新華人壽保險股份有限公司

NEW CHINA LIFE INSURANCE COMPANY LTD.

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

(Stock Code: 01336)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

THE LETTER TO SHAREHOLDERS

Dear shareholders,

All sorts of feelings well up in my mind when I look back on the year 2020.

China has been maintaining excellent social order all the way from the outbreak of the novel coronavirus (COVID-19) in early 2020 to the regular prevention and control now. In 2020, China rapidly kick-started domestic economy, and its GDP recovered growth in the second quarter, grew 6.5% in the fourth quarter, and exceeded RMB100 trillion for the first time. About 100 million impoverished people were lifted out of poverty, and absolute poverty eradicated. Main targets of the "13th Five-year Plan" were accomplished. These are miracles rarely seen in human history.

How was the year 2020 different from the past for NCI? I think the answer is three words, determination, reassurance and take-off. The overall strategy of "One Body and Two Wings" was clearer and firmer. The Company had a deeper understanding of the second take-off, and our minds, efforts, resources and policies were all concentrated on achieving our goals. NCI's iron army was reassured and resumed its morale in spite of the pandemic. Seeking truth from facts and being down-to-earth, NCI improved efficiency, stimulated innovation and reduced waste.

Remember today and work hard for an even more promising tomorrow. The achievements China has made today are owed to countless Chinese who have stepped forward and shouldered their responsibilities. Though our strength is limited, NCI will spare no effort to develop and contribute to this country.

I. Be determined to take solid action.

2020 is a year to join efforts and rise up to challenges.

As COVID-19 broke out in early 2020, many people, both internal and external, asked me such questions as whether to adjust business targets, whether resources sufficient, whether to reduce agent headcounts or financial inputs. In fact, the central government at that time rolled out a suite of effective measures to control the pandemic. Resumption of work and production was organized in an orderly way. Chinese market was on the way to recovery. In this regard, we must not waive the opportunity for development. Once decided, senior management convened three seminars to set the business scale and development pace and approaches, and mobilized workforce and material resources. Soon after that, a company-wide conference was held to build consensus and strive for growth. Regular premiums in February 2020 decreased by 25%. However, both first year premiums and regular premiums rebounded sharply at the end of March as the spread of the pandemic was halted, and regular premiums grew 15.1% and first year premiums doubled in the first half of the year. The Company realized gross written premiums (the "**GWP**") of RMB159,511 million throughout the year, representing an increase of 15.5% year on year, the highest growth rate since NCI went public. This number was in line with the annual target and put the Company at the fourth in the market. The Company also seized structural opportunities in asset management, and increased equity investment at the right time. The investment yield for the year of 2020 ranked among the forefront of the industry, exceeding the annual target. The total assets under management hit a new record, exceeding RMB1 trillion.

Facing sudden outbreak of COVID-19, China gave its people confidence, and NCI also prioritized reassuring the sales team. On the one hand, the Company swiftly relaxed the assessment policy, launched the new basic law for agents, offered more resources to address their urgent needs and guarantee their income. On the other hand, the Company innovatively adopted online recruitment and online live broadcast to reach out to more people. About 1.85 million participants were attracted by the "Xinhuahui (新華薈)" livestream marketing, and more than 3,600 live broadcasts were carried out on the new platform for online training. While the headquarter reduced unnecessary expenditures, the commission for agents throughout the year increased rather than reduced. The agent headcounts totaled 606,000, up by 19.5% year on year. First year premiums of 19 branches increased more than 50%. With solutions and resources, business performance was improved, the marketing staff motivated and sales team vitalized.

To transform towards a more result-oriented work style was a task that the Company set at the beginning of 2020. In 2020, the Company carried out an internal management project of "benchmarking and surpassing", and set 119 benchmarking indicators. 98 of them were fulfilled with the completion rate over 80% by the end of the year. In July 2020, the Company launched a new product Huijiabao ("惠加保"). With close cooperation of various departments, the Company developed and introduced a new system for it through model innovation. The product was widely recognized by the market once introduced. People's attitude is the direct productivity. The spirit of hardworking will always shine.

