbreak of coronavirus (COVID-19). Since the COVID-19 outbreak, the Central Committee of the Communist Party of China (CPC) and the State Council made a series of important arrangements, and all people across the country are unified with a single will. NCI also set up a special emergency task force for fighting against the COVID-19 and initiated the major emergency management level I and released The Emergency Plan about COVID-19 on 21 January 2020. All employees of NCI have been devoted into battling against COVID-19.

Pandemic

17 Products

Expanding coverage

Number of claim settlement

Around 66,000

Claim payment

Exceeding RMB 200 million

It is a priority of NCI to safeguard our employees' health and safety. The Company has collected and monitored our employees' situation and strictly implemented tracking and reporting process on COVID-19 in active cooperation with the government at various levels. Furthermore, the Company has vigorously disinfected the offices, provided virus prevention resources to our employees, and actively carried out working from home to reduce spread in the society. Additionally, NCI has provided COVID-19 Caring Plans – insurance protection for our employees to encourage cohesion and team spirit in combating COVID-19.

NCI has also expanded insurance coverage of 17 existing insurance products without adjusting premium rate or insured sum protection. NCI has launched "The Eight Customer Service Practices" to ensure continuous quality service to our clients during the challenging period. The Company fully leverage technology empowerment, to provide 7×24 hours self-claim service by Wechat. Regarding the coverage extension and claims process, the Company formulated a series of guidelines, such as "Zero Contacts Guideline for All Time and Multiple Platforms" and other specific Q&A guides, to help clients to understand claims settlement policies during the pandemic period. From 22 January to 21 February 2020, NCI has dealt with claims cases around 66 thousands accumulatively, and has settled indemnity amount of over RMB200 million.

The Eight Customer Service Measures

1 Actively Provide Services
2 Setup Hotline
3 Setup Green Channel
4 Claim without guarantee
5 Setup Prepaid Services
6 Cancel Hospitals Limitations
7 Provide Compassionate Care
8 Educate Hygiene

Additionally, New China Life Foundation has provided insurance protection of sum assured worth RMB300 thousand per capita to almost 200 thousand medical staffs who worked in the city of Wuhan, with a total sum assured of around RMB60,000 million. As at 20th March 2020, NCI has completed 10 claims, and the accumulated payment amount was RMB3 million. NCI has donated over RMB6.071 million to multiple local organizations, including RMB1.015 million donated by 4,775 Party members, and have donated pandemic prevention goods and materials with a value over RMB966,000. The Company has also provided insurance protection with an aggregated value of RMB72,230 million to many front line people including medical staff, police officers, community cadres, journalists, and volunteers,.

Donation amount

RMB 6,071 thousand

Goods and materials donated

RMB 966 thousand

Sum assurred donated

RMB 72,230 million

ANALYSIS OF CORE COMPETITIVENESS

In 2019, the Company has determined the development mode of "asset liability dual engine driving both volume and value growth" and put forward the "1+2+1" strategy with life insurance business as the main body, wealth management, old-age care and healthcare as two wings, and technology as the support. The three aspects are coordinated to build the development pattern with NCI's characteristics and the long-term vitality.

Asset liability dual engine drove both scale and value growth. In order to meet the diversified market demands, the Company further connects liabilities with assets. The Company achieved the comprehensive growth of volume and value through the dual engine.

Management efficiency has been gradually enhanced. The adjustment in organizational structure was gradually in place with rising execution and market acumen in the whole Company. At the same time, the Company unveiled and adjusted a series of supporting policies, so the momentum in branches has been unleashed and management efficiency has been significantly improved.

Sales team has continued to grow. The Company determined the business strategy of "team expanding before business growth". Through the implementation of the special organizational development program, the number of total agents exceeded 500 thousand, which brought a leap forward in sales team.

Customer service has been fully upgraded. Guided by customers' demands, the Company has sustained service innovation, improved service efficiency, continuously optimized service quality and offered more services for customers.

Risk prevention measures have been effective. The Company continued to implement the risk control concept of "prevention first", put risk prevention in front of business growth, carried out tiered management of risks in branches, paid close attention to risks in key areas, continuously improved the compliance of business growth to provide solid guarantee for the healthy and steady development of the Company.

CHAIRMAN'S STATEMENT

Dear shareholders:

The year 2019 marks the 23rd anniversary of the founding of New China Life. This year witnessed steady economic operation and a more expanded supply-side structural reform in the financial industry in China. This year also saw smooth transition in term of office of the board of directors of the Company, and hard-won business performance under the joint efforts of the Board, senior management and all staff.

As China's economy is shifting from high-speed growth to high-quality development, the imbalance and maladjustment between financial supply and demand are becoming increasingly prominent. The insurance industry is facing multiple challenges in development. Standing at the new historical position, the Company will rise to the challenges, seize opportunities and strive to achieve high-quality development goals.

Staying committed to the essence of insurance and maintaining strategic focus. The Company has established the development philosophy of making life insurance as the core business, sticking to the protection function of insurance, returning to the essence of insurance and focusing on core business since its listing. For years, NCI has remained true to its development vision and strived to forge an outstanding financial service group in China devoted to all-round life insurance services. The strategic direction remained unchanged. In 2020, the Company will accelerate business innovation, enrich product supply and improve service quality, empower traditional business through fintech and continuously optimize customers' experience to meet the diversified insurance needs of different groups.

Sticking to the market-oriented mechanism and deepening mechanism reform. During the course of over twenty-year development, NCI has fostered a corporate culture with its own characteristics, featuring the enterprising spirit which makes the Company face the market competition without fear and maintain strong development willingness. In 2020, the Company will follow the rule of enterprise development and stay committed to the market-oriented mechanism to forge a corporate governance mechanism with clear responsibilities and coordinated operation as well as build a corporate operation mechanism with effective incentive and strong restriction to further unleash its development momentum and vitality.

Keeping the bottom line of risk control and building a solid foundation for the Company. Effective risk control is a guarantee and a foundation for sustained development. In 2020, the Company will continue to adopt a prudent and sound operation philosophy to constantly improve comprehensive risk management system and enhance risk management capability. The Company will strengthen the awareness of risk control and compliance to forestall major risk events.

At the beginning of 2020, the sudden outbreak of COVID-19 disrupted the development pace of China's economy and insurance industry. Every NCI staff has done his/her part in the fight against COVID-19. However, the short-term adverse effects will not change the positive long-term trend of China's economy. The public will have personal experience of the importance of health and protection with greater awareness of insurance products after the fierce battle with the virus. The Company will seize the development opportunity, conform to the industry trend, meet the customers' demands, blaze a trail for high-quality development with its own characteristics, contribute value to shareholders and fulfill its social responsibilities.

Chairman
LIU Haoling
25 March 2020

CEO'S STATEMENT

Dear shareholders,

The year 2020 is destined to be an extraordinary year.

At the beginning of the year, COVID-19 unexpectedly swept across the country with rapid pace and strong momentum. The life insurance industry also underwent huge short-term impacts. I kept thinking about the following questions during the pandemic. What must NCI do now and in the future? What is NCI's responsibility? And whether could NCI do better? NCI has relentlessly contributed efforts during this challenging period, including proactively protecting staff from the pandemic, immediately donating insurance to frontline medical personnel in the first place, expanding the coverage of insurance products, simplifying operational process and procedures to provide more convenient services to customers, etc. However, this is far from enough in battling against such an emergency. Life insurance, related to birth, aging, illness and death, shall improve people's resilience to disasters and diseases, manage family assets to cope with emergencies, improve the old-age care, actively respond to the management of national public affairs, and shall be integrated into the national development to shoulder its social responsibility and help citizens keep physical health, family security and feel at ease in emergencies. Only by accelerating scientific development and improving service quality can NCI benefit the society and serve the country.

When I took office with the new management team in 2019, various questions were raised. Why did NCI's development in the past two years diverge from its blueprint? Why did NCI not actively expand its business and service scope as a large-scale life insurance company? Where did the meritorious NCI Iron Army go? NCI seemed like a war horse struggling onwards with great burden. Though it has a highly-experienced professional management team and hundreds of thousands of dedicated agents, the Company still faces a series of issues. Business growth is lower than that of peers, team size fails to expand for years, resources allocation deviates from the market and internal management coordination is insufficient, etc. The intensifying market competition highlights these problems, resulting in the performance which seems to be somewhat "unable to run".

It is not NCI's feature to ignore issues and situation. The pandemic brings us crisis as well as breeds opportunities and hopes. The legacy issues that the Company faces could also be transformed into a source of power to run again should NCI take a more holistic and broader view on future development with commitments.

I. REVIEW 2019

2019 is a year to identify issues.

This year has seen intensifying market competition and NCI was in transition for half a year. In the face of challenges, the new management team conducted intensive research, identified and ravelled out problems and solved the pain points within only tens of days after taking office. The Company held two strategic seminars, revised and issued a series of policies to support sales team, reached consensus from the top down to focus on business development. The key is to make all management personnel at all levels develop a "problem-oriented and efficient" approach of work.

Team development orientation. The Company has established a business strategy of "team expanding before business growth". The organizational development activity "Winning in NCI" was launched last year. The number of sales agent, as a result, hit 500,000, nearly growing by 40% as compared to the same period of last year and accomplishing the development goal that failed to be achieved for many years. The basic law for agents was revised, which greatly improved the retention of new agents and provided adequate agents for business growth in 2020.

Customer demands orientation. Health insurance and annuity insurance have been established as the two wings to fully protect the health and wealth of customers. The Company constantly improved the health insurance products and provided a variety of riders to meet the protection needs of customers. Meanwhile, assets and liabilities were coordinated to meet customers' demands for mid-term and long-term savings and asset allocation.

Management efficiency orientation. Given the market response was not sensitive enough and the management chain was too long, the Company pushed forward the reform of the individual insurance channel, integrated marketing, renewal premiums collection, training and other resources to build a large individual insurance marketing system. The Company set up four sales regions in the east, west, north and south China and enabled each region to make full use of their respective advantages to reduce the management scope of the headquarters and to enhance policy execution and market acumen.

In response to a series of issues hindering NCI's development, the management team has begun to tackle them one by one. The Company has started to improve IT research and development capabilities through cooperation with famous IT companies and optimize the management of existing subsidiaries to promote coordination, etc. But objectively speaking, it is impossible to solve all historical problems at once, and it will take some time.

Through the painstaking efforts of the whole Company, NCI achieved a new breakthrough in its comprehensive strength in 2019. The Company realized gross written premiums of RMB138,131 million, increasing by 13.0% year on year. For the first time, the total assets exceeded RMB800,000 million, and the net profit attributable to shareholders of the Company reached RMB14,559 million, representing a significant increase of 83.8% year on year. In 2019, NCI Iron Army "persevered despite all kinds of hardships" and took the strong first step on the way forward.

II. FOCUS, BROADEN AND CHANGE

Point-to-point problem solving is the starting point and even the simplest step for NCI to take off again. Pinpointing the right direction and the right approach and pressing ahead unswervingly are vital to achieve development.

Life insurance has always centered on "focusing" and "broadening" which have been developing harmoniously under the drive of the "revolution" of the times.

"Focus" on the basic function and return to the essence of insurance.

First, persevere with the core function of life insurance. The risk management attribute of life insurance determines that it has stronger ability to cross the cycle. The development of life insurance companies is based on the stable and continuous expansion of risk prevention and long-term saving businesses and the establishment of a sound investment system. Second, respect the operating mechanism of life insurance. Starting from long-term operation and the basic profit model of life insurance business, life insurance companies shall balance business development, cost-effectiveness and capital demand as well as strengthen risk control. Third, deepen the asset and liability management. The huge amount of existing funds and increasing incremental funds in the life insurance industry will test company's investment ability for a long time to come, and the asset liability matching will encounter more prominent difficulties and contradictions. The bilateral integration and benign interaction of assets and liabilities is the key and reflection of capabilities for the operation and management of life insurance. Fourth, stabilize the foundation of business development. "Team, products and services" lay foundations for business operation in the life insurance. Business development largely relies on relatively flexible product strategy, continuously improving service quality and constantly progressive sales team.

"Broaden" the service scope and return to people-oriented.

At present, the insurers interact with customers mainly through underwriting and claim settlement. But the essence of life insurance is people. The individuals and families have rigid and long-term demands for old-age care, health, medical care and wealth management covering the whole life cycle. Besides rigid demands, the growing affluent population still have diversified demands in the areas mentioned above. Life insurance could precisely meet these demands in terms of fund feature, distribution network, product offering, service team, etc. This also represents a very important function extension of life insurance in nowadays, which has returned to people-oriented.

"Change" to adapt to the trend of the times and promote high-quality development.

The first is technological change. New technologies have spawned a large number of new products, tools and even new industries. Data have become the most significant infrastructure for development now and in the future. Technology empowerment has been lifted to the national strategy. How does modern science & technology integrate with traditional insurance? Three aspects are worth pondering from my perspective: take advantage of science & technology in marketing and management as the supporting tools; gradually explore digital brand in response to the digitalizing trend; realize comprehensive operation through digitalizing management of customers.

The second is structural change. On the one hand, the change of customer structure is an important variable. The rising affluent class has more vigorous demands for health protection and wealth management and the growing silver-haired class continues to have more rigid demands for old-age care and health care. Meanwhile, there is a widening protection gap and a more diversified purchasing behavior among the growing young group. On the other hand, the change of team structure is the challenge that we are about to face. Increase the proportion of young agents and the proportion of long-term retained agents, and promote to apply scientific and technological tools are the internal pressures that NCI will face for a long time to come.

The third is competition change. The industry has changed its vision. The industry has seen competition of strategy and resources elevate to competition of situation judgment, strategic focus and management wisdom. As China continues to open up to the outside world, the global sophisticated experience and resources also join the competition. While the life insurance market experiences common development because of existing growth drivers, the competition gap will gradually become too wide to be reversed. There is not much time left for us to foster competitive advantages.

Based on this, NCI has established a "1+2+1" strategy with life insurance business as the main body, wealth management, health and old-age care as the two wings, and technology empowerment as the support. NCI adhered to the essence of life insurance, actively extended the function of life insurance, proactively embraced the changes of the era, maintained the strategic direction unshakable, strengthened the strategy execution and built its core capabilities and unique advantages for the future.

III. OUTLOOK 2020

2020 is a year to forge ahead.

The pandemic has affected the performance of the industry in the short term. For years, the first quarter was the high-performing period of the year for insurance companies. But this year's offline business was almost stagnant and organizational development was difficult due to the pandemic. However, online business has made a breakthrough at the fastest pace and the top-down strain capacity and execution of the life insurance industry have been greatly improved.

The pandemic has changed people's views on life and health. The public will cherish a stable and happy life with greater attention to personal health and hygiene. Just as the pandemic has pushed for an amendment to the wildlife protection law, many bad habits will be discarded and a healthy and civilized China will become a consensus.

The pandemic has changed people's perception of risks. The public's awareness of risks will increase significantly. Especially, the middle class has begun to carefully examine family risk exposure, which is of far-reaching significance to the development of the industry. How to better meet customers' risk prevention needs and offer protection services is worth pondering.

The pandemic has changed people's impression of the insurance industry. People will understand the basic mode of life insurance, understand the logic behind insurance products and the information conveyed by the insurance industry without prejudice.

This pandemic will not change the tide of the golden age of the insurance industry. China is still in an important period of strategic opportunities for development. With the accumulation of wealth and the enhancement of risk awareness of the public, the insurance industry still enjoys broad development space. The insurance industry will play a more vital role in the national strategy.

The pandemic will not change NCI's determination and pace to achieve a second take-off. The key to success often rests upon execution. The fluctuation of short-term performance won't waver in the strategic choice. The Company will "draw a blueprint to the end", and move forward step by step according to the established strategy.

The pandemic will not change NCI's confidence and determination to reach its 2020 business target. Though facing much pressure in reaching the target at this point, the Company will surely accomplish what it set in spite of all hardships. The confidence comes from NCI's branches and sales team who can fight a hard battle, and from NCI's professional management team.

The ice is broken, time waits for no man, and NCI will sail with all strength.

Chief Executive Officer & President
LI Quan
25 March 2020

SECTION 6

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. Major accounting data and financial indicators

Unit: RMB in millions

Key accounting data	2019	2018	Change	2017	2016	2015
Total revenues	**172,103**	151,964	13.3%	143,082	144,796	157,918
Gross written premiums and policy fees	**138,171**	122,341	12.9%	109,356	112,648	111,994
Profit before income tax	**13,221**	10,510	25.8%	7,330	6,482	11,782
Net profit attributable to shareholders of the Company	**14,559**	7,922	83.8%	5,383	4,942	8,601
Net cash flows from operating activities	**42,102**	13,768	205.8%	7,865	7,330	7,449

	As at 31 December 2019	As at 31 December 2018	Change	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Total assets	**878,970**	733,929	19.8%	710,275	699,181	660,560
Total liabilities	**794,509**	668,333	18.9%	646,552	640,056	602,719
Equity attributable to shareholders of the Company	**84,451**	65,587	28.8%	63,715	59,118	57,835

Key financial indicators	2019	2018	Change	2017	2016	2015
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	**4.67**	2.54	83.9%	1.73	1.58	2.76
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	**4.67**	2.54	83.9%	1.73	1.58	2.76
Weighted average return on equity attributable to shareholders of the Company	**19.41%**	12.25%	7.16pt	8.76%	8.45%	16.20%
Weighted average net cash flows from operating activities per share (RMB)	**13.49**	4.41	205.9%	2.52	2.35	2.39

	As at 31 December 2019	As at 31 December 2018	Change	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Net assets per share attributable to shareholders of the Company (RMB/share)	**27.07**	21.02	28.8%	20.42	18.95	18.54

2. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	2019/ As at 31 December 2019	2018/ As at 31 December 2018	Change	2017/ As at 31 December 2017	2016/ As at 31 December 2016	2015/ As at 31 December 2015
Investment assets	**839,447**	699,826	20.0%	688,315	679,794	635,688
Total investment yield[1]	**4.9%**	4.6%	0.3pt	5.2%	5.1%	7.5%
Gross written premiums and policy fees	**138,171**	122,341	12.9%	109,356	112,648	111,994
Growth rate of gross written premiums and policy fees	**12.9%**	11.9%	1.0pt	-2.9%	0.6%	1.8%
Benefits, claims and expenses	**158,342**	140,755	12.5%	134,334	137,008	144,814
Surrender rate[2]	**1.8%**	4.8%	-3.0pt	5.2%	6.9%	9.3%

Notes:

1. Total investment yield = (total investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables).

2. Surrender rate = surrenders/(balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + premium income of long-term insurance contracts).

3. The reasons of the change of main financial indicators

Unit: RMB in millions

	2019/ As at 31 December 2019	2018/ As at 31 December 2018	Change	Reason(s) for change
Total assets	**878,970**	733,929	19.8%	The increase of business scale
Total liabilities	**794,509**	668,333	18.9%	The increase of insurance liabilities
Equity in total	**84,461**	65,596	28.8%	The impact of profit for the period
Net profit attributable to shareholders of the Company	**14,559**	7,922	83.8%	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expense of insurance enterprises and the steady increase in the overall profitability of the Company

4. The discrepancy between the PRC GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2019 or the consolidated equity of the Company as at 31 December 2019 as stated in the financial statements prepared in accordance with the PRC GAAP and the IFRS.

5. The items and reasons for the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance sheet	As at 31 December 2019	As at 31 December 2018	Change	Reason(s) for change
Right-of-use assets	**1,152**	–	N/A	The effect of applying the new lease accounting standard
Financial assets measured at fair value through profit or loss	**24,554**	9,971	146.3%	Increase of allocation of corporate bonds measured at fair value through profit or loss and equity asset management products
Financial assets purchased under agreements to resell	**5,685**	4,318	31.7%	The allocation of investment assets and the requirement of liquidity management
Deferred tax assets	**162**	1,777	-90.9%	Decrease in deductible temporary differences
Cash and cash equivalents	**11,765**	9,005	30.6%	The requirement of liquidity management
Outstanding claims liabilities	**1,611**	1,064	51.4%	Increase of short-term insurance business
Borrowings	**–**	4,000	-100.0%	Redemption of subordinated debt
Lease liabilities	**961**	–	N/A	The effect of applying the new lease accounting standard
Financial liabilities at fair value through profit or loss	**501**	92	444.6%	Increase in the number of structured entities consolidated
Financial assets sold under agreements to repurchase	**68,190**	12,959	426.2%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	**4,181**	1,808	131.3%	The impact of business development pace
Other liabilities	**9,559**	7,242	32.0%	Increase in the employee benefit payables
Current income tax liabilities	**157**	1,252	-87.5%	Decrease in tax payable
Reserves	**41,254**	31,056	32.8%	Increase in fair value of available-for-sale financial assets due to the fluctuation of the capital market

Unit: RMB in millions

Income statement	2019	2018	Change	Reason(s) for change
Claims and net change in outstanding claims liabilities	**(3,440)**	(2,481)	38.7%	Increase of short-term insurance business
Increase in long-term insurance contract liabilities	**(52,816)**	(26,179)	101.7%	Increase of premiums and decrease of surrenders
Income tax expense	**1,339**	(2,587)	N/A	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises
Net profit for the year	**14,560**	7,923	83.8%	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises and the steady increase in the overall profitability of the Company
Total other comprehensive income for the year, net of tax	**6,751**	(4,388)	N/A	Increase in fair value of available-for-sale financial assets due to the fluctuation of the capital market

II. BUSINESS ANALYSIS

i. Insurance business

In 2019, the Company actively adapted to the internal and external development situations under the background of the deepening transformation and development of the insurance industry. Guided by meeting customers' diversified needs for insurance protection, the Company enriched growth drivers for new business and kept advantages of renewal business accumulation to boost the rapid growth of gross written premiums (**GWP**). Embedded value constantly increased. Business structure remained balanced and business quality improved.

First, GWP grew rapidly. In 2019, the Company realized the GWP of RMB138,131 million with the growth rate of 13.0% year on year. The first year premiums from long-term insurance business totaled RMB25,396 million, up by 22.0% year on year. Premiums from renewal business amounted to RMB105,821 million, growing by 10.4% year on year.

Second, embedded value constantly increased. By the end of 2019, the embedded value reached RMB205,043 million, increasing by 18.4% compared with the end of last year. The Company realized the value of one year's new business of RMB9,779 million, decreasing by 19.9% year on year. And the residual margin[(1)] was RMB214,525 million, increasing by 9.7% compared with the end of last year.

Third, business structure remained balanced. In terms of premium structure, renewal premiums accounted for 76.6% of GWP with a high and stable proportion to ensure the sustained growth of GWP. The first year regular premiums from long-term insurance business accounted for 76.2% of the first year premiums from long-term insurance business, which laid a solid foundation for the sustained growth of renewal premiums. With respect to the structure of type of insurance products, the first year premiums from long-term traditional and participating insurance businesses accounted for 54.2% of the first year premiums from long-term insurance business. And the first year premiums from long-term health insurance business accounted for 45.8% of the first year premiums from long-term insurance business, which is in line with the balanced development strategy for product structure of the Company.

Fourth, business quality improved. 13-month persistency ratio of individual life insurance business was 90.3%, remaining basically flat with that of 2018, and 25-month persistency ratio of individual life insurance business was 86.2%, increasing by 1.3 percentage points compared with the year 2018. The surrender rate dropped to 1.8% in 2019, decreasing by 3.0 percentage points with surrender value down by 60.7% year on year.

Note:

1. The residual margin is the liabilities appropriated by the Company for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts.

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
GWP	**138,131**	122,286	13.0%
First year premiums from long-term insurance business	**25,396**	20,811	22.0%
Single premiums	**6,055**	77	7,763.6%
Regular premiums	**19,341**	20,734	-6.7%
Regular premiums with payment periods of ten years or more	**10,726**	12,603	-14.9%
Renewal premiums	**105,821**	95,860	10.4%
Premiums from short-term insurance business	**6,914**	5,615	23.1%

Note: Numbers may not be additive due to rounding.

1. *Analysis by distribution channels*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Individual insurance channel			
First year premiums from long-term insurance business	**15,196**	16,078	-5.5%
Regular premiums	**15,175**	16,020	-5.3%
Single premiums	**21**	58	-63.8%
Renewal premiums	**88,775**	79,808	11.2%
Premiums from short-term insurance business	**4,479**	3,280	36.6%
Total	**108,450**	99,166	9.4%
Bancassurance channel			
First year premiums from long-term insurance business	**10,194**	4,718	116.1%
Regular premiums	**4,166**	4,714	-11.6%
Single premiums	**6,028**	4	150,600.0%
Renewal premiums	**17,036**	16,043	6.2%
Premiums from short-term insurance business	**56**	32	75.0%
Total	**27,286**	20,793	31.2%
Group insurance			
First year premiums from long-term insurance business	**6**	15	-60.0%
Renewal premiums	**10**	9	11.1%
Premiums from short-term insurance business	**2,379**	2,303	3.3%
Total	**2,395**	2,327	2.9%
GWP	**138,131**	122,286	13.0%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In 2019, the individual insurance channel implemented the product strategy of "health insurance + annuity insurance + riders". The individual insurance channel realized premiums of RMB108,450 million, growing by 9.4% year on year. The first year premiums from long-term insurance business amounted to RMB15,196 million, slightly decreasing by 5.5% compared with the same period of last year. Premiums from short-term insurance business reached RMB4,479 million, representing an increase of 36.6% year on year. Renewal premiums amounted to RMB88,775 million, growing by 11.2% year on year.

In 2019, the Company proposed the business strategy of "team expanding before business growth". Through the implementation of the special organizational development program "Winning in NCI", the Company has seen great expansion in the size of sales team. By the end of 2019, the number of total agents in individual insurance channel reached 507,000, hitting a historic high and growing by 37.0% year on year. The monthly average number of qualified agents(1) was 133,000, increasing by 3.5% year on year and the monthly average qualified rate(2) was 33.1%, decreasing by 5.7 percentage points year on year. The monthly average comprehensive productivity per capita(3) was RMB3,387, decreasing by 22.5% compared with the same period of last year.

Notes:

1. Monthly average number of qualified agents = (∑ number of qualified agents in a month)/ the number of months in the reporting period, where monthly number of qualified agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month is equal or greater than RMB800.

2. Monthly average qualified rate = monthly average number of qualified agents/monthly average number of agents * 100%. Monthly average number of agents={∑ [(number of agents at start of the month + number of agents at end of the month)/2]}/the number of months in the reporting period.

3. Monthly average comprehensive productivity per capita = monthly average first year premiums/monthly average number of agents.

4. To better reflect the requirements of high-quality development and the performance of sales team, the Company has adjusted monthly average number of performing agents and monthly average performance rate into monthly average number of qualified agents and monthly average qualified rate since Interim Report 2019.

② Bancassurance channel

In 2019, the bancassurance channel explored the diversified needs of customers to improve product offerings. As a result, the bancassurance channel has witnessed rapid growth of business scale and realized premiums of RMB27,286 million in 2019, increasing by 31.2% year on year. The first year regular premiums from long-term insurance business amounted to RMB4,166 million. Renewal premiums totaled RMB17,036 million, up by 6.2% year on year.

(2) Group insurance

In 2019, premiums from group insurance amounted to RMB2,395 million, increasing by 2.9% year on year. The Company continued to develop policy-oriented health insurance and realized premiums from related health insurance of RMB211 million in 2019. The business covered 5,447 thousand customers.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
GWP	**138,131**	122,286	13.0%
Participating insurance[1]	**51,538**	49,687	3.7%
First year premiums from long-term insurance business	**6,544**	3,045	114.9%
Renewal premiums	**44,994**	46,642	-3.5%
Premiums from short-term insurance business	**–**	–	–
Health insurance	**52,790**	42,571	24.0%
First year premiums from long-term insurance business	**11,638**	12,221	-4.8%
Renewal premiums	**36,509**	26,804	36.2%
Premiums from short-term insurance business	**4,643**	3,546	30.9%
Traditional insurance	**31,602**	28,038	12.7%
First year premiums from long-term insurance business	**7,214**	5,545	30.1%
Renewal premiums	**24,276**	22,373	8.5%
Premiums from short-term insurance business	**112**	120	-6.7%
Accident insurance	**2,159**	1,949	10.8%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**2,159**	1,949	10.8%
Universal insurance[1]	**42**	41	2.4%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**42**	41	2.4%
Premiums from short-term insurance business	**–**	–	–
Unit-linked insurance	**–**	–	–
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**–**	–	–

Notes:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

2. "–" means less than RMB500,000.

In 2019, the Company realized the first year premiums from long-term participating insurance of RMB6,544 million, increasing by 114.9% year on year. The first year premiums from long-term health insurance reached RMB11,638 million, decreasing by 4.8% year on year. The first year premiums from long-term traditional insurance amounted to RMB7,214 million, increasing by 30.1% year on year.

3. *Analysis by branches*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
GWP	**138,131**	122,286	13.0%
Shandong Branch	**13,384**	11,617	15.2%
Henan Branch	**11,170**	9,974	12.0%
Beijing Branch	**10,046**	9,451	6.3%
Guangdong Branch	**8,330**	7,707	8.1%
Shaanxi Branch	**6,850**	5,780	18.5%
Zhejiang Branch	**6,790**	5,899	15.1%
Hubei Branch	**6,757**	6,267	7.8%
Jiangsu Branch	**6,240**	5,422	15.1%
Inner Mongolia Branch	**5,958**	5,370	10.9%
Hunan Branch	**5,265**	4,715	11.7%
Other Branches	**57,341**	50,084	14.5%

As of the end of 2019, the Company has established 35 provincial branches across the country. In 2019, around 58.5% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Henan and Beijing.

4. *The top 5 insurance products in terms of gross written premiums and first year premiums*

Unit: RMB in millions

Rank	Product name	Gross written premiums	Main distribution channel	Surrender value
1	Huitianfu annuity insurance 惠添富年金保險	8,142	Bancassurance channel	165
2	FuxiangYisheng Whole Life annuity insurance (Participating) 福享一生終身年金保險（分紅型）	7,912	Individual insurance channel	1,014
3	Jiankangwuyou Type C critical illness insurance 健康無憂C款重大疾病保險	7,121	Individual insurance channel	136
4	Multiple Protection critical illness insurance 多倍保障重大疾病保險	6,551	Individual insurance channel	23
5	Wendeying endownment insurance (Participating) 穩得盈兩全保險（分紅型）	6,014	Bancassurance channel	4

Unit: RMB in millions

Rank	Product name	First year premiums
1	Wendeying endownment insurance (Participating) 穩得盈兩全保險（分紅型）	6,014
2	Huitianfu annuity insurance 惠添富年金保險	5,969
3	Multiple Protection critical illness insurance 多倍保障重大疾病保險	2,508
4	Jiankangwuyou Type C1 critical illness insurance 健康無憂重大疾病保險C1款	1,468
5	Jiankangwuyou critical illness insurance (Upgraded Version) 健康無憂重大疾病保險（尊享版）	1,062

5. *Business quality*

For the 12 months ended 31 December	2019	2018	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio[(1)]	**90.3%**	90.7%	-0.4pt
25-month persistency ratio[(2)]	**86.2%**	84.9%	1.3pt

Notes:

1. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

2. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

3. This report does not disclose data on market share because such data are not disclosed by the regulatory authority.

6. *Analysis on claims and the interests of policyholders*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Surrender value	**12,990**	33,039	-60.7%
Insurance benefits and claims	**60,648**	51,135	18.6%
Claims	**3,079**	2,334	31.9%
Annuity benefits	**9,500**	9,865	-3.7%
Maturity and survival benefits	**41,344**	33,885	22.0%
Casualty and medical benefits	**6,725**	5,051	33.1%
Claims recoverable	**(1,045)**	(754)	38.6%
Policy dividend	**42**	126	-66.7%
Net change in insurance contract liabilities	**53,335**	26,422	101.9%
Total	**125,970**	109,968	14.6%

The surrender value decreased by 60.7% year on year mainly due to the decrease of the surrender of short and medium term insurance products in bancassurance channel as a result of business transformation of the Company.

The claim payment increased by 31.9% year on year mainly due to the steady rise of the accident insurance and short-term health insurance business.

Casualty and medical benefits increased by 33.1% year on year mainly due to the continued growth of long-term health insurance business.

Net change in insurance contract liabilities increased by 101.9% year on year mainly due to the increase of premiums and decrease of surrenders.

7. *Analysis on commission and brokerage expense*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Commission and brokerage expense[1]	**16,871**	16,708	1.0%
Participating insurance[2]	**934**	1,816	-48.6%
Health insurance	**13,893**	13,111	6.0%
Traditional insurance	**1,309**	1,143	14.5%
Accident insurance	**735**	637	15.4%
Universal insurance[2]	**–**	1	-100.0%

Notes:

1. This item does not include the commission and brokerage expense under non-insurance contracts.

2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In 2019, the commission and brokerage expense increased slightly compared with the same period of last year.

8. *Analysis on insurance contract liabilities*

Unit: RMB in millions

Component	As at 31 December 2019	As at 31 December 2018	Change
Unearned premiums liabilities	**2,102**	1,805	16.5%
Outstanding claims liabilities	**1,611**	1,064	51.4%
Life insurance liabilities	**567,985**	527,494	7.7%
Long-term health insurance liabilities	**86,493**	64,257	34.6%
Insurance contract liabilities in total	**658,191**	594,620	10.7%
Participating insurance[1]	**481,522**	463,222	4.0%
Health insurance	**73,287**	51,693	41.8%
Traditional insurance	**102,259**	78,743	29.9%
Accident insurance	**1,068**	917	16.5%
Universal insurance[1]	**55**	45	22.2%
Insurance contract liabilities in total	**658,191**	594,620	10.7%

Note:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

The insurance contract liabilities at the end of 2019 increased by 10.7% compared with the end of 2018 due to the increase of insurance business and the accumulation of insurance liabilities. As at the date of the balance sheet, all types of contract liabilities of the Company have passed the adequacy test.

ii. Asset management business

In 2019, China's economy still saw downward trend and rising pressure for stable growth. In accordance with the liability feature of insurance business and macroeconomy cycle, the Company stayed committed to long-term, value-oriented and prudent investment, emphasized on both investment return and risk control and actively seized the market opportunities in asset management business. The Company achieved stable and satisfactory investment return.

In 2019, the total investment yield was 4.9% and the net investment yield was 4.8%.

The debt financial assets amounted to RMB550,539 million, accounting for 65.6% of total investment assets, remaining flat compared with the end of last year. In 2019, insurance funds faced great investment pressure because of the decreasing interest rates and high credit risks. The Company stressed on risk prevention, intensified risk screening of the assets held and strictly controlled the risk of newly-added assets. Through seizing opportunities in the bond market, the Company strategically invested in long-duration treasury bonds and local government bonds so as to optimize the asset liability matching. Meanwhile, the Company actively invested in high-quality financial products to effectively improve the overall investment return on the premise of controllable risks.

The equity financial assets amounted to RMB156,957 million, accounting for 18.7% of total investment assets, increasing by 2.1 percentage points compared with the end of last year. The stock market was still volatile in 2019 with obvious structural opportunities. The Company adhered to value-oriented and prudent investment philosophy in equity investment and pursued absolute return with high Sharpe ratio and low drawdown. With respect to stock investment, the Company focused on the targets with stable fundamental development and steady performance growth, selected targets from the bottom up, actively sought the structural opportunities and took advantage of undervalued assets in the Hong Kong stock market. In terms of fund investment, the Company employed both value-oriented investment and band operation, actively seized investment opportunities, selected value-stock fund with low valuation, high dividend and low volatility, and carried out swing trading through wide-base index and industry fund to pursue absolute return.

Meanwhile, the Company strengthened research on domestic and overseas equity investment and domestic real estate investment, prudently made relevant investment to explore investment portfolio diversification.

1. *Investment portfolio*

Unit: RMB in millions

As at 31 December	2019 Amount	2019 Proportion	2018 Amount	2018 Proportion	Change
Investment assets	**839,447**	**100.0%**	699,826	100.0%	20.0%
Classified by investment type					
Term deposits[1]	**64,040**	**7.6%**	64,690	9.2%	-1.0%
Debt financial assets	**550,539**	**65.6%**	459,902	65.7%	19.7%
– Bonds	**358,062**	**42.7%**	275,213	39.3%	30.1%
– Trust products	**77,266**	**9.2%**	66,281	9.5%	16.6%
– Debt plans[2]	**38,934**	**4.6%**	39,109	5.6%	-0.4%
– Asset funding plans	**10,000**	**1.2%**	10,000	1.4%	–
– Others[3]	**66,277**	**7.9%**	69,299	9.9%	-4.4%
Equity financial assets	**156,957**	**18.7%**	116,058	16.6%	35.2%
– Funds	**46,389**	**5.5%**	42,298	6.1%	9.7%
– Stocks[4]	**55,805**	**6.6%**	32,243	4.6%	73.1%
– Others[5]	**54,763**	**6.6%**	41,517	5.9%	31.9%
Investments in associates and joint ventures	**4,917**	**0.6%**	4,792	0.7%	2.6%
Cash and cash equivalents[1]	**11,765**	**1.4%**	9,005	1.3%	30.6%
Other investment assets[6]	**51,229**	**6.1%**	45,379	6.5%	12.9%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**24,554**	**2.9%**	9,971	1.4%	146.3%
Available-for-sale financial assets	**387,296**	**46.2%**	300,949	43.0%	28.7%
Held-to-maturity investments	**246,212**	**29.3%**	214,531	30.7%	14.8%
Loans and other receivables[7]	**176,468**	**21.0%**	169,583	24.2%	4.1%
Investment in associates and joint ventures	**4,917**	**0.6%**	4,792	0.7%	2.6%

Notes:

1. Term deposits exclude those with maturity of three months or less, while cash and cash equivalents include term deposits with maturity of three months or less.

2. Debt plans mainly consist of infrastructure and real estate funding projects.

3. Others include perpetual bonds classified as debts, debt asset management products and wealth management products.

4. Stocks include common stocks and preferred stocks.

5. Others include equity asset management products, private equity, equity plans, unlisted equity investments, perpetual bonds, derivative financial assets, etc.

6. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable and interests receivable, etc.

7. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable, interests receivable, loans and receivables, etc.

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Interest income from cash and cash equivalents	**98**	138	-29.0%
Interest income from term deposits	**3,157**	2,613	20.8%
Interest income from debt financial assets	**24,911**	23,856	4.4%
Dividend income from equity financial assets	**5,602**	6,235	-10.2%
Interest income from other investment assets[1]	**1,686**	1,486	13.5%
Net investment income[2]	**35,454**	34,328	3.3%
Realized gains/(losses) on investment assets	**(227)**	(932)	-75.6%
Unrealized gains/(losses)	**2,647**	(379)	N/A
Impairment losses on financial assets	**(2,032)**	(1,835)	10.7%
Share of results of associates and joint ventures	**502**	404	24.3%
Total investment income[3]	**36,344**	31,586	15.1%
Net investment yield[4]	**4.8%**	5.0%	-0.2pt
Total investment yield[4]	**4.9%**	4.6%	0.3pt

Notes:

1. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell, etc.

2. Net investment income includes interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets and dividend income from equity financial assets.

3. Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates and joint ventures under equity method.

4. Investment yield = (investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables).

3. *Investment in non-standard assets*

As of the end of 2019, the non-standard assets amounted to RMB246,594 million, accounting for 29.4% of the total investment assets, decreasing by 2.9 percentage points compared with the end of last year. In 2019, the Company invested in collective fund trust plans and real estate investment plan with eligible return and controllable risks, which improved the overall investment yield of the assets. Around 80% of the existing non-standard assets were invested in industries including financial institutions, real estate, infrastructure, general industrial and commercial enterprises, etc. The non-standard assets that the Company held have good credit enhancement measures. In addition to financing entities that regulatory authorities eliminate credit enhancement requirements, most non-standard assets are taken following credit enhancement measures, such as mortgage and pledge, joint guarantee, general guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, therefore the overall credit risks of the non-standard assets are within control.

(1) Ratings

Excluding wealth management products issued by commercial banks, equity financial products and portfolio products issued by insurance asset management company not requiring external ratings, the non-standard assets held by the Company with AAA ratings accounted for 94.8% of the total non-standard assets. The overall credit risk was limited.

Ratings of Financial Products

Credit Rating	Proportion
AAA	94.8%
AA+	5.2%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB in millions

As at 31 December 2019	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	**192,477**	78.1%	-3.6pt	7,788
– Trust products	**77,266**	31.3%	2.0pt	10,985
– Debt plan	**38,934**	15.8%	-1.5pt	(175)
– Project asset support plan	**10,000**	4.1%	-0.3pt	–
– Wealth management product	**61,232**	24.9%	-3.6pt	(3,067)
– Perpetual Bond	**5,000**	2.0%	-0.2pt	–
– Asset management plan	**45**	–	–	45
Non-standard equity investments	**54,117**	21.9%	3.6pt	12,725
– Asset management plan	**22,325**	9.0%	3.0pt	8,757
– Private equity	**7,054**	2.9%	1.0pt	2,611
– Unlisted equity	**18,664**	7.5%	-0.7pt	99
– Equity investment plan	**4,700**	1.9%	-0.2pt	–
– Derivative financial assets	**1,374**	0.6%	0.6pt	1,374
– Wealth management product	**–**	–	-0.1pt	(116)
Total	**246,594**	100.0%		20,513

(3) Major management institutions

Unit: RMB in millions

Top 10 management institutions of financial products	Paid Amount	Proportion
New China Asset Management Co., Ltd.	36,099	14.6%
Shanghai Pudong Development Bank Co., Ltd.	34,980	14.2%
Industrial Bank Co., Ltd.	16,498	6.7%
Zhongrong International Trust Co., Ltd.	14,543	5.9%
Huaneng Guicheng Trust Co., Ltd.	14,013	5.7%
CITIC Trust Co., Ltd.	10,363	4.2%
Beijing International Trust Co., Ltd.	8,704	3.5%
Generali China Asset Management Co., Ltd.	6,465	2.6%
China CITIC Bank Corporation Limited	5,500	2.2%
PICC Capital Investment Management Company Limited	5,070	2.1%
Total	152,235	61.7%

III. ANALYSIS BY COMPONENT

i. Solvency

New China Life Insurance Company Ltd. calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. Solvency margin ratios of a domestic insurance company in PRC must meet the prescribed thresholds as required by CBIRC.

Unit: RMB in millions

	As at 31 December 2019	As at 31 December 2018	Reason(s) for Change
Core capital	**261,164**	221,299	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**261,164**	225,299	Reasons of core capital and the redemption of subordinated term debt
Minimum capital	**92,077**	82,072	Growth and structural change of insurance and investment business
Core solvency margin ratio[1]	**283.64%**	269.64%	
Comprehensive solvency margin ratio[1]	**283.64%**	274.51%	

Note:

1. Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

ii. Liquidity

1) Gearing Ratio

	As at 31 December 2019	As at 31 December 2018
Gearing ratio	**90.4%**	91.1%

Note: Gearing ratio = Total liabilities/Total assets.

2) *Liquidity*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Net cash flows from operating activities	**42,102**	13,768	205.8%
Net cash flows from investing activities	**(85,636)**	(3,246)	2,538.2%
Net cash flows from financing activities	**46,263**	(10,443)	N/A

The net inflow from operating activities increased by 205.8% year on year, mainly due to the increase of premiums of insurance contracts.

The net outflow from investing activities increased by 2,538.2% year on year, mainly due to the increase of cash paid for investment.

The net cashflow from financing activities has turned from net outflow to net inflow, mainly due to the increase of cash received from financial assets sold under agreements to repurchase.

3) *Source and use of liquidity*

The principal cash inflows of the Company are comprised of insurance premiums, income from investment contracts, proceeds from sales and maturity of investment assets and investment income. The liquidity risks with respect to these cash inflows primarily arise from surrenders of contract holders and policyholders, defaults by debtors, as well as the fluctuation of interest rate and other market fluctuations. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provided liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB11,765 million. The term deposits of the Company amounted to RMB64,040 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. Moreover, the investment portfolio of the Company also provided liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB550,539 million, and the book value of equity financial assets amounted to RMB156,957 million.

The principal cash outflows of the Company are comprised of the liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, the distribution of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from the insurance activities primarily relate to benefits payments of insurance products, as well as payments for policy surrenders, policy loans.

The Company believes that its sources of liquidity are sufficient to meet its current cash requirements.

iii. Reinsurance

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd. Beijing Branch and China Life Reinsurance Company Ltd., etc.

Unit: RMB in millions

Premiums ceded out	2019	2018
Swiss Reinsurance Company Ltd. Beijing Branch	**1,392**	1,093
China Life Reinsurance Company Ltd.	**643**	571
Others[(1)]	**392**	268
Total	**2,427**	1,932

Note:

1. Others primarily included General Reinsurance AG Shanghai Branch, SCOR SE Beijing Branch, Hannover Rückversicherung AG Shanghai Branch, and Munich Reinsurance Company Beijing Branch and etc.

IV. FUTURE PROSPECT

The outbreak of COVID-19 at the beginning of 2020 brings huge impacts on people's life, production and economic development. But China's economy keeps positive trend in the long term and the life insurance industry maintains its determination to achieve high-quality development. The COVID-19 both increases the public's demands for insurance protection and accelerates the transformation and upgrading of the life insurance industry. The Company proactively changes the business model and explores the combination of online and offline operation to meet the customers' needs for risk prevention to the greatest extent.

In 2020, the Company will, in accordance with the established strategy, resolutely implement the Central Committee's general requirements of "keeping the original intention, bearing the mission, identifying deficiency and sticking to implementation", strengthen the supply-side structural reform, continue to return to the essence of insurance to accelerate high-quality development. The main measures are as follows:

First, the Company will strengthen the Party building and Party leadership. Through the in-depth study and implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will fully implement the general requirements for Party building in the new era and Party's organizational line, strengthen the Party's centralized and unified leadership, and ensure that the Party's principles and policies are carried out throughout the Company's future development.

Second, the Company will keep market benchmarking to strengthen life insurance business. The Company will enhance the awareness of market benchmarking. The Company will refine management from all perspectives, including the building of professional sales team, team development, customer management, policy guarantees, operating support, IT application and industrial synergy to boost the growth of volume and value, and constantly enhance its comprehensive strength.

Third, the Company will enrich the product offerings to meet customers' demands. Centering on customers' demands, the Company constantly enriches product offerings covering the customers' whole life of "birth, aging, illness, death and disability". Focusing on meeting customers' needs for old-age care, health care and long-term saving, NCI intends to meet the diversified and differentiated needs of different customers in different regions and through extensive channels.

Fourth, the Company will strengthen industrial synergy to build a service ecosystem. Combining wealth management, health care and old-age care, the Company extends the coverage of insurance products, builds the concept of "products + services" to offer comprehensive solutions for customers. The Company will also widen investment channels and improve investment management to make assets boost liabilities growth.

Fifth, the Company will speed up the application of science and technology and put in place technology empowerment. The Company lifts the position of technology empowerment to the Company's strategy, continues to promote the transformation from "offline services" to "online and offline integration services", from "insurance-policy management" to "customer management". NCI will improve product innovation, management and marketing via big data, cloud computing, AI and other technologies.

Sixth, the Company will adhere to compliant operation and keep the bottom line of risk control. The Company continuously pays attention to the risks in key areas, strengthens the awareness of proactive prevention and control, makes internal control measures penetrate into all aspects of business operation. NCI will accelerate the building of smart risk control system to keep the risk alert highly sensitive.

SECTION 7
EMBEDDED VALUE

WILLIS TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCI") has prepared embedded value results for the year ended 31 December 2019 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by NCI to review its EV Results as of 31 December 2019. This report is addressed solely to NCI in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

SCOPE OF WORK

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2019, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;
- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's new business as at 31 December 2019; and
- A review of the results of NCI's calculation of the EV Results, comprising:
  - the embedded value and the value of one year's new business as at 31 December 2019;
  - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2019; and
  - the analysis of change of the embedded value from 31 December 2018 to 31 December 2019.

In carrying out our review, we have relied on the accuracy of audited and unaudited data and information provided by NCI.

OPINION

Based on the scope of work above, we have concluded that:

- The embedded value methodology used by NCI is consistent with the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the CAA. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;

- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the Company's current and expected future asset mix and investment strategy;

- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;

- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI's 2019 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

Lingde Hong, FSA, CCA

25 March 2020

SECTION 7
EMBEDDED VALUE

1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2019 and have disclosed the relevant information in this section.

Embedded Value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a series of assumptions about future experience. But it does not incorporate the contribution of economic value from future new business. Value of New Business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued during a certain period of time. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

The reporting of embedded value and value of new business provides useful information to investors in two respects. First, Value of In-Force business (VIF) represents the total amount of after-tax shareholder distributable profits in present value terms, which can be expected to emerge over time, based on the assumptions used. Second, Value of New Business provides a metric to measure the value created for investors from new business activities and hence the potential growth of the company. However, the information on embedded value and value of new business should not be viewed as a substitute of financial measures under other relevant financial bases. Investors should not make investment decisions based solely on embedded value and value of new business information.

As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when the results of different companies are compared. Also, embedded value calculations involve substantial technical complexity and estimates of value can vary materially as key assumptions are changed.

In November 2016, China Association of Actuaries (CAA) issued CAA [2016] No. 36 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" (hereafter referred to as "Appraisal of Embedded Value" standard). The embedded value and value of new business in this section are prepared by us in accordance with the "Appraisal of Embedded Value" standard. Willis Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Willis Towers Watson is contained in the "Willis Towers Watson's Review Opinion Report on Embedded Value" section.

2. DEFINITIONS OF EMBEDDED VALUE

Embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital held by the company.

"Adjusted Net Worth" (ANW) is equal to the sum of:

- Net assets, defined as assets less policy liabilities valued under the "Appraisal of Embedded Value" standard; and
- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments for differences between China Accounting Value Standards reserves and reserves under the "Appraisal of Embedded Value" standard.

The market value of assets can fluctuate significantly over time due to the impact of the prevailing market environment. Hence, the adjusted net worth can fluctuate significantly between valuation dates.

The "value of in-force business" is the discounted value of the projected stream of future after-tax shareholder distributable profits for existing in-force business at the valuation date. The "value of one year's new business" is the discounted value of the projected stream of future after-tax shareholder distributable profits for sales in the 12 months immediately preceding the valuation date. Shareholder distributable profits are determined based on policy liabilities, required capital in excess of policy liabilities, and minimum capital requirement quantification standards prescribed by the CBIRC.

The value of in-force business and the value of one year's new business have been determined using a traditional deterministic discounted cash flow methodology. This methodology is consistent with the "Appraisal of Embedded Value" standard and is also commonly-used in determining EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the deviation of the actual experience from the projected and the economic cost of capital, through the use of a risk-adjusted discount rate.

3. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year's new business as at 31 December 2019, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of one year's new business is 11.5% p.a.

(2) Investment Returns

The table below shows investment return assumptions for the main funds to calculate VIF and the Value of One Year's New Business.

	2020	2021	2022	2023+
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

In addition, the Company has set up a specific participating fund to solely manage new product "NCI Wendeying Endowment Insurance (Participating)" in October 2019. As for the specific participating fund and the new non-participating fund which was previously set up, the expected investment returns are different from those of the above funds, and 6.00% p.a. flat rate of return is adopted.

(3) Mortality

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2010 to 2013)".

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience, and taking into consideration future morbidity deterioration trend. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2006 to 2010)".

(5) Discontinuance Rates

Assumptions have been developed based on the Company's past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

(6) Expenses

Unit cost assumptions have been developed based on the Company's past actual expense experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) Commission and Handling fees

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

(8) Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CBIRC is to be held by the Company in the calculation of the value of in-force business and the value of one year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

(11) Other Assumptions

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

4. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2019 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	31 December 2019	31 December 2018
Adjusted Net Worth	**122,924**	98,892
Value of In-Force Business Before Cost of Required Capital Held	**102,908**	93,183
Cost of Required Capital Held	**(20,789)**	(18,924)
Value of In-Force Business After Cost of Required Capital Held	**82,119**	74,259
Embedded Value	**205,043**	173,151

Notes:

1. Numbers may not be additive due to rounding.

2. The impact of major reinsurance contracts has been reflected in the embedded value

Unit: RMB in millions

Valuation Date	31 December 2019	31 December 2018
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Required Capital Held	**11,921**	14,216
Cost of Required Capital Held	**(2,142)**	(2,006)
Value of One Year's New Business After Cost of Required Capital Held	**9,779**	12,210

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2019 and 31 December 2018 were RMB32,300 million and RMB25,467 million respectively.

3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

Unit: RMB in millions

Valuation Date	31 December 2019	31 December 2018
Value of One Year's New Business by Channel		
Individual insurance channel	**9,692**	11,725
Bancassurance channel	**291**	579
Group insurance channel	**(204)**	(94)
Total	**9,779**	12,210

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2019 and 31 December 2018 were RMB32,300 million and RMB25,467 million respectively.

3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2018 to 31 December 2019, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2018 to 31 December 2019 at a Risk Discount Rate of 11.5%		
1.	**EV at the beginning of period**	173,151
2.	Impact of Value of New Business	9,779
3.	Expected Return	15,996
4.	Operating Experience Variances	1,531
5.	Economic Experience Variances	8,266
6.	Operating Assumption Changes	(3,227)
7.	Economic Assumption Changes	(1,212)
8.	Capital Injection/Shareholder Dividend Payment	(2,402)
9.	Others	2,038
10.	Value Change Other Than Life Insurance Business	1,122
11.	**EV at the end of period**	205,043

Note: Numbers may not be additive due to rounding.

Items 2 to 10 are explained below:

2. Value of new business as measured at the point of issuing.

3. Expected return on adjusted net worth and value of in-force business during the relevant period.

4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates, expenses, taxes and etc.) and the assumed at the beginning of the period.

5. Reflects the difference between actual and expected investment returns and market value adjustment in the period.

6. Reflects the change in operating assumptions between valuation dates.

7. Reflects the change in economic assumptions between valuation dates.

8. Capital injection and other dividend payment to shareholders.

9. Other miscellaneous items, including one-off impact to tax on application of "Announcement on Policies Regarding the Pre-tax Deduction of Underwriting and Policy Acquisition Costs Incurred by Insurance Enterprises" released in May 2019.

10. Value change other than those arising from the life insurance business.

6. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarized below.

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2019	VIF after Cost of Required Capital Held	the Value of One year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	82,119	9,779
Risk Discount Rate at 12.0%	78,374	9,328
Risk Discount Rate at 11.0%	86,108	10,259
Investment Return 50bps higher	97,654	11,138
Investment Return 50bps lower	66,520	8,414
Expenses 10% higher (110% of Base)	80,587	8,657
Expenses 10% lower (90% of Base)	83,651	10,901
Discontinuance Rates 10% higher (110% of Base)	81,056	9,253
Discontinuance Rates 10% lower (90% of Base)	83,182	10,315
Mortality 10% higher (110% of Base)	81,333	9,686
Mortality 10% lower (90% of Base)	82,907	9,872
Morbidity and Loss Ratio 10% higher (110% of Base)	78,733	8,890
Morbidity and Loss Ratio 10% lower (90% of Base)	85,508	10,663
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	77,261	9,741

SIGNIFICANT EVENTS

I. SIGNIFICANT LITIGATION, ARBITRATION EVENTS

For details of litigation matters regarding the recovery of capital relating to the misconduct of Mr. GUAN Guoliang, former chairman, during the reporting period, please refer to "XI. Other significant events – (II) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang" in this section.

The above litigations had no material adverse effect on the Company's financial condition and continuous profitability.

II. MAJOR EQUITY INVESTMENT

During the reporting period, the Company had no major equity investment event.

III. MAJOR NON-EQUITY INVESTMENT

During the reporting period, the Company had no major non-equity investment event.

IV. MAJOR ASSET AND EQUITY SALES

During the reporting period, the Company had no major asset and equity sales.

V. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

During the reporting period, the Company and its controlling shareholder were not subject to large amount enforceable judgements of the court or outstanding due and payable debts.

VI. MAJOR CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

To regulate the Company's transaction with Hwabao WP Fund Management Co., Ltd. (Hwabao Fund), the Company entered into the Framework Agreement with Hwabao Fund on 30 September 2018 in relation to the subscription and redemption of fund products publicly offered by Hwabao Fund. The transaction cap amounts to RMB2,000 million. The term took effect from 30 September 2018 to 29 September 2019.

Hwabao Fund is an indirect subsidiary of China Baowu, a substantial shareholder of the Company, and therefore constitutes a connected person of the Company under Hong Kong Listing Rules.

As the highest applicable percentage ratios for the continuing connected transactions exceed 0.1% and below 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under the Chapter 14A of Hong Kong Listing Rules.

In consideration of the investment plan of the Company, the board of directors approved the proposed annual cap of RMB2,000 million, of which the proposed annual cap for the period from 30 September 2018 to 31 December 2018 shall be RMB1,000 million, and the proposed annual cap for the period from 1 January 2019 to 29 September 2019 is RMB1,000 million. The proposed annual cap for the period from 30 September 2018 to 31 December 2018 does not include the actual transaction value for the period from 1 January 2018 to 18 April 2018 (i.e. RMB797 million). The relevant transaction value has been included in the past continuing connected transactions which have been recognized, confirmed and approved by the board of directors.

During the period from 1 January 2019 to 29 September 2019, the annual cap and actual transaction value of the continuing connected transactions between the Company and Hwabao Fund are set out as follows:

Unit: RMB in millions

	Transaction type	Cap from 1 January 2019 to 29 September 2019	Transaction Value from 1 January 2019 to 29 September 2019
Hwabao Fund	All transactions (received and paid)	1,000	578

The independent non-executive directors of the Company have reviewed the agreement and the transactions under the agreement, and confirmed the transactions in respect of the non-exempt continuing connected transactions listed above:

- To be entered in the ordinary and usual course of business of the Company;
- To be enforced on normal commercial terms; and
- To be carried out according to the relevant transaction agreement, and the terms of the connected transaction be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have reviewed the non-exempt continuing connected transactions listed above and provided a letter to the board of directors confirming that there isn't anything which has come to their attention that causes them to believe that the continuing connected transactions:

- have not been approved by the board of directors of the Company;
- were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company;
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- the annual actual transaction value has exceeded the cap disclosed by the Company's announcement before.

The board of directors of the Company shall be responsible for managing connected transactions, such as the review of the connected transaction management system, the examination and approval of major connected transactions and the review of the annual report of connected transactions. Appointed by the board of directors of the Company, the Audit and Related Party Transaction Control Committee is in charge of the management of connected transactions, which is responsible for regularly reviewing annual report of connected transactions. The independent non-executive directors shall examine the fairness of major connected transactions and the implementation of internal review procedures to prevent risks related to connected transactions and safeguard the interests of the Company and its shareholders. The Company regularly compiles reports on the total amount of connected transactions to ensure that the annual cap is not exceeded.

VII. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCE

(I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit.

(II) During the reporting period, there was no external guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any guarantee for its subsidiaries.

(III) The utilization of insurance funds of the Company is carried out mainly through entrusted management and the diversified entrusted investment management system in which the internal investment managers are main players and external investment managers are supplemental has taken shape. The internal investment managers include Asset Management Company and Asset Management Company (Hong Kong) and external investment managers constitute fund companies, asset management section of securities firms and other professional investment management institutions. The Company selects different investment management institutions according to the requirements of asset allocation, risk-return characteristics of different types of assets and the merits of each institution, so as to build diversified investment portfolios and improve the efficiency of insurance funds utilization. The Company enters into the entrusted investment management agreement with each manager, manages the investment of managers through measures including investment guidance, asset custody, dynamic tracking and communication, assessment and evaluation, and takes targeted risk control measures according to the characteristics of different managers and investment targets.

In 2019, the Company made provisions for asset depreciation for such entrusted assets and recognized asset impairment losses of RMB2,032 million.

(IV) During the reporting period, the Company had no entrusted loans

(V) Unless otherwise disclosed in this report, during the reporting period, the Company had no other significant contracts.

VIII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHARES DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the Announcement on the Conditions of None Fulfilled Commitments of the Company's Shareholders, Related Parties and the Company published on 13 February 2014 by the Company.

During the reporting period, the commitment relating to avoidance of horizontal competition was still being fulfilled continuously and normally.

IX. APPOINTMENT OF ACCOUNTING FIRMS

The Annual General Meeting of 2018 of the Company held on 27 June 2019 considered and approved the Proposal regarding the Appointment of Auditors for the Year 2019, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the international auditor of the Company for the year 2019, respectively. For details, please refer to the Announcement on the Voting Results of the Annual General Meeting of 2018 published by the Company on 27 June 2019. The Company has changed its auditors in 2014, please refer to the Announcement of Proposed Appointment of Auditors published by the Company on 22 January 2014. Ernst & Young Hua Ming LLP and Ernst & Young have been offering auditing services for the Company for the consecutive six years.

During the reporting period, the expense paid to auditors is as follows:

Unit: RMB10,000

	Service fee
Auditing service fees for financial statements - auditing, reviewing and executing agreed-upon procedures	1,647.50
Internal control and auditing services	160.00
Other attestation services	20.00
Total	1,827.50

X. PENALTY AND RECTIFICATION OF THE COMPANY AND THE COMPANY'S DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDER

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or controlling shareholder was subject to any investigations by the authorities, or any coercive measures by judicial authorities or disciplinary inspection departments, or sent to judicial authorities for criminal prosecution, or received investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges, or major administrative penalty by the tax department or other administrative departments.

During the reporting period, the Company was not subject to any administrative supervision and rectification requirement within limited time by the CSRC and its dispatched institutions.

Neither the current nor resigned directors, supervisors and members of senior management of the Company during the reporting period was subject to the punishment by security regulatory authority in the previous three years.

XI. OTHER SIGNIFICANT EVENTS

(I) Issuance of domestic and abroad debt financing instruments

To ensure the Company's sufficient solvency and to broaden the financing channels, the ninth meeting of the sixth session of the board of directors held on 24 February 2017 and the First Extraordinary General Meeting of 2017 held on 28 April 2017 agreed that the Company issued domestic debt financing instruments in the amount not exceeding RMB15,000 million or abroad debt financing instruments in the amount not exceeding USD2,000 million or equivalent amount of foreign currency according to the regulatory requirements. The general meeting agreed to authorize the Board and the Board authorized the senior management of the Company to handle all affairs related to issuance of domestic debt financing instruments considering market situation after the approval of regulatory authority. The authorization commenced from the approval date of the First Extraordinary General Meeting of 2017 and ended on the date of the closure of the Annual General Meeting of 2019. For details, please refer to the Announcement on the Resolutions of the Ninth Meeting of the Sixth Session of the Board of Directors published on 24 February 2017 and the Announcement on the Voting Results of the First Extraordinary General Meeting of 2017 published on 28 April 2017 of the Company. The Proposal on the Issuance of Domestic Capital Supplementary Bonds of the Company was considered and approved at the fifth meeting of the seventh session of the Board held on 19 December 2019. On 15 January 2020, the Company received the Approval by CBIRC of the Issuance of Capital Supplementary Bonds by New China Life Insurance Company Ltd., which approved the Company to issue 10-year redeemable capital supplementary bonds in the national interbank bond market with the amount not exceeding RMB10,000 million, and requested the Company to complete the issuance within 6 months from the date of the approval by the regulatory authorities.

As of the end of the reporting period, the Company did not issue debt financing instruments domestically or abroad.

(II) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang

To settle the capital flows and clear the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. After the ruling of Chongqing Municipal Higher People's Court and the Supreme People's Court, Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests of its debts to the Company. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution against Beijing Tianhuan Real Estate Development Co., Ltd. The Company received RMB60.9985 million as a result of the execution by the end of 2019. The enforceable property of this case has been executed, no new property clues have been found, and the court has closed this execution.

XII. FULFILLING THE SOCIAL RESPONSIBILITY OF POVERTY ALLEVIATION

(I) Targeted Poverty Alleviation Program

The Company actively implemented the vision of the 19th CPC National Congress, responded to the call of poverty alleviation by CPC Central Committee and integrated itself into the national strategy of targeted poverty alleviation. Focusing on helping the practically poor population, the Company leveraged the advantages of insurance industry through setting up cards and files in poor areas, conducted field trips to understand the local needs, and carried out targeted poverty alleviation projects, such as poverty alleviation through insurance, industry development and education, so as to comprehensively help the fight against poverty.

(II) Annual Targeted Poverty Alleviation Overview

In 2019, the Company continued to launch "The Road to Prosperity in All Respects • New China Life Accompanying You" targeted poverty alleviation public welfare activity through New China Life Foundation, and launched assistance programs focusing on former revolutionary base areas, areas inhabited by minorities, remote and border areas and poor areas, especially in the impoverished areas like the "three regions and three prefectures". The Company focused on the poverty alleviation projects closely combined with insurance protection, giving full play to the advantages of the insurance industry, and comprehensively helping the fight against poverty.

(III) Targeted Poverty Alleviation Results

In 2019, the Company carried out targeted poverty alleviation projects in 7 provinces or autonomous regions including Guizhou, Jiangxi, Yunnan, Hubei, Ningxia, Guangxi, Inner Mongolia in succession, including various poverty alleviation projects, such as poverty alleviation through insurance, industry development and education, benefiting more than 20,000 poor households with registered cards and files with total donated sum assured over RMB1,800 million. The Company helped Huangyang Town, Chayouzhong banner, Wulanchabu City, Inner Mongolia Autonomous Region and donated RMB1.2 million to assist local industrial projects, and made insurance donations to 8,512 people, with the total sum assured of RMB430 million and premiums of RMB391,600.

(IV) Follow-up Targeted Poverty Alleviation Program

In 2020, the Company will continue to actively implement the vision of the 19th CPC National Congress, respond to the call of poverty alleviation by CPC Central Committee to deepen various targeted poverty alleviation. The Company will expand the coverage and the benefited group of poverty alleviation program, and launch assistance programs focusing on former revolutionary base areas, areas inhabited by minorities, remote and border areas and poor areas, especially in the impoverished areas like the "three regions and three prefectures". By giving full play to the advantages of the insurance industry, the Company will push poverty alleviation to a new level and contribute to the national targeted poverty alleviation.

Please refer to Corporate Social Responsibility Report 2019 published on Hong Kong Stock Exchange website (www.hkexnews.hk) for the details of fulfilling social responsibility of poverty alleviation of the Company.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. CHANGES IN SHARE CAPITAL

The share capital of the Company as of 31 December 2019 remained unchanged.

Unit: share

	31 December 2018		Increase or decrease during the reporting year (+, -)					31 December 2019	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	–	–	–	–	–	–	–	–	–
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	2,085,439,340	66.85%	–	–	–	–	–	2,085,439,340	66.85%
(2) Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	–	–	–	–	–	1,034,107,260	33.15%
(4) Others	–	–	–	–	–	–	–	–	–
Total	3,119,546,600	100.00%	–	–	–	–	–	3,119,546,600	100.00%
3. Total number of shares	3,119,546,600	100.00%	–	–	–	–	–	3,119,546,600	100.00%

II. ISSUE OF SECURITIES

During the reporting period, the Company has no issue of securities.

As of the end of the reporting period, there is no share issued by the Company to its employees.

III. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there were 84,809 shareholders of the Company, including 84,527 A shareholders and 282 H shareholders.

As of the end of February 2020, there were 87,871 shareholders of the Company, including 87,589 A share shareholders and 282 H share shareholders.

As of the end of the reporting period, shares held by top ten shareholders:

Unit: share

Name of the shareholders	Character of the shareholders	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
HKSCC Nominees Limited(2)	Overseas legal person shares	33.14	1,033,821,236	-8,400	–	–	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	–	–	–	A
China Baowu Steel Group Corporation Limited	State-owned legal person shares	12.09	377,162,581	–	–	–	A
China Securities Finance Corporation Limited	State-owned legal person shares	2.99	93,339,045	–	–	–	A
HKSCC(3)	Overseas legal person shares	0.99	30,745,806	+14,776,278	–	–	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	–	–	–	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.58	18,200,000	–	–	–	A
Dacheng Fund-ABC-Dacheng China Securities Financial Asset Management Plan	Others	0.28	8,713,289	–	–	–	A
National Social Security Fund 403 Combination	State-owned legal person shares	0.26	8,065,520	+2,303,471	–	–	A
Huaxia Fund-ABC-Huaxia China Securities Financial Asset Management Plan	Others	0.25	7,863,699	–	–	–	A
Description of related relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly–owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.						

Notes:

1. As of the end of the reporting period, none of the Company's A shares and H shares was subject to selling restrictions.

2. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.

3. Hong Kong Securities Clearing Company (HKSCC) is a nominal holder of stock in the Shanghai-Hongkong Stock Connect.

(II) Controlling shareholder and the actual controller

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing on 16 December 2003 under the Company Law with the approval of the State Council. The registered capital of Huijin is RMB828,209 million. The legal representative of Huijin is Mr. PENG Chun. Huijin, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, nor does it intervene in the daily operations of the major state-owned financial enterprises which it controls.

As of the end of the reporting period, the information of the listed companies that Huijin controlled or participated in equity investment is listed below:

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited★☆	34.71%
2	Agricultural Bank of China Limited★☆	40.03%
3	Bank of China Limited★☆	64.02%
4	China Construction Bank Corporation★☆	57.11%
5	China Everbright Bank Company Limited★☆	19.53%
6	Shenwan Hongyuan Group Co., Ltd.★☆	20.05%
7	China Reinsurance (Group) Corporation☆	71.56%
8	New China Life Insurance Company Limited★☆	31.34%
9	China International Capital Corporation Limited☆	44.32%
10	China Securities Co., Ltd.★☆	31.21%

Note: ★: a company listed on SSE; ☆: a company listed on HKSE.

The Company does not have such entity who is not the shareholder of the Company but can actually control the Company through investment relations, agreements or other arrangements. Therefore, the Company does not have any actual controller.

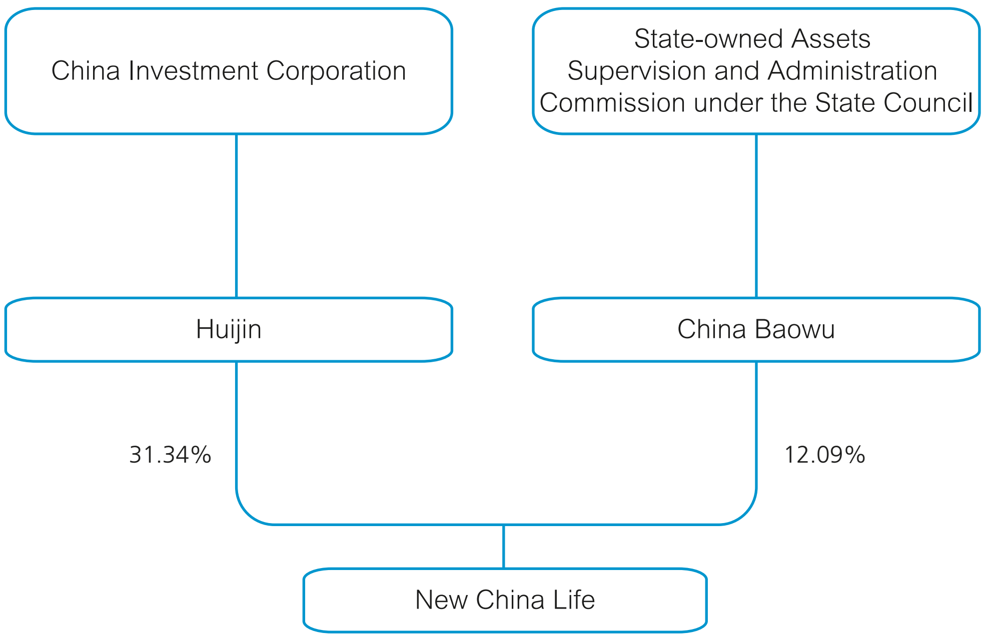
(III) Other corporate shareholders holding 10% or more of the shares in the Company

China Baowu

China Baowu was jointly reorganized by the former Baosteel Group Corporation and Wuhan Iron and Steel (Group) Corporation. China Baowu, established on 1 December 2016 in accordance with law, is a wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission of the State Council performs the duties of investor on behalf of the State Council. The registered capital of China Baowu is RMB52,790 million. The legal representative of China Baowu is Mr. CHEN Derong. The business scope of China Baowu includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment, operation businesses. (Business operation that involves administrative permit is run with the permit.)

Saved as the disclosed above, as at 31 December 2019, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% (inclusive) or more of shares in the Company as at 31 December 2019:



(IV) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are reasonably aware of, as at 31 December 2019, China Baowu held 377,162,581 A shares of the Company, representing 12.09% of the total issued shares of the Company and 18.09% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as at 31 December 2019, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Unit: share

	Name	Types of shares	Capacity	Number of shares	Percentage of the total shares issued %	Percentage of the A shares Issued %	Percentage of the H shares Issued %	Long Position/Short Position/Interest in a lending pool
1	Central Huijin Investment Ltd.	A Share	Beneficial owner	977,530,534	31.34	46.87	–	Long Position
			Interests of Controlled Corporation	28,249,200	0.91	1.35	–	Long Position
2	Swiss Re Ltd	H Share	Interests of Controlled Corporation	77,857,800 (3)	2.50	–	7.53	Long Position
3	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	155,120,200 (4)	4.97	–	15.00	Long Position
4	Fosun International Limited	H Share	Interests of Controlled Corporation	124,018,300	3.98	–	11.99	Long Position
			Beneficial owner	31,101,900 (4)	1.00	–	3.01	Long Position
5	Guo Guangchang	H Share	Interests of Controlled Corporation	155,120,200 (4)	4.97	–	15.00	Long Position
6	BlackRock, Inc	H Share	Interests of Controlled Corporation	54,835,778 (5)	1.76	–	5.30	Long Position

Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled. Therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.

3. Swiss Re Ltd holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.

4. Mr. GUO Guangchang holds equity interests in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited and other companies controlled or indirectly controlled by it.

5. BlackRock, Inc holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.

SECTION 10
DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

As of the date of this report, details of the current and former directors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LIU Haoling	Chairman Non-Executive Director	In Office	Male	July 1971	Since September 2019	–	–	Yes
LI Quan	Executive Director	In Office	Male	August 1963	Since November 2019	50.90	8.02	No
LI Zongjian	Executive Director	In Office	Male	July 1960	Since January 2017	164.91	71.45	No
XIONG Lianhua	Non-Executive Director	In Office	Female	August 1967	Since July 2017	–	–	Yes
YANG Yi	Non-Executive Director	In Office	Male	February 1973	Since July 2018	–	–	Yes
GUO Ruixiang	Non-Executive Director	In Office	Male	August 1975	Since July 2019	–	–	Yes
HU Aimin	Non-Executive Director	In Office	Male	December 1973	Since June 2016	–	–	Yes
LI Qiqiang	Non-Executive Director	In Office	Male	November 1971	Since August 2019	–	–	Yes
PENG Yulong	Non-Executive Director	In Office	Male	October 1978	Since July 2017	–	–	Yes
Edouard SCHMID	Non-Executive Director	In Office	Male	June 1964	Since November 2019	–	–	Yes
LI Xianglu	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	26.72	5.28	No
ZHENG Wei	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	26.72	5.28	No
CHENG Lie	Independent Non-Executive Director	In Office	Male	September 1955	Since August 2016	22.68	4.32	No
GENG Jianxin	Independent Non-Executive Director	In Office	Male	March 1954	Since September 2017	24.30	4.70	No
MA Yiu Tim	Independent Non-Executive Director	In Office	Male	October 1954	Since December 2019	1.77	0.34	No

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
WAN Feng	Chairman	Resigned	Male	April 1958	Since March 2016 until January 2019	48.25	–	No
	Executive Director				Since November 2014 until January 2019			
LIU Xiangdong	Non-Executive Director	Resigned	Male	June 1969	Since October 2010 until July 2019	–	–	Yes
WU Kunzong	Non-Executive Director	Resigned	Male	February 1971	Since July 2014 until July 2019	–	–	Yes
DACEY John Robert	Non-Executive Director	Resigned	Male	May 1960	Since August 2014 until July 2019	–	–	Yes
NEOH Anthony Francis	Independent Non-Executive Director	Resigned	Male	November 1946	Since September 2016 until July 2019	13.60	2.59	No

Notes:

1. The Annual General Meeting of 2018 held on 27 June 2019 of the Company elected Mr. LIU Haoling, Mr. LI Zongjian, Ms. XIONG Lianhua, Mr. YANG Yi, Mr. GUO Ruixiang, Mr. HU Aimin, Mr. LI Qiqiang, Mr. PENG Yulong, Mr. Edouard SCHMID, Mr. LI Xianglu, Mr. ZHENG Wei, Mr. CHENG Lie, Mr. GENG Jianxin, Mr. MA Yiu Tim as the directors of the seventh session of the Board of the Company. The qualification of Mr. GUO Ruixiang as a director of the Company was ratified on 31 July 2019. Ten directors of the seventh session of the Board were equipped with qualifications, which met the quorum of the composition of the Board as required by Company Law and the Articles of Association, the seventh session of the Board therefore has been duly constituted according to the laws. Mr. LIU Xiangdong, Mr. WU Kunzong, Mr. DACEY John Robert and Mr. NEOH Anthony Francis whose terms of office as directors of the sixth session of the Board have expired, retired as directors of the Company.

2. Mr. LIU Haoling was elected as the chairman of the seventh session of the Board of the Company at the first meeting of the seventh session of the Board held on 6 August 2019. Mr. LIU Haoling's qualification as the chairman was ratified by the CBIRC on 11 September 2019.

3. Mr. LI Quan was elected as a director of the seventh session of the Board of the Company at the First Extraordinary General Meeting of 2019 held on October 18, 2019. Mr. LI Quan's qualification was ratified by the CBIRC Beijing Bureau on 11 November 2019.

4. The remuneration of the directors of the Company was calculated for their relevant term of office during the reporting period.

5. The transition period for Mr. WAN Feng started from 16 January 2019 to the end of February 2019. The remuneration of Mr. WAN was calculated for the period from January to February 2019.

(II) Supervisors

As of the date of this report, details of the current and former supervisors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
WANG Chengran	Shareholder Representative Supervisor and Chairman of the Board of Supervisors	In Office	Male	November 1959	Since July 2014	198.26	104.59	No
YU Jiannan	Shareholder Representative Supervisor	In Office	Male	March 1973	Since February 2018	–	–	Yes
LIU Chongsong	Employee Representative Supervisor	In Office	Male	October 1965	Since August 2019	133.74	89.27	No
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	143.22	55.06	No
GAO Lizhi	Shareholder Representative Supervisor	Proposed supervisor	Female	September 1977	Her qualification is subject to the ratification of regulatory authorities.	–	–	Yes
BI Tao	Employee Representative Supervisor	Resigned	Male	January 1975	Since March 2016 until August 2019	70.77	18.48	No

Notes:

1. The Annual General Meeting of 2018 held on 27 June 2019 of the Company elected Mr. WANG Chengran, Mr. YU Jiannan as the shareholder representative supervisors of the seventh session of the board of supervisors of the Company. According to the provisions of Company Law and the Articles of Association, Mr. LIU Chongsong and Mr. WANG Zhongzhu were elected as the employee representative supervisors of the seventh session of the board of supervisors of the Company through democratic ways such as voting. The qualification of Mr. LIU Chongsong as a supervisor of the Company was ratified on 16 August 2019. Four supervisors of the seventh session of the board of supervisors of the Company were equipped with qualifications, which met the quorum of the composition of the board of supervisors as required by the Company Law and the Articles of Association, the seventh session of the board of supervisors of the Company therefore has been duly constituted according to the laws. Mr. BI Tao, whose term of office as a supervisor of the sixth session of the board of supervisors has expired, retired as a supervisor of the Company.

2. Ms. GAO Lizhi was elected as a shareholder representative supervisor of the seventh session of the board of supervisors of the Company at the First Extraordinary General Meeting of 2019 held on 18 October 2019. Ms. GAO Lizhi's qualification is subject to the ratification of regulatory authorities.

3. The remuneration of the supervisors of the Company was calculated for their relevant term of office during the reporting period.

(III) Members of senior management

As of the date of this report, details of the current and former senior management of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LI Quan	Chief Executive Officer President	In Office	Male	August 1963	Since August 2019	50.90	8.02	No
LI Zongjian	Vice President	In Office	Male	July 1960	Since January 2017	164.91	71.45	No
YANG Zheng	Vice President Chief Financial Officer (Financial Principal)	In Office	Male	May 1970	Since December 2016 Since February 2017	193.79	93.92	No
LI Yuan	Vice President	In Office	Male	August 1962	Since November 2016	164.96	71.49	No
GONG Xingfeng	Vice President Chief Actuary Board Secretary	In Office	Male	October 1970	Since November 2016 Since September 2010 Since March 2017	164.94	71.51	No
YU Zhigang	Vice President	In Office	Male	December 1964	Since November 2016	164.92	71.46	No
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	160.92	68.28	No
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since August 2011	139.24	49.77	No
WANG Lianwen	Assistant to President	In Office	Male	April 1968	Since February 2017	132.99	47.30	No
WAN Feng	Chief Executive Officer Chief Risk Officer	Resigned	Male	April 1958	Since March 2016 until January 2019 Since July 2017 until January 2019	48.25	–	No

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LIU Yigong	Vice President	Resigned	Male	September 1959	Since March 2005 until December 2019	193.86	93.94	No
LIU Qiyan	Assistant to President	Resigned	Male	May 1963	Since May 2017 until April 2019	33.54	8.24	No
	Chief Human Resource Officer				Since March 2017 until April 2019			

Notes:

1. Mr. LIU Yigong no longer served as the vice president, chairman of New China Pension and all other management positions of the Company since December 2019 due to mandatory age for retirement.

2. Mr. LIU Qiyan tendered his resignation letter to the Company on 1 April 2019. He resigned as the assistant to president, chief human resource officer and all other management positions of the Company.

3. The date that senior management team takes office is identical to the approval date by the CBIRC or to the appointment date by the Board.

4 The remuneration of members of the senior management was calculated for their relevant term of office during the reporting period.

5. The performance remuneration for the senior management in 2019 is not finalized yet. Relevant details will be separately disclosed later.

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Directors

As of the date of this report, biographies of directors of the Company are as follows:

Mr. LIU Haoling, Chinese

Mr. LIU Haoling has been the chairman of the Board of the Company since September 2019. He is now working as a member of the Executive Committee of China Investment Corporation and deputy general manager of Huijin. He has served as the deputy general manager and the head of the general management department/banking institutions department II of Huijin from June 2019 to December 2019, and as the supervisor of China International Capital Corporation Limited (a company listed on HKSE, stock code: 03908) from May 2015 to February 2020. Mr. Liu served as the head of the general management department/banking institutions department II from July 2016 to June 2019 and served as a managing director of Huijin from July 2014 to August 2019. He worked as deputy head of the general management department of Huijin from May 2011 to June 2016. From December 2012 to May 2017, he served as the supervisor of China Export & Credit Insurance Corporation. And from March 2008 to April 2011, he worked as the business head of the legal and compliance department and senior manager in China Investment Corporation. He also served as a director of the Company from December 2009 to September 2010. From April 2007 to February 2008, he was an associate of the compliance department of Goldman Sachs Gao Hua Securities Company Limited. From July 2003 to March 2007, he was the manager of the legal and compliance department and board secretary of China Euro Securities Limited. He served as a preparatory group member for the establishment of ABN AMRO Xiangcai Fund Management Co. Ltd. from January 2002 to June 2002. Mr. Liu obtained a bachelor's degree in English from Peking University in July 1995, a bachelor's degree in law from China University of Political Science and Law in July 1997, a master's degree in law from The University of Iowa, the United States, in May 1998 and a master's degree in finance from London Business School of University of London, the United Kingdom, in September 2003.

Mr. LI Quan, Chinese

Mr. LI Quan has been the executive director of the Company since November 2019, the chief executive officer and president of the Company since August 2019. And he is also the chairman of the board of directors of Asset Management Company and Asset Management Company (Hong Kong), and the chairman of the board of directors of New China Pension. Mr. LI Quan served as the temporary responsible person of the Company from June to August 2019. He served as president of Asset Management Company from March 2010 to September 2019 and the vice chairman of the board of directors of Asset Management Company from December 2016 to September 2019. Mr. Li is also the independent director of Masterwork Group Co., Ltd. (a company listed on SZSE, stock code: 300195) and he once served as an independent director of UEC Group Ltd. (a company listed on SZSE, stock code: 002642) from May 2017 to July 2019. Mr. Li successively served as inspector general, deputy general manager, executive deputy general manager and deputy secretary of the Party Committee of Bosera Asset Management Co., Ltd. from May 1998 to March 2010, and he also successively worked as general manager of the fund department as well as assistant to the general manager in Chia Tai International Finance Company Limited from January 1991 to April 1998. From July 1988 to December 1990, he served as the business manager of the banking department of China Rural Trust and Investment Corporation. Mr. Li obtained a master's degree in economics from Graduate School of People's Bank of China with a major in monetary banking in 1988.

Mr. LI Zongjian (Former name: LI Zhongjian), Chinese

Mr. LI Zongjian has been the executive director and the vice president of the Company since January 2017 and the chairman of New China Health since July 2019. Mr. Li once worked as the acting chairman of the Board, the legal representative of the Company from January to September 2019 and chief risk officer of the Company from January to August 2019. Mr. Li served as the non-executive director of the Company from March 2016 to January 2017. He also successively worked as the director of the general management department/banking institutions department II and managing director of the insurance institution management department of Huijin from January 2012 to June 2016. Mr. Li successively worked as a deputy general manager, a member of the Party Committee and the secretary of the discipline inspection commission of Taiping Pension Co., Ltd. from September 2007 to December 2011. Mr. Li also served as the secretary general and an executive director of Insurance Society of China and the chief editor of Insurance Studies journal from September 2004 to August 2007. From May 2000 to August 2004, he worked as the deputy director of general office, deputy general manager of investment management center and development and reform department of China Reinsurance (Group) Corporation. Mr. Li obtained a bachelor's degree in philosophy from Guizhou University in 1982, a master's degree in psychology from Shaanxi Normal University in 1987 and a PhD in law from the sociology department of the graduate school of Chinese Academy of Social Sciences in 1994.