Regaining the NCI spirit was the biggest harvest in 2020 and the most reassuring confidence of the Company. The development of NCI has never been a smooth journey. Being questioned has made NCI more indomitable and motivated NCI to forge ahead firmly despite obstacles. If you visit our branches, sub-branches and outlets, you will feel the NCI spirit of daring to be the first with high morale. It is this spirit that motivates the team and wins customers' trust, and I believe the spirit will also appeal to every shareholder.

II. Changes bring a broader road.

The uncertainty under the "change" will affect every entity and every person. I also have a new understanding of the insurance industry and new thinking about the implementation of NCI's strategy.

Having been engaged in investment for more than 30 years, I think following the general trend is the most important thing. The insurance industry is currently undergoing changes that are rarely seen in 30 years, behind which is integration and reconstruction of internal development momentum and external environment changes. At the historic crossroad of realizing the Two Centenary Goals, the future of the Company shall be planned from the perspective of national development and people's demands.

The first is the demand of middle-aged and elderly customers with population aging. The decline in the number of newborns in 2020 has attracted widespread attention and concern. However, I don't think we need to be overly pessimistic as population aging contains huge opportunities. A significant feature of the age structure is that the semi-aging period from retirement to inability to independent living significantly extends. We used to think wealth creation and consumption for the elderly plummeted. However, with life expectancy prolonged, more and more elderly people work and travel in their 60s and 70s. It is a general trend to plan actively for life after retirement, which heralds structural changes in the service industry. Currently, there are only a few insurance products available for the elderly and such products are relatively expensive. The model of old-age care simply focuses on developing old-age care communities. To seize the opportunity, it is necessary to conduct in-depth researches, understand the semi-aging group and develop targeted products and services. NCI has launched exploratory products and achieved initial results.

The second is the differentiated demand under the strategy of coordinated regional development. Building urban agglomerations and economic belts will be an important direction for China's economic development in the future. The insurance industry piloted the Guangdong-Hong Kong-Macao Greater Bay Area experienced critical illness table, and NCI also actively developed exclusive products. At present, regional differentiation mainly lies in pricing based on disease incidence, but there are still huge demands to be tapped and met. The disease incidence in Guangdong-Hong Kong-Macao Greater Bay Area may be similar to that of Beijing-Tianjin-Hebei Area, but are customers' demands really the same? The insurance demands of state-owned enterprise employees may be quite different from that of self-employment. The insurance industry now relies on agents' professionalism and meets differentiated demands through standardized products portfolio. In future, we will leverage the power of technology and data to do more in personalized customization and "insurance + service".

The third is the demand for insurance in rural areas under the rural revitalization strategy. 832 national-level poverty-stricken counties in China have shaken off poverty, marking a comprehensive victory in the fight against poverty. The development task for rural areas has shifted from poverty elimination to revitalization. China's rural area is the most populous market with huge growth potential, but also the most vulnerable market with the lowest protection coverage and urgent needs for insurance. Insurance cannot be separated from the rural area and vice versa. As people's income rises and the potential insurance consumer increases, the rural market has broad room for development. Meanwhile, customers in rural areas have different consumption attitudes and habits from that of customers in traditional large and medium-sized cities. Therefore, we need to be down-to-earth and find ways to adapt to local conditions. In the poverty relief projects in Shibing county of Guizhou and Huangyangcheng town in Inner Mongolia, we have accumulated certain experience and made some attempts in poverty alleviation funds and insurance services. In future, whether to develop exclusive products or even establish the professional sales team for rural areas, it is worth our thinking, as long as they can meet actual needs of the majority rural residents and boost the development of insurance companies and rural areas.

To keep up with the times requires a solid foundation in operation and management, strong capabilities in wealth management, old-age care and healthcare, support of advanced technology and data, and more importantly, a customer-oriented thinking mode. Currently, NCI has established a "1+2+1" strategy with life insurance business as the main body, wealth management, healthcare and old-age care as two wings, and technology empowerment as the support. The Company adheres to the essence of life insurance, and proactively embraces the changes of the era. Only by doing so can NCI identify the mission and positioning of insurance industry, find out where it is and where to go, and achieve long-term and high-quality development amidst the significant changes unseen in a century.

III. Embark on a new journey.

2021 is a year to embark on a new journey.

In the context of social and economic transformation, certain weak links and unsustainable factors of the industry have gradually emerged. Meanwhile, the country and society also require insurance industry to better serve the people's livelihoods, safeguard people's health, property and security. Amidst twists and turns in the past four decades after the reform and opening up, countless enterprises experienced ups and downs. Only those who grasp the trend of the times, meet demands of customers, emancipate minds, innovate and work hard, can survive and thrive.

Standing at the starting point of a new journey toward fully building a modern socialist country, the change of times, pressure from the market, and demands from customers, all of which require us to set off and embrace the market and customers in a new way so as to win the future.

The first is to adhere to development and build long-term competitiveness. In 2020, our "dual engine" model yielded initial results, and achieved a bumper harvest in both assets and liabilities. In future, we will draw the blueprint to the end, focus on high-quality development, consolidate our business advantages and market position. Continued efforts will be made to implement the model of asset-liability dual engine driving both volume and value growth.

The second is to put people first and change the thinking model. We shall think less for ourselves, but more for customers, to cultivate a culture that the frontline cares for customers and the rear department cares for the frontline. We will remove internal barriers, integrate all resources to form a joint force and put ourselves in the customers' shoes to build sales team, develop products and serve customers.

The third is to build the "new infrastructure" of technology. Technology empowerment is not simply equivalent to launching several online projects and developing several APPs. Rather, it is a systematic project that really improves productivity. NCI will steadily advance the data and technology, develop agile R&D capabilities to pave the way for innovation-driven and high-quality growth.

We are increasingly tenacious amidst hardships and obstacles. In 2020, we experienced unprecedented challenges and pressures, yet achieved unprecedented development. We brought reassurance and protection to customers in the chaos. There will come a day when the roc flies high with the wind. In 2021, NCI will continue to move towards the vision of bringing health, stability and comfort to the people.

We are ready to set off with determination and reassurance. At this moment, the spring is soothing outside the window, and everything flourishes. I would like to take this opportunity to wish the country, the people and NCI have great assurance in this beautiful era.

Chief Executive Officer & President
LI Quan
24 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. Major accounting data and financial indicators

Unit: RMB in millions

Key accounting data	2020	2019	Change	2018	2017	2016
Total revenues	**203,858**	172,103	18.5%	151,964	143,082	144,796
Gross written premiums and policy fees	**159,556**	138,171	15.5%	122,341	109,356	112,648
Profit before income tax	**15,491**	13,221	17.2%	10,510	7,330	6,482
Net profit attributable to shareholders of the Company	**14,294**	14,559	-1.8%	7,922	5,383	4,942
Net cash flows from operating activities	**67,179**	42,102	59.6%	13,768	7,865	7,330

	As at 31 December 2020	As at 31 December 2019	Change	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Total assets	**1,004,376**	878,970	14.3%	733,929	710,275	699,181
Total liabilities	**902,696**	794,509	13.6%	668,333	646,552	640,056
Equity attributable to shareholders of the Company	**101,667**	84,451	20.4%	65,587	63,715	59,118

Key financial indicators	**2020**	2019	Change	2018	2017	2016
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	**4.58**	4.67	-1.9%	2.54	1.73	1.58
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	**4.58**	4.67	-1.9%	2.54	1.73	1.58
Weighted average return on equity attributable to shareholders of the Company	**15.36%**	19.41%	-4.05pt	12.25%	8.76%	8.45%
Weighted average net cash flows from operating activities per share (RMB)	**21.53**	13.49	59.6%	4.41	2.52	2.35

	As at 31 December 2020	As at 31 December 2019	Change	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Net assets per share attributable to shareholders of the Company (RMB)	**32.59**	27.07	20.4%	21.02	20.42	18.95

2. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	**2020/As at 31 December 2020**	2019/As at 31 December 2019	Change	2018/As at 31 December 2018	2017/As at 31 December 2017	2016/As at 31 December 2016
Investment assets	**965,653**	839,447	15.0%	699,826	688,315	679,794
Total investment yield(1)	**5.5%**	4.9%	0.6pt	4.6%	5.2%	5.1%
Gross written premiums and policy fees	**159,556**	138,171	15.5%	122,341	109,356	112,648
Growth rate of gross written premiums and policy fees	**15.5%**	12.9%	2.6pt	11.9%	-2.9%	0.6%
Benefits, claims and expenses	**187,281**	158,342	18.3%	140,755	134,334	137,008
Surrender rate(2)	**1.5%**	1.8%	-0.3pt	4.8%	5.2%	6.9%

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

	2020/As at 31 December 2020	2019/As at 31 December 2019	**Change**	**Reason(s) for change**
Total assets	**1,004,376**	878,970	14.3%	The increase of business scale
Total liabilities	**902,696**	794,509	13.6%	The increase of insurance liabilities
Equity in total	**101,680**	84,461	20.4%	The impact of profit for the reporting period
Net profit attributable to shareholders of the Company	**14,294**	14,559	-1.8%	The steady increase in the overall profitability of the Company yet the net profit decreased slightly due to the impact of the adjustment of pre-tax deduction policy for the commission and brokerage expense of insurance enterprises in 2019

4. The discrepancy between the PRC GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year 2020 or the consolidated equity of the Company as at 31 December 2020 as stated in the financial statements prepared by the Company in accordance with the P.R.C. 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 2020**	As at 31 December 2019	**Change**	**Reason(s) for change**
Financial assets at fair value through profit or loss	**32,298**	24,554	31.5%	Increase of allocation of stocks measured at fair value through profit or loss
Term deposits	**122,640**	64,040	91.5%	Increase of term deposits
Financial assets purchased under agreements to resell	**1,832**	5,685	-67.8%	The allocation of investment assets and the requirement of liquidity management
Other assets	**3,047**	5,836	-47.8%	Decrease in corporate income tax to be refunded and investment clearing account receivables
Borrowings	**10,000**	–	N/A	The issuance of capital supplementary bonds
Financial liabilities at fair value through profit or loss	**14,837**	501	2,861.5%	Increase of payables to the third party investors of controlled structured entities
Financial assets sold under agreements to repurchase	**41,888**	68,190	-38.6%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	**6,458**	4,181	54.5%	The impact of business development pace
Other liabilities	**12,920**	9,559	35.2%	Increase of investment clearing account payables
Deferred tax liabilities	**2,673**	298	797.0%	Increase of taxable temporary difference

Unit: RMB in millions

Income statement	2020	2019	Change	Reason(s) for change
Increase in long-term insurance contract liabilities	**(86,499)**	(52,816)	63.8%	The increase in premium income and decrease in surrenders and claims
Policyholder dividends resulting from participating in profits	**(577)**	(42)	1,273.8%	Increase of participating business profit and continuous growth of participating business
Other expenses	**(1,129)**	(727)	55.3%	Exchange rate fluctuation of foreign currency assets
Share of profits and losses of associates and joint ventures	**264**	502	-47.4%	The net profit of major associates ventures decreased compared with last year
Income tax expense	**(1,194)**	1,339	N/A	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises in the corresponding period of 2019

II. BUSINESS ANALYSIS

i. Insurance business

The outbreak and spread of COVID-19 across the world in 2020 brought uncertainties to global economy as well as China's economic and financial environment. The consumption expenditure for residents decreased and traditional business was hit. In face of multiple challenges brought by COVID-19, the Company seized market opportunities, gave full play to the synergy advantages of both assets and liabilities and enhanced industrial coordination. Meanwhile, the Company promoted integrated development of online and offline businesses, innovated product and service supply, strengthened team building and risk prevention. As a result, all businesses realized steady development.