Ms. XIONG Lianhua, Chinese

Ms. XIONG Lianhua has been the non-executive director of the Company since July 2017 and director of Asset Management Company. Ms. Xiong is currently employed by Huijin and she is also the director of China International Capital Corporation Limited (a company listed on HKSE, stock code: 03908). She once worked as the director of China Export & Credit Insurance Corporation from December 2012 to July 2019. She worked as a proposed director and a division director of the general management department of Huijin from January to December 2012. Ms. Xiong was a staff member, a division director and an inspector of deputy director level of The People's Bank of China from July 1995 to December 2011. She worked at Huangshi sub-branch of Bank of Communications in Hubei province from October 1990 to September 1993. Ms. Xiong obtained a bachelor's degree in international finance from Wuhan University in July 1990 and a master's degree in monetary banking from Renmin University of China in June 1995.

Mr. YANG Yi, Chinese

Mr. YANG Yi has been the non-executive director of the Company since July 2018. Mr. Yang is currently employed by Huijin. He served as project manager of insurance department and department manager of insurance department/comprehensive department in Sinochem Group Co., Ltd., manager of investment management department, assistant to general manager and manager of investment management department, deputy general manager and member of the Party Committee in Sinochem Finance Co., Ltd. from March 2001 to June 2018, during which Mr.Yang was also the director of Manulife-Sinochem Life Insurance Co., Ltd. and Jiang Tai Insurance Brokers Co., Ltd. Mr. Yang is a fellow member of China Association of Actuaries and a fellow member of the Life Office Management Association of the United States. Mr. Yang obtained a bachelor's degree in engineering from Tianjin University in 1995, a master's degree in economics from Nankai University in 1998 and a master's degree in economics from Hong Kong University of Science and Technology in 2000.

Mr. GUO Ruixiang, Chinese

Mr. GUO Ruixiang has been the non-executive director of the Company since July 2019. Mr. Guo is currently employed by Huijin. Mr. Guo joined Huijin in November 2010 and had successively worked as junior manager, senior deputy manager, senior manager and director of reform and planning division of the general management department/banking institutions department II. He worked in China Cinda Trust Investment Co., Ltd. from August 1997 to August 1999 and worked in China Export & Credit Insurance Corporation from July 2005 to November 2010. Mr. Guo obtained his bachelor's degree in national economy management from Inner Mongolia University in 1997, master's degree in political economy from Inner Mongolia University in 2002 and a PhD in finance from Institute of Financial Sciences of Ministry of Finance of the People's Republic of China in 2005.

Mr. HU Aimin, Chinese

Mr. HU Aimin has been the non-executive director of the Company since June 2016. Mr. Hu is currently the general manager of industrial financial development center and secretary of Party Committee of industrial financial working committee of China Baowu, director and general manager of Hwabao Investment Co., Ltd., chairman of the board of directors of Hwabao Securities Co., Ltd., director of Hwabao Trust Co., Ltd., Baosteel Shaoguan Steel Co., Ltd., China Bohai Bank Co., Ltd. and Chinese Capital Ride Equity Investment and Management Co., Limited. Before that, Mr. Hu was the secretary of the Party Committee, director, senior vice president and deputy general manager of Shanghai Baosteel Packaging Co.,Ltd., the general manager of investment management department in industrial financial development center of China Baowu, the general manager of the capital operation department of Hwabao Investment Co., Ltd. (capital operation department of Baosteel Group). He worked as a senior manager, a professional research fellow, director of mergers and acquisitions, deputy general manager and chief manager of financial consultancy of the asset management department in Baosteel Group. Mr. Hu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in 1995.

Mr. LI Qiqiang, Chinese

Mr. LI Qiqiang has been the non-executive director of the Company since August 2019. Mr. Li now is serving as the secretary of Party Committee and director of Hwabao Trust Co., Ltd. Mr. Li is also working as the chairman of the board of directors of Hwabao Duding(Shanghai) Financial Leasing Co., Ltd., director of Baosteel Group Finance Co., Ltd., Siyuanhe Equity Investment Management Co., Ltd., Hwabao Metallurgical Asset Management Co., Ltd. and China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE, stock code: 601601; the HKSE, stock code: 02601). Mr. Li has assumed the post of director of financial department of Baoshan Iron & Steel Co., Ltd., chief accountant of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd., general manager of financial department of Baosteel Group Corporation, general manager of financial department of China Baowu, general manager of industrial financial development center and secretary of Party Committee of industrial financial working committee in China Baowu, director and general manager of Hwabao Investment Co., Ltd., and assistant to general manager of China Baowu. Mr. Li obtained a master's degree in professional accounting from the Chinese University of Hong Kong in 2005 and holds the title of senior accountant.

Mr. PENG Yulong, Chinese

Mr. PENG Yulong has been the non-executive director of the Company since July 2017. Mr. Peng is now the senior assistant to president, the co-president of insurance division in Shanghai Fosun Hi-tech (Group) Co., Ltd., the executive director of Fostar Insurance Agency, the director of Yong An Property Insurance Company Limited, etc. and the chairman of board of supervisors of Pramerical Fosun Life Insurance Co., Ltd. Mr. Peng joined the Fosun Group in 2013, and has successively served as executive general manager of the financial group, executive general manager, managing director, vice president, executive president of insurance division and assistant to president of the Shanghai Fosun Hi-tech (Group) Co., Ltd. Mr. Peng was an analyst in the Guotai Junan Securities Co., Ltd. from April 2007 to October 2013. Mr. Peng is a certified public accountant (CPA) and obtained a PhD in management from Shanghai University of Finance and Economics in 2007.

Mr. Edouard SCHMID, Swiss

Mr. Edouard SCHMID has been the non-executive director of the Company since November 2019. Mr. Edouard SCHMID is the Group Chief Underwriting Officer, a member of the Group Executive Committee of Swiss Re and Chairman of Swiss Re Institute. Mr. Edouard SCHMID joined the Swiss Re in 1991 and has served as a risk analyst, Head of Cat Perils & Retrocession, Chief Underwriter of Property & Specialty Asia, Head of Property & Casualty Risk and Actuarial Management, Chief Risk Officer of Corporate Solutions and Head of Property & Specialty Reinsurance. Mr. Edouard SCHMID received his master's degree in physics from the Swiss Federal Institute of Technology in 1989.

Mr. LI Xianglu, Chinese

Mr. LI Xianglu has been the independent non-executive director of the Company since March 2016. He is the senior counsel of Plateau Holding Co., Ltd. From 1990 to 2007, Mr. Li successively worked as the vice president and senior counsel of Kidder, Peabody & Co., Inc., investment counsel of China Agribusiness Trust & Investment (Hong Kong) Corporation, senior counsel of Clearstream Banking S.A (Luxembourg), investment counsel of Tianjin Taida Group Co., Ltd. and senior counsel of Kheng Leong (Shanghai) Investment Management Co., Ltd. Mr. Li obtained a master's degree in politics from Columbia University.

Mr. ZHENG Wei, Chinese

Mr. ZHENG Wei has been the independent non-executive director of the Company since March 2016. He is a professor and the dean of the department of risk management and insurance of the school of economics of Peking University. He is also the independent director of Donghai Marine Insurance Co., Ltd., the independent director of PICC Reinsurance Company Limited, the external supervisor of China CITIC Bank Co., Ltd. (a company listed on the SSE, stock code: 601998, and the HKSE, stock code: 00998) and the director of Shanghai Nanyan Information Technology Co., Limited. Mr. Zheng obtained the bachelor's, master's degree and a PhD in economics from Peking University.

Mr. CHENG Lie, Chinese

Mr. CHENG Lie has been the independent non-executive director of the Company since August 2016. Mr. Cheng served as the general manager of the resources integration department of China Life Insurance (Group) Co., Ltd. from May 2013 to January 2016, the general manager of the bancassurance department of China Life Insurance Company Ltd. from January 2008 to April 2013. He successively worked as a member of the Party Committee and the deputy general manager at Hong Kong Branch of China Life Insurance (Overseas) Co., Ltd. from June 2006 to December 2007. Mr. Cheng graduated from Jiangxi Industry College, currently known as Nanchang University, and he holds a senior economist title.

Mr. GENG Jianxin, Chinese

Mr. GENG Jianxin has been the independent non-executive director of the Company since September 2017. Mr. Geng currently is a vice president, a deputy director of the Academic Committee of China Audit Society and enjoys the special allowance from the State Council. He also works as an independent director of Jangho Group Company Limited (a company listed on the SSE, stock code: 601886) and Shenzhen Tatfook Technology Co., Ltd. (a company listed on the SZSE, stock code: 300134). Mr. Geng was a level-2 responsible professor at the accounting department of the school of business in Renmin University of China. Besides, he has successively worked as associate professor, professor, doctoral supervisor, director of teaching and research section, deputy director of the standing department, secretary of the Party Committee and chairman of the academic committee of the school of business in Renmin University of China. Mr. Geng graduated from the accounting department of Zhejiang College of Metallurgical Economics in 1981 and obtained a master's degree in economics from Zhongnan University of Finance and Economics in 1988 and a PhD in management from Renmin University of China in 1993.

Mr. MA Yiu Tim, Chinese (Hong Kong Permanent Resident)

Mr. MA Yiu Tim has been the independent non-executive director of the Company since December 2019. Mr. Ma is a barrister at Liberty Chambers. Mr. Ma started his legal career as Crown Counsel in 1985. He served as assistant legal adviser of the Legislative Council of Hong Kong. He also served as Counsel to the Legislative of Hong Kong from February 1996 to June 2015. Mr. Ma was admitted to the State Bar of California. He is also a senior fellow of The Hong Kong Institute of Directors, HKMAAL Accredited General Mediator and a senior fellow of Hong Kong Institute of Arbitrators, an arbitrator of Shenzhen Court of International Arbitration and an arbitrator of Hainan International Arbitration Court. Mr. Ma graduated from Hong Kong University with a bachelor's degree in law in 1982 and graduated from University of London with a master's degree in law in 1988. He also obtained a PhD in law from Peking University in 2005. Mr. Ma was appointed as Justice of the Peace in 1998 and was awarded the Silver Bauhinia Star by the Chief Executive of Hong Kong Special Administrative Region in 2015.

(II) Supervisors

As of the date of this report, biographies of current supervisors of the Company are as follows:

Mr. WANG Chengran, Chinese

Mr. WANG Chengran has been the shareholder representative supervisor and the chairman of the board of supervisors of the Company since July 2014 and he is also the director of Asset Management Company. He was the chairman of Hwabao Trust Co., Ltd. from January 2015 to March 2017, the secretary of the Party Committee of the financial system of Baosteel Group from June 2012 to November 2016, and the secretary of commission for discipline inspection of Ouyeel Co., Ltd. from June 2015 to April 2016. From June 2003 to June 2012, Mr. Wang successively served as the vice director and the director of the asset management department, the business director and director of the asset management department, and the assistant to general manager of Baosteel Group. He also held the position of the chairman of Hwabao Investment Co., Ltd. from June 2009 to January 2010. Mr. Wang holds an economist title. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

Mr. YU Jiannan, Chinese

Mr. YU Jiannan has been the shareholder representative supervisor of the Company since February 2018. Mr. Yu is currently the deputy director of the organization department of the Party Committee, the deputy director of human resources department and the managing director of China Investment Corporation. From May 2001 to September 2007, he worked as a senior deputy manager and a senior manager of the human resources department in China Cinda Asset Management Corporation Co., Ltd., and was on secondment as vice head of Ledu County, Qinghai Province from November 2005 to January 2007. From July 1996 to May 2001, he worked at Guangdong branch and Guangzhou branch of China Construction Bank. Mr. Yu obtained a bachelor's degree in economics from Guangdong College of Commerce in July 1996.

Mr. LIU Chongsong, Chinese

Mr. LIU Chongsong has been the employee representative supervisor of the Company since August 2019. He has been the general manager of eastern region of marketing center of the individual insurance channel of the Company since December 2019, general manager (director level) of Shandong branch of the Company since June 2017, and general manager of Shandong branch of the Company since March 2013. From June 2002 to February 2013, Mr. Liu has successively served as assistant to general manager of Qingdao branch of the Company, deputy general manager of Shandong branch, general manager of Qingdao branch, and general manager of Shanxi branch of the Company. Before that, Mr. Liu was the general manager of the individual insurance department in Dongying sub-branch of Qingdao branch of Ping An Insurance Company of China, Ltd. and a teacher of Qingdao Chemical College. Mr. Liu obtained his bachelor's degree in physics from Fudan University, Shanghai in 1986 and his EMBA degree from Peking University in 2012.

Mr. WANG Zhongzhu, Chinese

Mr. WANG Zhongzhu has been the employee representative supervisor of the Company since March 2016. He has been the general manager of discipline inspection and supervision office of the Company since February 2011. He is also the supervisor of Hefei Supporting Operation. Mr. Wang once worked as the supervisor in the following subsidiaries of the Company: New China Pension, Xinhua Seniors Service and Electronic Commerce. Mr. Wang served as a deputy director (preside over work) of the inspection office of the Company from April 2010 to January 2011. He has successively served as a staff member, a deputy principle staff, principle staff, a deputy division director, a disciplinary inspector and a division director in Central Disciplinary Inspection of Communist Party of China from July 1988 to March 2010. Mr. Wang received a bachelor's degree in investment economic management from Zhongnan University of Economics and Law in 1988.

(III) Members of senior management

As of the date of this report, biographies of senior management of the Company are as follows:

Mr. LI Quan, See "II Biographies of directors, supervisors, senior managers – (I) Directors" in this section.

Mr. LI Zongjian, See "II Biographies of directors, supervisors, senior managers – (I) Directors" in this section.

Mr. YANG Zheng, Chinese

Mr. YANG Zheng has been the vice president of the Company since December 2016. He has been the chief financial officer (financial principal) of the Company since February 2017 and a director of Asset Management Company since December 2016. From January to June 2019, Mr. Yang performed the duties of the chief executive officer and the chairman of the Executive Committee of the Company. Prior to joining the Company, Mr. Yang served as the assistant to general manager, the deputy general manager and the general manager of the finance department, the general manager of the investment management department, the chief financial officer and the vice president of China Life Insurance Company Limited from July 2005 to July 2016. Mr. Yang is a fellow of American Institute of Certified Public Accountants and British Association of Chartered Certified Accountants. He serves as a member of the eighth council of the Accounting Society of China, a member of the National Technical Committee on Accounting Information of Standardization Administration of China, a member of the third session of the China Insurance Solvency Regulatory Standard Committee, a member of the Auditing Standards Committee of the sixth council of The Chinese Institute of Certified Public Accountants and a member of the International Financial Reporting Standards (IFRS) Interpretations Committee. Mr. Yang obtained his bachelor's degree in engineering from Beijing University of Technology in 1993 and his MBA degree from Northeastern University in the United States in 2000.

Mr. LI Yuan, Chinese

Mr. LI Yuan has been the vice president of the Company since November 2016. Since joining the Company in August 2001, Mr. Li successively served as the assistant to general manager, deputy general manager, general manager and senior general manager of Guangdong branch, the director of marketing management center, the director of individual business channel, the director of bancassurance channel, the regional director and senior general manager of Beijing branch, an assistant to president and regional general manager of south China, and the general manager of Guangdong branch. Mr. Li holds a national senior economist title. He obtained his MBA degree from Sun Yat-sen University in 2010.

Mr. GONG Xingfeng, Chinese

Mr. GONG Xingfeng has been the vice president of the Company since November 2016, the chief actuary of the Company since September 2010, and the board secretary of the Company since March 2017. He has been the director and chief actuary of New China Pension since January 2017 and chairman of the board of supervisors of the Asset Management Company since February 2018. Mr. Gong has successively served as an assistant to general manager of the actuarial department, the deputy general manager of the underwriting and claim settlement department, the general manager of the customer service department, the chief actuary, and an assistant to president since he joined the Company in January 1999. He also worked as the head of investment business of Asset Management Company. Mr. Gong holds a senior economist title and he is also a fellow of the China Association of Actuaries. He received his master's degree in economics from Central University of Finance and Economics in 1996, and obtained his MBA degree from China Europe International Business School in 2011.

Mr. YU Zhigang, Chinese

Mr. YU Zhigang has been the vice president of the Company since November 2016 and the chairman of Electronic Commerce since August 2016. Mr. Yu joined the Company in April 1997. Since March 2007, Mr. Yu had successively been the general manager, senior general manager of Shanghai branch, senior general manager of Beijing branch, the regional director and senior general manager of Beijing branch, director of bancassurance channel, regional general manager of central China, an assistant to president and regional general manager of east China. Mr. Yu holds an intermediate editor title. He obtained his bachelor's degree of Chinese linguistic literature from Peking University in 1986, completed monetary banking courses from Graduate School of Chinese Academy of Social Sciences in 1998 and received his EMBA degree from Guanghua School of Management of Peking University in 2010.

Mr. YUE Ran, Chinese

Mr. YUE Ran has been an assistant to president since February 2013. He once worked as the chief human resources officer of the Company from April 2010 to March 2017. Mr. Yue had been the director of the Party Office and the director of investigation office since joining the Company in January 2010 until March 2010. Before that, Mr. Yue served as the deputy general manager of the human resources department at China United Network Communications Group Co., Ltd. from November 2008 to January 2010, the deputy general manager of the human resources department at China Netcom Group from November 2003 to November 2008. Mr. Yue obtained a bachelor's degree in philosophy from Capital Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

Mr. YUAN Chaojun, Chinese

Mr. YUAN Chaojun has been an assistant to president of the Company since August 2011 and the general manager of New China Pension since March 2020. From January to March 2020, Mr Yuan worked as temporary responsible person of New China Pension. Since joining the Company in November 2002, Mr. Yuan has successively served as the general manager of the Weifang sub-branch, the assistant to the general manager, the deputy general manager, the general manager and the senior general manager of Shandong branch, the director of the individual business channel, an assistant to president and director of the individual business channel, general manager of Beijing branch, regional general manager of north China and northeast China of the Company. Mr. Yuan holds the mid-level professional insurance qualification. He obtained his EMBA degree from Zhongnan University of Economics and Law in 2011 and a PhD in economics from Zhongnan University of Economics and Law in 2019.

Mr. WANG Lianwen, Chinese

Mr. WANG Lianwen has been an assistant to president of the Company since February 2017 and the general manager of Zhejiang branch of the Company since September 2019. From March to September 2019, he worked as temporary responsible person of Zhejiang branch of the Company. He was the deputy general manager of New China Pension from July 2018 to September 2019. Since joining the Company in May 2010, Mr. Wang had successively served as the legal person business director of the Company, the chief officer and regional general manager of northwest China and the general manager of Shaanxi branch. Mr. Wang is an intermediate accountant and an economist. He received a master's degree in economics from Shanghai University of Finance and Economics in 1995 and a PhD in economics from Fudan University in 2004.

III. POSITIONS OF CURRENT DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT IN CORPORATE SHAREHOLDERS AND OTHER ENTITIES

As of the date of the report, positions of current directors, supervisors and members of senior management of the Company in corporate shareholders and other entities are as follows:

(I) Positions in corporate shareholders

Name	Name of shareholders	Position	Term
LIU Haoling	Central Huijin Investment Ltd.	Deputy General Manager	Since June 2019
XIONG Lianhua	Central Huijin Investment Ltd.	Employee	Since January 2012
YANG Yi	Central Huijin Investment Ltd.	Employee	Since October 2018
GUO Ruixiang	Central Huijin Investment Ltd.	Employee	Since November 2010
HU Aimin	Industrial Financial Development Center of China Baowu	General Manager Secretary of Party Committee of Industrial Financial Working Committee	Since July 2019
LI Qiqiang	Hwabao Trust Co., Ltd.	Secretary of Party Committee	Since June 2019
		Director	Since November 2019
PENG Yulong	Shanghai Fosun Hi-tech (Group) Co., Ltd	Senior Assistant to President	Since January 2019
		Co-president of Insurance Division	Since January 2019
Edouard SCHMID	Swiss Re	Group Chief Underwriter Member of Group Executive Committee	Since July 2017
YU Jiannan	China Investment Corporation	Deputy Director of the Organization Department of Party Committee	Since January 2013
		Deputy Director of Human Resources Department	Since April 2011
		Managing Director	Since July 2014

(II) Major positions in other entities of directors, supervisors and members of senior management who hold posts in corporate shareholders

Name	Name of other entities	Position	Term
LIU Haoling	China Investment Corporation	Member of Executive Committee	Since December 2019
	Central Huijin Asset Management Ltd.	Director	Since November 2015
XIONG Lianhua	China International Capital Corporation Limited	Director	Since February 2020
HU Aimin	Hwabao Securities Co., Ltd.	Chairman	Since December 2019
	Hwabao Trust Co., Ltd.	Director	Since November 2019
	Baosteel Group Shaoguan Steel Co., Ltd.	Director	Since September 2019
	Hwabao Investment Co., Ltd.	General Manager	Since August 2019
		Director	Since July 2019
	China Bohai Bank Co., Ltd.	Director	Since September 2018
	Chinese Capital Ride Equity Investment and Management Co., Limited, Shanghai	Director	Since January 2016
LI Qiqiang	China Pacific Insurance (Group) Co., Ltd.	Director	Since August 2019
	Hwabao Duding (Shanghai) Financial Leasing Co., Ltd.	Chairman	Since December 2018
	Siyuanhe Equity Investment Management Co., Ltd.	Director	Since September 2018
	Hwabao Metallurgical Asset Management Co., Ltd.	Director	Since September 2018
	Baosteel Group Finance Co., Ltd.	Director	Since October 2017
PENG Yulong	Yadong Xingheng Information Technology Company Limited	Executive Director and General Manager	Since September 2018
	Pramerica Fosun	Chairman of Board of Supervisors	Since October 2017
	Yong An Property Insurance Company Limited	Director	Since March 2017
	Xingheng Insurance Agency	Executive Director	Since September 2016
Edouard SCHMID	Swiss Re Institute	Chairman	Since July 2019

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

In accordance with the principles of marketization and globalization, the remuneration of directors, supervisors and members of senior management of the Company is determined based on the factors such as Company's operation and performance assessment with reference to the compensation level in the market. The remuneration of directors and supervisors is approved by the shareholders at general meetings, while the remuneration of members of senior management is submitted to the Board for approval.

During the reporting period, the aggregate amount of after-tax remuneration that directors, supervisors and members of senior management received from the Company is RMB22.75 million and the total amount of individual income tax paid is RMB9,452.9 thousand. For detailed remuneration of each individual, please refer to "I. Directors, supervisors and members of senior management" in this section of this annual report.

During the reporting period, no share incentive plan or any other long term incentive plans were implemented by the Company.

V. SHAREHOLDING OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Shareholding of the Company's A Shares by directors, supervisors and members of senior management

No directors, supervisors or members of senior management currently in office or resigned during the reporting period held any of the Company's A shares directly or indirectly.

(II) Interests and short positions of directors, supervisors and chief executives under Hong Kong laws, regulations and rules

At of 31 December 2019, according to the information available to the Company and the information our directors are aware of, there are no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

VI. THE COMPANY'S EMPLOYEES

As of 31 December 2019, there were a total of 36,504 employees who entered into employment contracts with the Company (life insurance headquarters and 35 branches). Their expertise and education background are set out below:

(I) Expertise

Expertise	Number	Proportion
Management	1,671	4.58%
Professional	3,502	9.59%
Marketing and marketing management	21,345	58.47%
Of which: Contractual field sales personnel	12,812	35.10%
Other	9,986	27.36%
Total	36,504	100.00%

(II) Education background

Education background	Number	Proportion
Master's degree	1,491	4.08%
Bachelor's degree	22,737	62.29%
Lower than bachelor's degree	12,276	33.63%
Total	36,504	100.00%

(III) Remuneration policies and training plan for employees

In accordance with characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying according to the ability, position and performance, the Company encourages employees to steadily achieve and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the P.R.C. government, the Company provides employees with various social security and housing fund. At the same time, the Company established a variety of benefit plans for its employees, including corporate annuities to meet the diverse needs of different employee groups.

In 2019, guided by the principle of serving Company's strategy, strengthening the Party building and helping staff enhance ability and quality, the Company continuously improved the education and training system. The training hours per capita reached nearly 90 hours with the complete coverage of the internal staff. The number of staff attending online class reached 23,819 with 10 NCI lectures of 58,000 staff participated. Focusing on individual insurance channel, the Company emphasized on practical results in the training for sales team. 43,371 training courses were offered, training 3.23 million people and around 12,000 full-time and part-time lecturers, around 1000 authorized lecturers were trained, providing momentum for the "second take-off" of business growth and sales team in individual insurance channel.

SECTION 11
CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

Pursuant to the Company Law, Insurance Law, Securities Law, Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the shareholders' general meeting, the Board, the board of supervisors and the senior management, and formed an operation mechanism under which the corporate authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the Board, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

(I) General meeting

Shareholders' rights

According to the Articles of Association, the general meeting of shareholders is the supreme authority of the Company and shall duly perform the following duties: to decide on the Company's operational policies, development strategies and investment plans; to elect and replace directors and supervisors who are representatives of shareholders and to decide the remuneration of directors and supervisors; to examine and approve the Company's proposed annual financial budget plan and final account plan; to examine and approve the Company's profit distribution plan and loss recovery plan; to decide on the increase or reduction of the Company's registered capital; to decide on listing, share repurchase and issue of corporate bonds and other securities; to decide on the merger, division, dissolution, liquidation or change of form of the Company; to decide on the engagement, dismissal and non-reappointment of the Company's accounting firm which conducts regular audit of the Company's financial statements; and to examine and amend the Articles of Association, etc.

Shareholder(s) shall have the right to propose convening an extraordinary general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares for over 90 consecutive days ("proposing shareholders") shall have the right to propose to the Board to convene an extraordinary general meeting. Where proposing shareholders propose convening an extraordinary general meeting, they shall submit the issues to be resolved and detailed proposals in writing to the Board and make sure that the aforesaid proposals do not violate provisions of laws, regulations, regulatory documents and the Articles of Association. The Board shall give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the written proposals submitted by proposing shareholders in accordance with laws and regulations, regulatory requirements and provisions in the Articles of Association. Where the Board agrees to convene the extraordinary general meeting, it shall give a notice of such meeting within five days after the resolution is made by the Board. Where the Board does not agree to hold the extraordinary general meeting, it shall give the reasons in writing. If the Board does not approve the proposing shareholders' proposal to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, or it does not give the notice of such meeting within 20 days after receipt of the proposal although it agrees with convening of such meeting, it shall be deemed as refusing to convene the extraordinary general meeting. In this case, proposing shareholders shall have the right to make a written proposal to the board of supervisors. The board of supervisors shall give a notice of convening such meeting within five days after receipt of the proposal. If the board of supervisors fails to give the notice of such meeting within the prescribed period, the proposing shareholders may convene and preside over the meeting by themselves.

Shareholder(s) shall have the right to make extraordinary proposals to the general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 3% of the Company's shares shall make extraordinary proposals 10 days prior to the convening of general meeting and submit the proposals to the convener in writing. The content of such proposal shall be within the scope of authority of the general meeting and shall have a clear subject and specific issues to be resolved, and such proposal shall comply with relevant provisions of laws, regulations and the Articles of Association.

Shareholder(s) shall have the right to make enquiries to the Company. According to the Articles of Association, shareholders may obtain the information such as the list of registered shareholders, individual profiles of directors, supervisors and senior management, share capital and minutes of general meetings (for inspection only). Shareholders shall make requests in writing and provide evidence of equity interests for inspection of or access to relevant information. The Company shall provide such information as required by shareholders after the shareholders' identities are verified.

For the contact information for the purpose of making extraordinary proposals or enquiries by shareholders, please refer to section 2 "Corporate Information" of this annual report.

General meetings of shareholders

During the reporting period, the Company held 2 general meetings in total as follows:

Session	Date of Meeting	Media where resolutions were published	Date of Publication of Resolutions
Annual General Meeting of 2018	2019-6-27	www.sse.com.cn www.hkexnews.hk China Securities Journal,Shanghai Securities News	2019-6-27
First Extraordinary General Meeting of 2019	2019-10-18	www.sse.com.cn www.hkexnews.hk China Securities Journal, Shanghai Securities News	2019-10-18

The procedures of giving meeting notices, calling for the meetings, convening the meetings and voting at the meetings were in compliance with the Company Law, the Articles of Association and relevant regulations. The general meeting of shareholders established and improved communicating channels with shareholders, actively gathered comments and suggestions from shareholders, ensured that the shareholders had the rights to know, participate in and vote on material matters of the Company, and created a sound environment for shareholders to fully participate in decision-making and to equally exercise rights.

Attendance of general meetings of directors

During the reporting period, all directors fulfilled their duties diligently, actively attended general meetings, and earnestly heard the opinions from shareholders. The directors emphasized on the communication and interaction with shareholders, strived to make decisions based on thorough understanding of the situation and safeguarded the interests of the Company and all shareholders. During the reporting period, attendance of each director is as follows:

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
Chairman, Non-Executive Director				
LIU Haoling	1	1	100%	
Executive Directors				
LI Quan	0	0	–	
LI Zongjian	2	1	50%	Failing to attend the First Extraordinary General Meeting of 2019 for business reasons
Non-Executive Directors				
XIONG Lianhua	2	2	100%	
YANG Yi	2	2	100%	
GUO Ruixiang	1	1	100%	
HU Aimin	2	1	50%	Failing to attend the First Extraordinary General Meeting of 2019 for business reasons
LI Qiqiang	1	0	0	Failing to attend the First Extraordinary General Meeting of 2019 for business reasons
PENG Yulong	2	1	50%	Failing to attend the Annual General Meeting of 2018 for business reasons
Edouard SCHMID	0	0	–	
Independent Non-Executive Directors				
LI Xianglu	2	2	100%	
ZHENG Wei	2	1	50%	Failing to attend the First Extraordinary General Meeting of 2019 for business reasons
CHENG Lie	2	2	100%	
GENG Jianxin	2	2	100%	
MA Yiu Tim	0	0	–	

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
Former Executive Director				
WAN Feng	0	0	–	
Former Non-executive Directors				
LIU Xiangdong	1	1	100%	
WU Kunzong	1	1	100%	
DACEY John Robert	1	0	0	Failing to attend the Annual General Meeting of 2018 for business reasons
Former Independent Non-Executive Director				
NEOH Anthony Francis	1	1	100%	

Notes:

1. During the reporting period, for the details of the Company's newly appointment, resignation and expiration of his/her term, please refer to section 10 "Directors, Supervisors, Senior Management and Employees" of this annual report.

2. According to the relevant provisions of "Election, Appointment and Conduct Guidelines for Directors of Listed Companies of Shanghai Stock Exchange", the director candidate shall attend the general meeting which reviews his/her election and appointment. During the reporting period, save for the foresaid, the newly-elected director of the Company, including Mr. LIU Haoling, Mr. GUO Ruixiang, Mr. LI Qiqiang, Mr. MA Yiu Tim attended the Annual General Meeting of 2018. The newly-elected director of the Company, Mr. LI Quan, attended the First Extraordinary General Meeting of 2019.

(II) Directors and the Board

According to the relevant provisions of Company Law and Articles of Association, Mr. LIU Haoling, Mr. LI Zongjian, Ms. XIONG Lianhua, Mr. YANG Yi, Mr. GUO Ruixiang, Mr. LI Qiqiang, Mr. HU Aimin, Mr. PENG Yulong, Mr. Edouard SCHMID, Mr. LI Xianglu, Mr. ZHENG Wei, Mr. CHENG Lie, Mr. GENG Jianxin and Mr. MA Yiu Tim were elected as the directors of the seventh session of the Board of the Company at the Annual General Meeting of 2018 held on 27 June 2019. Mr. LI Quan was elected as the director of the seventh session of the Board at the First Extraordinary General Meeting of 2019 held on 18 October 2019. As of the end of the reporting period, the Board consists of 15 directors, including 2 executive directors, 8 non-executive directors and 5 independent non-executive directors. Directors serve a term of three years and are eligible for re-election, but the consecutive terms of independent non-executive directors shall not exceed six years. For the details of the Company's Board, please refer to section 10 "Directors, Supervisors, Senior Management and Employees" of this annual report.

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

Corporate governance functions

The Board is responsible for carrying out the corporate governance functions and has fulfilled its duties and responsibilities as set out in Article D.3.1 of the Corporate Governance Code. During the reporting period, the Board reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, and further enhanced the Company's corporate governance policy and practices.

Duties of the Board and management

In accordance with the Articles of Association, the Board shall perform the following major duties: to convene the general meeting and report its work to the general meeting; to implement the resolutions passed at the general meeting; to determine the Company's business and investment plans, to control and supervise the Company's financial position and usage of funds; to formulate the Company's development strategies; to prepare the annual financial budget plan and final account plan of the Company; to prepare the profit distribution plan and loss recovery plan of the Company; to formulate the plan for increase or reduction of the Company's registered capital, plan for issue of bonds or other securities and plan for listing; to formulate plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to decide on matters including external investments, disposition and write-offs of assets, pledge of assets, acquisition of assets, external guarantees and external donations to the extent of the authorization of shareholders' general meeting; to appoint or remove the Company's senior executives, and to decide on and implement the plans concerning annual performance evaluation, annual remuneration, rewards and punishments of senior executives, etc.

According to Articles of Association, the Company established the Executive Committee. The Executive Committee is comprised of senior executives, and its major duties include: to deliver the instructions of the meetings of the Board, and implement the specific tasks and measures of the resolutions of the Board; to implement the plans in connection with material mergers and acquisitions, equity and real estate investments and financings, and assets disposal plans, subject to the authorization by the Board or in accordance with resolutions of the Board, to study on the material decisions of the Company on its operations and provide advice to the Board; to monitor the Company's regular material operations and activities; to manage solvency risks; and to review and evaluate the governance structure of the Company.

Attendance of Board meetings of directors

During the reporting period, the Board held 4 regular Board meetings and 10 ad hoc Board meetings. The attendance is as follows:

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Attendance rate in person	Failing to attend the meeting in person for two consecutive times
Chairman, Non-Executive Director					
LIU Haoling	3	2	1	67%	No
Executive Directors					
LI Quan	2	2	0	100%	No
LI Zongjian	14	14	0	100%	No
Non-Executive Directors					
XIONG Lianhua	14	14	0	100%	No
YANG Yi	14	13	1	93%	No
GUO Ruixiang	5	5	0	100%	No
Hu Aimin	14	13	1	93%	No
LI Qiqiang	4	4	0	100%	No
PENG Yulong	14	13	1	93%	No
Edouard SCHMID	2	2	0	100%	No
Independent Non-Executive Directors					
LI Xianglu	14	14	0	100%	No
ZHENG Wei	14	12	2	86%	No
CHENG Lie	14	14	0	100%	No
GENG Jianxin	14	14	0	100%	No
MA Yiu Tim	1	1	0	100%	No
Former Executive Director					
WAN Feng	0	0	0	–	No
Former Non-executive Directors					
LIU Xiangdong	9	7	2	78%	No
WU Kunzong	9	8	1	89%	No
DACEY John Robert	9	3	6	33%	Yes
Former Independent Non-Executive Director					
NEOH Anthony Francis	9	8	1	89%	No

Note: During the reporting period, for the details of the Company's newly appointment, resignation and expiration of his/her term, please refer to section 10 "Directors, Supervisors, Senior Management and Employees" of this annual report.

(III) Board committees under the Board

The sixth session of the Board of the Company had 4 committees which were Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee. In August 2019, each Board committee completed the transition with the election of the Board. The seventh session of the Board of the Company has 5 committees which are Strategy Committee, Investment Committee, Audit and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Risk Management and Consumer Rights Protection Committee. The committees are accountable to the Board and perform their duties by giving professional opinions to the Board.

Strategy Committee

The Strategy and Investment Committee of the sixth session of the Board consisted of 1 executive director LI Zongjian, 5 non-executive directors XIONG Lianhua, YANG Yi, HU Aimin, DACEY John Robert, PENG Yulong and 1 independent non-executive director NEOH Anthony Francis, and LI Zongjian served as the chairman. As resolved and approved by the first meeting of the seventh session of the Board, in accordance with the Articles of Association and the need of the Company, the former Strategy and Investment Committee was adjusted into Strategy Committee and Investment Committee. As of the end of the reporting period, the Strategy Committee of the seventh session of the Board consisted of 2 executive directors LI Quan and LI Zongjian, 4 non-executive directors LIU Haoling, XIONG Lianhua, HU Aimin, Edouard SCHMID and 1 independent non-executive director CHENG Lie, and LIU Haoling served as the chairman.

Note: On 16 January 2019, the Board of the Company received the resignation letter from Mr. WAN Feng. Mr. WAN Feng resigned as the chairman of the Strategy and Investment Committee of the Board due to his age. The 29th meeting of the sixth session of the Board of the Company considered and approved the Proposal on the Election of a Director as the Acting Chairman of the Board on the same day, which elected Mr. LI Zongjian to work as the acting chairman of the Strategy and Investment Committee.

1. Duties of the Strategy Committee

   The Strategy Committee performs the following major duties: to consider the Company's overall or special development strategies and annual business plan; to consider the increase or reduction of the Company's registered capital, issue plans of debt financing instruments for capital replenishment, listing and other financing plans; to consider plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to review the dividend distribution and loss recovery plans of the Company; to review amendments plan for the Articles of Association, etc., and make recommendations to the Board.

2. Meetings and attendance

During the reporting period, the Strategy and Investment Committee of the sixth session of the Board held 6 meetings, and the Strategy Committee of the seventh session of the Board held 2 meetings.

During the reporting period, the attendance of the Strategy and Investment Committee of the sixth session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
WAN Feng (resigned)	1	0	1
LI Zongjian	6	6	0
XIONG Lianhua	6	6	0
YANG Yi	6	6	0
HU Aimin	6	6	0
DACEY John Robert	6	3	3
PENG Yulong	6	4	2
NEOH Anthony Francis	6	6	0

During the reporting period, the attendance of the Strategy Committee of the seventh session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LIU Haoling	2	1	1
LI Quan	1	1	0
LI Zongjian	2	2	0
XIONG Lianhua	2	2	0
HU Aimin	2	2	0
Edouard SCHMID	1	1	0
CHENG Lie	2	2	0

3. Performance of duties of the Strategy Committee

During the reporting period, the Strategy Committee, in accordance with the Articles of Association, Terms of Reference of the Strategy and Investment Committee and Terms of Reference of the Strategy Committee, reviewed proposals on the business plan of the Company for the year 2019, the comprehensive assessment report of development plan for the year 2018, 2019-2021 capital planning report, 2018 profit distribution plan, issue of domestic bonds for capital replenishment and amendments to the Articles of Association and Terms of reference of the Strategy Committee, etc., and issued professional opinions consenting to the submission to the Board for its consideration.

Note: Performance of duties of the Strategy Committee includes the performance of duties of the Strategy and Investment Committee of the sixth session of the Board in strategy and the performance of duties of the Strategy Committee of the seventh session of the Board.

Investment Committee

As of the end of the reporting period, the Investment Committee of the seventh session of the Board consisted of 2 executive directors LI Quan, LI Zongjian, 4 non-executive directors YANG Yi, GUO Ruixiang, HU Aimin, PENG Yulong and 1 independent non-executive director CHENG Lie, and YANG Yi served as the chairman.

1. Duties of the Investment Committee

The Investment Committee performs the following major duties: to consider the overall objective and strategy of asset liability management, to consider the rules for asset liability management and asset allocation, to consider the management rules for the usage of insurance funds, investment decision-making procedures and authorization rules and the annual asset liability management report of the Company; to consider the asset allocation policy; to review matters relating to the usage of insurance funds and asset management rules and guidance, to consider plans for selection and change of entrusted investors as well as external investments, disposition and write-offs of assets, pledge of assets, acquisition of assets, external guarantees and establishment of subsidiaries which shall be approved by the Board in accordance with the Articles of Association, etc.

2. Meetings and attendance

During the reporting period, the Investment Committee of the seventh session of the Board held 3 meetings. The attendance is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
YANG Yi	3	2	1
LI Quan	1	1	0
LI Zongjian	3	3	0
GUO Ruixiang	3	3	0
HU Aimin	3	3	0
PENG Yulong	3	3	0
CHENG Lie	3	3	0

3. Performance of duties of the Investment Committee

During the reporting period, the Investment Committee, in accordance with the Articles of Association and Terms of Reference of the Strategy and Investment Committee, and Terms of Reference of the Investment Committee, reviewed proposals on the asset allocation planning in three years, annual report of insurance asset liability management for 2018, the independent assessment report of asset liability management ability for 2018, amendments to the Measures for Asset Liability Management and the Measures for Asset Allocation Management, etc., and then issued professional opinions consenting to the submission to the Board for its consideration. In addition, in reviewing the Proposal on the Investment Overview of Guangzhou New China Life Tower Building Project（《關於廣州新華保險大廈項目工程建設投資概算的議案》）at the third meeting of the Investment Committee of the seventh session of the Board, the proposal was considered relating to execution of Measures for the Administration of Technical Service Housing for Financial Enterprises (Interim)（《金融企業技術業務用房管理辦法(暫行)》）by the Ministry of Finance. The Company was required to further identify and study systems concerned and was proposed to postpone submitting the proposal to the Board for consideration.

Note: Performance of duties of the Investment Committee includes the performance of duties of the Strategy and Investment Committee of the sixth session of the Board in investment and the performance of duties of the Investment Committee of the seventh session of the Board.

Audit and Related Party Transaction Control Committee

The Audit Committee of the sixth session of the Board consisted of 3 non-executive directors LIU Xiangdong, WU Kunzong and PENG Yulong, 4 independent non-executive directors ZHENG Wei, LI Xianglu, CHENG Lie, GENG Jianxin, and ZHENG Wei served as the chairman. In accordance with requirements of Measures for the Administration of Related Transactions of Insurance Companies (Yin Bao Jian Fa [2019] No. 35)（《保險公司關聯交易管理辦法》(銀保監發2019年35號)）by CBIRC and considered and approved by the third meeting of the seventh session of the Board, the Audit Committee was adjusted as Audit and Related Party Transaction Control Committee. As of the end of the reporting period, the Audit and Related Party Transaction Control Committee of the seventh session of the Board consisted of 3 non-executive directors GUO Ruixiang, LI Qiqiang and PENG Yulong, 4 independent non-executive directors GENG Jianxin, LI Xianglu, ZHENG Wei, CHENG Lie, and GENG Jianxin served as the chairman.

1. Duties of the Audit and Related Party Transaction Control Committee

   The Audit and Related Party Transaction Control Committee performs the following major duties: to assess the effectiveness of risk management and internal control; to guide internal audit; to examine financial information and its disclosure; to supervise misconducts in financial statements and internal control; to supervise and assess the work of external audit institution; to control the identifying and maintenance of the related parties and confirm the related parties of the Company; to examine the related party transaction management system and the standards for major related party transaction; to review major related party transaction and offer written comments to the Board in respect of its compliance, fairness and necessity, or whether such related party transaction harms the interests of the Company and insurance consumers; and to provide the Board with the opinions and suggestions for improvement in respect of the solvency of the Company, etc.

2. Meetings and attendance

   During the reporting period, Audit and Related Party Transaction Control Committee (Audit Committee) held 11 meetings in total.