First, GWP grew rapidly. In 2020, the Company realized the GWP of RMB159,511 million with the growth rate of 15.5% year on year. First year premiums from long-term insurance business totaled RMB39,022 million, up by 53.7% year on year. Renewal premiums amounted to RMB112,964 million, growing by 6.8% year on year.

Second, embedded value continued to increase. By the end of 2020, the embedded value of the Company reached RMB240,604 million, increasing by 17.3% compared with the end of last year. The Company realized the value of one year's new business of RMB9,182 million, decreasing by 6.1% year on year.

Third, business structure remained sound. The spread of COVID-19 hindered the marketing in traditional channels. The long-term annuity and critical illness products suffered great development pressure. As of 31 December 2020, renewal premiums accounted for as high as 70.8% of GWP, a solid contributor for GWP growth. First year regular premiums from long-term insurance business accounted for 53.6% of the first year premiums from long-term insurance business. With respect to the structure of insurance products, first year premiums from long-term traditional and participating insurance businesses accounted for 73.5% of first year premiums from long-term insurance business. And first year premiums from long-term health insurance business accounted for 26.5% of first year premiums from long-term insurance business, a lower proportion compared with last year.

Fourth, business quality remained stable. 13-month persistency ratio of individual life insurance business was 89.9%, flat with that of 2019, and 25-month persistency ratio of individual life insurance business was 84.9%, decreasing by 1.3 percentage points compared with 2019. The surrender rate dropped to 1.5% in 2020, decreasing by 0.3 percentage point with surrender value down by 5.6% year on year.

Unit: RMB in millions

For the 12 months ended 31 December	**2020**	2019	Change
GWP	**159,511**	138,131	15.5%
First year premiums from long-term insurance business	**39,022**	25,396	53.7%
Regular premiums	**20,924**	19,341	8.2%
Regular premiums with payment periods of ten years or more	**9,612**	10,726	-10.4%
Single premiums	**18,098**	6,055	198.9%
Renewal premiums	**112,964**	105,821	6.8%
Premiums from short-term insurance business	**7,525**	6,914	8.8%

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	2020	2019	Change
Individual insurance channel			
First year premiums from long-term insurance business	**15,919**	15,196	4.8%
Regular premiums	**15,252**	15,175	0.5%
Single premiums	**667**	21	3,076.2%
Renewal premiums	**96,330**	88,775	8.5%
Premiums from short-term insurance business	**5,150**	4,479	15.0%
Total	**117,399**	108,450	8.3%
Bancassurance channel			
First year premiums from long-term insurance business	**23,027**	10,194	125.9%
Regular premiums	**5,667**	4,166	36.0%
Single premiums	**17,360**	6,028	188.0%
Renewal premiums	**16,623**	17,036	-2.4%
Premiums from short-term insurance business	**79**	56	41.1%
Total	**39,729**	27,286	45.6%
Group insurance			
First year premiums from long-term insurance business	**76**	6	1,166.7%
Renewal premiums	**11**	10	10.0%
Premiums from short-term insurance business	**2,296**	2,379	-3.5%
Total	**2,383**	2,395	-0.5%
GWP	**159,511**	138,131	15.5%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In 2020, individual insurance channel optimized product offerings, strengthened online marketing and prioritized sales team's quality and growth. Individual insurance channel realized premiums of RMB117,399 million, growing by 8.3% year on year. First year premiums from long-term insurance business amounted to RMB15,919 million, growing by 4.8% year on year. Premiums from short-term insurance business reached RMB5,150 million, representing an increase of 15.0% year on year. Renewal premiums amounted to RMB96,330 million, growing by 8.5% year on year.

In 2020, the Company optimized agent recruitment criteria and launched the new basic law to manage sales team. As of the end of December 2020, agent headcounts in individual insurance channel hit a record high, totaled 606,000, up by 19.5% year on year. The monthly average number of qualified agents[(1)] was 128,000, decreasing by 3.8% year on year and the monthly average qualified rate[(2)] was 23.8%, down by 9.2 percentage points year on year. The monthly average comprehensive productivity per capita[(3)] was RMB2,617, decreasing by 22.7% year on 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 to 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.