   During the reporting period, the attendance of the Audit Committee of the sixth session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHENG Wei	7	7	0
LIU Xiangdong	7	6	1
WU Kunzong	7	6	1
PENG Yulong	7	6	1
LI Xianglu	7	7	0
CHENG Lie	7	7	0
GENG Jianxin	7	7	0

During the reporting period, the attendance of the Audit and Related Party Transaction Control Committee (Audit Committee) of the seventh session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
GENG Jianxin	4	3	1
GUO Ruixiang	4	4	0
LI Qiqiang	4	4	0
PENG Yulong	4	4	0
LI Xianglu	4	4	0
ZHENG Wei	4	4	0
CHENG Lie	4	4	0

3. Performance of duties of the Audit and Related Party Transaction Control Committee

During the reporting period, the Audit and Related Party Transaction Control Committee, in accordance with the Articles of Association, Terms of Reference of the Audit Committee and Terms of Reference of the Audit and Related Party Transaction Control Committee, reviewed regular reports such as annual report 2018, the internal control assessment report of 2018, the internal audit work report of 2018, additional capital increase to Health Technology training center involving related party transactions by the Company, appointment of accounting firm for the year 2019, amendments to the Management Measures for Related Party Transactions, and then issued professional opinions consenting to the submission to the Board for its consideration.

The Audit and Related Party Transaction Control Committee, in accordance with the requirements for the preparation of the annual report of the Company and relevant rules of procedure, kept sufficient and timely communication with external auditors; reviewed the financial statements prepared by the Company and offered written comments; offered professional opinions on the annual report 2018 and agreed to the submission to the Board for its consideration at the fourth meeting of Audit Committee of the sixth session of the Board in 2019.

The Audit and Related Party Transaction Control Committee paid special attention to the internal control of the Company, and the relevant departments of the Company shall report work to the Audit and Related Party Transaction Control Committee regularly or irregularly, in order to inform the Audit and Related Party Transaction Control Committee in a timely manner of any significant issues encountered in the internal control management of the Company.

Note: Performance of duties of the Audit and Related Party Transaction Control Committee includes the performance of duties of the Audit Committee of the sixth session of the Board and the performance of duties of the Audit and Related Party Transaction Control Committee of the seventh session of the Board (Audit Committee).

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the sixth session of the Board consisted of 3 non-executive directors XIONG Lianhua, WU Kunzong, DACEY John Robert and 4 independent non-executive directors LI Xianglu, ZHENG Wei, CHENG Lie, NEOH Anthony Francis, and LI Xianglu served as the chairman. As of the end of the reporting period, the Nomination and Remuneration Committee of the seventh session of the Board consisted of 3 non-executive directors XIONG Lianhua, LI Qiqiang, Edouard SCHMID and 4 independent non-executive directors ZHENG Wei, LI Xianglu, GENG Jianxin, MA Yiu Tim, and ZHENG Wei served as the chairman.

1. Duties of the Nomination and Remuneration Committee

   The Nomination and Remuneration Committee performs the following major duties: to formulate the criteria and plans, evaluation measures and remuneration plans of appointing directors and senior management, to evaluate the performance and conducts of directors; to regularly evaluate the reasonableness of the structure, number of positions and composition of the Board and the management team; to conduct preliminary examination of the candidates for the directors, CEO, president (COO) and other senior management (including the board secretary) and candidates for the chairman of the board of directors, the chairman of the board of supervisors and president of important subsidiaries; to nominate candidates for members of each Board committee (excluding the Nomination and Remuneration Committee) except for the chairman of such Board committee; to consider the Company's overall human resources and remuneration strategies (including senior management of the Company) and basic systems thereof and make recommendations to the Board.

2. Election of Directors

   Shareholders that individually or jointly hold 5% or more of the total voting shares of the Company, or the Nomination and Remuneration Committee under the Board, shall have the right to nominate candidates for directors. The number of candidates for directors that a nominating party proposes to nominate shall not exceed the number of directors proposed to be appointed. Shareholders who individually or jointly hold 3% or more of the shares of the Company may propose the nomination of candidates for independent non-executive directors to the shareholders' general meeting directly, but one shareholder can nominate one independent non-executive director only. The Nomination and Remuneration Committee under the Board and the board of supervisors may also nominate candidates for independent non-executive directors. The Nomination and Remuneration Committee under the Board shall review the candidates for directors pursuant to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and report its opinions to the Board. Directors are elected by the Shareholders' general meeting. Each director shall serve a term of 3 years and may be reelected at the expiration.

3. Board diversity policy

The Proposal Regarding the Formulation of the Board Diversity Policy was passed at the 10th meeting of the fifth session of the Board held on 27 August 2013 by the Board of the Company.

In nominating candidates for directors, the Nomination and Remuneration Committee seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and the term of service. In the meanwhile, it will also take into consideration the business model and specific needs of the Company to ensure an appropriate balance in diversity of skills, experience and opinions of the Board members, to increase the efficiency of the Board operation and help the Company better serve the customers and shareholders.

As of the end of the reporting period, the composition of the Board of the Company:

Age	7 aged 50 and below	2 aged 51-55	2 aged 56-60	4 aged above 60
Type of Directors	2 executive directors	8 non-executive directors	5 independent non-executive directors	
Gender	1 female	14 male		
Professional Background	Insurance, actuarial, accounting, law, risk management, finance, economics, philosophy, psychology, engineering, politics, etc.			

4. Meetings and attendance

During the reporting period, the Nomination and Remuneration Committee held 9 meetings in total.

During the reporting period, the attendance of the Nomination and Remuneration Committee of the sixth session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LI Xianglu	6	6	0
XIONG Lianhua	6	6	0
WU Kunzong	6	4	2
DACEY John Robert	6	2	4
ZHENG Wei	6	6	0
CHENG Lie	6	6	0
NEOH Anthony Francis	6	6	0

During the reporting period, the attendance of the Nomination and Remuneration Committee of the seventh session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHENG Wei	3	3	0
XIONG Lianhua	3	3	0
LI Qiqiang	3	3	0
Edouard SCHMID	1	0	1
LI Xianglu	3	3	0
GENG Jianxin	3	2	1
MA Yiu Tim	0	0	0

5. Performance of duties of the Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee, in accordance with the Articles of Association and Terms of Reference of the Nomination and Remuneration Committee, reviewed the proposals on nominating candidates for the directors of the seventh session of the Board, the results of the performance evaluation of senior management for 2018, the scheme of performance evaluation of senior management for 2019, appointment of CEO and president, remuneration criteria of executive director, CEO and president and amendments to the Management Measures for Independent Directors, and issued professional opinions consenting to the submission to the Board for its consideration.

Risk Management and Consumer Rights Protection Committee

The Risk Management Committee of the sixth session of the Board consisted of 1 executive director LI Zongjian, 4 non-executive directors LIU Xiangdong, YANG Yi, HU Aimin, DACEY John Robert and 2 independent non-executive directors ZHENG Wei, GENG Jianxin, and LIU Xiangdong served as the chairman. In accordance with requirements of Guiding Opinions on Bank Insurance Institutions to strengthen the Work System and Mechanism Construction of Consumer Rights Protection (Yin Bao Jian Fa No. 38) (《關於銀行保險機構加強消費者權益保護工作體制機制建設的指導意見》(銀保監發38號)) by CBIRC and considered and approved by the fifth meeting of the seventh session of the Board, the Risk Management Committee was adjusted as Risk Management and Consumer Rights Protection Committee. As of the end of the reporting period, the Risk Management and Consumer Rights Protection Committee of the seventh session of the Board consisted of 1 executive director LI Quan, 3 non-executive directors YANG Yi, GUO Ruixiang, LI Qiqiang and 3 independent non-executive directors LI Xianglu, ZHENG Wei, MA Yiu Tim, and LI Xianglu served as the chairman.

1. Duties of the Risk Management and Consumer Rights Protection Committee

The Risk Management and Consumer Rights Protection Committee performs the following major duties: to review the overall objective, fundamental policy and working system of risk management and internal control, monitor and evaluate its implementation and effect; to review the effectiveness of the risk management and internal control system as well as the function of risk-based internal audit; to consider the Company's risk preference, risk tolerance and the annual statement of risk preference; to consider the risk assessment of major resolutions and solutions to major risks; to regularly evaluate the risks of the Company; to regularly review compliance reports; to review work report and annual report of consumer's rights and interests protection, carry out work related to consumer's rights and interests protection and have discussion on relevant matters; to guide and supervise establishment and improvement of management systems of consumer's rights and interests protection, and to supervise comprehensiveness, timeliness and effectiveness of the work of the management team and consumer's rights and interests protection department in accordance with regulatory requirements and strategies, policies, execution and implementation of the work of consumer's rights and interests protection, etc.

2. Meetings and attendance

During the reporting period, the Risk Management and Consumer Rights Protection Committee (Risk Management Committee) held 7 meetings in total.

During the reporting period, the attendance of the Risk Management Committee of the sixth session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LIU Xiangdong	4	3	1
LI Zongjian	4	4	0
YANG Yi	4	4	0
HU Aimin	4	4	0
DACEY John Robert	4	1	3
ZHENG Wei	4	4	0
GENG Jianxin	4	4	0

During the reporting period, the attendance of the Risk Management and Consumer Rights Protection Committee (Risk Management Committee) of the seventh session of the Board is as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LI Xianglu	3	3	0
LI Quan	1	1	0
YANG Yi	3	2	1
GUO Ruixiang	3	3	0
LI Qiqiang	3	3	0
ZHENG Wei	3	3	0
MA Yiu Tim	1	1	0

3. Performance of duties of the Risk Management and Consumer Rights Protection Committee

During the reporting period, Risk Management and Consumer Rights Protection Committee, in accordance with the Articles of Association, Terms of Reference of the Risk Management Committee and Terms of Reference of the Risk Management and Consumer Rights Protection Committee, reviewed compliance report of the Company of 2019, report of anti-fraud risk management, comprehensive risk management report, annual report of insurance asset liability management, the independent assessment report of asset liability management ability, amendments to the Measures for the Anti-Money Laundering and formulation of the Annual Statement of Risk Preference for 2019, and issued professional opinions consenting to the submission to the Board for its consideration. In addition, in reviewing the Proposal on the Investment Overview of Guangzhou New China Life Tower Building Project (《關於廣州新華保險大廈項目工程建設投資概算的議案》) at the third meeting of the Risk Management Committee of the seventh session of the Board, the proposal was considered relating to execution of Measures for the Administration of Technical Service Housing for Financial Enterprises (Interim) (《金融企業技術業務用房管理辦法（暫行）》) by the Ministry of Finance. The Company was required to further identify and study systems concerned and was proposed to postpone submitting the proposal to the Board for consideration.

Note: Performance of duties of the Risk Management and Consumer Rights Protection Committee includes the performance of duties of the Risk Management Committee of the sixth session of the Board and the performance of duties of the Risk Management and Consumer Rights Protection Committee of the seventh session of the Board (Risk Management Committee).

(IV) Supervisors and Board of Supervisors

The performance of duties of supervisors and board of supervisors is set out in Section 14 "Report of the Board of Supervisors" of this annual report.

(V) Chairman and chief executive officer

The Company established the Executive Committee system and the position of chief executive officer in February 2013. Meanwhile, the Company has set up an executive committee and functional sub-committees, the duties of which have been clearly defined in the Articles of Association and related terms of reference. Major events of the Company have been subject to complete consideration and decision-making procedures. All the above has guaranteed that chairman and chief executive officer performed duties efficiently and diligently.

From 1 January 2019 to 15 January 2019, Mr. WAN Feng worked as the chairman and chief executive officer. The Company was of the view that the roles of chairman and chief executive officer being performed by the same individual was consistent with the management mechanism of the Company at that time. The Board of the Company received Mr. WAN Feng's resignation letter on 16 January 2019. Due to his age, Mr. WAN Feng resigned as the chairman of the Board, an executive director, chief executive officer and all other positions of the Company with the effect from 16 January 2019. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. LI Zongjian was elected to act as the acting chairman of the Board until the new chairman is elected by the Board. The Board designated Mr. YANG Zheng to perform the duties of the chief executive officer and chairman of Executive Committee of the Company until the appointment of the new chief executive officer.

On 27 June 2019, the 36th meeting of the sixth session of the Board agreed to appoint Mr. LI Quan as the chief executive officer and the president of the Company. Meanwhile, from the date of the resolution of the Board until his qualification was approved by regulatory authorities, Mr. LI Quan was designated to be the temporary responsible person of the Company and presided over daily operation and management of the Company. Mr. YANG Zheng no longer performed the duties of the chief executive officer and the chairman of the Executive Committee of the Company. On 7 August 2019, Mr. LI Quan's qualification was approved by CBIRC. The term of office of Mr. LI Quan as the chief executive officer and the president of the Company commenced from 7 August 2019.

On 6 August 2019, the first meeting of the seventh session of the Board elected Mr. LIU Haoling as the chairman of the seventh session of the Board and elected Mr. LI Zongjian to perform the duties of the chairman, with a term commencing from the date of resolution of the Board and ending on the date of ratification of the qualification of Mr. LIU Haoling as the chairman. On 11 September 2019, Mr. LIU Haoling's qualification was ratified by CBIRC with a term commencing from 11 September 2019 and ending on the expiration of the seventh session of the Board.

(VI) Company secretary

The Company appointed, externally, Mr. LEE Kwok Fai Kenneth to work as the joint company secretary of the Company. The main contact person of Mr. LEE in the Company is Mr. GONG Xingfeng, the board secretary and joint company secretary of the Company. The contact information of Mr. GONG Xingfeng is set out in Section 2 "Corporate Information" of this annual report.

During the reporting period, both Mr. GONG Xingfeng and Mr. LEE Kwok Fai Kenneth attended relevant professional training for no less than 15 hours.

(VII) Training and research of directors

During the reporting period, each director received reports and materials on the latest regulatory rules and updates, industry information as well as the operation and management of the Company prepared by the Company on a regular basis to enable them to continuously develop and update their knowledge and skills in relation to work performance as well as to perform their duties with thorough understanding of information.

In addition, the Company has arranged the directors to participate in trainings on insurance policy, regulations and professional knowledge. During the reporting period, director YANG Yi, HU Aimin, and independent non-executive director MA Yiu Tim participated in the special training for directors and supervisors of listed companies in Beijing; director YANG Yi participated in the training for the new directors, supervisors and members of senior management by the CBIRC; independent non-executive director LI Xianglu participated in the follow-up training for independent directors of listed companies held by Shanghai Stock Exchange; independent non-executive director MA Yiu Tim participated in the qualification training for the independent directors held by the Shanghai Stock Exchange; the Company organized the chairman LIU Haoling, director LI Quan, GUO Ruixiang, LI Qiqiang, Edouard SCHMID and independent non-executive director MA Yiu Tim to participate in the training for new directors and supervisors under the Hong Kong Stock Exchange by the outside lawyer; and the Company also organized some directors to participate in the training on connected transaction rules.

During the reporting period, focusing on investment and old-age care, the directors of the Company conducted a series of research on branches, internal departments and institutions, industry peers and third-party institutions, made Investment Management System and Asset Allocation Research Report（《投資管理體制與資產配置調研報告》）, Research Report on the Development Strategy of Old-Age Care Industry（《養老產業發展戰略調研報告》）and provided valuable opinions and suggestions for current and future development of the Company, which were highly valued by the senior management.

(VIII) Amendments to the Articles of Association and other corporate governance systems

On 19 December 2018, the First Extraordinary General Meeting of 2018 of the Company considered and approved the Proposal on the Change in the Registered Address of the Company and the Amendment to the Articles of Association. On 27 June 2019, the Annual General Meeting of 2018 considered and approved the Proposal on the Amendment to the Articles of Association. Both of the revised Articles of Association of the above obtained approval of the CBIRC on 15 August 2019.

On 16 January 2019, the 29th meeting of the sixth session of the Board of the Company considered and approved the Proposal on the Amendment to the Terms of Reference of the Audit Committee of the Board and the amendment to the Terms of Reference of the Audit Committee of the Board was finished.

On 26 April 2019, the 33rd meeting of the sixth session of the Board of the Company considered and approved the Proposal on the Amendment to Terms of Reference of the Board Committees and amendments to the Terms of Reference of the Audit Committee of the Board and the Terms of Reference of the Risk Management Committee of the Board were finished.

On 30 October 2019, the 3rd meeting of the seventh session of the Board of the Company considered and approved the Proposals on the Adjustment to the Audit Committee of the Board and the Amendment to the Terms of Reference of the Audit Committee of the Board as well as the Proposal on the Amendment to Terms of Reference of the Board Committees, and amendments to the Terms of Reference of the Audit and Related Party Transaction Control Committee of the Board, Terms of Reference of the Strategy Committee of the Board and Terms of Reference of the Investment Committee of the Board were finished.

On 19 December 2019, the 5th meeting of the seventh session of the Board considered and approved the Proposals on the Adjustment to the Risk Management Committee and the Amendment to the Terms of Reference of the Risk Management Committee of the Board and the amendment to the Terms of Reference of the Risk Management and Consumer Rights Protection Committee of the Board was finished.

(IX) Information disclosure and investor relations

During the reporting period, the Company strictly observed various regulatory rules of the listing places, effectively implemented the information disclosure system the Company has made, and formulated a proactive management system for information disclosure to ensure that domestic and overseas investors can obtain true, accurate and complete information. There was no violation of requirements of information disclosure.

During the reporting period, the Company further refined the work of investor relations, strengthened communications with domestic and overseas investors and provided sufficient information feedback in a timely manner through results announcements, roadshow, the corporate day, reception of investors and analysts survey and attending external meetings. During the reporting period, the Company held annual, interim and two quarterly results announcements which around 1,198 investors and analysts attended on-site or by telephone. The Company also conducted 2 non-trading domestic and overseas roadshows, proceeding profound communications with 26 investment institutions. The Company held the corporate day, sharing the Company's development strategies with more than 349 investors, analysts and friends from media. The Company arranged 98 on-site and telephone surveys with about 500 domestic and overseas investors and analysts; attended 55 meetings by securities firms and communicated with about 600 institutions. Besides, the Company had continuous communication with investors by answering its investor relations hotlines and replying to the messages on its investor relations website and the E-interactive platform of the SSE.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As of the end of the reporting period, the Board included 5 independent non-executive directors who were professionals in areas including laws, insurance, financial affairs, finance and management, etc. The number of independent non-executive directors is in compliance with the regulatory requirements and the Articles of Association.

The Company's independent non-executive directors have necessary professional knowledge and experience, can perform duties in strict accordance with relevant laws and regulations, regulatory documents and the Articles of Association, and have provided comments and suggestions in respect of the Company's corporate governance, business operation, risk management and internal control, etc. Independent non-executive directors participate in decision-making on the Company's major matters with independent and objective stances, and have paid special attention to legitimate rights and interests of minority shareholders during decision-making.

(I) Independent non-executive directors' attendance of meetings

The details of independent non-executive directors' attendance in general meetings and Board meetings during the reporting period are set out in "I. Overview of corporate governance" in this section of this annual report.

(II) Objections from independent non-executive directors to relevant issues of the Company

During the reporting period, no independent non-executive directors had objections to relevant issues of the Company.

(III) Confirmation of independence of independent non-executive directors

The Company has obtained written confirmation of each independent non-executive director on his/her independence from the Company. The Company confirmed that all independent non-executive directors were independent from the Company during the year ended 31 December 2019.

III. THE INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDERS IN RESPECT OF ASSETS, PERSONNEL, FINANCE, INSTITUTIONS AND BUSINESSES

The Company is independent from the controlling shareholder in assets, personnel, finance, institutions and businesses, etc., and has a comprehensive business system and full ability to operate independently.

Assets: the Company has independent and intact assets, as well as business system and assets for its operation. The property rights of the Company's assets are definite, and it has the right of use or ownership of the land or properties relating to business operations, with no capital, assets or other resources occupied by the controlling shareholders.

Personnel: senior management of the Company are not serving any position in the controlling shareholders and other enterprises controlled by the controlling shareholders, nor are they receiving any remuneration from the controlling shareholders and other enterprises controlled by the controlling Shareholder. The financial personnel of the Company are not serving any positions in the controlling shareholders and other enterprises controlled by the controlling shareholders.

Finance: relying on its independent finance department and independent financial accounting system, the Company is capable of making independent financial decisions and has a normative and independent financial and accounting system and a financial management system over branches thereof, as well as independent financial and accounting books. The Company opened independent bank accounts, and had no shared accounts with controlling shareholders and other enterprises controlled by them.

Institutions: the Company has set up sound institutions of internal operation and management, including the general meeting, the Board and the Board of Supervisors, etc., which independently exercise discretions in the operation and management of businesses. There is no mix of institutional settings with the controlling shareholders and other enterprises controlled by them.

Businesses: the businesses of the Company are independent from the controlling shareholders and other enterprises controlled by them and the Company has no intra-industry competition with the controlling shareholders or any unfair connected transaction with the controlling shareholders and other enterprises controlled by them.

IV. APPRAISAL AND INCENTIVES FOR SENIOR MANAGEMENT

The Nomination and Remuneration Committee of the Board is accountable for organizing and carrying out performance evaluations on the senior management of the Company. Annual performance evaluation plans are determined in accordance with the mid to long term development strategies and annual operation plans of the Company and implemented upon consideration and approval by the Board. The annual evaluation results are linked to the annual performance-based bonus of senior management.

The Company has established a position-based and performance-oriented remuneration incentive system with reference to the market benchmark. The remuneration of the senior management comprises basic remuneration, performance bonus and extra bonus. The Company has implemented a deferred payment system of the senior management performance bonus and extra bonus with the payment term of three years according to the regulatory requirements.

V. SECURITIES TRADING OF DIRECTORS AND SUPERVISORS

The Company has established the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd. (《新華人壽保險股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理辦法》) to regulate the securities transactions of directors, supervisors and senior management of the Company, the standards of which are not lower than that required in Model Code for Securities Transactions. After making specific enquiries with all directors and supervisors, the Company confirmed that each of the directors and supervisors has observed the code of conduct set out in the Model Code for Securities Transactions and the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd. during the reporting period.

VI. REMUNERATION OF AUDITORS

See Section 8 "Significant Events – IX. Appointment of Accounting Firms" of this annual report for remuneration of auditors.

VII. RESPONSIBILITIES OF DIRECTORS TOWARDS FINANCIAL STATEMENTS

Directors confirmed that they were obliged to prepare financial statements and to truly and fairly report the Company's situation. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in Appendix "2019 Audited Financial Statements" of this annual report. To the knowledge of the directors, there were no issues or conditions that might have significant adverse effects on the Company's sustained operation. After making appropriate enquiries, the directors consider that the Company has enough resources for sustainable operation, therefore the financial statements shall be prepared on a going concern basis.

VIII. THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board of the Company is responsible for fulfilling the corporate governance responsibilities as set out in the terms of reference of Article D.3.1 of the Corporate Governance Code. The directors of the Company are not aware of any information that would reasonably indicate that the Company has not complied with the applicable code provisions as set out in the Corporate Governance Code at any time during the period from 1 January 2019 to 31 December 2019, except for below situations and this section as disclosed.

Mr. LI Quan's qualification of the director of the Company was ratified by the CBIRC Beijing Bureau on 11 November 2019 with the term of office from the date of ratification to the expiration of the seventh session of the Board. After Mr. LI Quan assumed the post of the director of the Company, the seventh session of the Board consisted of 13 directors, 4 of them are independent non-executive directors, the number of the independent non-executive directors of the Company is less than the minimum number required by the Rule 3.10A of the Hong Kong Listing Rules.

Mr. Edouard SCHMID's qualification of the director of the Company was ratified by the CBIRC Beijing Bureau on 14 November 2019 with the term of office from the date of ratification to the expiration of the seventh session of the Board. After Mr. Edouard SCHMID assumed the post of the director of the Company, the seventh session of the Board consisted of 14 directors, 4 of them are independent non-executive directors, the number of the independent non-executive directors of the Company has been less than the minimum number required by the Rule 3.10A of the Hong Kong Listing Rules. At the same time, the Nomination and Remuneration Committee of the seventh session of the Board consisted of 6 directors, 3 of them are independent non-executive directors, which is not in line with the requirement that most of members of such Committee shall be independent non-executive directors under the Rule 3.25 and code provision A.5.1 of Appendix 14 of the Hong Kong Listing Rules.

Mr. MA Yiu Tim's qualification of the independent non-executive director of the Company was ratified by the CBIRC Beijing Bureau on 3 December 2019 with the term of office from the date of ratification to the expiration of the seventh session of the Board. After Mr. MA Yiu Tim became the independent non-executive director of the Company, the seventh session of the Board consisted of 15 directors, 5 of them are independent non-executive directors, the number of the independent non-executive directors of the Company has been in line with the minimum number required by the Rule 3.10A of the Hong Kong Listing Rules. Meanwhile, the Nomination and Remuneration Committee of the seventh session of the Board consisted of 7 directors, 4 of them are independent non-executive directors, which is in line with the requirement that most of members of such Committee shall be independent non-executive directors under the Rule 3.25 and code provision A.5.1 of Appendix 14 of the Hong Kong Listing Rules.

During the reporting period, the Board of the Company held a meeting to review the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report.

IX. INTERNAL CONTROL

The Company has been committed to the establishment and improvement of internal control system to promote sustainable development. The internal control of the Company aimed at providing reasonable assurance that the Company's operation and management are in compliance with relevant laws and regulations; the Company's assets are properly safeguarded; financial statements and other related information are true and complete; the operation efficiency and results are improved; and the development strategies are implemented, to guarantee that the Company operates legally, soundly and effectively.

The Board is responsible for the establishment, improvement and effective implementation of internal control, as well as evaluating its effectiveness. The Audit and Related Party Transaction Control Committee of the Board is responsible for supervising the effective implementation and self-assessment of internal control, appointment of and coordination with external audit institutions. The board of supervisors is responsible for overseeing the establishment and implementation of internal control by the Board. The Risk Management Committee under the Executive Committee of the Company is responsible for organizing and leading daily operations of the internal control. The risk management department of the Company is responsible for organizing and promoting the internal control of the Company. Each of the functional departments and business units has fully implemented the provisions and requirements of internal control. The audit department is responsible for overseeing the internal control.

Based on the internal control requirements such as the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), the Basic Standards for Internal Control of Insurance Companies (《保險公司內部控制基本準則》) (Bao Jian Fa [2010] No.69), the Internal Control Guidelines for Insurance Fund Application (《保險資金運用內部控制指引》) (Bao Jian Fa [2015] No.114) and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange (《上海證券交易所上市公司內部控制指引》) (Shang Zheng Shang Zi [2006] No.460), the Company has observed the basic principles of comprehensiveness, significance, balancing, adaptation, and cost-effectiveness, and established a top-down internal control system covering such areas as finance, operation and sales management.

The Company has established and continued to enhance the internal control system composing of five elements, including internal environment, risk assessment, control activities, information and communication, and internal supervision. The functional departments and business units, the internal control management functional department and the audit and supervision department act as the three defence lines of the Company. Through the work division and coordination among these three defence lines, the Company has implemented the requirements of internal control and risk management and established the internal system of "overall coverage, highlights and effective control".

The Company continuously identified risks associated with the businesses, finance and use of funds and determined key risk areas through qualitative and quantitative methods, thereby fully identifying the defects and loopholes in internal control and constantly improving the deficiency rectification and follow-up regime. The Company put emphasis on the practical effects of rectification, put in place a uniform and coordinated management and control mechanism with precautionary measures, process control and post-supervision and guaranteed the efficiency and effectiveness of the operating activities. In 2019, the Company thoroughly carried out intermediary market violation rectification, "consolidating the results of violation rectification, promoting compliance construction", risk-based inspection on illegal fundraising and fund cases, comprehensive risk investigation, etc., strengthening monitoring and on-site inspection, and steadily facilitating the optimization and implementation of internal control system. Basic ability of the risk control was further improved.

The Company, focusing on transformation and development, continuously strengthened the internal control management foundation and steadily pushed forward the internal control building work in various business areas. In respect of sales control, the Company continuously improved the sales management structure, further standardized the sales management and development plan management as well as other control mechanisms; continuously strengthened the systems and procedures on the management of sales agents, training and quality, and strictly regulated promotion and business expansion activities, continuously focused on improving the quality of business, and strengthened sales risk monitoring. In respect of operation control, the Company continually optimized the operation management system, and operation management processes of new policies, underwriting, updating information, claim settlement, customer service, quality control and others to achieve the traceability of sales process. The Company improved customer information management approaches and continually improve the integrated risk management of operation. In respect of accounting and financial control, the Company established a comprehensive and standardized financial management structure and system, continuously enhanced various accounting and financial management system, including budget management, accounting classifications, tax management, statistical information management, funding management, etc.. Besides, the Company also optimized information system control measures, identified and managed financial risks effectively, improved efficiency of finance service and information quality to ensure the truthfulness, completeness, accuracy and timeliness of financial reports and relevant information. In respect of the control in utilization of capital, the Company prepared guidelines on the use of insurance funds annually, formulated the administrative measures on the risk classification of assets, real estate investment management measures and other relevant systems, strictly complied with the regulatory requirements of the CBIRC and the relevant regulatory authorities on the use of fund, controlled risks and standardized operation of insurance funds to effectively prevent the risk in insurance funds utilization.

The Company has established a clearly defined and effective internal and external information and communication system, which imposes strict requirements on the timeliness of information transfer so as to implement the administrative system of information disclosure and improve the registration and filing of inside information. The Company has also formulated the system of accountability for significant errors of information disclosure in the annual report. The criteria for identifying significant errors and the accountability mechanism have been established and strictly complied with.

The Company has established a relatively independent internal audit system with centralized management. The audit department is responsible for the arrangement and implementation, in a uniform manner, of internal audit and has been exercising the internal control function. The Company has continuously improved the standardized guidelines for auditing, strengthened off-site audits and intensified supervision of specific audits, diversified its audit methods and enhanced its professionalism as well as the auditing quality. The Company further improved auditing organization structure and upgraded the level of the audit center. By expanding the scope and coverage of auditing, the Company also strengthened the audit and supervision, and enhanced the management value of internal audit.

The Company has established a series of administrative measures for accountability, including accountability for non-compliances, specifying the scope, ways, standards and procedures of accountability as well as the information reporting mechanism. Non-compliance to laws and regulations and the administrative provisions of the Company will be handled by relevant departments of the Company according to the applicable criteria for accountability, giving full play to the role of punishment and deterrence.

The Board is responsible for the risk management and internal control and their effectiveness. Meanwhile, the specialized organ for the risk management and internal control of the Company is designed to manage the risk of failing to achieve objectives. The Company provides reasonable and not absolute assurance for non-existence of material false statements or loss. The Company actively carried out the construction and self assessment of solvency risk management in 2019 in accordance with the regulatory requirements of C-ROSS. Through a comprehensive benchmarking analysis, the Company identified its own problems, carried out targeted rectification, and effectively improved the ability of risk management.

On the basis of the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), and the Hong Kong Listing Rules, the Board has conducted annual self-assessment on the internal control in a comprehensive way, the scope of which covers the sales management, financial management, operational management, capital utilization, compliance management and risk management functions of the headquarters, branches and holding subsidiaries. The time interval of the 2019 assessment is from 1 January 2019 to 31 December 2019. By the assessment, the Board is of the view that the Company's internal control system and risk management system are effective and adequate as a whole and the accountant has issued a standard unqualified internal control audit report.

For details of the Company's internal control assessment, please refer to the 2019 Internal Control Assessment Report separately issued by the Company and the internal control audit report issued by the accountant.

I. RISK MANAGEMENT SYSTEM – OVERALL STRATEGIES

The Company has established a risk management organizational system spanning all business areas which the Board is ultimately responsible for, and which is under the direct leadership of by the Executive Committee, coordinated by the risk management department, closely assisted by the relevant functional departments and branches, and independently audited by the audit department. In 2019, according to the regulatory requirements of solvency risk management, asset liability management and consumers' rights and interests protection and its own management needs, the Company further specified the responsibilities of Risk Management and Consumer Rights Protection Committee under the Board, Executive Committee and relevant functional departments for risk management such as solvency risk management and asset liability management.

With the aim of pursuing value and on the basis of internal control, the Company facilitated the establishment of a comprehensive risk management system using both quantitative and qualitative methods to realize the professional operation of risk management, thus making risk management the important basis for the decision-making of the Board and the Executive Committee. Considering the general operational strategy and the expectations of all stakeholders, the Company established risk strategies aiming at striking a balance among capital, value, profit and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, and safeguarding the Company's reputation and brand image so as to achieve sustainable healthy development.

The Company made steady progress in the risk management system and its process development, continuously improved the risk management system and optimized the management process. In 2019, the Company continued to improve the risk management system and the coherence of the system at all levels. It updated the Statement of Risk Preference for 2019 (《2019年度風險偏好陳述書》) to improve the overall risk preference of the Company; revised Measures for Asset Liability Management (《資產負債管理辦法》), Measures for Asset Allocation Management (《資產配置管理辦法》) to improve the system for asset liability management and asset allocation management; revised the special risk management system such as Market Risk Management System(《市場風險管理制度》), Credit Risk Management System (《信用風險管理制度》), Liquidity Risk Management System (《流動性風險管理制度》), Insurance Risk Management System (《保險風險管理制度》), Operational Risk Management System(《操作風險管理制度》), Reputation Risk Management System(《聲譽風險管理制度》) and Development Planning Management Measures (《發展規劃管理辦法》) to improve the special risk management system and process; Measures for Anti-money Laundering (《反洗錢管理辦法》) was amended to improve anti-money laundering management system; Measures for Equity Investment Risk Management (《股權投資風險管理辦法》) was amended to improve the investment risk management system. In 2019, the Company further strengthened the construction of risk management process, determined and issued the Work Guidelines for the Management of Data Preparation for the Solvency Risk Comprehensive Rating (Classified Supervision) (《償付能力風險綜合評級(分類監管)報送管理工作指引》) to standardize the process of data preparation for comprehensive risk assessment; Standard Guidelines for Risk Control Compliance of Branches (《分公司風控合規工作標準化指引》) was amended to strengthen the standardization and professionalism of compliance and risk control. Working Rules for Emergency Information Collecting and Feedback (《公司突發事件資訊收集與回饋工作細則》) was amended to standardize the reporting process of emergency information.

The Company actively improved its own risk management ability in consideration of the requirements of the C-ROSS, by means of conducting self-assessment of the solvency risk control ability and comprehensive benchmarking analysis which enabled the Company to identify problems and make specific rectification.

In 2019, the Company constantly optimized its risk monitoring and reporting mechanism. It set up early warning intervals for monthly monitoring and analysis of the key risk indicators for seven major risks under the comprehensive risk management system, namely, market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk through setting up early warning system. Meanwhile, the Company focused on the process of the current asset allocation project and the execution of risk controlling measure in the asset allocation planning to provide the headquarters and branches with risk warning and reminder of related risks.

In 2019, the Company constantly optimized its risk management information system. Its risk management subsystem realized various functions such as data collection and processing, key risk indicator monitoring and early warning, and risk statement management, to timely identify risks and give warnings by monitoring data and indicators during the operation with modern information technology, and to effectively mitigate and dispose risks. The internal control subsystem realized a full coverage of internal control management modules such as internal control evaluation, defect rectification, operational risk event management, and risk investigation, and advanced the basic risk control management.

II. RISK IDENTIFICATION AND CONTROL

The major risks of the Company in the course of operation and management include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk, liquidity risk, etc.

(I) Market Risk

Market risks refer to the risks that expose the Company to unexpected losses due to adverse movements in (amongst others) interest rate, equity prices, real estate prices and exchange rate.

The Company continued to monitor the proportion of high-risk assets, value at risk (VaR), asset liability duration gap ratio and other key market risk indicators. Benchmark threshold values were set up for risk warning. In addition, in case of extreme circumstances, the Company adopted sensitivity analysis and stress test to measure the potential loss to the Company under stress with focus on the impacts of market volatility and interest rate movements on fair value of investment assets and solvency of the Company. The proportion of each investment asset was in line with the requirements of CBIRC and the internal requirements of the Company. According to the results of the risk indicator monitoring and stress test, the market risk of the Company was within a normal controllable range.

In order to handle the market risks, the Company primarily adopted the following risk control measures in 2019: 1. placing emphasis on macro-economic studies and carefully projecting domestic and international market trends; 2. analyzing historical risks and returns of major assets on a regular basis; 3. proactively managing the positions of equity assets and conducting regular stress tests to measure their impact on return on investment and solvency margin ratio to keep risk exposures under control; 4. making stable investment and insisting on asset liability matching as our focus of management; 5. sticking to value-oriented investment, selecting assets with potential value appreciation, and pursuing middle to long term investment gains; 6. centering on value while paying attention to the overall liquidity of assets and gradually adjusting our investment portfolio by adding new assets, so as to match the risk and return characteristics of the overall investment portfolio with the value and risk management requirements of the Company; and 7. enhancing risk monitoring and early warning to strengthen risk emergency management.

(II) Credit Risk

Credit risks refer to the unexpected risk exposure of the Company arising from non-performance or delay in the performance of contractual obligations by counterparties, or adverse changes in their credit standings. The credit risks that the Company is exposed to mainly relate to the investment deposits, bonds, non-standard financial products and reinsurance arrangements, etc.

1. *Credit Risk of Investment Business*

The Company primarily monitored the credit rating and concentration of investment targets and counterparties to ensure that the overall credit risk exposure is within control by limiting the proportion of investments with low credit rating. More than 95% of the investment deposits and bonds of the Company have a credit rating of AAA and the credit rating of major counterparties is AAA with low credit default risk. The non-standard financial products held by the Company have good credit enhancement arrangements, and thus their overall risk is under control.

To address the credit risks of the investment business, the Company primarily adopted the following measures in 2019: 1. implementing a strict internal credit and credit rating system for counterparties and stringently check on the categories of credit investment products; 2. implementing subject credit with respect to non-standard financial products to prevent credit risk; 3. reinforcing credit enhancement arrangements with respect to non-standard financial products; and 4. regularly tracking down and monitoring the credit risk of investment portfolios, analyzing and assessing the probability and impacts of credit default events.

2. *Reinsurance Credit Risk*

In respect of reinsurance credit risk, the Company conducted assessment mainly based on the credit ratings of reinsurance counterparties.

In 2019, there were a total of 16 reinsurance companies under contractual arrangements with the Company, and all of their credit ratings were above A. Twelve of them obtained Standard & Poor's rating: one Company had AA+, three companies had AA-, six companies had A+, two companies had A. The other four companies obtained A.M. Best's ratings: two companies had A+, one company had A and one had A- respectively. The Company had good credit distribution within the reinsurance ceding business without material credit risk.

(III) Insurance Risk

Insurance risks refer to the risks of losses arising from the unfavorable deviation of the actual situation from the projections in terms of such assumptions, such as mortality rate, morbidity rate, compensation rate, surrender rate and expense rate.

The Company assessed and monitored insurance risk through regular review of historical and empirical data, sensitivity analysis of main assumptions and other techniques, with a focus on the impact of the surrender rate, mortality rate, and morbidity rate on the Company's operating results. In general, the Company's insurance risk is under control in 2019.

The Company managed insurance risks in areas such as product development, underwriting strategies and reinsurance arrangements mainly via the following mechanisms and measures: 1. designing proper insurance liabilities and setting the product price on the basis of market research, predicting the product profitability based on the Company's empirical analysis, so as to maintain a rational expense ratio and profitability of the product by way of an effective product development and management system. 2. making underwriting suitable for each customer through the implementation of careful underwriting strategies and processes, to ensure that its individual risk is within control; 3. selecting appropriate reinsurance arrangements based on the risk characteristics of the insured, and ensuring that reinsurance contract had basically covered products with risk liabilities to effectively transfer insurance risk; 4. reviewing the Company's operating data on a regular basis to conduct empirical analysis and trend research, which serve as the basis for adjusting pricing assumptions and assessing assumptions; and 5. reflecting problems identified in empirical analysis and relevant information in a timely manner to processes such as product development, underwriting approval and claims settlement to optimize relevant procedures and to improve risk management measures.

(IV) Operational risk

Operational risks refer to the risks of direct or indirect losses arising from inappropriate internal operational processes, personnel, systems or external events, including legal and regulatory compliance risks.

In 2019, the Company has not experienced the operational risk events that may affect the evaluation opinions of external auditor or have a significant systematic impact on the Company, and there have been no major regulatory penalties. The Company's operational risks were under overall control. The major operational risks facing the Company include the risk on maturity and surrender, misleading sales, insurance litigations as well as non-compliance sales of non-insurance financial products.

1. Risk of maturity and surrender

Risks of maturity and surrender refer to the more-than-expected or deviated-from-expected occurrence of maturity and surrender, which results in the risk of insufficient cash flow, complaints and disputes, or group events.

In respect of maturity, as the policies accumulated at prior sales peak gradually came to maturity and were ready for payout, the maturity amount for 2019 posed higher pressure. Certain products may incur the risk of complaints and disputes as the yield to maturity may be lower than customer's expectation. In respect of surrender, as the peak season of 3-year and 5-year participating contracts sold by the bancassurance channel in the prior period has passed, and the Company proactively reduced the sales of middle and short term products from the perspective of strategies, the stress of surrender faced by the Company was relieved in 2019.

To effectively address the risk of maturity and surrender, the Company primarily adopted the following measures in 2019: 1. attaching great importance to the risk and promoting counter measures comprehensively. First, the senior executives of the Executive Committee of the Company attach great importance to the deployment of work in advance; Second, strengthening special training for branches and sub-branches and organizing emergency drills; Third, the Company will continue to monitor the risks of maturity and surrender and give early warning of risks on a regular basis, so as to ensure the timely resolution of risks and hidden dangers. 2. strengthening control and improve business quality. First, implement management system, strengthen supervision, consolidate the risk control foundation; Second, conduct special risk screening, strict control and prevention; Third, strengthen the team training, strengthen the basic management and improve the quality of the team. 3. optimizing the process and offer good service. First, optimize the process of information updating and improve service efficiency; Second, unblock complaint pipeline, optimize the handling process; Third, strengthen the control of indicators to prevent insurance policy failure.

2. *Risk of misleading sales*

Risks of misleading sales refer to various misleading acts such as deceit and fraudulent inducement on the part of sales team and insurance agencies in the course of marketing, which results in customer complaints, negative media coverage, regulatory penalties and collective complaint events, and thus brings the risk of economic loss, reputation damage or other adverse impact to the Company. Rectification of misleading sales based on regulatory requirements and the Company's requirements of strategic transformation is a major task of the Company.

To effectively address the risk of misleading sales, the Company mainly adopted the following measures in 2019: 1. further improving the compliance appraisal indicators system, focusing on the misleading sales rectification, and supervising the constant enhancement of misleading sales rectification through regularly tracking the appraisal indicators; 2. strengthening daily risk monitoring and early warning, providing risk reminders to agencies with high risk on misleading sales according to the daily monitoring results, urging branches and sub-branches to take measures to prevent and defuse potential risks; 3. strengthening the internal control and compliance management of promotional materials, improving the product promotion management system, optimizing the approval process of promotional materials, regulating information disclosure, the design and production of product promotional materials, product training advocacy, product marketing promotion and product information disclosure; and 4. strengthening compliance promotions and warning education, constantly summarizing all kinds of misleading sales problems, and initiating system-wide risk prevention promotion and warning education.

3. *Risk of insurance related litigation and illegal sale of non-insurance financial products*

Risks of insurance related litigation and illegally selling non-insurance financial products refer to risks arising from infringement, misappropriation, fraud, commercial bribery, illegal fund-raising, pyramid selling and illegally selling non-insurance financial products of the insurer that result in economic losses, reputation damage or other adverse effects on the Company. In 2019, the number of the Company's insurance judicial cases significantly decreased compared with the previous year, with the amount involved significantly reduced, and the risk of insurance related litigation and illegal sales of non-insurance financial products decreased.

To effectively address risks of insurance-related litigation cases and curb illegal sales of non-insurance financial products, the Company mainly adopted the following measures in 2019: 1. improving the case prevention and control mechanism, formulating and issuing the Notice on Further Strengthening Cases Risk Prevention and Control(《關於進一步加強案件風險防控的通知》), for further implementing main body accountability for prevention and control at all levels, strengthening the personnel control, strengthening payment-related risk prevention and control, continuing to remind customers of risks during visits, underwriting, information updating and claim settlement, in order to strengthen the management of the workplace; 2. continuing to carry out risk monitoring and risk screening, carry out regular indicator monitoring, complaint monitoring and other work, resolutely resolve risks at an early stage when they are small, urge and guide branches to implement, timely identify and deal with risks; 3. carrying out special investigation on illegal fund raising and case risks, and conducting systematic investigation on key case risks of employees using insurance business for illegal fund raising, illegal sale of non-insurance financial products, fraud and embezzlement of customers and company funds, etc., and rectifying problems in time; 4. carrying out publicity and education, and carrying out regular case warning education and training internally, so that employees at all levels and business personnel of the Company can fully understand the serious adverse consequences of illegal behaviors, and effectively establish the awareness of business development in accordance with the law and in compliance; carrying out publicity activities to prevent risks of illegal fund-raising, guiding the public to establish rational concepts of insurance consumption, investment and financial management, and enhancing customers' awareness of risk prevention; 5. strengthening the handling of cases and the filing of cases. Once any judicial case occurs, the Company conducted timely investigation, set up the emergency response team, made the handling plan, preserved evidence, and reported to and communicated with the regulatory authorities to complete the case filing in a timely manner.

In addition to the relevant measures for the above important operational risks, the Company also responded to daily operational risks by optimizing management processes, strengthening internal controls and compliance management, conducting risk investigations and strengthening internal audit supervision.

(V) Reputation risk

Reputation risks refer to the risk of losses due to the negative comments to the Company because of the operation and management of the Company or external events.

Generally speaking, there was no material reputation risk event throughout the year 2019. Coverage of the Company by external media was primarily positive and objective.

The Company's reputation risk management follows the principle of risk prevention by establishing a routine, long-term management mechanism which focuses on advance assessment and daily precaution. The Company has established a comprehensive reputation risk management system that covers all channels and all branches in terms of organizational structure, system, daily monitoring and disposal. Through timely identifying and addressing issues in operation management, the Company aims to eliminate potential risks that may affect the its reputation and image.

(VI) Strategic risk

The strategic risks refer to the risk of mismatch between strategies, market conditions and capabilities of the Company arising from ineffective formulation or implementation of strategies or changes in operational environment.

In 2019, the Company shifted from structural adjustment to comprehensive development, transformation and upgrading, adhered to the principle of "pursuing growth while ensuring stability", actively promoted balanced product development, met customers' long-term savings and security needs, and achieved the stable growth of core business objectives such as gross written premiums.

To address the strategic risk, the Company mainly adopted the following measures: 1. analyzing and studying hotspots and development trends of the industry, thereby identifying the opportunities for the development of the life insurance business, and mapping out the growth path and strategic layout in view of the actual operation of the Company; 2. adhering to the smooth transition, seizing the general requirements of the transition period of "developing business, stabilizing the team and preventing and controlling risks", implementing practical measures, strengthening business drivers and achieving good development of all indicators; 3. studying and formulating future middle and long-term strategic development plans, putting forward the development strategy of " One Body Two Wings Plus Technology Empowering (一體兩翼加科技賦能)", and making clear the core operating indicators for balanced development of volume and value based on the Company's operating conditions; 4. implementing the operation measures, promoting the guidance and management of strategies for the completion of the operational plans, thus ensuring that the strategic plans of the Company could be thoroughly implemented at all levels; 5. tracking the assessment, establishing a tracking and assessment system on strategies by making assessment indicators and regularly tracking their implementation; 6.strengthening communication and coordination, strengthening the communication between the strategy management department and related function departments to form a coordination and feedback system on strategy planning and adjusting the strategic objectives in a timely manner based on the change of internal and external circumstances.

(VII) Liquidity risk

The liquidity risks refer to the risk that the Company fails to have access to sufficient funds in time or at reasonable costs to pay its debts or fulfill other payment obligations as they become due.

In 2019, the overall liquidity of the Company was satisfactory, and there was a significant increase in cash flow of traditional protection business.

To address the liquidity risk, the Company primarily adopted the following measures: 1. strictly preventing illegal sales to enhance the business quality and prevent the risk of large scale payment requirements induced by unusual concentrated surrenders; 2. establishing settlement reserve system for contingency payments in case of short-notice request for large amount payments; 3. regularly conducting cash flow projections and stress tests based on the liquidity risk management requirements of the C-ROSS with attention to the indicators such as the consolidated current ratio and the liquidity coverage ratio, and formulating solutions in advance by continuously putting daily risk monitoring in place and paying attention to unusual changes of indicators; 4. planning and managing long-term liquidity, and adjusting middle to long term asset allocation by considering the overall liquidity of assets and liabilities with reference to our investment guidelines; and 5. strengthening emergency management by formulating emergency plans on liquidity risks.

SECTION 13
REPORT OF THE BOARD OF DIRECTORS

I. MAIN BUSINESSES

As approved by the regulatory authorities and the Company registration authorities, the business scope of the Company include: providing life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital utilization in accordance with relevant regulations and other businesses approved by CBIRC. There was no material change in major business scope of the Company during the reporting period.

II. BUSINESS REVIEW

(I) Annual business and business results analysis

Analysis on the business results and key financial indicators of the Company during the reporting period is set out in Section 3 "Business Overview" and Section 6 "Management Discussion and Analysis" of this report.

(II) Major risks and uncertain factors

Please refer to Section 12 "Risk Management" of this report for details of the major risks and uncertain factors of the Company.

(III) Environment policy

The Company actively responds to the national development strategy, implements the national environmental protection requirements, strictly abides by laws and regulations, including Environmental Protection Law of People's Republic of China, Law of the People's Republic of China on Conserving Energy, always adheres to the low-carbon and environmental-friendly operation mode, actively mitigates climate change and promotes ecological civilization. During the daily work, the Company attempts to minimize the negative effect brought by daily operation on the environment and natural resources by installing energy-saving lighting control switch, controlling vehicle use, advocating green travel, installing induction faucet, promoting the paperless office. During the marketing process, the Company adopts the energy-saving self-service terminal, which greatly reduces the consumption of paper and electricity. As a key unit of energy consumption in the operation process, data base has followed the concept of energy conservation and environmental protection since the design stage, which has greatly reduced the energy consumption.

(IV) Principal employees and customers

Details of the senior management and employees of the Company are set out in Section 10 "Directors, Supervisors, Senior Management and Employees" of this report.

During the reporting period, the premium income contributed by any single customer was less than 30% of the Company's annual premium income. The total premium income from the top five customers was also less than 30% of the Company's annual premium income.

During the reporting period, the Company and customers have maintained good relationships.

(V) Compliance of relevant laws and regulations

As an insurance company listed on both SSE and HKSE, the Company strictly complies with laws and regulations such as the Company Law, the Insurance Law, the Anti-Money Laundering Law of the People's Republic of China, the Administrative Measures of Insurance Clauses and Insurance Premium Rates of Personal Insurance Companies and the Interim Measures for the Regulation of the Internet Insurance Business, Measures for Compliance Management of Insurance Company, Basic Guidelines for Internal Control of Insurance Company, regulatory documents as well as the regulatory rules of the places where the Company is listed.

The Company remains committed to insurance business operation in a prudent way and in accordance with law, reviewing the terms of insurance products with respect to their legality and compliance, strengthening the management of insurance agents, perfecting the insurance business process and improving customer relationship. During the reporting period, the Company also actively sent its employees to attend the relevant training organized by Insurance Association.

The Company continues to promote compliance culture and risk control infrastructure, optimizes compliance control mechanism, strengthens marketing compliance management and strictly keeps the bottom line of risks.

Adhering to risk-prevention principle, the Company has fully complied with regulations on anti-money laundering and incorporated the risk management of money laundering into its overall risk management system, established and improved the mechanism for anti-money laundering. The Company fully fulfilled the anti-money laundering obligations, including customer identity recognition, the retention of customer ID information and transaction, the reporting of major transaction and doubtful transaction and customer risk assessment, to uplift risk management and effectively prevent the risk of money laundering.

The Company strictly abides by the laws and regulations, regulatory provisions and relevant rules about corporate governance, continues to enhance its organizational structure, convenes regular general meetings of shareholders, board of director's meetings and board of supervisor's meetings and fulfills its obligations in the approval, reporting and disclosure of related party transactions and material information.

(VI) Company's relations with employees and customers

The Company has always put people first, strictly abided by various laws and regulations, including Labor Contract Law of the People's Republic of China, and Labor Law of the People's Republic of China. The Company always believes that the comprehensive improvement of employees is one of the most important targets. By creating an inclusive, equal, mutual trust and collaborative environment for employees, the Company makes efforts to guarantee the rights and interests of employees, promote their mental and physical health and build platforms for improvement to unify the Company's values and employees' values.

Centering on customers, relying on technology empowering and more service, the Company is committed to improving product quality and optimizing service quality. In terms of product supply, the Company focuses on customers' demands, innovates and upgrades products, constantly enriches product value to improve product quality. In terms of service quality, on the basis of technology empowering, the Company achieves "quick claim settlement and excellent service", and make efforts to provide convenient and fast claim settlement service. The Company enriches customer service, upgrades service measures, continues to promote "LOVE CREDIT ACCUMULATION" and other customer activities to optimize customer experience. To protect customers' legitimate rights and interests, the Company establishes a comprehensive system covering products, marketing, underwriting, information updating, claim settlement and customer service.

(VII) Protection of Consumers' Rights and Interests

1. *Consumer Complaints and Handling*

According to the notification of insurance consumption complaints issued by CBIRC, the Company received 2,459 complaints from CBIRC and its dispatched offices in the first three quarters of 2019, representing a decrease of 19% year-on-year. 1,076 cases came from marketing disputes, down by 29% year on year and 577 cases from claim settlement disputes, representing a decrease of 5% year on year. All complaints have been replied within the specified time limit.

Note: The notification of insurance consumption complaints of 2019 has not been issued by CBIRC.

2. *Significant Information for Consumers' Rights and Interests Protection*

(1) Improve the construction of system and mechanism, and fulfill the responsibilities of the Company in an all-round way

The Company earnestly implements *Guiding Opinions On Strengthening the Construction of the Working System and Mechanism for the Protection of Consumers' Rights and Interests Of Banking and Insurance Institutions* (Yin Bao Jian Fa [2019] No. 38) (《關於銀行保險機構加強消費者權益保護工作體制機制建設的指導意見》(銀保監發[2019]38號)), establishing the "Risk Management and Consumer Rights Protection Committee" under the Board, to ensure the effective implementation of the protection of consumers' rights and interests, and accomplish the goal of protecting consumers' rights and interests.

(2) Carry out All Major Work to Ensure the Protection of Legitimate Rights and Interests of Consumers

The first is to establish and improve the marketing management system. The second is to improve the information technology to guarantee the information security of consumers. The third is to optimize claim settlement process and simplify claim settlement procedures. The fourth is to unblock the channels to file complaints and safeguard rights. The fifth is to strengthen the education of insurance consumers and improve consumers' awareness of risks.

(VIII) Prospects

Please refer to Section 6"Management Discussion and Analysis – IV. "Future Prospect" of this report for details of the prospects on future business development of the Company.

(IX) Post-balance sheet events

Please refer to Note 39 to the Consolidated Financial Statements for material events after the reporting period that have impact on the Company.

III. DIVIDEND DISTRIBUTION

(I) Dividend distribution policies

According to Article 287 of the Company's Articles of Association, the major dividend distribution policies are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.

2. If the profit for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the Board based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the profits available for distribution of the parent company for the year.

3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the Board considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all Shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.

4. The Board shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution to the general meeting for consideration. The independent non-executive directors of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with shareholders, particularly minority shareholders through various channels, carefully listen to the feedbacks and requests of minority shareholders, and give timely response to minority shareholders on the relevant matters. After a resolution approving such profit distribution plan is passed at the general meeting, the Board shall distribute the dividends within two months from the convention of such general meeting.

The dividend distribution policies of the Company clarify the standards and percentage of dividend distribution, emphasize the roles of independent non-executive directors and pay attention to the communication with minority shareholders. The dividend distribution policies also stipulate in detail the conditions and procedures on the adjustments or changes of dividend distribution policies and thus protect the legitimate rights and interests of minority shareholders.

(II) Dividend distribution in the recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements
2019	1.41	4,399	14,559	30.2%
2018	0.77	2,402	7,922	30.3%
2017	0.52	1,622	5,383	30.1%

1. *Annual dividend plan of 2019*

According to the annual dividend plan of 2019 deliberated by the 8th meeting of the seventh session of the Board on 25 March 2020, the Company plans to distribute an annual cash dividend of RMB1.41 (including tax) per share to all of the A shareholders and H shareholders for 2019, totaling RMB4,399 million, representing approximately 30.2% of the net profit attributable to shareholders of the Company as contained in the 2019 financial statements of the Company. The remaining retained profits shall be carried forward to 2020 and distributed in future.

The aforementioned proposal will be submitted to the shareholders for consideration and approval at the Annual General Meeting of 2019. The Company expects that 2019 annual dividend will be distributed on Friday, 7 August 2020 to all the H shareholders.

2. *Withholding and payment of dividend income tax for individual foreign shareholders and non-resident enterprise shareholders*

Pursuant to the Individual Income Tax Law of People's Republic of China (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law of People's Republic of China (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發<非居民享受稅收協議待遇管理辦法(試行)>的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws and regulations and regulatory requirements, the Company shall, as a withholding agent, withhold and pay dividend income tax for the H shareholders in respect of the dividend to be distributed to them, including individual income tax for individual foreign shareholders and enterprise income tax for non-resident enterprise shareholders. For details regarding withholding and payment of dividend income tax for the H shareholders and materials that H shareholders need for tax deduction, please refer to announcements to be published by the Company in due course.

IV. MAJOR ACQUISITION AND DISPOSAL

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

V. ISSUE OF BONDS

During the reporting period, the Company did not issue any bonds.

The Company issued subordinated term debt with the face value of RMB4,000 million on 19 November 2014 (hereinafter referred to as "the Debt"), and the coupon rate of the Debt is calculated in a segmented way: the coupon rate of the former five years is 5.60%, which is fixed during the period. If the Company does not exercise the redemption right, the coupon rate in the later five years is 7.60% from the sixth year to the maturity of the Debt. The Debt has reached 5 years on 18 November 2019. The Company has determined to redeem the subordinated term debt on 19 November 2019.

VI. BANK LOANS

During the reporting period, the Company had no bank loans other than the subordinated term debts in issue and the assets sold under agreements to repurchase involved in the investment business of the Company.

VII. PLEDGE OF ASSETS

During the reporting period, the Company had no pledge of assets.

VIII. DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors, supervisors and senior management are set out in Section 10"Directors, Supervisors, Senior Management and Employees" of this report.

IX. CHANGES IN ACCOUNTING ESTIMATES

The Company determined actuarial assumptions, including discount rates, mortality rates, morbidity rates, expense assumptions, surrender rates, and policy dividend assumptions, based on information available as of the balance sheet date to measure insurance contracts liabilities as of the balance sheet date.

The Company determined the above assumptions on 31 December 2019 according to the information available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in the statement of comprehensive income. The aforementioned change in assumptions resulted in an increase of RMB160 million in the life insurance liability reserves, an increase of RMB6,089 million in the long term health insurance liability reserves as at 31 December 2019, and a decrease of RMB6,249 million in profit before income tax for the year 2019.

X. USE OF PROCEEDS

During the reporting period, the Company's proceeds raised were all used for replenishing the capital base to support sustainable business growth, consistent with the commitments in the IPO Prospectus.

XI. RESERVES

Please refer to Note 23 to the Consolidated Financial Statements of this report for details of reserves (including distributable reserves) of the Company during the reporting period.

XII. CHARITABLE DONATIONS AND OTHER DONATIONS

In 2019, New China Life Foundation continued to carry out the public welfare activity of "donating insurance to sanitation workers nationwide" in 102 large and medium-sized cities across the country, and provided more than 750,000 sanitation workers accidental injury insurance with sum assured of RMB100,000 per capita. The accumulative sum assured is more than RMB75,000 million. The Company's targeted poverty alleviation projects have covered 7 provinces or autonomous regions, benefiting more than 20,000 people. In 2019, the Company's volunteer league set up 35 branches across the country, recruiting a total number of 30,780 volunteers, organizing 1,318 service activities. During the reporting period, the Company donated approximately RMB12.29 million in total.

At the beginning of 2020, COVID-19 suddenly swept across the country. In the face of severe pandemic, the Company spared no efforts to join in the fight against the pandemic. On the basis of protecting physical security, the Company proactively took care of customers, expanded coverage of insurance product to fulfill its social responsibilities. As of 20 March, the Company donated over RMB6,071 thousand in total, and accumulative sum assured worth RMB72,230 million. The value of goods and materials donated by the Company exceeded RMB966 thousand.

XIII. PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 6 to the Consolidated Financial Statements of this report for details of property, plant and equipment of the Company during the reporting period.

XIV. INVESTMENT PROPERTY

Address	Utilization	Term	Equity of the Company
New China Insurance Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, China	Office building	Middle-term lease	100%
No.7 Office Building of Shanghai Port International Passenger Transport Center, 558 Dongda Ming Road, Hongkou District, Shanghai, China	Office building	Middle-term lease	100%
Binhai International Center, Exhibition North Road, Siming District, Xiamen, Fujian Province, China	Office building	Middle-term lease	100%

The directors of the Company is of the view that the listing of all investment properties would result in an excessively lengthy list of information and therefore only listed significant properties.

XV. SHARE CAPITAL

Please refer to Section 9 "Changes in Share Capital and Shareholders' Profile" of this report for details of changes in share capital of the Company during the reporting period.

XVI. CONNECTED TRANSACTIONS

Please refer to Section 8 "Significant Events – VI. Major connected transactions during the reporting period" of this report for details of connected transactions of the Company.

The details of the related party transactions are set out in Note 34 to the Consolidated Financial Statements of this report. Aside from Section 8" Significant Events – VI. Major connected transactions during the reporting period", no such related party transactions fall under the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Hong Kong Listing Rules.

XVII. MANAGEMENT CONTRACTS

During the reporting period, the Company did not enter into any management contract in relation to its entire or primary businesses.

XVIII. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

XIX. PRE-EMPTIVE RIGHT

Pursuant to P.R.C. laws and regulations and the Articles of Association, shareholders of the Company had no pre-emptive right; and the Company did not have any share option plan.

XX. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETITIVE BUSINESSES

During the reporting period, the non-executive director of the Board of the Company, Mr. LI Qiqiang also serves as a non-executive director of China Pacific Insurance (Group) Co., Ltd., which is a comprehensive insurance group in China providing life insurance, property insurance, and pension products and services for individual and institutional customers nationwide. The subsidiary of China Pacific Insurance (Group) Co., Ltd., China Pacific Life Insurance Co., Ltd. is one of the Company's major competitors in the life insurance market of China. Strictly complying with relevant P.R.C. laws and regulations and the Articles of Association in performing his duties as a director, Mr. Li attended to his fiduciary duties and managed to avoid actual and potential conflicts in interest and post.

XXI. SERVICE CONTRACTS AND REMUNERATIONS OF DIRECTORS AND SUPERVISORS

During the reporting period, no director or supervisor of the Company entered into with the Company or its subsidiaries any service contract which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

For details of remunerations of the directors and supervisors, please refer to Section 10 "Directors, Supervisors, Senior Management and Employees" of this report.

XXII. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the reporting period, the directors and supervisors and entities connected with directors and supervisors had no material interests in the transactions, arrangements or contracts of significance entered into by the Company and its subsidiaries with any third parties.

XXIII. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES

During the reporting period, the Company did not grant its directors, supervisors or their respective spouses or children aged under 18 the right to purchase shares or bonds of the Company and its subsidiaries.

XXIV. STATEMENT OF THE BOARD ON INTERNAL CONTROL RESPONSIBILITY

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2019 by the Board in compliance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No. 11), the Board is of the view that the operation of internal control system were effective as a whole.

XXV. PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2019, there were no and had been no permitted indemnity provision benefiting the directors of the Company or the affiliates of the Company. The Company has purchased proper director liabilities insurance for directors to indemnify the legal responsibility incurred by directors' fulfilling their duty. The governing law of such policy is P.R.C. law.

XXVI. SUFFICIENT PUBLIC FLOAT

According to the data obtained from public resources by the Company and according to the knowledge of the directors as of the latest practicable date before the publication of this report, no less than 25% of the issued share capital and no less than 15% of the H shares of the Company have been held by the public, in compliance with the requirement of the public float in accordance with the Hong Kong Listing Rules.

XXVII. EQUITY-LINKED AGREEMENTS

Save as disclosed in the report, for the year ended 31 December 2019, the Company had not entered into any equity-linked agreement.

XXVIII. AUDIT AND RELATED PARTY TRANSACTION CONTROL COMMITTEE

The Audit and Related Party Transaction Control Committee has reviewed the audited financial statements for this year. Please refer to Section 11 "Corporate Governance Report" for the composition, role as well as the work of the Audit and Related Party Transaction Control Committee.

By Order of the Board
LIU Haoling
Chairman

SECTION 14
REPORT OF THE BOARD OF SUPERVISORS

I. SUPERVISORS AND THE BOARD OF SUPERVISORS

According to the provisions of the Company Law and the Articles of Association, the Annual General Meeting of 2018 held on 27 June 2019 of the Company elected shareholder representative supervisors of the seventh session of the board of supervisors of the Company. And the employee representative supervisors of the seventh session of the board of supervisors of the Company were elected through democratic ways such as voting on 12 June 2019. As of the end of the reporting period, the board of supervisors of the Company is comprised of 4 members, including 2 shareholder representative supervisors and 2 employee representative supervisors. For details of the composition of the board of supervisors of the Company, please refer to Section 10 "Directors, Supervisors, Senior Management and Employees" of this report.

The board of supervisors performs the following duties: to examine the Company's financial activities; to supervise directors and senior management in their performance of duties, and propose the removal of directors and senior management who have contravened any laws, regulations, regulatory documents, the Articles of Association or resolutions at shareholders' general meetings; to nominate independent non-executive directors; to propose to convene an extraordinary general meeting, to convene and preside over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over such meeting under the Articles of Association; to submit proposals to the shareholders' general meeting; to supervise the formulation, implementation and assessment of the development plan of the Company, to review the implementation of the development plan of the Company and put forward relevant supervisory opinions.

In 2019, the board of supervisors held 7 meetings in total, all of which were convened in accordance with the Articles of Association. The attendance is as follows:

Name of supervisor	Date of appointment	Number of scheduled attendance	Number of actual attendance	Number of authorization	Attendance rate
Shareholder representative supervisors					
WANG Chengran	8 July 2014	7	7	0	100%
YU Jiannan	11 February 2018	7	6	1	86%
Employee representative supervisors					
LIU Chongsong	16 August 2019	2	2	0	100%
WANG Zhongzhu	18 March 2016	7	7	0	100%
Former employee representative supervisor					
BI Tao	18 March 2016	5	5	0	100%

Notes:

1. During the reporting period, for the details of the Company's newly appointments, resignation and expiration of his/her term, please refer to section 10 "Directors, Supervisors, Senior Management and Employees" of this annual report.

2. Ms. GAO Lizhi was elected as the shareholder representative supervisor of the seventh session of the board of supervisors on the First Extraordinary Meeting of 2019 held on 18 October 2019. Her qualification is subject to the ratification by regulatory authorities.

II. PERFORMANCE OF DUTIES OF THE BOARD OF SUPERVISORS

During the reporting period, the board of supervisors supervised the operating activities, financial condition, internal control, connected transactions and the formulation of the development plan of the Company and assessment of its implementation as well as the performance of the directors and senior management of the Company through the convening of meetings of the board of supervisors, attending general meetings, Board meetings and Board committee meetings.

During the reporting period, Mr. YU Jiannan attended the trainings for newly appointed directors, supervisors and senior management of insurance institutions by CBIRC; Mr. LIU Chongsong attended training for newly appointed directors and supervisors under Hong Kong Listing Rules offered by Hong Kong legal advisors.

The board of supervisors had no objection on matters under supervision during the reporting period.

During the reporting period, the supervisors of the Company surveyed lots of branches, looked into operation situations and problems encountered by branches and listened to suggestions put forward by branches' staff, which played an active role in promoting the Company's operation and development, innovating management mode and improving risk control.

III. INDEPENDENT OPINIONS EXPRESSED BY THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

1. The Legal Operation of the Company

The board of supervisors is of the view that, during the reporting period, the Company insisted on management and operation activities in accordance with Company Law and Articles of Association. The corporate governance structure further improved, the decision-making procedures of board of directors and management team are legal and effective, directors and senior executives are diligent with integrity, found no violation of law and damage to the interests of shareholders in the process of business operation and management.

2. The Truthfulness of Financial Statements

Ernst & Young conducted the audit on the 2019 Consolidated Financial Statements of the Company prepared in accordance with the IFRS and issued the standard unqualified audit report. The board of supervisors believes that the Company's consolidated financial statements are true, objective and accurate reflection of the Company's financial situation and operating results.

3. Acquisition and Disposal of Assets

During the reporting period, the Company had no major acquisition and disposal of assets.

4. Connected Transaction

During the reporting period, the board of supervisors reviewed the Report on the Connected Transactions and the Implementation of Connected Transaction Management System of 2018 and the Special Audit Report on Connected Transactions of 2018. The board of supervisors believes that the connected transactions of the Company are fair and reasonable and found no damage to the interests of shareholders and the Company.

5. Review on Internal Control Report

The board of supervisors reviewed the Annual Internal Control Evaluation Report of 2018 and believed that the management team attached great importance to the system building of internal control and has established a relatively complete, reasonable and effective internal control system, which greatly improved the internal control level.

6. Implementation of Resolutions of the Shareholders' Meeting

During the reporting period, members of the board of supervisors attended the annual general meeting of 2018, the first extraordinary general meeting of 2019 and 12 on-site meetings of the board of directors. They had no objection to the content of the proposals submitted by the board of directors to the shareholders' general meeting.

During the reporting period, the board of supervisors has supervised the implementation of resolutions of the shareholders' general meeting and believed that the board of directors can earnestly implement relevant resolutions of the shareholders' general meeting.

In 2020, the board of supervisors will continue to fulfill its duties and improve its work. In accordance with relevant regulatory requirements and the internal system of the Company, the board of supervisors will continue to perform the supervision and inspection functions in an honest and diligent manner to better prevent risks in operation and management and effectively protect the interests of the Company and shareholders and promote the compliance management and healthy development of the Company.

By Order of Board of Supervisors
WANG Chengran
Chairman of Board of Supervisors

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of New China Life Insurance Company Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 136 to 312, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
The Group has significant insurance contract liabilities amounting to RMB658.19 billion as at 31 December 2019, representing 83% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. Assumptions used in the valuation of insurance contract liabilities, such as investment return, discount rate, mortality, morbidity, expense, lapse also require the use of significant judgments and estimates. The Group's disclosures about valuation of insurance contract liabilities are included in Note 2 (12), Note 3 Estimation Uncertainty (1), Note 3 Estimation Uncertainty (9) and Note 15 (1), which specifically explains the uncertainties surrounding key assumptions applied in the valuation. Please refer to Note 4 (1) (c) to understand the sensitivities of changes in these assumptions on the Group's operating results.	In our audit, we tested the underlying data used in the valuation of these liabilities to source documentation. Based on our industry knowledge and experience, we compared the methodology, models and assumptions used against recognized actuarial practices. With the assistance of our internal actuarial specialists, we performed the following procedures in this area, which included among others: – Assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for assumptions used, actuarial analyses including estimated versus actual results and experience studies; – Assessed the assumptions with reference to historical experience, business expectations of the Group, and industry practices; – Independently established models to test the valuation of liabilities for selected insurance products; – Assessed the impact of changes in assumptions adopted by the Group.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of available-for-sale financial assets	
As at 31 December 2019, the Group held RMB387.30 billion of available-for-sale financial assets. The Group carries out impairment tests on available-for-sale financial assets at the end of each reporting period, and impairment provisions are made accordingly. The Group determines whether there is impairment on debt financial assets after evaluating objective impairment indicators such as significant adverse financial condition of the issuer or debtor, default in repayment or a breach of debt covenants, etc. For equity financial assets, objective evidence of impairment includes a significant or prolonged decline in the fair value of an investment below its cost. What is considered significant or prolonged involves significant judgment. In addition to other objective evidences, if the market price of the available-for-sale equity financial assets is equal or more than 50% (including 50%) below its cost at the end of the reporting dates, or the market price of the available-for-sale equity financial assets was below its cost for a period of more than one year, the Group management determines that the available-for-sale equity financial assets are impaired. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. It involves significant judgment when the Group management is evaluating whether impairment evidence exists on available-for-sale financial assets. Note 2 (10) (h) and Note 3 Estimation Uncertainty (3) discloses the impairment test policy, and Note 25 discloses the impairment loss recognized in the current period.	In our audit, we assessed and tested the design and operating effectiveness of the controls over impairment tests process. We assessed the significant judgment and rationale used by the Group management in evaluating the impairment evidence for impaired available-for-sale financial assets and determining the amount of impairment loss, and independent tests were performed to evaluate objective evidence for available-for-sale financial assets that were potentially impaired.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of financial assets with no quoted prices in an active market	
As at 31 December 2019 the Group holds RMB387.30 billion available-for-sale financial assets and RMB24.55 billion financial assets at fair value through profit or loss. About RMB145.77 billion of these financial assets are trust products, wealth investment products, etc., which do not have a quoted price in an active market. These investments are classified as level 3 in the fair value hierarchy, as their fairs values are measured using valuation techniques applying unobservable significant inputs. Fair value measurement is a subjective area and more so for financial assets reliant on model based valuation or with weak liquidity and price discovery. Valuation techniques for these financial assets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different valuation results of fair value. Note 3 Estimation Uncertainty (2) explains the uncertainty surrounding assumptions applied in the valuation, Note 11 discloses the balance of these investments, which do not have a quoted price in an active market, Note 4(3) discloses the valuation techniques and significant unobservable inputs used in measurement of the fair values for these investments and the related fair value hierarchy information.	In our audit, we assessed and tested the design and operating effectiveness of the controls over valuation on financial assets which do not have a quoted price in an active market held by the Group, including price verification and model approval. With the assistance of our internal valuation specialists, we performed the following procedures, including independently assessing the valuation technique against industry practice and acceptable valuation methods, comparing assumptions used against appropriate benchmarks, analyzing the reason of significant differences and performing our own independent valuations.

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Chi Keung.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2020

Consolidated Statement of Financial Position

As at 31 December 2019 (All amounts in RMB millions unless otherwise stated)

		As at 31 December	
	Notes	**2019**	2018
ASSETS			
Property, plant and equipment	*6*	**14,335**	11,794
Investment properties	*7*	**9,051**	7,044
Right-of-use assets	*8*	**1,152**	–
Intangible assets	*9*	**3,726**	3,665
Investments in associates and joint ventures	*10*	**4,917**	4,792
Debt financial assets		**550,539**	459,902
– Held-to-maturity	*11(1)*	**246,212**	214,531
– Available-for-sale	*11(2)*	**244,931**	191,773
– At fair value through profit or loss	*11(3)*	**9,962**	3,089
– Loans and receivables	*11(4)*	**49,434**	50,509
Equity financial assets		**156,957**	116,058
– Available-for-sale	*11(2)*	**142,365**	109,176
– At fair value through profit or loss	*11(3)*	**14,592**	6,882
Term deposits	*11(5)*	**64,040**	64,690
Statutory deposits	*11(6)*	**1,715**	1,715
Policy loans		**35,148**	31,327
Financial assets purchased under agreements to resell		**5,685**	4,318
Accrued investment income	*11(7)*	**8,681**	8,019
Premiums receivable	*12*	**2,233**	2,307
Deferred tax assets	*21*	**162**	1,777
Reinsurance assets	*13*	**3,028**	2,691
Other assets	*14*	**5,836**	4,825
Cash and cash equivalents		**11,765**	9,005
Total assets		**878,970**	733,929

The notes attached form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December **2019**	2018
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*15*	**654,478**	591,751
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*15*	**1,611**	1,064
– Unearned premiums liabilities	*15*	**2,102**	1,805
Investment contracts	*16*	**46,518**	40,492
Borrowings	*17*	**–**	4,000
Lease liabilities	*8*	**961**	–
Financial liabilities at fair value through profit or loss		**501**	92
Financial assets sold under agreements to repurchase	*18*	**68,190**	12,959
Benefits, claims and surrenders payable		**5,704**	5,318
Premiums received in advance		**4,181**	1,808
Reinsurance liabilities		**220**	462
Provisions	*19*	**29**	29
Other liabilities	*20*	**9,559**	7,242
Current income tax liabilities		**157**	1,252
Deferred tax liabilities	*21*	**298**	59
Total liabilities		**794,509**	668,333
Shareholders' equity			
Share capital	*22*	**3,120**	3,120
Reserves	*23*	**41,254**	31,056
Retained earnings		**40,077**	31,411
Equity attributable to owners of the parent		**84,451**	65,587
Non-controlling interests		**10**	9
Total equity		**84,461**	65,596
Total liabilities and equity		**878,970**	733,929

The notes attached form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December 2019	2018
REVENUES			
Gross written premiums and policy fees	24	**138,171**	122,341
Less: premiums ceded out		**(2,427)**	(1,932)
Net written premiums and policy fees		**135,744**	120,409
Net change in unearned premiums liabilities		**(301)**	(407)
Net premiums earned and policy fees		**135,443**	120,002
Investment income	25	**35,842**	31,185
Other income	26	**818**	777
Total revenues		**172,103**	151,964
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	27	**(3,440)**	(2,481)
Life insurance death and other benefits	27	**(69,672)**	(81,182)
Increase in long-term insurance contract liabilities	27	**(52,816)**	(26,179)
Policyholder dividends resulting from participating in profits		**(42)**	(126)
Investment contracts benefits		**(1,736)**	(1,544)
Commission and brokerage expenses		**(16,872)**	(16,711)
Administrative expenses	28	**(13,037)**	(11,968)
Other expenses	29	**(727)**	(564)
Total benefits, claims and expenses		**(158,342)**	(140,755)
Share of profits and losses of associates and joint ventures		**502**	404
Finance costs	30	**(1,042)**	(1,103)
Profit before income tax		**13,221**	10,510
Income tax credit/(expense)	21	**1,339**	(2,587)
Net profit for the year		**14,560**	7,923
Net profit for the year attributable to:			
– Owners of the parent	31	**14,559**	7,922
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	32	**4.67**	2.54
Diluted	32	**4.67**	2.54

The notes attached form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

		For the year ended 31 December	
	Notes	**2019**	2018
Net profit for the year		**14,560**	7,923
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Available-for-sale financial assets			
Changes in fair value		**16,357**	(16,635)
Losses transferred to profit or loss from other comprehensive income		**338**	905
Impairment transferred to profit or loss from other comprehensive income		**2,032**	1,835
Changes in liabilities for insurance and investment contracts arising from net unrealized (gains)/losses		**(9,608)**	8,173
Currency translation differences		**6**	11
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts		**(60)**	(144)
Others		**(48)**	–
Income tax relating to components of other comprehensive income		**(2,266)**	1,467
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**–**	–
Total other comprehensive income for the year, net of tax		**6,751**	(4,388)
Total comprehensive income for the year		**21,311**	3,535
Total comprehensive income for the year attributable to:			
– Owners of the parent		**21,310**	3,534
– Non-controlling interests		**1**	1

The notes attached form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	Reserves (Note 23)	Retained earnings	Total	Non–controlling interests	Total equity
For the year ended 31 December 2018						
As at 1 January 2018	3,120	33,395	27,200	63,715	8	63,723
Net profit for the year	–	–	7,922	7,922	1	7,923
Other comprehensive income	–	(4,388)	–	(4,388)	–	(4,388)
Total comprehensive income	–	(4,388)	7,922	3,534	1	3,535
Others	–	(40)	–	(40)	–	(40)
Dividends paid	–	–	(1,622)	(1,622)	–	(1,622)
Appropriation to reserves	–	2,089	(2,089)	–	–	–
Total transactions with owners	–	2,089	(3,711)	(1,622)	–	(1,622)
As at 31 December 2018	3,120	31,056	31,411	65,587	9	65,596
For the year ended 31 December 2019						
As at 1 January 2019	**3,120**	**31,056**	**31,411**	**65,587**	**9**	**65,596**
Net profit for the year	**–**	**–**	**14,559**	**14,559**	**1**	**14,560**
Other comprehensive income	**–**	**6,751**	**–**	**6,751**	**–**	**6,751**
Total comprehensive income	**–**	**6,751**	**14,559**	**21,310**	**1**	**21,311**
Others	**–**	**(44)**	**–**	**(44)**	**–**	**(44)**
Dividends paid (Note 33)	**–**	**–**	**(2,402)**	**(2,402)**	**–**	**(2,402)**
Appropriation to reserves	**–**	**3,491**	**(3,491)**	**–**	**–**	**–**
Total transactions with owners	**–**	**3,491**	**(5,893)**	**(2,402)**	**–**	**(2,402)**
As at 31 December 2019	**3,120**	**41,254**	**40,077**	**84,451**	**10**	**84,461**

The notes attached form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**13,221**	10,510
Adjustments for:		
Investment income	**(35,842)**	(31,185)
Finance costs	**1,042**	1,103
Net change in outstanding claims liabilities	**519**	243
Net change in unearned premiums liabilities	**301**	407
Increase in long-term insurance contract liabilities	**52,816**	26,179
Investment contract benefits	**1,736**	1,544
Policy fees	**(40)**	(55)
Depreciation and amortization	**913**	763
Impairment losses on other receivables	**4**	(38)
Losses on disposal of property, plant and equipment	**8**	3
Changes in operational assets and liabilities:		
Receivables and payables	**3,314**	1,918
Investment contracts	**4,267**	5,319
Income tax paid	**(157)**	(2,943)
Net cash flows from operating activities	**42,102**	13,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**18,806**	24,866
Proceeds from maturities of debt financial assets	**55,160**	32,076
Proceeds from sales of equity financial assets	**95,681**	95,482
Purchases of financial assets investments		
Purchase of debt financial assets	**(161,735)**	(50,378)
Purchase of equity financial assets	**(118,498)**	(101,249)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**41**	2
Purchase of property, plant and equipment, intangible assets and other assets	**(5,042)**	(7,806)
Interests received	**29,353**	26,966
Dividends received	**5,573**	6,183
Term deposits, net	**650**	(22,881)
Financial assets purchased under agreements to resell, net	**(1,460)**	(1,446)
Others	**(4,165)**	(5,061)
Net cash flows from investing activities	**(85,636)**	(3,246)

The notes attached form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings repaid	**(4,000)**	–
Interests and dividends paid	**(2,543)**	(1,793)
Acquisition of non-controlling interests	**326**	115
Financial assets sold under agreements to repurchase, net	**53,026**	(8,760)
Others	**(546)**	(5)
Net cash flows from financing activities	**46,263**	(10,443)
Effect of foreign exchange rate changes	**31**	114
Net increase/(decrease) in cash and cash equivalents	**2,760**	193
Cash and cash equivalents		
Beginning of the year	**9,005**	8,812
End of the year	**11,765**	9,005
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**11,765**	9,005
Total of cash and cash equivalents	**11,765**	9,005

The notes attached form an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the "Company") was established as a joint stock limited company in September 1996 in Beijing, the People's Republic of China (the "PRC") with the authorization of the State Council of the PRC and the approval by the People's Bank of China. The Company's initial registered capital on the date of incorporation was Renminbi ("RMB") 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the former China Insurance Regulatory Commission (the "former CIRC"). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in overseas markets, and issued 2,586,600 shares of H shares of the overallotment shares. Upon the approval of the former CIRC, the Company's registered capital was increased to RMB3,120 million. On 12 November 2019, the Company has completed the change of registered address. The address of the Company's registered office changed to No.16 East Hunan Road (Zhongguancun Yanqing Park), Yanqing District, Beijing, the PRC. The company is headquartered in Beijing

The business scope of the Company is: life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any major change of business scope of the Company during the reporting period.

As at 31 December 2019, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 37(5). The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the "Group".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value and insurance contract liabilities measured based on actuarial methods.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise professional judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

All IFRSs that remain in effect which are relevant to the Group have been applied.

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019

Standards/Amendments	Content
IFRS 16	*Leases*
IAS 19 Amendments	*Plan Amendment, Curtailment or Settlement*
IAS 28 Amendments	*Long-term Interests in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements *2015-2017 Cycle*	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

IFRS 16 – Leases

IFRS 16 replaces IAS 17 Leases, IFRIC Interpretation 4 ("IFRIC-Int 4") *Determining whether an Arrangement contains a Lease*, SIC Interpretation 15 *Operating Leases – Incentives* and SIC Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

(i) New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

(ii) As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate ("IBR") at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. The Group has no lease assets recognized previously under finance leases that were reclassified from property, plant and equipment.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

(ii) As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the recognition exemptions to the leases with low value and the short-term leases with a lease term that ends within 12 months from the date of initial application;
- Applying a single discount rate to leases with the same remaining maturity period;
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Relying on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group adjusted the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application.
- Carrying out accounting treatment according to the final arrangement of lease change and the new lease standard for the lease change before the date of initial application.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

(iii) Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease)
Assets	
Increase in right-of-use assets	1,050
Decrease in other assets	(158)
Increase in total assets	892
Liabilities	
Increase in lease liabilities	892
Increase in total liabilities	892
Effect on retained earnings	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	Increase/ (decrease)
Operating lease commitments as at 31 December 2018	1,097
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(35)
Weighted average IBR as at 1 January 2019	3.898%
Lease liabilities as at 1 January 2019	892

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IAS 19 Amendments – Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. The amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income. The amendments did not have any impact on the Group's consolidated financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

IAS 28 Amendments – Long-term Interests in Associates and Joint Ventures

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at equity method in accordance with IAS 28. Accordingly, the amendments did not have any impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's consolidated financial statements.

Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Annual Improvements 2015-2017 Cycle sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. Details of the amendments as follows:

IFRS 3 Business Combinations clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The Group has had no joint operation and therefore, the amendments are not applicable to the Group's consolidated financial statements.

IFRS 11 Joint Arrangements clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation. The Group has had no joint operation and therefore, the amendments are not applicable to the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) *New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)*

Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (Continued)

IAS 12 Income Taxes clarifies that an entity recognizes all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's consolidated financial statements.

IAS 23 Borrowing Costs clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's consolidated financial statements.

(b) *Accounting standards and amendments that are effective but temporary exemption is applied by the Group*

Standards/Amendments	Content
IFRS 9	*Financial Instruments*
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together all phases of the financial instruments project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of a business model (hold to collect contractual cash flows, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on their respective business models. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of the business model.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale financial assets being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("OCI"). Should the Group elect to record equity investments at FVOCI, gains and losses would never be recognized in income except for the received dividends not representing a recovery of part of the investment cost.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impacts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

The Group performed an assessment of the amendments, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reasons that:

(i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;

(ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Since 31 December 2015, there has been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities since 1 January 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) *Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)*

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

The associates of the Group, China Jinmao Holdings Group Limited ("China Jinmao") and New China Capital International Management Limited ("New China Capital International"), adopted Hong Kong Financial Reporting Standard 9 Financial Instruments or IFRS 9 Financial instruments for the financial year beginning on 1 January 2018. The Group elected not to make adjustments for the consistency with accounting policies when using the equity method.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2019 and 31 December 2018:

	Fair value as at 31 December 2019	Fair value as at 31 December 2018
Held for trading financial assets (A)	**23,180**	9,971
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**1,374**	–
Non-Class-A and Non-Class-B financial assets		
- Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**455,930**	373,821
- Financial assets with contractual terms that do not meet SPPI terms (D)	**246,302**	207,216
Total	**726,786**	591,008

Note: Only including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables. All other financial assets held by the Group are financial assets that meet SPPI terms.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(i) Fair value of financial assets (Continued)

The table below presents the fair value changes for the year ended 31 December 2019 and 2018:

	Fair value changes for the year ended 31 December	
	2019	2018
Held for trading financial assets (A)	**1,508**	(604)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**1,374**	–
Non-Class-A and Non-Class-B financial assets		
- Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**4,596**	17,443
- Financial assets with contractual terms that do not meet SPPI terms (D)	**16,771**	(17,117)
Total	**24,249**	(278)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2019**	Carrying amount as at 31 December 2018
AAA	**435,321**	352,935
AA+	**3,872**	5,941
AA	**2,100**	2,258
Total	**441,293**	361,134

For the overseas bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2019**	Carrying amount as at 31 December 2018
Baa1	**16**	–
Baa2	**763**	649
Baa3	**106**	–
Total	**885**	649

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure (Continued)

	As at 31 December 2019	
	Carrying amount	**Fair value**
Financial assets that do not have low credit risk (Note)	**5,972**	**5,989**

	As at 31 December 2018	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	8,199	8,221

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortized cost or at fair value through other comprehensive income, rather than at fair value through profit of loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments did not apply to the Group as the Group did not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognized in profit or loss. IFRS 9 Amendments is effective for the annual periods beginning on or after 1 January 2019. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2019

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Note

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Besides the following new accounting standards and amendments, others have no impact on the Group's consolidated financial statements.

IFRS 9, IAS 39 and IFRS 7 Amendments

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2019 (Continued)

IFRS 17 – Insurance Contracts

IFRS 17 *Insurance Contracts*, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS17 is effectively for reporting period beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS9 and IFRS15 on or before the date it first applies IFRS17. The IASB has completed its discussions on the amendments to IFRS17 that were proposed for public consultation in June 2019. The IASB has decided that the effective date of IFRS17 will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS9 to enable them to implement both IFRS9 and IFRS17 at the same time. The IASB expect to issue the amendments to IFRS17 in the second quarter of 2020. The Group is currently assessing the impact of the standard upon adoption.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group contains control, and continue to be consolidated until the date that such control ceases.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over subsidiaries, it derecognizes (i) the assets (including goodwill) and liabilities of subsidiaries, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation *(Continued)*

(a) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group in return for the subsidiary. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated on consolidation unless they indicate impairment of the asset transferred.

The investments in subsidiaries are accounted for only in the Company's statement of financial position at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(b) Transactions with non-controlling shareholders

The Group treats transactions with non-controlling shareholders as transactions with shareholders of the Group. For purchases from non-controlling shareholders, the difference between the consideration paid and the carrying value of share of the net assets of the subsidiary acquired is recorded in shareholders' equity. Gains or losses on disposal to non-controlling shareholders are also recorded in shareholders' equity.

When the Group ceases to have control or significant influence, any retained interests in the entity is re-measured at its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a long term interest between 20% and 50% of the equity voting rights. Significant influence is the power of participate in the financial and operating policy decisions of the investee.

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

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost in both the Group's consolidated financial statements and the Company's separate financial statements. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(c) Associates and joint ventures (Continued)

The Group's share of its associates and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or the joint venture, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture. Investments in associates and joint ventures are assessed for impairment (Note 2 (9)).

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates and joint ventures are recognized in the consolidated statement of comprehensive income.

(d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(d) Structured entities (Continued)

It depends on management judgment whether the Group, as the asset manager, is an agent or a responsible organization for a structured entity. As an agent, the Group's mainly protects the interests of stakeholders and does not control the structural entity; on the contrary, as a responsible organization, the Group mainly protects its interests of the Group and controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans, asset management products and asset funding plans, except for those that are controlled, are investments in unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by trust companies or asset managers who invest the funds in loans or equities in other companies. Debt investment plans are managed by asset managers and their major investment objectives are infrastructure and real estate funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holder to a proportional stake in income of the respective investment products.

The Group holds beneficiary certificates in each of its trust products, debt investment plans, equity investment plans and asset funding plans.

(3) Segment reporting

The Group's segments information is presented in a manner consistent with the internal operating segments, the Group decides operating segments according to internal organization structure, management requirements, and internal management reporting policy.

Operating segment refers to the segment within the Group that satisfies the following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluates the operating results of the segment to make resource allocation decisions and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operation results, cash flows and other financial performance indicators. If more than two segments possess similar economic characters and meet certain conditions, they are combined into one segment for disclosure.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Foreign currency translation

Both the functional currency and the presentation currency are RMB. Transactions in foreign currency are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the spot exchange rate at the end of the reporting period. Gains or losses resulted from changes in exchange rates are recognized in profit or loss in the current period. Non-monetary assets or liabilities denominated in foreign currency measured at historical cost are translated using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the consolidated statement of cash flows.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

(5) Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciation and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of a major renovation is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be received by the Group.

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. For impaired property, plant and equipment, the related depreciation expense is prospectively determined based upon the adjusted carrying amounts over its remaining useful lives.

The estimated useful lives and the estimated residual values are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%
Office equipment	5-8 years	5%	11.88%-19.00%
Motor vehicles	5-12 years	5%	7.92%-19.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Property, plant and equipment (Continued)

The assets' estimated useful lives, residual values and depreciation method are reviewed by the Group at the end of each year and adjusted if appropriate. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount (Note 2(9)). Assets held for sale are presented at the lower of carrying amount and fair value less estimated disposal expense. If the fair value less estimated disposal expense of an asset held for sale is lower than its carrying amount, the difference is recognized as an impairment loss.

Property, plant and equipment are derecognized when they are disposed of or put out of operation permanently, or no future economic benefits can be expected from operation or disposal. The gain or loss on sale, transfer, disposal or damage of property, plant and equipment is the proceeds less the carrying amount, adjusted for related taxes and expenses, and is included in profit or loss.

Construction in progress represents buildings and fixtures under construction and is recorded at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for use. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount (Note 2(9)).

(6) Investment properties

Investment properties are properties that are held for rental income, capital appreciation, or both. Investment properties comprise buildings that are leased out. Investment properties are initially measured at cost. Cost of subsequent expenditures is included in the cost of investment properties if future economic benefits associated with such expenditures will probably flow to the Group and the relevant cost can be reliably measured. Other expenditures are expensed as incurred.

The Group's investment properties are subsequently measured using the cost method. Depreciation on investment properties is computed on a straight-line basis to write down the cost of the assets to their residual values over their estimated useful lives. The estimated useful lives and the estimated residual values expressed as a percentage of cost are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Investment properties (Continued)

When the purpose of investment properties changes to self-use, they are transferred to property, plant and equipment on the date of the change. When the purpose of self-use properties changes to rental income or capital appreciation, they are transferred to investment properties on the date of the change. The carrying value before transfer is the carrying value after transfer.

The Group reviews the estimated useful life, the estimated residual value, and the depreciation method at the end of every year, and makes appropriate adjustments if necessary. An impairment loss is recognized for the amount by which the investment property's carrying amount exceeds its recoverable amount (Note 2(9)).

Investment properties are de-recognized if they are disposed of or are put out of operation permanently, and no future economic benefits can be expected from disposal. The gain or loss on sale, transfer, disposal, or damage of investment properties is the proceeds less the carrying amount of the investment properties, adjusted for related taxes and expenses, and is included in profit or loss.

(7) Leases

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

Buildings	1 to 10 years
Others	1 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its IBR at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value (i.e., original value of the asset is less than or equal to RMB40,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Intangible assets

Intangible assets are purchased computer software and land use rights, and are initially measured at actual costs. Computer software and land use rights are amortized over their estimated useful lives using the straight-line method. The estimated useful life and amortization method are reviewed annually and adjusted as necessary. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. (Note 2(9)).

Useful lives of intangible assets are listed below:

	Useful lives
Land use rights	40 years
Computer software and others	3-5 years

(9) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets that have an indefinite useful life – for example goodwill, are not subject to amortization and are tested annually for impairment. Assets other than financial assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are reviewed individually. When review of individual asset is impractical, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: held-to-maturity investments, financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. Management determines the classification of the Group's financial assets at initial recognition based upon the purpose for which the financial assets are acquired.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable payments that the Group has the positive intention and ability to hold to maturity and do not meet the definition of loans and receivables nor designated as available-for-sale financial assets or financial assets at fair value through profit or loss.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are classified as held for trading if they meet one of the requirements: they are acquired for the purpose of sale in the near term; they are part of recognizable financial instrument combination which is under centralized management, and there is objective proof to show that entities make profits by trading this combination or they are derivatives, except for derivatives designated as hedging instruments in an effective hedge, derivatives that belong to financial guarantee contracts and derivatives that are linked to and need to be settled by trading an investment in equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably. Other financial assets may be designated at fair value through profit or loss at inception by the Group.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in either of the other categories.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(a) Classification (Continued)

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, other than those that the Group intends to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables in debt financial assets as presented in the consolidated statement of financial position.

(b) Recognition and measurement

Purchases and sales of financial assets are recognized on the date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets are recognized and derecognized at the trade date and they are traded using the ordinary method. An ordinary method means that financial assets are received or delivered within the statutory term or terms that are accepted practices, according to the terms in the contracts.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Investment gains and losses on sales of financial assets are determined principally by specific identification. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, and changes of available-for-sale debt financial assets' fair value due to foreign exchange impact on the amortized cost are included in the net profit in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the net profit as realized gains and losses on financial assets.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the consolidated statement of comprehensive income. The loss arising from impairment is recognized in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables and held-to-maturity investments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(b) Recognition and measurement (Continued)

Fair value of financial assets with an active market is based on the quoted price in the active market. If the market for a financial asset is not active, the Group establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis models. When using valuation techniques, the Group maximizes usage of market inputs and minimizes using the Group's specific inputs.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairment.

(c) Derecognition of financial assets

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(d) Term deposits

Term deposits primarily represent traditional bank deposits which have fixed maturity dates and are carried at amortized cost.

(e) Policy loans

Policy loans are carried at amortized cost less impairment.

(f) Financial assets purchased under agreements to resell

Financial assets purchased under agreements to resell are funds advanced through purchasing financial assets such as notes, securities, and loans, under agreements to resell at predetermined prices. These agreements, with terms of no more than six months, are carried at amortized cost using the effective interest method.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Impairment of financial assets other than financial assets at fair value through profit or loss

Financial assets other than those accounted for as at fair value through profit or loss are adjusted for impairments, where there are declines in value that are considered to be impairment.

In evaluating whether a decline in value is an impairment for financial assets, the Group considers several factors including, but not limited to: (1) Significant financial difficulty of the issuer or debtor; (2) A breach of contract, such as a default or delinquency in payments; (3) It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization; (4) The disappearance of an active market for that financial asset because of financial difficulties. In evaluating whether a decline in value is impairment for equity financial assets classified as available-for-sale, the Group also considers the extent or the duration of the decline, financial position of the issuer, and recent prospects.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(h) Impairment of financial assets other than financial assets at fair value through profit or loss (Continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The Group reviews whether a decline in value is impairment for available-for-sale equity financial assets separately at the end of the reporting period. If the market price of the equity financial assets was more than 50% below its cost (50% included) at the end of the reporting period, or the market price of the equity financial assets was below its cost for a period of more than one year (one year included), this indicates that the equity investment is impaired. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of equity investments classified as available-for-sale carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(h) Impairment of financial assets other than financial assets at fair value through profit or loss (Continued)

When the decline in value is considered impairment, held-to-maturity investments or loans and receivables are written down to their present value of estimated future cash flows discounted at the effective interest rates. The impairment loss is reversed through the net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the net profit. The carrying amount after reversal should not be more than the amortized cost of the financial asset at the reverse date if it has not been written down.

(11) Cash and cash equivalents

Cash comprises cash on hand and demand deposits held in banks. Cash equivalents are short-term and highly liquid investments with original maturity of 90 days (90 days included) or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(12) Insurance contracts and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment contacts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. Some insurance and investment contracts contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

Premiums from the sale of short duration accident and health insurance products are recorded when written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Claims and claim adjustment expenses are charged to the net profit as incurred. Liabilities for short duration insurance products consist of unearned premiums liabilities and outstanding claims liabilities.

Unearned premiums liabilities represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

Outstanding claims liabilities consist of the liabilities for reported and unreported claims and liabilities for claim expenses with respect to insured events. In developing these liabilities, the Group considers the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margin. Methods used for reported and unreported claims include the chain ladder method, loss ratio method, Bornhuetter-Ferguson method, the average compensation method, etc.

Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance, annuity policies, and long-term health insurance contracts with significant insurance risk, such as mortality and morbidity risk. Premium are recognized as revenue when due from policyholders.

The Group uses the discounted cash flow method to estimate the liabilities for long-term insurance contracts. Liabilities for long-term insurance contracts consist of a reasonable estimate of liability, a risk margin and a residual margin. Long-term insurance contract liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption, and based on the following principles:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

The reasonable estimate of liabilities for long-term insurance contracts is the present value of reasonable estimates of future cash outflows less future cash inflows. The expected future cash inflows include cash inflows of future premiums arising from the undertaking of insurance obligations, with consideration of decrement mostly from death and surrenders. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, consisting of the following:

- The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.
- Additional non-guaranteed benefits, such as policyholder dividends.
- Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expense and claim settlement expense. Future administration expenses are included in the maintenance expense. Expenses are determined based on an expense analysis with consideration of estimate of future inflation and the likely impact of the Group's expense management.

On each reporting date, the Group reviews the assumptions for reasonable estimates of liabilities and risk margins, with consideration of all available information, and taking into account the Group's historical experience and expectation of future events. Changes in assumptions are recognized in the net profit.

Margins have been taken into consideration while computing the liabilities of insurance contracts, measured separately and recognized in the net profit in each period over the life of the contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

Margin comprises risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. The residual margin is the liabilities appropriated by the Group for not being recognized as "Day-one" gain at the inception of the contracts, and amortized over the life of the contracts, whereas on the other hand, "Day-one" loss is recognized as incurred. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimates of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

The Group has considered the impact of time value on the liability calculation for insurance contracts.

Universal life contracts and unit-linked contracts

Universal life contracts and unit-linked contracts are unbundled into the following components:

- Insurance components
- Non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts (Note 2(12)(c)), which are stated in investment contract liabilities.

(ii) Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flows with available information at the end of each reporting period. If that assessment shows that the carrying amount of its insurance contract liabilities is inadequate, the insurance contract liabilities will be adjusted accordingly, and any changes of the insurance contract liabilities will be recognized in the net profit.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(iii) Reinsurance contracts held

Contracts with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts with reinsurers that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment as at the end of the reporting period. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the net profit.

(c) Investment contracts

Revenue from investment contracts with or without DPF is recognized as policy fee income, which consists of various charges (handling fees, management fees, etc.) during the period.

The liabilities with investment nature in investment contracts are recorded as liabilities of investment contracts. Except for unit-linked contracts, the liabilities of investment contracts are carried at amortized cost. Unit-linked contracts are measured at fair value by reference to the value of the underlying asset value at the end of each reporting period.

(d) DPF in long-term insurance contracts and investment contracts

DPF is contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. The Group is obligated to pay to policyholders of participating contracts as a group at 70% of accumulated surplus available or at the rate specified in the contracts when higher and it is fully classified as a liability. The accumulated surplus available mainly arises from investment income and gains and losses arising from the assets supporting these contracts. To the extent unrealized gains or losses from available-for-sale financial assets affect the surplus owed to policyholders, shadow adjustments are recognized in other comprehensive income. The surplus owed to policyholders is included in the long-term insurance contract liabilities when they are not declared. The amount and timing of distribution to policyholders of participating contracts are subject to future declarations by the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities when they are initially recognized. The Group's financial liabilities include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowings. The relevant transaction costs of financial liabilities at fair value through profit or loss are recorded in profit or loss. The relevant transaction costs of other financial liabilities are recorded at their initial recognized value.

(a) Financial assets sold under agreements to repurchase

Financial assets sold under agreements to repurchase are funds financed through sale of notes, securities, loans, etc. under agreements to repurchase at predetermined prices, which are carried at amortized cost using the effective interest method.

(b) Liabilities of investment contracts

The accounting policy for investment contracts liabilities is stated in Note 2(12)(c).

(c) Borrowings

Borrowings are initially recorded as liabilities at the amount equal to original fund raised. The difference between fund raised and bonds' par value is booked as premium or discount, which is amortized using the effective interest method over the term of the bonds.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Derivative instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognized in the consolidated statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, taking into consideration recent market transactions or valuation techniques, including discounted cash flow models and option pricing models, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through profit or loss. The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded derivatives that are closely related to host insurance contracts including embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

(15) Employee benefits

Employee benefits represent all forms of returns or reimbursement that the Group pays employees for their services or for termination of labor relationship. The compensation includes salaries, bonuses, allowances and subsidies, staff welfare expenses, social insurance and housing accumulation funds, labor union fees and employee education fees, etc.

All employees of the Group participate in social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated on a regulated basis, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred. These social security plans are defined contribution plans.

In addition to the above social security plans, the Group set up an annuity fund in January 2014, whereby the Group is required to contribute to the annuity fund according to certain contribution bases and percentages monthly. Contribution amounts calculated in accordance with the annuity fund are recognized as liabilities and are recorded as expenses during the period of which service is provided by the employees participating in the scheme.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Employee benefits (Continued)

Other long-term employee benefits are all the other benefits besides short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, other long-term service benefits, long-term disability benefits, long-term profit sharing plan and long-term bonus, etc. Other long-term employee benefits provided by the Group are long-term bonus plans. For the long-term bonus plans, which are recognized in liabilities and are recorded as expenses when incurred.

(16) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

(17) Revenue recognition

(a) Premium and policy fee

The recognition of premium and policy fee income is stated in Note 2(12)(b)(i) and Note 2(12)(c), respectively.

(b) Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt financial assets, financial assets purchased under agreements to resell, dividend income from equity financial assets, net fair value gains or losses on financial assets at fair value through profit or loss, and realized gains or losses on financial assets at fair value through profit or loss and available-for-sale financial assets less impairment loss or plus reversed impairment losses. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive dividend payment is established.

(c) Other income

Other income is comprised of revenue generated from other operation activities except for the revenue above, including service management fees received under investment contracts.

(18) Commission and brokerage expenses

Commission and brokerage expenses are recognized in profit or loss when incurred.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the net profit, except to the extent that it relates to goodwill generated from business combination and it relates to items recognized directly in other comprehensive income, where the tax is recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries or associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the end of the reporting period. Substantively enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be recognized.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(20) Government grants

Government grants are recognised by the Group when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (i) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; or (ii) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses. A government grant relating to an asset shall be recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

(21) Provisions

Provisions are recognized when there is a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Future operating losses should not be recognized as provisions. The initial measurement of provisions is based on the best estimate to the outflow of present obligation by considering relevant risks, uncertainty and time value of money, etc. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. The Group reviews the carrying amount of provisions at the end of the reporting period and makes appropriate adjustments in order to reflect the current best estimate.

(22) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized in the statement of financial position but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably measured, it will then be recognized as a provision.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(23) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the consolidated financial statements would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgments

(1) Unbundling and classification of hybrid contracts

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgment affects the unbundling of insurance contracts.

In addition, the Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgment affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) Testing the significance of insurance risk

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Significant judgments (Continued)

(2) Testing the significance of insurance risk (Continued)

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is obtained by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

(3) Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(4) Determination of control over investee

The Group applies its judgement to determine whether the control indicators set out in Note 2(2) indicate that the Group controls structured entities such as asset funding plans, trust products and asset management products.

The Group issues certain structured entities (e.g. asset management products and asset funding plans), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 31 December 2019, the Group has consolidated certain asset management products and asset funding plans issued and managed by the Company's subsidiary, New China Asset Management Co., Ltd. ("Asset Management Company"), certain trust products issued and managed by third parties in the consolidated financial statements. Please refer to Note 37(5) for the details.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty

(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the risk margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses assumptions) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognized in the consolidated financial statements as insurance contracts benefits and insurance contract liabilities.

The impacts of the various assumptions are described in Note 3(9).

(2) Fair value of financial assets

The Group's principal investments are debt financial assets, equity financial assets and term deposits. The significant judgments and estimates are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(2) Fair value of financial assets (Continued)

- Debt financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.

- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and funding companies or the net asset value of the last trading day of the year.

- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair value approximate their carrying amounts.

- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate their carrying amounts.

(3) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgments about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

(4) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(5) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Mr. GUAN Guoliang Irregularities as described in Note 3(7) below; and pending lawsuits and disputes (Note 19). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

(6) Leases – Estimating the IBR

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Former Chairman Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as Chairman from 1998 to 2006 (the "Former Chairman Mr. GUAN Guoliang"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Mr. GUAN Guoliang Irregularities") and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman Mr. GUAN Guoliang, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

In 2015, the Company received RMB170 million plus additional interest accrued during settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of Former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. ("Shenzhen Huirun") and issued a plan. On 25 May 2016, the Company received RMB16 million. On 7 August 2018, Beijing No.2 Intermediate People's Court deducted RMB42 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun and issued a plan. According to the plan, the Company should receive RMB41 million. On 21 August 2018, the Company received RMB41 million.

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB874 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB874 million was made as at 31 December 2019 (as at 31 December 2018: RMB874 million).

(8) Taxation

The Group pays value added tax, corporate income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during the normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimates of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amounts, the difference will impact current tax and deferred tax.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(9) Change of significant accounting estimates

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. For the year ended 31 December 2019, variations of related insurance contract reserves due to changes in these assumptions are recognized in the consolidated statement of comprehensive income. Long-term insurance contract liabilities increased by RMB6,249 million, and profit before income tax decreased by RMB6,249 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 25 March 2020.

4 RISK MANAGEMENT

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(1) Insurance risk

(a) Types of insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, and the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(a) Types of insurance risk (Continued)

The Group offers long-term life insurance, critical illness insurance, annuity, accident and short-term health insurance products. Social and economic development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence on the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover most of the products with risk responsibilities. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfill their responsibilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

Currently the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

	As at/for the year ended 31 December 2019					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Hongshuangxi New Type C endowment insurance (Participating) (i)	**50,803**	**7.76%**	**8**	**0.01%**	**28,069**	**39.76%**
Jixinggaozhao Type A endowment insurance (Participating) (ii)	**40,892**	**6.25%**	**3,821**	**2.91%**	**593**	**0.84%**
Zunxiang Rensheng annuity insurance (Participating) (iii)	**40,578**	**6.20%**	**2,016**	**1.54%**	**1,618**	**2.29%**
Furudonghai Type A whole life insurance (Participating) (iv)	**36,657**	**5.60%**	**2,772**	**2.11%**	**385**	**0.55%**
Fuxiang Yisheng whole life annuity insurance (Participating) (v)	**28,481**	**4.35%**	**7,912**	**6.02%**	**2,398**	**3.40%**
Others	**457,067**	**69.84%**	**114,799**	**87.41%**	**37,530**	**53.16%**
Total	**654,478**	**100%**	**131,328**	**100%**	**70,593**	**100%**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

	As at/for the year ended 31 December 2018					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating) (i)	76,366	12.91%	24	0.02%	18,266	22.32%
Jixinggaozhao Type A endowment insurance (Participating) (ii)	35,747	6.04%	3,865	3.31%	466	0.57%
Zunxiang Rensheng annuity insurance (Participating) (iii)	37,808	6.39%	2,217	1.90%	1,934	2.36%
Furudonghai Type A whole life insurance (Participating) (iv)	32,383	5.47%	2,903	2.49%	313	0.38%
Fuxiang Yisheng whole life annuity insurance (Participating) (v)	21,565	3.64%	10,183	8.72%	1,960	2.40%
Others	387,882	65.55%	97,534	83.56%	58,901	71.97%
Total	591,751	100.00%	116,726	100.00%	81,840	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(i) Hongshuangxi New Type C endowment insurance (Participating)

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are the total of basic sum insured and dividend accumulation. For death due to illness within the first year, premium (interest excluded) is refunded; for death due to illness after the first year, death benefit is calculated based on the following formula: benefit = effective sum insured x effective policy years/premium payment period of insurance; for death due to illness after the payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to specific accident before the payment period, benefit is calculated based on the following formula: death benefit = 3 x effective sum insured x effective policy years/duration of insurance; for death due to specific accident after the payment period, benefit is three times of the total of basic insured and dividend accumulation; for death due to general accident before the payment period, benefit is calculated based on the following formula: death benefit = 2 x effective sum insured x effective policy years/duration of insurance; for death due to general accident after the payment period, benefit is two times of the total of basic insured and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, transfer of causes, maturity or other conditions which leads to the termination or optional termination of contracts.

(ii) Jixinggaozhao Type A endowment insurance (Participating)

Jixinggaozhao Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 2 types of periods: 15, 20 and 30 years for duration and age 50, 55, 60, 65 and 70 for age. For death due to illness and completely disability within the 1st year, benefit is calculated based on the following formula: benefit = base insured amount x10%+premium paid; for death due to illness and completely disability after the 1st year, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for death and completely disability due to accident, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for maturity, benefit is the total of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured or other condition which leads to the termination of contract.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(iii) Zunxiang Rensheng annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires on the insurance effective date of the year when the insured is 80. If the insured lives on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured lives on every second anniversary of the policy date from the effective date of the insurance contract to the 60-year-old policy anniversary date, the survival benefit is 9% of the base insured amount at the effective date of the policy. If the insured lives on every effective date of the insurance policy from the 60-year-old policy anniversary date to the 80-year-old policy anniversary date, the survival benefit is 9% of the insured amount at the effective date of the policy. For death and complete disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For policy holders between 18 and 60 years old who encountered with death or complete disability, the insured would be exempt from the renewal of insurance premium from the date of death or complete disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

(iv) Furudonghai Type A whole life insurance (Participating)

Furudonghai Type A whole life insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. For death due to illness within 1st year, the sum of 10% of the base insured amount and premium (interest excluded) is refunded. For death due to illness after the 1st year or death due to accident, benefit is the sum of base insured amount and dividend accumulation. For death or complete disability due to accident, benefit is the sum of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(v) Fuxiang Yisheng whole life annuity insurance (Participating)

Fuxiang Yisheng whole life annuity insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. If the insured lives on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the survival benefit is 20% of the sum of base insured amount and dividend accumulation. For death, benefit is the sum of premium paid and dividend accumulation. For policy holders between 18 and 61 years old who encountered with death or complete disability, the insured would be exempt from the renewal of insurance premium from the date of death or complete disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured or other condition which leads to the termination of contract.

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including the discount rates, mortality rates, morbidity rates, lapse rates and expenses. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase/(decrease) on profit before income tax.

Change in discount rates	For the year ended 31 December	
	2019	2018
+50 basis points ("bps")	**28,646**	24,018
-50bps	**(32,859)**	(27,867)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(i) Sensitivity analysis of long-term insurance contracts (Continued)

Change in mortality and morbidity rates	For the year ended 31 December	
	2019	2018
+10%	**(7,453)**	(6,797)
-10%	**8,238**	7,215

Change in lapse rates	For the year ended 31 December	
	2019	2018
+10%	**(3,225)**	(3,887)
-10%	**3,496**	3,844

Change in expenses	For the year ended 31 December	
	2019	2018
+10%	**(3,531)**	(3,116)
-10%	**3,765**	2,898

Key assumptions are disclosed in Note 15.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(ii) Sensitivity analysis of short-term insurance contracts

The change of claims amount for short-term insurance contracts may cause the change of loss ratio assumptions and in turn affect insurance contract liabilities.

All other variables being constant, if the loss ratio increases or decreases by 100bps, estimated profit before income tax would decrease or increase by RMB17 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB15 million). Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 15.

(d) Claims development analysis of short-term insurance contracts

Claims development analysis of the Group's short term insurance contracts gross of reinsurance is as follows:

	Accident year					
Cumulative claims	2015	2016	2017	2018	**2019**	Total
End of current year	1,252	1,393	1,912	2,553	**3,516**	10,626
1 year later	1,242	1,401	1,920	2,603	**–**	7,166
2 years later	1,236	1,401	1,922	–	**–**	4,559
3 years later	1,236	1,401	–	–	**–**	2,637
4 years later	1,236	–	–	–	**–**	1,236
Estimated claims expenses	1,236	1,401	1,922	2,603	**3,516**	10,678
Less: cumulative claims paid	(1,236)	(1,401)	(1,922)	(2,512)	**(2,071)**	(9,142)
Subtotal	–	–	–	91	**1,445**	1,536
Add: claims handling expenses	–	–	–	4	**71**	75
Unpaid claims expenses	–	–	–	95	**1,516**	1,611

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(d) Claims development analysis of short-term insurance contracts (Continued)

Claims development analysis of the Group' short term insurance business net of reinsurance is as follows:

	Accident year					
Cumulative claims	2015	2016	2017	2018	**2019**	Total
End of current year	1,137	1,292	1,810	2,470	**3,341**	10,050
1 year later	1,130	1,301	1,818	2,512	**–**	6,761
2 years later	1,123	1,297	1,817	–	**–**	4,237
3 years later	1,123	1,297	–	–	**–**	2,420
4 years later	1,123	–	–	–	**–**	1,123
Estimated claims expenses	1,123	1,297	1,817	2,512	**3,341**	10,090
Less: cumulative claims paid	(1,123)	(1,297)	(1,817)	(2,422)	**(1,939)**	(8,598)
Subtotal	–	–	–	90	**1,402**	1,492
Add: claims handling expenses	–	–	–	4	**71**	75
Unpaid claims expenses	–	–	–	94	**1,473**	1,567

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department, accounting department and actuarial department are in close cooperation to identify, evaluate and avoid financial risk.

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 11.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, changes in interest rate and fair values).

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets impacted greatly by interest rate risk are principally comprised of term deposits and debt financial assets. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates by 50bps with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

Change in market interest rates	Impact on profit (before income tax) For the year ended 31 December 2019	2018
+50bps	**(31)**	(15)
-50bps	**32**	15

Change in market interest rates	Impact on reserves (before income tax) For the year ended 31 December 2019	2018
+50bps	**(1,835)**	(758)
-50bps	**1,955**	794

(ii) Price risk

Price risk arises mainly from the price volatility of equity financial assets held by the Group. Prices of equity financial assets are determined by market forces. Most of the equity financial assets of the Group are in Chinese capital markets. The Group is subject to increased price risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The analysis below is performed to show the impacts of changes in the prices of the Group's equity financial assets which have quoted prices in active markets by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in equity financial assets' prices	Impact on profit (before income tax) For the year ended 31 December	
	2019	2018
+10%	**993**	518
-10%	**(993)**	(518)

Change in equity financial assets' prices	Impact on reserves (before income tax) For the year ended 31 December	
	2019	2018
+10%	**6,186**	4,192
-10%	**(6,186)**	(4,192)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar, Hong Kong dollar, or European dollar.

The following table summarizes financial assets denominated in currencies other than RMB, expressed in RMB equivalent:

31 December 2019	**USD**	**HKD**	**EUR**	**Others**	**Total**
Cash and cash equivalents	**1,731**	**359**	**–**	**–**	**2,090**
Accrued investment income	**10**	**–**	**–**	**–**	**10**
Held-to-maturity investments	**625**	**–**	**–**	**–**	**625**
Financial assets at fair value through profit or loss	**751**	**–**	**–**	**–**	**751**
Available-for-sale financial assets	**3,010**	**8,887**	**3,519**	**–**	**15,416**
Total	**6,127**	**9,246**	**3,519**	**–**	**18,892**

31 December 2018	USD	HKD	EUR	Others	Total
Cash and cash equivalents	1,699	986	–	–	2,685
Accrued investment income	9	–	–	–	9
Held-to-maturity investments	615	–	–	–	615
Financial assets at fair value through profit or loss	1,458	99	–	–	1,557
Available-for-sale financial assets	2,240	5,917	2,560	955	11,672
Total	6,021	7,002	2,560	955	16,538

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity financial assets, mainly expose themselves to price risk. Considering other foreign currencies are pegged to USD, the Group combined the USD assets with the other monetary assets when conducting the currency risk analysis.

For the year ended 31 December 2019, if RMB had strengthened or weakened by 10% against USD dollar and other foreign currencies with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, profit before tax would have been decreased or increased by RMB295 million (for the year ended 31 December 2018: RMB443 million), other comprehensive income would have been decreased or increased by RMB1,349 million (for the year ended 31 December 2018: RMB990 million).

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, bank wealth investment products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2019: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. Therefore, the Group's overall exposure to credit risk is relatively low.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership if the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products and asset management products are guaranteed by third parties, collateral, or use the budgeted financial income of the central government as the source of funding for repayment.

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products, wealth investment products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality (Continued)

Proportion	As at 31 December	
	2019	2018
Financial institution bonds issued by domestic non-policy bank having a credit rating of AA/A-2 or above	**100%**	100%
Corporate bonds having a credit rating of AA/A-2 or above held by the Group	**100%**	100%
Subordinated bonds/debts having a credit rating of AA/A-2 or above, or issued by national banks or insurance companies	**100%**	100%
Bank deposits with the four largest state-owned commercial banks and other commercial banks in the PRC	**99.99%**	96.91%

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated financial statements of the Group for they have collateral and the maturity is within one year.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 4(2)(e)).

The following tables set forth the contractual or expected undiscounted cash flows for major financial assets, insurance assets, financial liabilities and insurance liabilities:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2019		Contractual or expected cash flows (undiscounted)				
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	550,539	–	101,155	180,506	81,829	430,291
Equity financial assets	156,957	156,957	–	–	–	–
Term deposits	64,040	–	5,733	35,429	29,827	1,502
Statutory deposits	1,715	–	156	907	988	–
Policy loans	35,148	–	35,148	–	–	–
Financial assets purchased under agreements to resell	5,685	–	5,696	–	–	–
Accrued investment income	8,681	–	8,659	22	–	–
Premiums receivable	2,233	–	2,233	–	–	–
Reinsurance assets	3,028	–	997	780	60	2,201
Cash and cash equivalents	11,765	–	11,765	–	–	–
Total financial and insurance assets	839,791	156,957	171,542	217,644	112,704	433,994
Financial and insurance liabilities						
Long-term insurance contracts	(654,478)	–	30,049	59,682	24,800	(1,714,648)
Short-term insurance contracts	(3,713)	–	(2,666)	–	–	–
Investment contracts	(46,518)	–	(8,222)	(9,304)	(5,370)	(143,620)
Financial liabilities at fair value through profit or loss	(501)	(501)	–	–	–	–
Financial assets sold under agreements to repurchase	(68,190)	–	(68,531)	–	–	–
Benefits, claims and surrenders payable	(5,704)	–	(5,704)	–	–	–
Reinsurance liabilities	(220)	–	(220)	–	–	–
Total financial and insurance liabilities	(779,324)	(501)	(55,294)	50,378	19,430	(1,858,268)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2018		Contractual or expected cash flows (undiscounted)				
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	459,902	–	68,083	170,010	104,569	290,305
Equity financial assets	116,058	116,058	–	–	–	–
Term deposits	64,690	–	8,781	24,448	40,160	1,626
Statutory deposits	1,715	–	729	344	988	–
Policy loans	31,327	–	31,327	–	–	–
Financial assets purchased under agreements to resell	4,318	–	4,321	–	–	–
Accrued investment income	8,019	–	8,012	7	–	–
Premiums receivable	2,307	–	2,307	–	–	–
Reinsurance assets	2,691	–	408	(273)	1,013	2,081
Cash and cash equivalents	9,005	–	9,005	–	–	–
Total financial and insurance assets	700,032	116,058	132,973	194,536	146,730	294,012
Financial and insurance liabilities						
Long-term insurance contracts	(591,751)	–	21,242	49,803	28,574	(1,605,650)
Short-term insurance contracts	(2,869)	–	(1,912)	–	–	–
Investment contracts	(40,492)	–	(3,572)	(10,945)	(4,281)	(102,028)
Borrowings	(4,000)	–	(4,224)	–	–	–
Financial liabilities at fair value through profit or loss	(92)	(92)	–	–	–	–
Financial assets sold under agreements to repurchase	(12,959)	–	(12,963)	–	–	–
Benefits, claims and surrenders payable	(5,318)	–	(5,318)	–	–	–
Reinsurance liabilities	(462)	–	(462)	–	–	–
Total financial and insurance liabilities	(657,943)	(92)	(7,209)	38,858	24,293	(1,707,678)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB46,517 million as at 31 December 2019, payable within one year (as at 31 December 2018: RMB40,490 million).

(d) Disclosures about interest in unconsolidated structured entities

The Group's interests in the unconsolidated structured entities are recorded as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees or provide finance to public and private infrastructure construction. Refer to Note 3 Significant judgments (4) for the determined factors of control over investee of the Group.

These structured entities that the Group has interests in either guaranteed by third parties with higher credit ratings, by pledging, by the revenue within the finance budget as the payment source, or dealing with the borrowers which with higher credit ratings.

The Group has not provided any guarantee or financing support for the structured entities that the Group has interests in or sponsored.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

i) The unconsolidated structured entities that the Group has interests in

The Group believes that the maximum risk exposure approximates the carrying amount of interest in these unconsolidated structured entities. The size of the unconsolidated structured entities, the carrying amount of the related assets recognized in the financial statements and the maximum risk exposure are as below :

As at 31 December 2019	Unconsolidated structured entities			
	Size	Carrying amount of assets	Maximum exposure of risk	Interest held by the Group
Funds managed by affiliated entities	497	63	63	Investment income and service fee
Funds managed by third parties	Note 1	46,326	46,326	Investment income
Trust products managed by third parties	Note 1	77,266	77,266	Investment income
Debt investment plans managed by affiliated entities	17,358	11,117	11,117	Investment income and service fee
Debt investment plans managed by third parties	Note 1	27,817	27,817	Investment income
Others managed by affiliated entities (Note 2)	14,200	5,866	5,866	Investment income and service fee
Others managed by third parties (Note 2)	Note 1	108,154	108,154	Investment income

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

i) The unconsolidated structured entities that the Group has interests in (Continued)

As at 31 December 2018	Unconsolidated structured entities			
	Size	Carrying amount of assets	Maximum exposure of risk	Interest held by the Group
Funds managed by affiliated entities	1,862	106	106	Investment income and service fee
Funds managed by third parties	Note 1	42,192	42,192	Investment income
Trust products managed by third parties	Note 1	66,281	66,281	Investment income
Debt investment plans managed by affiliated entities	15,720	8,670	8,670	Investment income and service fee
Debt investment plans managed by third parties	Note 1	30,439	30,439	Investment income
Others managed by affiliated entities (Note 2)	1,721	1,202	1,202	Investment income and service fee
Others managed by third parties (Note 2)	Note 1	104,489	104,489	Investment income

Note1: Funds, trust products, debt investment plans and others managed by third parties are sponsored by third party financial institutions and the information related to size of these structured entities are not publicly available.

Note2: Others included wealth management products, asset management products, private equity and unlisted equity, etc.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

ii) The unconsolidated structured entities that the Group has sponsored but does not have interests in

As at 31 December 2019, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB5,425 million (as at 31 December 2018: RMB4,773 million), which were mainly funds, special asset management plans, pension products and annuity products, etc., sponsored by the Group for collecting management service fees. In 2019, the management service fees from these structured entities were RMB26 million (2018: RMB47 million), which were recorded as other income. The Group has not transferred any assets to these structured entities.

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method. The Group uses the above techniques, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing a competitive cost structure.

(f) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the China Banking and Insurance Regulatory Commission (the ''CBIRC''), are to comply with the insurance capital requirements of the CBIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management (Continued)

The table below summarizes the solvency ratios, actual capital, and minimum capital of the Company:

	As at 31 December	
	2019	2018
Core capital	**261,164**	221,299
Actual capital	**261,164**	225,299
Minimum capital	**92,077**	82,072
Core solvency margin ratio	**283.64%**	269.64%
Comprehensive solvency margin ratio	**283.64%**	274.51%

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, CBIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

(i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;

(ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;

(iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;

(iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the third quarter of 2019 is A.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation techniques using significant inputs, other than Level 1 quoted prices, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of financial assets classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt financial assets for which quotations are available from pricing service providers. Fair values provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

As at 31 December 2019, financial assets measured at fair value and classified as level 3 in the fair value hierarchy are valued using unobservable significant inputs, such as discount rate, but the fair value is not significantly sensitive to the reasonable changes of the unobservable significant inputs.

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Equity financial assets					
Available-for-sale-Preferred stock	3,727	Discounted cash flow method	Discount rate	4.8% – 5.5%	The higher the discount rate, the lower the fair value
Debt financial assets					
Available-for-sale-Trust products	77,266	Discounted cash flow method	Discount rate	4.81% – 10%	The higher the discount rate, the lower the fair value.
Available-for-sale-Wealth investment products	61,232	Discounted cash flow method	Discount rate	2.8% – 5.4%	The higher the discount rate, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2019 and 2018:

As at 31 December 2019	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Equity financial assets	**90,684**	**17,505**	**5,852**	**114,041**
– Debt financial assets	**639**	**100,749**	**138,543**	**239,931**
Financial assets at fair value through profit or loss Held for trading				
– Equity financial assets	**6,771**	**6,447**	**–**	**13,218**
– Debt financial assets	**2,240**	**7,722**	**–**	**9,962**
Designated as at fair value through profit or loss – derivatives				
– Equity financial assets	**–**	**–**	**1,374**	**1,374**
Total	**100,334**	**132,423**	**145,769**	**378,526**
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**501**	**–**	**501**
Unit-linked contracts	**–**	**152**	**–**	**152**
Total	**–**	**653**	**–**	**653**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2018 and 2018 (Continued):

As at 31 December 2018	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	65,362	15,490	616	81,468
– Debt financial assets	879	55,314	130,580	186,773
Financial assets at fair value through profit or loss Held for trading				
– Equity financial assets	6,882	–	–	6,882
– Debt financial assets	1,601	1,488	–	3,089
Total	74,724	72,292	131,196	278,212
Liabilities				
Financial liabilities at fair value through profit or loss	–	92	–	92
Unit-linked contracts	–	133	–	133
Total	–	225	–	225

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2018 and 2019.

For the year ended 31 December 2019	**Level 1**	**Level 2**
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	**920**	**–**
– Transfer out	**–**	**(920)**
Debt financial assets		
– Transfer in	**224**	**688**
– Transfer out	**(688)**	**(224)**
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	**41**	**214**
– Transfer out	**(214)**	**(41)**

For the year ended 31 December 2018	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	18	6,178
– Transfer out	(6,178)	(18)
Debt financial assets		
– Transfer in	683	–
– Transfer out	–	(683)

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets.

There were no transfers into or out of Level 3 for the years ended 31 December 2019 and 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			At fair value through profit or loss	Total
	Equity financial assets	Debt financial assets	Subtotal	Designated as at fair value through profit or loss	
1 January 2018	500	134,486	134,986	–	134,986
Purchase	152	4,472	4,624	–	4,624
Maturity	(36)	(8,378)	(8,414)	–	(8,414)
31 December 2018	616	130,580	131,196	–	131,196
1 January 2019	**616**	**130,580**	**131,196**	**–**	**131,196**
Purchase	**5,359**	**39,840**	**45,199**	**–**	**45,199**
Recognised in profit or loss	**–**	**–**	**–**	**1,374**	**1,374**
Maturity	**(123)**	**(31,877)**	**(32,000)**	**–**	**(32,000)**
31 December 2019	**5,852**	**138,543**	**144,395**	**1,374**	**145,769**

The assets and liabilities whose fair value measurements are classified under Level 3 above do not have material impact on the profit or loss of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, investment properties, financial assets sold under agreements to repurchase and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables, investment properties and borrowings, which all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2019 and 31 December 2018:

	As at 31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Held-to-maturity	**20,577**	**240,013**	**–**	**260,590**
Loans and receivables	**–**	**–**	**49,434**	**49,434**
Investment Properties	**–**	**–**	**11,525**	**11,525**
Total	**20,577**	**240,013**	**60,959**	**321,549**

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	18,342	208,245	–	226,587
Loans and receivables	–	–	50,509	50,509
Investment Properties	–	–	8,417	8,417
Total	18,342	208,245	58,926	285,513
Liabilities				
Borrowings	–	(4,061)	–	(4,061)
Total	–	(4,061)	–	(4,061)

The Group has not disclosed fair values for certain investment contract liabilities with DPF because the fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

Individual insurance business relates primarily to the sale of insurance contracts and investment contracts to individuals.

(ii) Group insurance business

Group insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities.

(iii) Other business

Other business relates primarily to the Group's asset management and unallocated income and expenses.

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment contract liabilities at the beginning and end of the accounting period. Non-operating income and expenses are not allocated but assigned to other business operating segments directly.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(3) Allocation basis of assets and liabilities

Insurance business assets and liabilities directly attributable to operating segments will be allocated to each segment; investment assets and liabilities indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's insurance contract liabilities and investment contract liabilities at the end of the accounting period. Statutory deposits, investment properties, property, plant and equipment, intangible assets, other assets, borrowings, provision, deferred tax assets, deferred tax liabilities and current income tax liabilities are not allocated but assigned to other business operating segments directly.

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue

Substantially all of the Group's revenues are derived from its operations in the PRC. Substantially all of the Group's assets are located in the PRC.

For the year ended 31 December 2019, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

(5) The transfer prices among operating segments are determined at fair value with reference to transactions with third parties

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2019				
	Insurance				
	Individual	Group	Others	Elimination	Total
Revenues					
Gross written premiums and policy fees	135,577	2,594	–	–	138,171
Less: premiums ceded out	(2,395)	(32)	–	–	(2,427)
Net written premiums and policy fees	133,182	2,562	–	–	135,744
Net change in unearned premiums liabilities	(181)	(120)	–	–	(301)
Net premiums earned and policy fees	133,001	2,442	–	–	135,443
Investment income	35,192	370	353	(73)	35,842
Including: inter-segment revenue	28	–	45	(73)	–
Other income	484	10	1,128	(804)	818
Including: inter-segment revenue	26	1	777	(804)	–
Total revenues	168,677	2,822	1,481	(877)	172,103
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,555)	(1,885)	–	–	(3,440)
Life insurance death and other benefits	(69,525)	(147)	–	–	(69,672)
Increase in long-term insurance contract liabilities	(52,750)	(66)	–	–	(52,816)
Policyholder dividends resulting from participation in profits	(42)	–	–	–	(42)
Investment contract benefits	(1,698)	(38)	–	–	(1,736)
Commission and brokerage expenses	(16,359)	(513)	–	–	(16,872)
Administrative expenses	(11,868)	(957)	(989)	777	(13,037)
Including: inter-segment expenses	(703)	(54)	(20)	777	–
Other expenses	(265)	(6)	(484)	28	(727)
Including: inter-segment expense	–	–	(28)	28	–
Total benefits, claims and expenses	(154,062)	(3,612)	(1,473)	805	(158,342)
Share of results of associates and joint ventures	437	5	60	–	502
Finance costs	(1,020)	(22)	–	–	(1,042)
Net profit before income tax	14,032	(807)	68	(72)	13,221
Segment assets	826,545	8,418	44,280	(273)	878,970
Segment liabilities	780,976	6,686	7,120	(273)	794,509

Other segment information for the year ended 31 December 2019:

	Insurance				
Other segment information	Individual	Group	Others	Elimination	Total
Capital expenditure	–	–	5,042	–	5,042
Depreciation and amortization	(1,198)	(94)	(98)	–	(1,390)
Interest income	29,257	311	312	(28)	29,852
Impairment	(2,017)	(18)	(1)	–	(2,036)
Share of results of associates and joint ventures	437	5	60	–	502

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2018				
	Insurance				
	Individual	Group	Others	Elimination	Total
Revenues					
Gross written premiums and policy fees	120,014	2,327	–	–	122,341
Less: premiums ceded out	(1,789)	(143)	–	–	(1,932)
Net written premiums and policy fees	118,225	2,184	–	–	120,409
Net change in unearned premiums liabilities	(392)	(15)	–	–	(407)
Net premiums earned and policy fees	117,833	2,169	–	–	120,002
Investment income	30,751	301	84	49	31,185
Including: inter-segment revenue	(45)	(4)	–	49	–
Other income	521	12	798	(554)	777
Including: inter-segment revenue	14	1	539	(554)	–
Total revenues	149,105	2,482	882	(505)	151,964
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,102)	(1,379)	–	–	(2,481)
Life insurance death and other benefits	(81,037)	(145)	–	–	(81,182)
Increase in long-term insurance contract liabilities	(26,138)	(41)	–	–	(26,179)
Policyholder dividends resulting from participation in profits	(126)	–	–	–	(126)
Investment contract benefits	(1,385)	(159)	–	–	(1,544)
Commission and brokerage expenses	(16,327)	(384)	–	–	(16,711)
Administrative expenses	(10,809)	(1,075)	(616)	532	(11,968)
Including: inter-segment expenses	(466)	(47)	(19)	532	–
Other expenses	(174)	(21)	(390)	21	(564)
Including: inter-segment expense	–	–	(21)	21	–
Total benefits, claims and expenses	(137,098)	(3,204)	(1,006)	553	(140,755)
Share of results of associates and joint ventures	400	4	–	–	404
Finance costs	(990)	(113)	–	–	(1,103)
Net profit before income tax	11,417	(831)	(124)	48	10,510
Segment assets	688,755	6,850	38,387	(63)	733,929
Segment liabilities	653,705	5,746	8,945	(63)	668,333

Other segment information for the year ended 31 December 2018:

	Insurance				
Other segment information	Individual	Group	Others	Elimination	Total
Capital expenditure	–	–	7,806	–	7,806
Depreciation and amortization	(660)	(67)	(36)	–	(763)
Interest income	27,683	271	104	35	28,093
Impairment	(1,777)	(20)	–	–	(1,797)
Share of results of associates and joint ventures	400	4	–	–	404

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2019	7,895	979	168	4,339	13,381
Additions	184	164	31	4,957	5,336
Transfers upon completion	2,705	34	–	(2,739)	–
Transfer from investment properties (Note 7)	1	–	–	–	1
Transfer to investment properties (Note 7)	(20)	–	–	(2,186)	(2,206)
Transfer to intangible assets (Note 9)	–	–	–	(201)	(201)
Disposals	(3)	(86)	(44)	–	(133)
As at 31 December 2019	10,762	1,091	155	4,170	16,178
Accumulated depreciation					
As at 1 January 2019	(880)	(612)	(95)	–	(1,587)
Charges for the year	(216)	(110)	(12)	–	(338)
Disposals	–	49	33	–	82
As at 31 December 2019	(1,096)	(673)	(74)	–	(1,843)
Net book value					
As at 1 January 2019	7,015	367	73	4,339	11,794
As at 31 December 2019	9,666	418	81	4,170	14,335

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2018	6,183	902	172	2,563	9,820
Additions	146	109	1	5,929	6,185
Transfers upon completion	1,127	1	–	(1,128)	–
Transfer from investment properties (Note 7)	413	–	–	–	413
Acquisition of subsidiaries	26	4	1	2	33
Transfer to investment properties (Note 7)	–	–	–	(2,807)	(2,807)
Transfer to intangible assets (Note 9)	–	–	–	(171)	(171)
Transfer to other assets	–	–	–	(48)	(48)
Disposals	–	(37)	(6)	–	(43)
Others	–	–	–	(1)	(1)
As at 31 December 2018	7,895	979	168	4,339	13,381
Accumulated depreciation					
As at 1 January 2018	(671)	(545)	(87)	–	(1,303)
Charges for the year	(168)	(102)	(13)	–	(283)
Transfer from investment properties (Note 7)	(39)	–	–	–	(39)
Acquisition of subsidiaries	(2)	–	–	–	(2)
Disposals	–	35	5	–	40
As at 31 December 2018	(880)	(612)	(95)	–	(1,587)
Net book value					
As at 1 January 2018	5,512	357	85	2,563	8,517
As at 31 December 2018	7,015	367	73	4,339	11,794

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB986 million as at 31 December 2019 (as at 31 December 2018: RMB732 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2019	2018
Cost		
Beginning of the year	**7,635**	5,214
Additions	**2**	27
Transfers from property, plant and equipment (Note 6)	**2,206**	2,807
Transfer to property, plant and equipment (Note 6)	**(1)**	(413)
Disposals	**(2)**	–
Others	**(5)**	–
End of the year	**9,835**	7,635
Accumulated depreciation		
Beginning of the year	**(591)**	(473)
Transfer to property, plant and equipment (Note 6)	**–**	39
Charges for the year	**(194)**	(157)
Disposals	**1**	–
End of the year	**(784)**	(591)
Net book value		
Beginning of the year	**7,044**	4,741
End of the year	**9,051**	7,044

Rental income from investment properties is recognized in "Other income" (Note 26).

According to the asset valuation report issued by Cushman & Wakefield Shenzhen Valuation Co.,Ltd. Beijing, the fair value of investment properties as at 31 December 2019 was RMB11,525 million (as at 31 December 2018: RMB8,417 million). The techniques used for the valuation of investment properties include the income approach and sales comparison approach. The fair value of investment properties is categorized within level 3.

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB393 million as at 31 December 2019. The Group has obtained the legal title in respect of the entire ownership of buildings as at 31 December 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group

	Fair value at 31 December 2019	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shanghai -Shanghai Harbor	2,301	Unit price	Office RMB64,000-72,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB85,000-105,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB450,000-500,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB220-250 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB270-370 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB1,600-1,800 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Xiamen	1,762	Unit price	Office RMB25,000-28,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB45,000-46,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB450,000-500,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Beijing-NCI Tower	1,760	Unit price	Office RMB55,000-79,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Office RMB280-450 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB1,500 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Changsha	855	Unit price	RMB18,000-21,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB90-120 per month per square meter	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group (Continued)

	Fair value at 31 December 2019	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Chengdu	687	Unit price	Office RMB15,000-20,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB70,000-75,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB220,000-250,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-130 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB400-500 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB950-12,000 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Hangzhou	673	Unit price	RMB25,000-27,500 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB135-150 per month per square meter	The higher the rental value, the higher the fair value.
Rental Units-Xi'an	652	Unit price	Office RMB18,000-18,500 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-120 per month per square meter	The higher the rental value, the higher the fair value.
Rental units-Shandong	446	Unit price	RMB13,500-15,700 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB90-110 per month per square meter	The higher the rental value, the higher the fair value.
Rental units-Shanxi	403	Unit price	RMB12,000-17,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB70-100 per month per square meter	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group (Continued)

	Fair value at 31 December 2019	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Zhengzhou -Longzihu Tower	398	Unit price	RMB17,000-18,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB90-100 per month per square meter	The higher the rental value, the higher the fair value.
Rental units-Haikou	348	Unit price	Office RMB19,000-21,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB45,000-49,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB160,000-220,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB110-135 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB210-323 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB400-500 per month per unit	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

8 LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and others used in its operations. Leases of buildings generally have lease terms between 1 and 10 years, while others generally have lease terms between 1 and 5 years.

(1) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Buildings	Others	Total
Cost			
As at 1 January 2019	1,050	–	1,050
Additions	637	2	639
Disposal	(63)	–	(63)
As at 31 December 2019	1,624	2	1,626
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charges for the year	(477)	–	(477)
Disposal	3	–	3
As at 31 December 2019	(474)	–	(474)
Net book value			
As at 31 December 2019	1,150	2	1,152
As at 1 January 2019	1,050	–	1,050

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(2) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease Liabilities		
	Buildings	**Others**	**Total**
As at 1 January 2019	**892**	**–**	**892**
Additions	**579**	**2**	**581**
Accretion of interest recognized during the year	**34**	**–**	**34**
Payments	**(545)**	**(1)**	**(546)**
As at 31 December 2019	**960**	**1**	**961**
Current	**404**	**–**	**404**
Non-current	**556**	**1**	**557**

(3) The amounts recognized in profit or loss in relation to leases are as follows:

	2019
Interest on lease liabilities	**(34)**
Depreciation expense of right-of-use assets	**(477)**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**(179)**
Total amount recognized in profit or loss	**(690)**

(4) For the year ended 31 December 2019, the total cash outflow for leases was RMB725 million and future cash outflows relating to leases that have not yet commenced are RMB1,033 million.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (Note 7) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the year was RMB294 million (for the year ended 31 December 2018: RMB251 million), details of which are included in Note 26 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December 2019	As at 31 December 2018
Within 1 year (including 1 year)	**266**	200
Between 1 year and 2 years (including 2 years)	**201**	115
Between 2 and 3 years (including 3 years)	**154**	66
Between 3 and 4 years (including 4 years)	**121**	35
Between 4 and 5 years (including 5 years)	**44**	16
More than 5 years	**123**	7
Total	**909**	439

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS

The intangible assets held by the Group are computer software and land use rights.

	Computer software	**Land use rights**	**Total**
Cost			
As at 1 January 2019	**1,222**	**3,343**	**4,565**
Additions	**52**	**53**	**105**
Transfer from property, plant and equipment (Note 6)	**201**	**–**	**201**
As at 31 December 2019	**1,475**	**3,396**	**4,871**
Accumulated amortization			
As at 1 January 2019	**(686)**	**(214)**	**(900)**
Amortization	**(160)**	**(85)**	**(245)**
As at 31 December 2019	**(846)**	**(299)**	**(1,145)**
Net book value			
As at 1 January 2019	**536**	**3,129**	**3,665**
As at 31 December 2019	**629**	**3,097**	**3,726**

	Computer software	Land use rights	Total
Cost			
As at 1 January 2018	950	1,585	2,535
Additions	51	1,758	1,809
Transfer from property, plant and equipment (Note 6)	171	–	171
Acquisition of Subsidiary	50	–	50
As at 31 December 2018	1,222	3,343	4,565
Accumulated amortization			
As at 1 January 2018	(541)	(163)	(704)
Amortization	(145)	(51)	(196)
As at 31 December 2018	(686)	(214)	(900)
Net book value			
As at 1 January 2018	409	1,422	1,831
As at 31 December 2018	536	3,129	3,665

The Group has obtained the legal title in respect of the entire ownership of land use rights as at 31 December 2019.The Group was in the process of obtaining the legal title in respect of the ownership of land use rights with an aggregate net book value of approximately RMB1,758 million as at 31 December 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	For the year ended 31 December	
	2019	2018
Beginning of the year	**4,792**	4,896
Share of profit	**502**	404
Cash dividend from investments in associates and joint ventures	**(209)**	(303)
Share of other comprehensive income	**(63)**	(148)
Share of other reserves	**(60)**	(55)
Currency translation differences	**3**	(2)
Others	**(48)**	–
End of the year	**4,917**	4,792

Details of investments in associates and joint ventures:

Name of entity	Type of legal entity	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership Interest	Principal activities	Measurement method
Associates						
China Jinmao	Company limited by shares	Hong Kong, the PRC	N/A	9.04%	Real estate development	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (1)	Other limited liability company	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou") (2)	Limited liability company	Nanjing, the PRC	RMB38.98 million	20.14%	Education investment, etc.	Equity
New China Capital International	Limited liability company	Cayman Islands	N/A	39.86%	Asset management	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Limited liability company	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity
Joint venture						
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	Other limited liability company	Beijing, the PRC	RMB1,127 million	45%	Asset management, etc.	Equity

(1) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the consolidated financial statements, the Company has not signed any sales agreement.

(2) On 10 May 2019, the eleventh meeting of the Executive Committee of the Company considered and approved the proposal of "The progress and latest plan of stock transfer on Weiyuanzhou". In accordance with the investment agreement between the Company, Weiyuanzhou and China Resources Land Holdings Co., Ltd. ("China Resources Land"), China Resources Land paid the first increased capital of RMB570 million to Weiyuanzhou in November 2019 which reduced the Company's shareholdings to 20.14%. On 4 November 2019, Weiyuanzhou completed the registration of the change. Upon the completion of all increased capital, the Company's shareholdings will be reduced to 19.6%.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day in 2019, the stock price of China Jinmao was HKD6.07 per share.

Except China Jinmao and New China Capital International, the English names of the associates and joint ventures represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

Material associate investment

The following tables illustrate the summarized financial information in respect of the material associate investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December 2019 China Jinmao	As at/For the year ended 31 December 2018 China Jinmao
Current assets	**174,831**	147,210
Non-current assets	**152,246**	124,212
Total assets	**327,077**	271,422
Current liabilities	**165,821**	121,876
Non-current liabilities	**75,461**	71,282
Total liabilities	**241,282**	193,158
Equity attributable to shareholders of the Group	**39,309**	35,765
Group's share of net assets of the associates	**3,553**	3,293
Adjustments	**(338)**	(215)
Carrying amount of the investment in China Jinmao	**3,215**	3,078
Revenues	**43,356**	38,733
Profit for the year	**8,629**	7,375
Total comprehensive income attributable to shareholders of the Group	**5,622**	3,770
Dividends received	**209**	268

China Jinmao is a material associate investment of the Group accounted for using the equity method. The investment is not strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material associate investment (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at/For the year ended 31 December	
	2019	2018
Aggregate carrying amount of the Group's investments in the associates	**1,052**	1,039
Total of Group's share of the following items of the associates		
Profit for the year	**58**	34
Other comprehensive income	**–**	–
Total comprehensive income for the year	**58**	34

Material joint venture investment

The following tables illustrate the summarized financial information in respect of the material joint venture investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2019 New China Health	2018 New China Health
Current assets	**967**	1,046
Non-current assets	**162**	142
Total assets	**1,129**	1,188
Current liabilities	**165**	169
Non-current liabilities	**–**	–
Total liabilities	**165**	169
Equity attributable to shareholders of the Group	**964**	1,019
Group's share of net assets of the joint venture	**434**	459
Adjustments	**216**	216
Carrying amount of the investment in New China Health	**650**	675
Revenues	**299**	294
Loss for the year	**(55)**	–
Total comprehensive income for the year	**(55)**	–

New China Health, focused on health management business, is a material joint venture investment of the Group accounted for using the equity method. The investment is strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 31 December 2019	As at 31 December 2018
Debt financial assets		
Government bonds	**132,516**	86,090
Financial bonds	**32,244**	28,558
Corporate bonds	**40,291**	41,110
Subordinated bonds	**41,161**	58,773
Total	**246,212**	214,531
Debt financial assets		
Listed	**111,349**	70,149
Unlisted	**134,863**	144,382
Total	**246,212**	214,531

The fair value of the held-to-maturity investments as at 31 December 2019 was RMB260,590 million (as at 31 December 2018: RMB226,587 million).

The fair value of listed held-to-maturity investments was RMB116,921 million as at 31 December 2019 (as at 31 December 2018: RMB74,054 million).

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	**As at 31 December 2019**	As at 31 December 2018
Within 1 year (including 1 year)	**7,352**	7,498
After 1 year but within 3 years (including 3 years)	**41,459**	26,920
After 3 years but within 5 years (including 5 years)	**21,311**	34,515
After 5 years	**176,090**	145,598
Total	**246,212**	214,531

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 31 December 2019	As at 31 December 2018
Debt financial assets		
Government bonds	**50,770**	7,187
Financial bonds	**20,466**	21,022
Corporate bonds	**13,411**	15,334
Subordinated bonds	**16,741**	12,650
Perpetual bonds	**5,000**	5,000
Trust products	**77,266**	66,281
Wealth investment products	**61,232**	64,299
Asset management products	**45**	–
Subtotal	**244,931**	191,773
Equity financial assets		
Funds	**42,576**	37,127
Stock	**48,290**	29,466
Preferred stock	**4,555**	1,066
Asset management products	**16,181**	13,568
Private equity	**7,054**	4,443
Wealth investment products	**–**	116
Equity investment plans	**4,700**	4,700
Other unlisted equity investments	**18,664**	18,565
Perpetual Bonds	**204**	–
Other equity investment	**141**	125
Subtotal	**142,365**	109,176
Total	**387,296**	300,949
Debt financial assets		
Listed	**27,544**	9,304
Unlisted	**217,387**	182,469
Subtotal	**244,931**	191,773
Equity financial assets		
Listed	**54,776**	32,646
Unlisted	**87,589**	76,530
Subtotal	**142,365**	109,176
Total	**387,296**	300,949

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	As at 31 December 2019	As at 31 December 2018
Within 1 year (including 1 year)	**58,551**	29,960
After 1 year but within 3 years (including 3 years)	**77,980**	80,285
After 3 years but within 5 years (including 5 years)	**24,102**	39,318
After 5 years	**84,298**	42,210
Total	**244,931**	191,773

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss

	As at 31 December 2019	As at 31 December 2018
Held for trading		
Debt financial assets		
Government bonds	**–**	300
Financial bonds	**22**	–
Corporate bonds	**9,429**	2,274
Subordinated bonds	**511**	515
Debt financial assets subtotal	**9,962**	3,089
Equity financial assets		
Funds	**3,813**	5,171
Stocks	**2,960**	1,711
Asset management products	**6,144**	–
Perpetual bonds	**301**	–
Equity financial assets subtotal	**13,218**	6,882
Subtotal	**23,180**	9,971
Designated as at fair value through profit or loss		
Equity financial assets		
Derivative financial assets (Note)	**1,374**	–
Equity financial assets subtotal	**1,374**	–
Subtotal	**1,374**	–
Total	**24,554**	9,971
Debt financial assets		
Listed	**9,057**	2,330
Unlisted	**905**	759
Subtotal	**9,962**	3,089
Equity financial assets		
Listed	**5,100**	3,375
Unlisted	**9,492**	3,507
Subtotal	**14,592**	6,882
Total	**24,554**	9,971

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss (Continued)

Note: The derivative financial assets are forward contracts for purchasing of equity securities. Its fair value is determined on the basis of an active quote for the relevant equity securities and is classified as level 3 in the fair value hierarchy.

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

(4) Loans and receivables

	As at 31 December 2019	As at 31 December 2018
Asset funding plans (i)	**10,000**	10,000
Debt investment plan (ii)	**38,934**	39,109
Subordinated debts	**500**	1,400
Total	**49,434**	50,509

(i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan (“Orient No.1 Funding Plan”).

Orient No.1 Funding Plan was set up by the Group in April 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 10-year funding plan, China Orient Asset Management Co. (“Orient Asset”) should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset which were verified by the plan manager of the Funding Plan are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for this funding plan.

(ii) Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	As at 31 December 2019	As at 31 December 2018
Within 1 year (including 1 year)	**4,100**	7,000
After 1 year but within 3 years (including 3 years)	**30,500**	19,100
After 3 years but within 5 years (including 5 years)	**27,940**	37,090
More than 5 years	**1,500**	1,500
Total	**64,040**	64,690

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Maturity	As at 31 December 2019	As at 31 December 2018
Within 1 year (including 1 year)	**–**	665
After 1 year but within 3 years (including 3 years)	**915**	300
After 3 years but within 5 years (including 5 years)	**800**	750
Total	**1,715**	1,715

According to the relevant regulations issued by the CBIRC, statutory deposits can only be used by insurance companies to discharge debt upon liquidation.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(7) Accrued investment income

	As at 31 December 2019	As at 31 December 2018
Bank deposits	**1,396**	1,497
Debt financial assets	**6,322**	5,700
Others	**963**	822
Total	**8,681**	8,019
Current	**8,623**	8,012
Non-current	**58**	7
Total	**8,681**	8,019

12 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 months.

13 REINSURANCE ASSETS

	As at 31 December 2019	As at 31 December 2018
Claims and claims adjustment expenses ceded (Note 15)	**44**	16
Unearned premiums liabilities ceded (Note 15)	**185**	189
Long-term insurance contracts ceded (Note 15)	**2,611**	2,240
Due from reinsurance companies	**188**	246
Total	**3,028**	2,691
Current	**1,001**	863
Non-current	**2,027**	1,828
Total	**3,028**	2,691

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS

	As at 31 December 2019		
	Book value balance	**Provision for impairment**	**Net book value**
Investment clearing account (1)	**3,386**	**–**	**3,386**
Prepaid income tax	**1,146**	**–**	**1,146**
Receivable from Off-balance sheet Repurchase Transactions (Note 3(7))	**874**	**(874)**	**–**
Prepaid and deferred expenses	**618**	**–**	**618**
Prepayment for Heilongjiang branch's office building (3) (Note 20)	**37**	**(37)**	**–**
Entrusted fund receivable from liquidation group of Minfa Securities (4)	**16**	**(16)**	**–**
Receivable from Huaxinrong Company (6)	**12**	**(12)**	**–**
Prepayment for Taizhou and Yongzhou cases (5)	**11**	**(11)**	**–**
Litigation deposit (7)	**1**	**–**	**1**
Others	**689**	**(4)**	**685**
Total	**6,790**	**(954)**	**5,836**

	As at 31 December 2018		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	2,854	–	2,854
Prepaid and deferred expenses	1,312	–	1,312
Receivable from Off-balance sheet Repurchase Transactions (Note 3(7))	874	(874)	–
Deductible input taxes (2)	66	–	66
Prepayment for Heilongjiang branch's office building (3) (Note 20)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (4)	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (5)	14	(14)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Litigation deposit (7)	3	–	3
Others	594	(4)	590
Total	5,782	(957)	4,825

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS (Continued)

	As at 31 December 2019	As at 31 December 2018
Current	**5,478**	4,427
Non-current	**358**	398
Total	**5,836**	4,825

(1) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the end of the reporting period.

(2) Deductible input taxes

Deductible input taxes are input taxes have not been used related to the Group's purchase of goods and services. They can be used as credits to offset future tax obligations upon the tax bureau's approval.

(3) Prepayment for Heilongjiang branch's office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Since the recipient of the payment is not a party of the contract, as at the date approved for issue by Board of Directors, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

(4) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the CSRC and started administrative liquidation in 2005. The Company had investments entrusted to Minfa Securities with a carrying amount of RMB477 million which were deemed to be uncollectible at the time of the liquidation. Accordingly, the Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. From 2009 to 2012, the Company managed to recover funds amounting to RMB373 million in accordance with the distribution arrangement as approved by the Court. In 2012, the Court adjudicated to terminate bankruptcy proceedings of Minfa Securities and related companies. The Company assessed that it might still be able to recover RMB16 million but made a full provision against the amount due to significant uncertainty. The remaining balance of RMB88 million was assessed to be non-recoverable and was written off.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS (Continued)

(5) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for the Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable of RMB162 million were written off.

In 2013, the Company recovered RMB9 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2015, the Company recovered RMB3 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2019, RMB3 million was written off by the Company from the Taizhou and Yongzhou cases and the Company reduced other assets and their corresponding provision.

(6) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

(7) Litigation deposit

Litigation deposit represents deposits required by the court for routine litigations in progress, and will be returned to the Group upon the conclusion of the cases.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates of the Group as at 31 December 2019 and 31 December 2018 are as follows:

	Discount rate assumption
31 December 2019	4.50%~5.00%
31 December 2018	4.50%~5.00%

The Group set up a new exclusive participating account in October 2019 to management of the new product, Wendeying endowment insurance (Participating). Considering the yield curve of the corresponding future investment portfolios is different from other participating insurance products and a stabilization investment return assumption of 6% is used, the expected discount rate of this product as at 31 December 2019 was 6%.

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, in combine with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors, the expected spot discount rates of the Group as at 31 December 2019 and 31 December 2018 are as follows:

	Discount rate assumption
31 December 2019	3.42%~4.70%
31 December 2018	3.32%~4.75%

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006-2010) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

(c) Expenses assumptions

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(e) Lapse rate and other assumptions

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

(2) Net liabilities of insurance contracts

	As at 31 December 2019	As at 31 December 2018
Gross		
Long-term insurance contract liabilities	**654,478**	591,751
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,611**	1,064
– Unearned premiums liabilities	**2,102**	1,805
Total, gross	**658,191**	594,620
Recoverable from reinsurers		
Long-term insurance contracts (Note 13)	**(2,611)**	(2,240)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 13)	**(44)**	(16)
– Unearned premiums liabilities (Note 13)	**(185)**	(189)
Total, ceded	**(2,840)**	(2,445)
Net		
Long-term insurance contract liabilities	**651,867**	589,511
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,567**	1,048
– Unearned premiums liabilities	**1,917**	1,616
Total, net	**655,351**	592,175

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

	For the year ended 31 December	
	2019	2018
Beginning of the year – Gross	**1,064**	827
Cash paid for claims settled in the year		
– Cash paid for current year claims	**(2,070)**	(1,606)
– Cash paid for prior year claims	**(975)**	(728)
Claims incurred in the year		
– Claims arising in the current year	**3,591**	2,601
– Claims adjusted for prior years	**1**	(30)
End of the year – Gross	**1,611**	1,064

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2018	1,280	(71)	1,209
Increase	5,560	(542)	5,018
Release	(5,035)	424	(4,611)
As at 31 December 2018	1,805	(189)	1,616
Increase	**6,803**	**(739)**	**6,064**
Release	**(6,506)**	**743**	**(5,763)**
As at 31 December 2019	**2,102**	**(185)**	**1,917**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

	For the year ended 31 December	
	2019	2018
Beginning of the year	**591,751**	573,170
Premiums	**131,328**	116,726
Release of liabilities (i)	**(113,006)**	(121,358)
Accretion of interest	**25,177**	23,535
Changes in assumption (ii)	**6,249**	5,038
Other movements (iii)	**12,979**	(5,360)
End of the year	**654,478**	591,751

(i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.

(ii) Changes in assumptions are impact of changes in the discount rate assumption, mortality and morbidity assumptions, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.

(iii) Other movements include accumulated realized but not yet announced policy dividend movement and change of shadow adjustments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

16 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movements in liabilities of investment contracts:

	For the year ended 31 December	
	2019	2018
Investment contracts excluding unit-linked contracts		
Beginning of the year	**40,359**	33,711
Deposits received	**10,300**	11,059
Deposits paid and liabilities transferred out	**(6,024)**	(5,726)
Policy fees deducted from account balances	**(40)**	(55)
Interest and benefits accredited	**1,708**	1,616
Changes in investment contracts recorded in other comprehensive income	**63**	(246)
End of the year	**46,366**	40,359
Unit-linked contracts		
Beginning of the year	**133**	217
Deposits received	**–**	–
Deposits paid and liabilities transferred out	**(9)**	(14)
Fair value changes	**28**	(70)
End of the year	**152**	133
End of the year – Gross	**46,518**	40,492

17 BORROWINGS

Upon the approval of the former CIRC in November 2014, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB4,000 million, and with an interest rate of 5.6% per annum. The Company has the right to redeem the debt partially or wholly at the end of the fifth year. The Company redeemed the above subordinated debt wholly in November 2019.

The repayments of principals and interests of the subordinated debts are subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

For the year ended 31 December 2019, the Group's cash flow arising from financing activities included subordinated debts redemption, with the amount of RMB4,000 million in the consolidated statement of cash flows (for the year ended 31 December 2018: Nil).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

18 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2019	As at 31 December 2018
By market		
Inter-bank market	**12,650**	2,201
Stock exchange	**55,540**	10,758
Total	**68,190**	12,959
By collateral		
Bonds	**68,190**	12,959

Maturity:

	As at 31 December 2019	As at 31 December 2018
Within 3 months (including 3 months)	**68,190**	12,959

As at 31 December 2019, bonds with par value of RMB13,277 million (as at 31 December 2018: RMB2,279 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2019, the amount of financial assets deposited in the collateral pool amounted to RMB99,166 million (as at 31 December 2018: RMB78,197 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2019, the Group's cash inflow arising from financing activities included RMB53,026 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2018, the Group's cash outflow arising from financing activities included RMB8,760 million from financial assets sold under agreements to repurchase.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

19 PROVISIONS

	Lawsuits and disputes
As at 1 January 2019	**29**
Increase	**–**
Decrease	**–**
As at 31 December 2019	**29**
As at 1 January 2018	29
Increase	–
Decrease	–
As at 31 December 2018	29

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking into consideration specific former circumstances and legal advice, the Group makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depend on the final investigation, judgment and settlement amounts, thus they may differ from the current provision.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

20 OTHER LIABILITIES

	As at 31 December 2019	As at 31 December 2018
Salary and welfare payable	**3,905**	2,629
Commission and brokerage payable	**2,353**	2,188
Construction cost payable	**636**	421
Deferred income (1)	**517**	–
Investment clearing account (Note 14(1))	**207**	68
Security deposits by agent for holding the Company's documents	**193**	217
Taxes payable other than income tax	**132**	208
Repayment payable for non-insurance contracts	**131**	119
Unrealized output value added tax	**110**	105
Insurance security fund payable	**89**	81
Unallocated receipts	**86**	125
Purchase payment for Heilongjiang branch's building (Note14(3))	**37**	37
Others	**1,163**	1,044
Total	**9,559**	7,242
Current	**9,329**	6,988
Non-current	**230**	254
Total	**9,559**	7,242

(1) According to the Certain Measures on Supporting the Development of Financial Industries by Shenzhen (Shenfugui [2017] No.2), New China Pension Co., Ltd. ("New China Pension"), the subsidiary of the Company, received one land subsidy amounting to RMB527 million from Shenzhen government for obtaining the land use right with payment. The subsidy was recognized as deferred income. For the year ended 31 December 2019, amount of RMB10 million subsidy was recognized as other income.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

21 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

(1) The amount of income tax charged to the net profit represents:

	For the year ended 31 December	
	2019	2018
Current tax	**(938)**	2,843
Deferred tax	**(401)**	(256)
Total income tax	**(1,339)**	2,587

(2) The reconciliation between the Group's effective tax rate and the mainly applicable tax rate of 25% in the PRC is as follows:

	For the year ended 31 December	
	2019	2018
Profit before income tax	**13,221**	10,510
Tax computed at the statutory tax rate in China	**3,305**	2,628
Non-taxable income (i)	**(2,838)**	(2,059)
Expenses not deductible for tax purpose (i)	**94**	2,009
Effect of unrecognized deferred tax assets arising from deductible loss	**34**	28
Use of deductible tax losses of prior years	**–**	(4)
Adjustments in respect of current tax of previous periods	**(1,932)**	(12)
Effect of different tax rate of a subsidiary	**(2)**	(3)
Income tax computed at effective tax rate	**(1,339)**	2,587

(i) Non-taxable income mainly includes government bond interest income and stock dividend income. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expense, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

21 TAXATION (Continued)

(3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2018	(1,581)	1,617	36
Charged to net profit	248	13	261
Charged to other comprehensive income	3,474	(2,007)	1,467
Charged to other reserve	–	13	13
As at 31 December 2018	2,141	(364)	1,777
As at 1 January 2019	**2,141**	**(364)**	**1,777**
Charged to net profit	**(617)**	**(17)**	**(634)**
Charged to other comprehensive income	**(2,220)**	**1,259**	**(961)**
Charged to other reserve	**–**	**(20)**	**(20)**
As at 31 December 2019	**(696)**	**858**	**162**
Net deferred tax liabilities			
As at 1 January 2018	–	(54)	(54)
Charged to net profit	1	(6)	(5)
Charged to other comprehensive income	–	–	–
As at 31 December 2018	1	(60)	(59)
As at 1 January 2019	**1**	**(60)**	**(59)**
Charged to net profit	**131**	**904**	**1,035**
Charged to other comprehensive income	**(2,464)**	**1,159**	**(1,305)**
Charged to other reserve	**–**	**31**	**31**
As at 31 December 2019	**(2,332)**	**2,034**	**(298)**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

21 TAXATION (Continued)

(3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows: (Continued)

	As at 31 December 2019	As at 31 December 2018
Deferred tax assets		
-deferred tax assets to be recovered within 12 months	**2,621**	3,194
-deferred tax assets to be recovered after 12 months	**932**	604
Subtotal	**3,553**	3,798
Deferred tax liabilities		
-deferred tax liabilities to be recovered within 12 months	**(2,958)**	(1,414)
-deferred tax liabilities to be recovered after 12 months	**(731)**	(666)
Subtotal	**(3,689)**	(2,080)
Total net deferred tax assets	**162**	1,777
Total net deferred tax liabilities	**(298)**	(59)

(4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The amount of deductible unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 31 December 2019	As at 31 December 2018
Deductible losses	**593**	524
Total	**593**	524

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

22 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1.

The Company's number of shares is as follows:

	As at 31 December 2019	As at 31 December 2018
Number of shares registered, issued and fully paid at RMB1 per share (in million)	**3,120**	3,120

23 RESERVES

	Share premium (a)	Other reserve	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As at 1 January 2018	23,964	(10)	1,597	3,922	3,922	33,395
Other comprehensive income	–	–	(4,388)	–	–	(4,388)
Others	–	(40)	–	–	–	(40)
Appropriation to reserve	–	–	–	1,304	785	2,089
As at 31 December 2018	23,964	(50)	(2,791)	5,226	4,707	31,056
Other comprehensive income	**–**	**–**	**6,751**	**–**	**–**	**6,751**
Others	**–**	**(44)**	**–**	**–**	**–**	**(44)**
Appropriation to reserve	**–**	**–**	**–**	**2,131**	**1,360**	**3,491**
As at 31 December 2019	**23,964**	**(94)**	**3,960**	**7,357**	**6,067**	**41,254**

(a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

23 RESERVES (Continued)

(b) Surplus reserve

Surplus reserve consists of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserve

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital upon approval.

The Company appropriated RMB1,346 million for the year ended 31 December 2019 to the statutory surplus reserve (for the year ended 31 December 2018: RMB785 million).

(ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company appropriated RMB785 million (10% of the net profit for 2018) to the DSR in 2019 (for the year ended 31 December 2018: RMB519 million).

(c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2019, the Group's financial enterprises engaged in insurance business appropriated RMB1,360 million, 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2018: RMB785 million, 10% of the net profit).

24 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended 31 December	
	2019	2018
Gross written premiums		
– Insurance contracts	**138,131**	122,286
Policy fees		
– Investment contracts	**40**	55
Gross written premiums and policy fees	**138,171**	122,341

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

25 INVESTMENT INCOME

	For the year ended 31 December	
	2019	2018
Held-to-maturity investments		
– Interest income	**10,296**	9,536
– Net realized gains	**–**	178
Available-for-sale financial assets		
– Interest income	**11,425**	10,479
– Dividend income	**5,422**	6,048
– Net realized gains	**(355)**	(840)
– Impairment losses on equity financial assets	**(2,032)**	(1,835)
Financial assets at fair value through profit or loss		
– Interest income	**197**	81
– Dividend income	**180**	187
– Fair value gains/(losses)	**2,647**	(379)
– Net realized gains/(losses)	**128**	(269)
Loans and receivables		
– Interest income	**2,993**	3,760
Interest income from bank deposits	**3,328**	2,797
Interest income from policy loans	**1,556**	1,368
Interest income from financial assets purchased under agreements to resell	**57**	72
Others	**–**	2
Total	**35,842**	31,185
Including:		
Investment income based on the effective interest method	**29,852**	28,093
Investment income from listed investments	**7,729**	1,574
Investment income from unlisted investments	**28,113**	29,611
Total	**35,842**	31,185

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

26 OTHER INCOME

	For the year ended 31 December	
	2019	2018
Rental income from investment properties	**294**	251
Management fee income	**175**	161
Government grants (i)	**95**	31
Exchange gain	**40**	95
Others	**214**	239
Total	**818**	777

(i) According to the Certain Measures on Supporting the Development of Financial Industries by Shenzhen (Shenfugui [2017] No.2), New China Pension, the subsidiary of the Company, changed its place of incorporation to Shenzhen Qianhai Shenzhen- Hong Kong Cooperation Zone and received a one-off relocation award amounting to RMB50 million from Shenzhen government.

27 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2019	2018
Gross		
Claims and change in outstanding claims liabilities	**3,626**	2,571
Life insurance death and other benefits	**70,559**	81,840
Increase in long-term insurance liabilities	**53,187**	26,515
Total	**127,372**	110,926
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(186)**	(90)
Life insurance death and other benefits	**(887)**	(658)
Increase in long-term insurance liabilities	**(371)**	(336)
Total	**(1,444)**	(1,084)
Net		
Claims and change in outstanding claims liabilities	**3,440**	2,481
Life insurance death and other benefits	**69,672**	81,182
Increase in long-term insurance liabilities	**52,816**	26,179
Total	**125,928**	109,842

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

28 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2019	2018
Employee benefit expenses (including directors'emoluments) (1)	**9,852**	8,788
Depreciation and amortization	**1,161**	586
Operating lease expense	**452**	911
Entertainment fees	**419**	374
Travel and conference fees	**322**	324
Official fees	**304**	281
Insurance guarantee fund	**249**	229
Electronic equipment operating costs	**212**	163
Promotional printing cost	**169**	150
Postal fees	**135**	128
Advertising fees	**60**	75
Vehicle use fees	**27**	32
Auditors' remuneration fees	**22**	20
Less: Expenses recoverable from insurers	**(746)**	(593)
Others	**399**	500
Total	**13,037**	11,968

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2019	2018
Salary and welfare expenses	**7,589**	6,514
Social security costs – pension	**790**	844
Social security costs – other	**697**	700
Including:		
Supplementary defined contribution pension expense	**169**	201
Supplementary medical expense	**25**	20
Housing fund	**570**	503
Employee education and labor union fees	**206**	227
Total	**9,852**	8,788

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

29 OTHER EXPENSES

	For the year ended 31 December	
	2019	2018
Tax and surcharges	**192**	166
Depreciation and amortization	**229**	177
Reversal of provision for receivable from Tianhuan Real Estate (Note 3(7))	**–**	(41)
Others	**306**	262
Total	**727**	564

30 FINANCE COSTS

	For the year ended 31 December	
	2019	2018
Interest expenses for financial assets sold under agreements to repurchase	**810**	879
Interest expenses for the subordinated debts	**198**	224
Interest expenses for lease liabilities	**34**	–
Total	**1,042**	1,103

31 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2019 was RMB14,559 million (for the year ended 31 December 2018: RMB7,922 million) which is included in the consolidated financial statements of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

32 EARNINGS PER SHARE

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	For the year ended 31 December	
	2019	2018
Net profit attributable to shareholders of the Company (RMB in millions)	**14,559**	7,922
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**4.67**	2.54

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2019 (for the year ended 31 December 2018: same).

33 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2019, a final dividend of RMB0.77 per ordinary share (inclusive of tax) totalling RMB2,402 million was declared.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

Significant related parties	Relationships
Asset Management Company	Subsidiary of the Company
New China Asset management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)")	Subsidiary of the Company
New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Service (Beijing) Co., Ltd. ("Xinhua Seniors Service")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	Subsidiary of the Company
New China Pension	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Xinhua Haoran Architecture Science and Technology Co., Ltd. ("Xinhua Haoran")	Subsidiary of the Company
New China Excellent Rehabilitation Hospital Co., Ltd. ("Rehabilitation Hospital")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
New China Asset – Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
New China Asset – Mingde No.1 Asset Management Product ("Mingde No.1")	Subsidiary of the Company
New China Asset – Mingde No.3 Asset Management Product ("Mingde No.3")	Subsidiary of the Company
New China Asset Management – Mingren No.1 Asset Management Product ("Mingren No.1")	Subsidiary of the Company
New China Asset Management – Mingren No.3 Asset Management Product ("Mingren No.3")	Subsidiary of the Company
New China Asset Management – Mingren No.4 Asset Management Product ("Mingren No.4")	Subsidiary of the Company
New China Asset Management – Mingren No.6 Asset Management Product ("Mingren No.6")	Subsidiary of the Company
New China Asset Management – Mingzhi No.1 Asset Management Product ("Mingzhi No.1")	Subsidiary of the Company
New China Asset Management – Mingzhi No.2 Asset Management Product ("Mingzhi No.2")	Subsidiary of the Company
New China Asset Management – Mingzhi No.3 Asset Management Product ("Mingzhi No.3")	Subsidiary of the Company
New China Asset Management – Mingzhi No.5 Asset Management Product ("Mingzhi No.5")	Subsidiary of the Company
New China Asset Management – Jingxing Series Special Products (First Phase) ("Jingxing No.1")	Subsidiary of the Company
New China Asset Management – Jingxing Series Special Products (Third Phase) ("Jingxing No.3")	Subsidiary of the Company
New China Asset Management – Jingxing Series Special Products (Fifth Phase) ("Jingxing No.5")	Subsidiary of the Company
New China Asset Management – Mingyi No.1 Asset Management Product ("Mingyi No.1")	Subsidiary of the Company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties (Continued)

Significant related parties	Relationships
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Subsidiary of the Company
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Subsidiary of the Company
China Jinmao	Associate of the Company
Zijin Century	Associate of the Company
Weiyuanzhou	Associate of the Company
New China Capital International	Associate of the Company
MJ Health	Associate of the Company
New China Health	Joint venture of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company
China Baowu Steel Group Corporation Limited. ("China Baowu")	Shareholder that has significant influence over the Company
FOSUN International Limited and its seven subsidiaries ("FOSUN International")	Company under direct or indirect control of shareholder that has significant influence over the company
Hwabao WP Fund Management Co., Ltd ("Hwabao WP Fund")	Company under indirect control of shareholder that has significant influence over the Company
Tebon Fund Management Co., Ltd ("Tebon Fund")	Company under direct or indirect control of shareholder that has significant influence over the company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties

The table set forth below summarizes significant related party transactions:

	For the year ended 31 December	
	2019	2018
Transactions between the Group and other related parties		
– Interests from bonds issued by Huijin (i)	**39**	44
– Cash dividends received from Zijin Century	**–**	24
– Cash dividends received from New China Capital International	**–**	11
– Cash dividends received from China Jinmao (ii)	**209**	268
– Investment income arising from investing financial assets of FOSUN International (x)	**(5)**	526
– Investment income arising from investing fund of Hwabao WP Fund (xi)	**16**	46
– Investment income arising from investing fund of Tebon Fund (xii)	**3**	13
– Investment income arising from investing trust products related to FOSUN International (xiii)	**18**	–
– Health check and service fee paid to New China Health (iii)	**38**	21
– Rent earned from New China Health (iv)	**9**	9
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company	**603**	381
– Investment management fee to Asset Management Company (Hong Kong) (v)	**57**	57
– Rent earned from Asset Management Company (iv)	**14**	14
– Rent earned from New China Pension (iv)	**5**	3
– Rent paid to Xinhua Haoran (vi)	**50**	45
– Additional capital contribution to Health Technology (Note 37(5)(ii))	**708**	235
– Additional capital contribution to Xinhua Seniors Service	**–**	300
– Additional capital contribution to New China Pension	**–**	4,000
– Additional capital contribution to Hainan Seniors (Note 37(5)(iv))	**112**	–
– Additional capital contribution to Hefei Supporting Operation (Note 37(5)(iii))	**480**	264
– IT service fee paid to Electronic Commerce (vii)	**15**	19
– Conference and training fees paid to Health Technology (viii)	**13**	12
– Sales commissions earned from New China Pension (ix)	**8**	–
– Additional capital contribution to Rehabilitation Hospital	**–**	170
– Construction management fee paid to Guangzhou Yuerong	**–**	3

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(i) Bond interest from Huijin

Huijin became a shareholder of the Company in 2009 and directly held 31.14% of the Company's shares as at 31 December 2019. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, 2015 and 2017, the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market respectively. The bond with par value of RMB200 millions, matured in 2018. At 31 December 2019, the carrying value of these bonds was RMB1,000 million (as at 31 December 2018: RMB1,000 million). The recognized bond interest for the year ended 31 December 2019 was RMB39 million (for the year ended 31 December 2018: RMB44 million).

(ii) Cash dividends received

In 2019, the Company received cash dividends amounted to RMB209 million from China Jinmao (for the year ended 31 December 2018: RMB268 million).

(iii) Health check and service fee paid to New China Health

The Company entered into a contract with New China Health. According to the contract, the Company purchased health services from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc.. Approximately RMB38 million of expenses were incurred in 2019 (for the year ended 31 December 2018: RMB21 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(iv) Office rental contracts

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The annual rentals were approximately RMB14 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB14 million).

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The annual rentals were approximately RMB5 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB3 million).

The Company leased part of the office building located in Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in International City Unit AB at Wuhan, part of the office building located in Xianglong Building at Yantai, and part of the office building located in European City at Nanjing to New China Health. The annual rentals were about RMB9 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB9 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2019. According to this agreement, Asset Management Company provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company. The Company has the right to deduct fees based on the performance of Asset Management Company or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2019. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(vi) Rent and property management fee paid to Xinhua Haoran

The Company entered into a one year lease contract with Xinhua Haoran in December 2018. According to the contract, the Company rent part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Xinhua Haoran, as well as receive property management service. The annual rent expenses and property management fees were RMB50 million in 2019 (for the year ended 31 December 2018: RMB45 million).

(vii) IT service fee paid to Electronic Commerce

The Company paid for IT service fees to Electronic Commerce, for providing online shop and web portal services including applications, softwares, products platforms, customized development and maintenance. Approximately RMB15 millions of expenses were incurred in 2019 (for the year ended 31 December 2018: RMB19 million).

(viii) Conference and training fees paid to Health Technology

The Company paid for conference and training service fees to Health Technology. Approximately RMB13 millions of expenses were incurred in 2019 (for the year ended 31 December 2018: RMB12 million).

(ix) Sales commissions earned from New China Pension

In 2019, the Company provided client development, sales consultant and sales services for New China Pension. For the year ended 31 December 2019, the Company recognized the service income amounted to RMB8 million (for the year ended 31 December 2018: Nil).

(x) Investment income arising from investing financial assets of FOSUN International

In 2019, the Company purchased and redeemed financial assets issued by FOSUN International with insurance fund based on market principle of justice and equity. In 2019, the Company recognized investment loss amounted to RMB5 million (for the year ended 31 December 2018: investment income RMB526 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(xi) Investment income arising from investing fund of Hwabao WP Fund

In 2019, the Company purchased and redeemed public offered funds of Hwabao Fund with insurance capital in either market in the field or over-the-counter market, based on market principle of justice and equity. In 2019, the Company recognized investment income amounted to RMB16 million (for the year ended 31 December 2018: RMB46 million).

(xii) Investment income arising from investing fund of Tebon Fund

In 2019, the Company purchased and redeemed public offered funds of Tebon Fund with insurance capital over-the-counter market based on market principle of justice and equity. In 2019, the Company recognized investment income amounted to RMB3 million (for the year ended 31 December 2018: RMB13 million).

(xiii) Investment income arising from trust products related to FOSUN International

On 28 August 2019, the second meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with Five FOSUN Affiliates", which enable the Company to use insurance funds to purchase and redeem all kinds of trust products related to FOSUN International. In 2019, the Company recognized investment income amounted to RMB18 million (for the year ended 31 December 2018: Nil).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fee to Asset Management Company and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health service fee to New China Health is calculated based on market price. The rent paid to Xinhua Haoran is based on the price agreed by both of the deal. The IT service fee to Electronic Commerce, the conference and training fees to Health Technology, the construction management fees to Guangzhou Yuerong and the sales commissions from New China Pension are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated price between transaction parties.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

	As at 31 December 2019	As at 31 December 2018
Interest receivable		
Huijin	**12**	12
Other receivables		
New China Health	**6**	8
Other payables		
New China Health	**6**	2

	As at 31 December 2019	As at 31 December 2018
Receivables from subsidiaries		
Health Technology	**–**	17
Payables to subsidiaries		
Asset Management Company	**245**	36
Asset Management Company (Hong Kong)	**27**	27
Electronic Commerce	**10**	18
Xinhua Haoran	**1**	1

No provision has been made for receivables from related parties as at 31 December 2019 (as at 31 December 2018: Same).

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2019	2018
Payroll and welfare	**39**	30

The annual performance bonus of key management for 2019 has not been finalized. Detailed information will be disclosed separately after it has been finalized.

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance related and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and has applied IAS 24 (amendment) exemption and disclosed only qualitative information.

As at 31 December 2019, most of bank deposits were with state-owned banks; the issuers of debt financial assets held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2019, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of the bank deposit interest income was from state-owned banks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

35 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

As at 31 December 2019, except for the items described above, all kinds of estimations and contingencies resulting from insurance services within the scope of this report, the Group does not have any significant contingency that needs description.

36 COMMITMENTS

(1) Capital commitments

The Group had capital commitments for the purchase of property, plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 31 December 2019	As at 31 December 2018
Contracted, but not provided for	**1,441**	3,440
Authorized, but not contracted for	**63**	177
Total	**1,504**	3,617

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

36 COMMITMENTS (Continued)

(2) Operating lease commitments as at 31 December 2018

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As at 31 December 2018
Within 1 year (including 1 year)	471
Between 1 and 5 years (including 5 years)	611
More than 5 years	15
Total	1,097

(3) Investment commitments

The Group has signed contracts to purchase equity investments. As at 31 December 2019, a total amount of RMB1,819 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2018: RMB1,647 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS

Statement of Financial Position

	Notes	31 December 2019	31 December 2018
ASSETS			
Property, plant and equipment	37(1)	**10,228**	8,592
Investment properties	37(2)	**9,112**	7,107
Right-of-use assets	37(3)	**1,114**	–
Intangible assets	37(4)	**1,736**	1,672
Investments in subsidiaries	37(5)	**36,435**	26,261
Investments in associates and joint ventures	37(6)	**4,563**	4,481
Debt financial assets		**527,925**	443,210
– Held-to-maturity	37(7a)	**246,090**	214,472
– Available-for-sale	37(7b)	**238,755**	186,070
– At fair value through profit or loss	37(7c)	**4,716**	2,766
– Loans and receivables	37(7d)	**38,364**	39,902
Equity financial assets		**149,127**	113,748
– Available-for-sale	37(7b)	**141,238**	108,363
– At fair value through profit or loss	37(7c)	**7,889**	5,385
Term deposits	37(7e)	**63,780**	64,130
Statutory deposits	37(7f)	**715**	715
Policy loans		**35,148**	31,327
Financial assets purchased under agreements to resell		**5,310**	3,792
Accrued investment income	37(7g)	**8,498**	7,942
Premiums receivable	12	**2,233**	2,307
Deferred tax assets	37(11)	**–**	1,752
Reinsurance assets	13	**3,028**	2,691
Other assets	37(8)	**5,183**	4,516
Cash and cash equivalents		**10,988**	8,338
Total assets		**875,123**	732,581

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

Statement of Financial Position (Continued)

	Notes	**31 December 2019**	**31 December 2018**
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*15*	**654,478**	591,751
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*15*	**1,611**	1,064
– Unearned premiums liabilities	*15*	**2,102**	1,805
Investment contracts	*16*	**46,518**	40,492
Borrowings	*17*	**–**	4,000
Lease liabilities	*37(3)*	**921**	–
Financial assets sold under agreements to repurchase	*37(9)*	**67,964**	12,894
Benefits, claims and surrenders payable		**5,704**	5,318
Premiums received in advance		**4,181**	1,808
Reinsurance liabilities		**220**	462
Provisions	*19*	**29**	29
Other liabilities	*37(10)*	**8,508**	6,821
Current tax liabilities		**–**	1,236
Deferred tax liabilities	*37(11)*	**244**	–
Total liabilities		**792,480**	667,680
Shareholders' equity			
Share capital		**3,120**	3,120
Reserves	*37(12)*	**41,193**	31,032
Retained earnings		**38,330**	30,749
Total equity		**82,643**	64,901
Total liabilities and equity		**875,123**	732,581

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2019	6,017	876	160	2,904	9,957
Additions	140	128	30	4,260	4,558
Transfers upon completion	2,245	25	–	(2,270)	–
Transfer from investment properties (Note 37(2))	1	–	–	–	1
Transfer to investment properties (Note 37(2))	(20)	–	–	(2,186)	(2,206)
Transfer to intangible assets (Note 37(4))	–	–	–	(199)	(199)
Disposals	(215)	(78)	(42)	–	(335)
As at 31 December 2019	8,168	951	148	2,509	11,776
Accumulated depreciation					
As at 1 January 2019	(721)	(551)	(93)	–	(1,365)
Charges for the year	(173)	(94)	(12)	–	(279)
Disposals	19	44	33	–	96
As at 31 December 2019	(875)	(601)	(72)	–	(1,548)
Net book value					
As at 1 January 2019	5,296	325	67	2,904	8,592
As at 31 December 2019	7,293	350	76	2,509	10,228

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2018	4,633	805	165	1,526	7,129
Additions	195	107	1	5,473	5,776
Transfers upon completion	1,122	–	–	(1,122)	–
Transfer from investment properties (Note 37(2))	119	–	–	–	119
Transfer to investment properties (Note 37(2))	–	–	–	(2,807)	(2,807)
Transfer to intangible assets (Note 37(4))	–	–	–	(165)	(165)
Disposals	(52)	(36)	(6)	–	(94)
Others	–	–	–	(1)	(1)
As at 31 December 2018	6,017	876	160	2,904	9,957
Accumulated depreciation					
As at 1 January 2018	(592)	(496)	(86)	–	(1,174)
Charges for the year	(124)	(88)	(12)	–	(224)
Transfer from investment properties (Note 37(2))	(5)	–	–	–	(5)
Disposals	–	33	5	–	38
As at 31 December 2018	(721)	(551)	(93)	–	(1,365)
Net book value					
As at 1 January 2018	4,041	309	79	1,526	5,955
As at 31 December 2018	5,296	325	67	2,904	8,592

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(2) Investment Properties

	For the year ended 31 December	
	2019	2018
Cost		
Beginning of the year	**7,721**	5,007
Additions	**2**	26
Transfers from property, plant and equipment (Note 37(1))	**2,206**	2,807
Transfer to property, plant and equipment (Note 37(1))	**(1)**	(119)
Disposals	**(2)**	–
Others	**(5)**	–
End of the year	**9,921**	7,721
Accumulated depreciation		
Beginning of the year	**(614)**	(467)
Transfer to property, plant and equipment (Note 37(1))	**–**	5
Charges for the year	**(196)**	(152)
Disposals	**1**	–
End of the year	**(809)**	(614)
Net book value		
Beginning of the year	**7,107**	4,540
End of the year	**9,112**	7,107

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Buildings	**Others**	**Total**
Cost			
As at 1 January 2019	**1,050**	**–**	**1,050**
Additions	**579**	**2**	**581**
Disposal	**(59)**	**–**	**(59)**
As at 31 December 2019	**1,570**	**2**	**1,572**
Accumulated depreciation			
As at 1 January 2019	**–**	**–**	**–**
Charges for the year	**(461)**	**–**	**(461)**
Disposal	**3**	**–**	**3**
As at 31 December 2019	**(458)**	**–**	**(458)**
Net book value			
As at 31 December 2019	**1,112**	**2**	**1,114**
As at 1 January 2019	**1,050**	**–**	**1,050**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease Liabilities		
	Buildings	**Others**	**Total**
As at 1 January	**892**	**–**	**892**
Additions	**524**	**2**	**526**
Accretion of interest recognized during the year	**33**	**–**	**33**
Payments	**(529)**	**(1)**	**(530)**
As at 31 December 2019	**920**	**1**	**921**
Current	**386**	**–**	**386**
Non-current	**534**	**1**	**535**

The amounts recognized in profit or loss in relation to leases are as follows:

	2019
Interest on lease liabilities	**(33)**
Depreciation expense of right-of-use assets	**(461)**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**(175)**
Total amount recognized in profit or loss	**(669)**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Intangible assets

	Computer software	Land use rights	Total
Cost			
As at 1 January 2019	**1,129**	**1,393**	**2,522**
Additions	**48**	**–**	**48**
Transfers from property, plant and equipment (Note 37(1))	**199**	**–**	**199**
As at 31 December 2019	**1,376**	**1,393**	**2,769**
Accumulated amortization			
As at 1 January 2019	**(664)**	**(186)**	**(850)**
Amortization	**(148)**	**(35)**	**(183)**
As at 31 December 2019	**(812)**	**(221)**	**(1,033)**
Net book value			
As at 1 January 2019	**465**	**1,207**	**1,672**
As at 31 December 2019	**564**	**1,172**	**1,736**

	Computer software	Land use rights	Total
Cost			
As at 1 January 2018	919	1,393	2,312
Additions	45	–	45
Transfers from property, plant and equipment (Note 37(1))	165	–	165
As at 31 December 2018	1,129	1,393	2,522
Accumulated amortization			
As at 1 January 2018	(528)	(151)	(679)
Amortization	(136)	(35)	(171)
As at 31 December 2018	(664)	(186)	(850)
Net book value			
As at 1 January 2018	391	1,242	1,633
As at 31 December 2018	465	1,207	1,672

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries

	As at 31 December 2019	As at 31 December 2018
Unlisted investments at cost	**36,435**	26,261

Details of the Company's subsidiaries as at 31 December 2019 are as follows:

	Place of Incorporation/ registration and business	Principal activities	Type of legal entity	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect
Asset Management Company (i)	Beijing, China	Asset management	Limited company	RMB500 million	99.40%	–
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	Limited company	HKD50 million	40%	59.64%
Health Technology (ii)	Beijing, China	Real estate property development and training	Limited company	RMB1,575 million	100%	–
Xinhua Seniors Service	Beijing, China	Service	Limited company	RMB964 million	100%	–
Shanggu Real Estate	Beijing, China	Real estate property development	Limited company	RMB15 million	100%	–
Electronic Commerce	Beijing, China	Electronic commerce	Limited company	RMB200 million	100%	–
Guangzhou Yuerong	Guangzhou, China	Real estate property investment and management	Limited company	RMB10 million	100%	–
Hefei Supporting Operation (iii)	Hefei, China	Real estate property investment and management	Limited company	RMB3,200 million	100%	–
New China Pension	Shenzhen, China	Insurance service	Limited company	RMB5 billion	100%	–
Hainan Seniors (iv)	Qionghai, China	Real estate property development and training	Limited company	RMB1,908 million	100%	–
Xinhua Haoran	Beijing, China	Real estate lease and property management	Limited company	RMB500 million	100%	–
Rehabilitation Hospital	Beijing, China	Medical service	Limited company	RMB170 million	100%	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

(i) On 28 August 2019, the second meeting of the seventh session of the Board of Directors considered and approved the proposal of "Proposal on Candidates for Chairman and President of Asset Management Company", which decided to elect Li Quan as the chairman of Asset Management Company. On 11 November 2019, the asset management company completed the registration of industrial and commercial changes, and the legal representative changed from Wan Feng to Li Quan.

(ii) The twenty-seventh meeting of the sixth session of the Board of Directors considered and approved proposal of "Investment estimates for the second phase of Yanqing pension project of Health Technology and Increasing the registered capital of Health Technology- Involving Related Party Transactions", which agreed to the estimated investment of RMB2.5 billion to the second phase of Yanqing pension project of Health Technology, in the form of increasing the registered capital. The thirty-third meeting of the sixth session of the Board of Directors in 2019 approved proposal of increasing the investments of the second phase of Yanqing pension project of Health Technology amounting to RMB324 million in the form of increasing the registered capital of Health Technology. On 27 June 2019, the Company has completed the cash contribution of RMB324 million to Health Technology. On 30 September 2019, the Company has completed the cash contribution of RMB384 million to Health Technology. As at 31 December 2019, the Company's accumulated contribution to Health Technology was RMB1,575 million. On 5 December 2019, Health Technology has completed the registration of the change.

(iii) The seventh meeting of the sixth session of the Board of Directors in 2016 considered and approved the proposal of "Increasing the registered capital of subsidiaries of Hefei Supporting Operation – related party transactions", which decided to increase the registered capital of Hefei Supporting Operation from RMB500 million to RMB3,200 million. Hefei Supporting Operation has registered the change on 25 July 2017. On 28 February 2019 and 29 July 2019, the Company paid an increased capital of RMB145 million and RMB335 million to Hefei Supporting Operation respectively. As at 31 December 2019, the Company's accumulated contribution was RMB1,400 million. On 25 December 2019, the Company completed the registration of industrial and commercial changes, and the legal representative changed from Cong Linou to Luo Wen.

(iv) On 26 March 2014, the seventh meeting of the fifth session of the Board of Directors approved to increase the registered capital of Hainan Seniors from RMB760 million to RMB1,908 million. On 29 May 2015, Hainan Seniors has completed the registration of the change. On 28 October 2019, the Company paid an increased capital of RMB112 million to Hainan Seniors. As at 31 December 2019, the Company's accumulated contribution was RMB1,285 million.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

Details of the Company's controlled structured entities at 31 December 2019 are as follows:

	Place of Incorporation/ registration and business	Principal activities	Registered share capital	Percentage of equity attributable to the Group
Orient No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Mingdao Fund	Not applicable	Asset management product	RMB169 million	94.09%
Mingde No.1	Not applicable	Asset management product	RMB268 million	100%
Mingde No.3	Not applicable	Asset management product	RMB681 million	100%
Mingren No.1	Not applicable	Asset management product	RMB50 million	90.00%
Mingren No.3	Not applicable	Asset management product	RMB100 million	90.00%
Mingren No.4	Not applicable	Asset management product	RMB268 million	86.93%
Mingren No.6	Not applicable	Asset management product	RMB525 million	95.24%
Mingzhi No.1	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.2	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.3	Not applicable	Asset management product	RMB50 million	89.87%
Mingzhi No.5	Not applicable	Asset management product	RMB100 million	90.00%
Jingxing No.1	Not applicable	Asset management product	RMB3,436 million	91.31%
Jingxing No.3	Not applicable	Asset management product	RMB1,206 million	100%
Jingxing No.5	Not applicable	Asset management product	RMB2,990 million	100%
Mingyi No.1	Not applicable	Asset management product	RMB296 million	94.77%
Lujiazui trust – Zhongwei Thermoelectricity Perpetual Bond	Not applicable	Trust product	RMB1 billion	100%
Lujiazui trust – Zhongwei New Energy Perpetual Bond	Not applicable	Trust product	RMB4 billion	100%

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company does not differ from the proportion of ordinary shares held. There are no significant restrictions on all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

All companies comprising the Group have adopted 31 December as their financial year end date.

The English names of certain subsidiaries represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Investments in associates and joint ventures

	For the year ended 31 December	
	2019	2018
Beginning of the year	**4,481**	4,602
Share of profit	**462**	374
Cash dividend from investments in associates	**(209)**	(292)
Share of other comprehensive income	**(63)**	(148)
Share of other reserves	**(60)**	(55)
Others	**(48)**	–
End of the year	**4,563**	4,481

(7) Financial assets

(a) Held-to-maturity investments

	As at 31 December 2019	As at 31 December 2018
Debt financial assets		
Government bonds	**132,516**	86,090
Financial bonds	**32,244**	28,558
Corporate bonds	**40,169**	41,051
Subordinated bonds	**41,161**	58,773
Total	**246,090**	214,472
Debt financial assets		
Listed	**111,309**	70,110
Unlisted	**134,781**	144,362
Total	**246,090**	214,472

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(a) Held-to-maturity investments (Continued)

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	**As at 31 December 2019**	As at 31 December 2018
Within 1 year (including 1 year)	**7,352**	7,498
After 1 year but within 3 years (including 3 years)	**41,420**	26,901
After 3 years but within 5 years (including 5 years)	**21,268**	34,515
After 5 years	**176,050**	145,558
Total	**246,090**	214,472

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(b) Available-for-sale financial assets

	As at 31 December 2019	As at 31 December 2018
Debt financial assets		
Government bonds	**50,472**	7,060
Financial bonds	**20,455**	21,001
Corporate bonds	**13,289**	15,334
Subordinated bonds	**16,741**	12,650
Trust products	**76,820**	66,047
Wealth investment products	**60,978**	63,978
Subtotal	**238,755**	186,070
Equity financial assets		
Funds	**42,078**	36,930
Stocks	**48,290**	29,466
Preferred stock	**4,555**	1,066
Asset management products	**15,647**	13,164
Private equity	**7,054**	4,443
Equity investment plans	**4,650**	4,650
Other unlisted equity securities	**18,619**	18,519
Other equity investment	**141**	125
Perpetual Bonds	**204**	–
Subtotal	**141,238**	108,363
Total	**379,993**	294,433
Debt financial assets		
Listed	**27,362**	9,155
Unlisted	**211,393**	176,915
Subtotal	**238,755**	186,070
Equity financial assets		
Listed	**54,765**	32,646
Unlisted	**86,473**	75,717
Subtotal	**141,238**	108,363
Total	**379,993**	294,433

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	**As at 31 December 2019**	As at 31 December 2018
Within 1 year (including 1 year)	**58,263**	29,888
After 1 year but within 3 years (including 3 years)	**72,577**	74,888
After 3 years but within 5 years (including 5 years)	**24,070**	39,256
After 5 years	**83,845**	42,038
Total	**238,755**	186,070

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(c) Financial assets at fair value through profit or loss

	As at 31 December 2019	As at 31 December 2018
Held for trading		
Debt financial assets		
Government bonds	**–**	268
Financial bonds	**21**	–
Corporate bonds	**4,184**	1,983
Subordinated bonds	**511**	515
Debt financial assets subtotal	**4,716**	2,766
Equity financial assets		
Funds	**2,577**	4,033
Stocks	**478**	1,352
Asset management product	**3,159**	–
Perpetual bonds	**301**	–
Equity financial assets subtotal	**6,515**	5,385
Subtotal	**11,231**	8,151
Designated as at fair value through profit or loss		
Equity financial assets		
Derivative financial assets (Note 11(3))	**1,374**	–
Equity financial assets subtotal	**1,374**	–
Subtotal	**1,374**	–
Total	**12,605**	8,151

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(c) Financial assets at fair value through profit or loss (Continued)

	As at 31 December 2019	As at 31 December 2018
Debt financial assets		
Listed	**3,865**	2,028
Unlisted	**851**	738
Subtotal	**4,716**	2,766
Equity financial assets		
Listed	**2,593**	2,994
Unlisted	**5,296**	2,391
Subtotal	**7,889**	5,385
Total	**12,605**	8,151

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(d) Loans and receivables

	As at 31 December 2019	As at 31 December 2018
Debt investment plan	**37,864**	38,502
Subordinated debt	**500**	1,400
Total	**38,364**	39,902

Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

(e) Term deposits

Maturity	**As at 31 December 2019**	As at 31 December 2018
Within 1 year (including 1 year)	**4,000**	6,700
After 1 year but within 3 years (including 3 years)	**30,460**	19,000
After 3 years but within 5 years (including 5 years)	**27,820**	36,930
More than 5 years	**1,500**	1,500
Total	**63,780**	64,130

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(f) Statutory deposits

Maturity	As at 31 December 2019	As at 31 December 2018
Within 1 year (including 1 year)	–	615
After 1 year but within 3 years (including 3 years)	715	100
Total	715	715

According to the relevant regulations issued by the CBIRC, statutory deposits can only be used by insurance companies to discharge debt upon liquidation.

(g) Accrued investment income

	As at 31 December 2019	As at 31 December 2018
Bank deposits	1,321	1,449
Debt financial assets	5,920	5,375
Others	1,257	1,118
Total	8,498	7,942
Current	8,498	7,935
Non-current	–	7
Total	8,498	7,942

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Other assets

	As at 31 December 2019		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 14(1))	**3,158**	**–**	**3,158**
Prepaid Income tax	**1,146**	**–**	**1,146**
Receivable from Off-balance sheet Repurchase Transactions (Note 3(7))	**874**	**(874)**	**–**
Prepaid and deferred expenses	**441**	**–**	**441**
Prepayment for Heilongjiang branch's office building (Note 14(3))	**37**	**(37)**	**–**
Entrusted fund receivable from liquidation group of Minfa Securities (Note 14(4))	**16**	**(16)**	**–**
Receivable from Huaxinrong Company (Note 14(6))	**12**	**(12)**	**–**
Prepayment for Taizhou and Yongzhou cases (Note 14(5))	**11**	**(11)**	**–**
Litigation deposit (Note 14(7))	**1**	**–**	**1**
Others	**441**	**(4)**	**437**
Total	**6,137**	**(954)**	**5,183**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Other assets (Continued)

	As at 31 December 2018		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 14(1))	2,853	–	2,853
Prepaid and deferred expenses	1,154	–	1,154
Receivable from Off-balance sheet Repurchase Transactions (Note 3(7))	874	(874)	–
Deductible input taxes (Note 14(2))	65	–	65
Prepayment for Heilongjiang branch's office building (Note 14(3))	37	(37)	–
Receivables from subsidiaries (Note 34(3))	17	–	17
Entrusted fund receivable from liquidation group of Minfa Securities (Note 14(4))	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (Note 14(5))	14	(14)	–
Receivable from Huaxinrong Company (Note 14(6))	12	(12)	–
Litigation deposit (Note 14(7))	3	–	3
Others	428	(4)	424
Total	5,473	(957)	4,516

	As at 31 December 2019	As at 31 December 2018
Current	**4,927**	4,276
Non-current	**256**	240
Total	**5,183**	4,516

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Financial assets sold under agreements to repurchase

	As at 31 December 2019	As at 31 December 2018
By market		
Inter-bank market	**12,650**	2,201
Stock exchange	**55,314**	10,693
Total	**67,964**	12,894
By collateral		
Bonds	**67,964**	12,894

Maturity:

	As at 31 December 2019	As at 31 December 2018
Within 3 months (including 3 months)	**67,964**	12,894

As at 31 December 2019, bonds with par value of RMB13,277 million (as at 31 December 2018: RMB2,279 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Company in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2019, the amount of financial assets deposited in the collateral pool amounted to RMB98,600 million (as at 31 December 2018: RMB77,923 million). The collateral is restricted from trading during the period of the repurchase transaction. The Company can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2019, the Company's cash outflow arising from financing activities included RMB52,814 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2018, the Company's cash outflow arising from financing activities included RMB8,825 million from financial assets sold under agreements to repurchase.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(10) Other liabilities

	As at 31 December 2019	As at 31 December 2018
Salary and welfare payable	**3,304**	2,273
Commission and brokerage payable	**2,353**	2,188
Construction cost payable	**632**	421
Investment clearing account (Note 14(1))	**207**	67
Security deposits by agent for holding the Company's documents	**193**	217
Repayment payable for non-insurance contracts	**131**	119
Insurance security fund payable	**89**	81
Taxes payable other than income tax	**87**	201
Unallocated receipts	**86**	125
Purchase payment for Heilongjiang branch's building (Note 14(3))	**37**	37
Unrealized output value added tax	**–**	105
Others	**1,389**	987
Total	**8,508**	6,821
Current	**8,278**	6,567
Non-current	**230**	254
Total	**8,508**	6,821

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(11) Taxation

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	Financial assets	Insurance liabilities and others	Total
As at 1 January 2018	(1,581)	1,583	2
Charged to net profit	248	22	270
Charged to other comprehensive income	3,474	(2,007)	1,467
Charged to other reserve	–	13	13
As at 31 December 2018	2,141	(389)	1,752
As at 1 January 2019	**2,141**	**(389)**	**1,752**
Charged to net profit	**(479)**	**729**	**250**
Charged to other comprehensive income	**(4,676)**	**2,419**	**(2,257)**
Charged to other reserve	**–**	**11**	**11**
As at 31 December 2019	**(3,014)**	**2,770**	**(244)**

	As at 31 December 2019	As at 31 December 2018
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**2,478**	3,180
– deferred tax assets to be recovered after 12 months	**878**	588
Subtotal	**3,356**	3,768
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(2,923)**	(1,413)
– deferred tax liabilities to be settled after 12 months	**(677)**	(603)
Subtotal	**(3,600)**	(2,016)
Total net deferred tax (liabilities)/assets	**(244)**	1,752

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

37 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(12) Reserves

	Share premium	Other reserve	Unrealized income/ (losses)	Surplus reserve	Reserve for general risk	Total
As at 1 January 2018	23,962	(10)	1,584	3,922	3,922	33,380
Other comprehensive income	–	–	(4,397)	–	–	(4,397)
Others	–	(40)	–	–	–	(40)
Appropriation to reserve	–	–	–	1,304	785	2,089
As at 31 December 2018	23,962	(50)	(2,813)	5,226	4,707	31,032
Other comprehensive income	**–**	**–**	**6,728**	**–**	**–**	**6,728**
Others	**–**	**(44)**	**–**	**–**	**–**	**(44)**
Appropriation to reserve	**–**	**–**	**–**	**2,131**	**1,346**	**3,477**
As at 31 December 2019	**23,962**	**(94)**	**3,915**	**7,357**	**6,053**	**41,193**

38 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

(1) Directors' emoluments

The directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation which are linked to the performance of the Group and each of the individual directors.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

38 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2019 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Haoling Liu (i)	–	–	–	–	–	–	–
Quan Li (ii)	–	727	–	–	–	–	727
Zongjian Li (i)	–	3,151	–	–	–	–	3,151
Lianhua Xiong (i)	–	–	–	–	–	–	–
Yi Yang (i)	–	–	–	–	–	–	–
Ruixiang Guo (i)	–	–	–	–	–	–	–
Aimin Hu (i)	–	–	–	–	–	–	–
Qiqiang Li (i)	–	–	–	–	–	–	–
Yulong Peng (i)	–	–	–	–	–	–	–
Edouard SCHMID (i)	–	–	–	–	–	–	–
Xianglu Li (i)	320	–	–	–	–	–	320
Wei Zheng (i)	320	–	–	–	–	–	320
Jianxin Geng (i)	290	–	–	–	–	–	290
Lie Cheng (i)	270	–	–	–	–	–	270
Anthony Francis Neoh (i)	162	–	–	–	–	–	162
Yaotian Ma (i)	21	–	–	–	–	–	21
Feng Wan (iii)	–	507	–	–	–	–	507
Xiangdong Liu (i)	–	–	–	–	–	–	–
Kunzong Wu (i)	–	–	–	–	–	–	–
Dacey John Robert (i)	–	–	–	–	–	–	–

During the year, no director waived or has agreed to waive any emoluments.

(i) The Company held the annual general meeting of 2018 on 27 June 2019, Haoling Liu, Zongjian Li, Lianhua Xiong, Yi Yang, Ruixiang Guo, Aimin Hu, Qiqiang Li, Yulong Peng, Edouard SCHMID, Xianglu Li, Wei Zheng, Lie Cheng, Jianxin Geng and Yaotian Ma were elected or re-elected as directors for the seventh session of the Board of Directors. Xiangdong Liu, Kunzong Wu, Dacey John Robert and Anthony Francis Neoh whose terms as directors of the sixth session of the Board of Directors have expired, retired as directors of the Company.

(ii) The Company held the first extraordinary general meeting of 2019 on 18 October 2019, Quan Li was elected as the executive director for the seventh session of the Board of Directors.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

38 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2019 are as follows (in RMB thousands) (Continued):

(iii) Feng Wan resigned on 16 January 2019 and the transition period started from 16 January 2019 to the end of February 2019. The emoluments of Feng Wan was calculated for the period from January 2019 to February 2019.

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2018 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Feng Wan (i)	–	3,296	–	–	–	–	3,296
Zongjian Li	–	2,102	–	–	–	–	2,102
Xiangdong Liu	–	–	–	–	–	–	–
Lianhua Xiong	–	–	–	–	–	–	–
Yi Yang (ii)	–	–	–	–	–	–	–
Kunzong Wu	–	–	–	–	–	–	–
Aimin Hu	–	–	–	–	–	–	–
John Robert DACEY	–	–	–	–	–	–	–
Yulong Peng	–	–	–	–	–	–	–
Xianglu Li	320	–	–	–	–	–	320
Wei Zheng	320	–	–	–	–	–	320
Lie Cheng	270	–	–	–	–	–	270
Anthony Francis Neoh	270	–	–	–	–	–	270
Jianxin Geng	270	–	–	–	–	–	270

During the year, no director waived or has agreed to waive any emoluments.

(i) Resigned on 16 January 2019.

(ii) The Company held the annual general meeting of 2017 on 27 June 2018. Yi Yang was elected as a director for the sixth session of the Board of Directors.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

38 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2019 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang (i)	**2,337**	**1,160**	**–**	**–**	**–**	**3,497**
Zhongzhu Wang (iii)	**1,299**	**940**	**–**	**–**	**–**	**2,239**
Tao Bi (ii)	**619**	**413**	**–**	**–**	**–**	**1,032**
Chongsong Liu (iii)	**1,797**	**928**	**–**	**–**	**–**	**2,725**
Jiannan Yu (i)	**–**	**–**	**–**	**–**	**–**	**–**
Lizhi Gao (iv)	**–**	**–**	**–**	**–**	**–**	**–**

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2018 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	2,337	–	–	–	–	2,337
Zhongzhu Wang	1,272	834	–	–	–	2,106
Tao Bi	886	719	–	–	–	1,605
Jiannan Yu	–	–	–	–	–	–

(i) The Company held the annual general meeting of 2018 on 27 June 2019. Chengran Wang and Jiannan Yu were re-selected as supervisors of the seventh session of the Board of Supervisors.

(ii) Ceased to be the supervisors of the Company on the date when the seventh of the Board of Supervisors was formed.

(iii) Elected or re-elected as supervisors on 12 December 2018.

(iv) The Company held the first extraordinary general meeting of 2019 on October 18, 2019. Lizhi Gao was elected as the supervisor of the seventh session of the Board of Supervisors. The qualification of Lizhi Gao is subject to the approval of the regulatory authorities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

38 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(3) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group include 1 (for the year ended 31 December 2018: Nil) director whose emoluments as the director of the Company are reflected in the analysis presented above.

Details of remuneration of the 5 (for the year ended 31 December 2018: 5) highest paid individuals are as follows (in RMB thousands):

	For the year ended 31 December	
	2019	2018
Salaries, allowances and benefits in kind	**12,603**	15,874
Bonuses	**29,919**	21,886
Pension scheme contributions	**2,057**	2,610
Others	**684**	370
Total	**45,263**	40,740

The emoluments of the 5 highest paid individuals fell within the following bands:

	As at 31 December	
	2019	2018
HK$5,500,001 – HK$6,000,000	**–**	2
HK$6,500,001 – HK$7,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1
HK$8,000,001 – HK$8,500,000	**1**	–
HK$85,000,001 – HK$9,000,000	**1**	–
HK$10,000,001 – HK$10,500,000	**1**	–
HK$13,000,001 – HK$13,500,000	**–**	1
HK$13,500,001 – HK$14,000,000	**–**	1
HK$15,500,001 – HK$16,000,000	**1**	–

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2019 (All amounts in RMB millions unless otherwise stated)

39 EVENTS AFTER THE REPORTING PERIOD

(1) Dividend

In accordance with the profit distribution plan for the year 2019 approved by the Board on 25 March 2020, with the appropriation to its discretionary surplus reserve of RMB1,346 million (10% of the net profit for 2019), the Company proposed to distribute cash dividends amounting to RMB4,399 million to all shareholders of the Company at RMB1.41 per share (inclusive of tax). The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.

(2) Assessment on the Impact of the Coronavirus Outbreak

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19") began in January 2020 across the country, the prevention and control of COVID-19 has been going on throughout the country. The Group has strictly implemented the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's Bank of China, the Ministry of Finance, the CBIRC, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthened financial support for the pandemic prevention and control.

The COVID-19 has certain impacts on Hubei province and the overall economy of the country. This may temporarily affect the insurance business operation and the quality or the yields of the investment assets of the Group in a degree, and the degree of the impact depends on the situation of the duration of the epidemic, the implementation of regulatory policies and the progress in prevention and control of COVID-19 in the whole country.

The Group will keep continuous attention on the situation of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

(3) Issuance of Capital Supplementary Bonds

On 28 April 2017, the Company's first extraordinary general meeting of shareholders in 2017 considered and approved the proposal of "The Company's Domestic Debt Financing Plans". On 19 December 2019, the Company's fifth meeting of the seventh session of the Board of Directors approved the proposal of "Issuance of Domestic Capital Supplementary Bonds of the Company". The Company intends to publicly issue 10-year redeemable capital supplementary bonds in the national inter-bank bond market, with the amount not exceeding 10 billion. The issuance of debt financing instruments was approved by the CBIRC on 15 January 2020, and is subject to the approval of the People's Bank of China and other regulatory authorities.

40 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 25 March 2020.

This report is printed on Environmental Friendly paper

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全 國 統 一 客 服 電 話
www.newchinalife.com

NCI Official Account

IR Website

新華人壽保險股份有限公司
NEW CHINA LIFE INSURANCE COMPANY LTD.

北京市朝陽區建國門外大街甲12號新華保險大廈
New China Insurance Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022
Tel: +86 10 85210000 Fax: +86 10 85210101