② Bancassurance channel

In 2020, bancassurance channel deepened cooperation with important partners, tapped into the needs of customers and improved product competitiveness. Bancassurance channel achieved rapid growth and realized premiums of RMB39,729 million in 2020, increasing by 45.6% year on year. First year regular premiums from long-term insurance business amounted to RMB5,667 million, representing an increase of 36.0% year on year. Renewal premiums totaled RMB16,623 million, down by 2.4% year on year.

(2) Group insurance

Due to the impact of COVID-19, certain enterprises delayed the resumption of work and production, and encountered difficulties in operation and management, posing obstacles to group insurance business. In 2020, group insurance realized premiums of RMB2,383 million, reducing by 0.5% year on year. The Company continued to develop policy-oriented health insurance in 2020, realizing premiums of RMB251 million, increasing by 19.0% year on year. The policy-oriented health insurance business covered 7,435.5 thousand customers.

2. *Analysis by insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	2020	2019	Change
GWP	**159,511**	138,131	15.5%
Participating insurance[1]	**60,381**	51,538	17.2%
First year premiums from long-term insurance business	**17,963**	6,544	174.5%
Renewal premiums	**42,418**	44,994	-5.7%
Premiums from short-term insurance business	**–**	–	–
Health insurance	**60,039**	52,790	13.7%
First year premiums from long-term insurance business	**10,350**	11,638	-11.1%
Renewal premiums	**44,434**	36,509	21.7%
Premiums from short-term insurance business	**5,255**	4,643	13.2%
Traditional insurance	**36,909**	31,602	16.8%
First year premiums from long-term insurance business	**10,709**	7,214	48.4%
Renewal premiums	**26,068**	24,276	7.4%
Premiums from short-term insurance business	**132**	112	17.9%
Accident insurance	**2,138**	2,159	-1.0%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**2,138**	2,159	-1.0%
Universal insurance[1]	**44**	42	4.8%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**44**	42	4.8%
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 2020, the Company realized first year premiums from long-term participating insurance of RMB17,963 million, increasing by 174.5% year on year. First year premiums from long-term health insurance reached RMB10,350 million, decreasing by 11.1% year on year. First year premiums from long-term traditional insurance amounted to RMB10,709 million, increasing by 48.4% year on year.

3. *Analysis by branches*

Unit: RMB in millions

For the 12 months ended 31 December	2020	2019	Change
GWP	**159,511**	138,131	15.5%
Shandong Branch	**15,323**	13,384	14.5%
Henan Branch	**12,441**	11,170	11.4%
Beijing Branch	**10,492**	10,046	4.4%
Guangdong Branch	**8,976**	8,330	7.8%
Shaanxi Branch	**8,171**	6,850	19.3%
Hubei Branch	**7,959**	6,757	17.8%
Zhejiang Branch	**7,955**	6,790	17.2%
Jiangsu Branch	**7,649**	6,240	22.6%
Inner Mongolia Branch	**7,024**	5,958	17.9%
Hunan Branch	**6,120**	5,265	16.2%
Other Branches	**67,401**	57,341	17.5%

As of the end of 2020, the Company has established 35 branches across the country. In 2020, around 57.7% 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 premium income*

Unit: RMB in millions

Rank	Product name	Original premium income	Main distribution channel	Surrender value
1	Wendeying endownment insurance (Participating) 穩得盈兩全保險(分紅型)	17,809	Bancassurance channel	132
2	Huitianfu annuity insurance 惠添富年金保險	14,150	Individual insurance channel, bancassurance channel	305
3	Fuxianyisheng Whole Life annuity insurance (Participating) 福享一生終身年金保險(分紅型)	6,849	Individual insurance channel	1,302
4	Jiankangwuyou Type C critical illness insurance 健康無憂C款重大疾病保險	6,745	Individual insurance channel	204
5	Multiple Protection critical illness insurance 多倍保障重大疾病保險	6,008	Individual insurance channel	53

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)	17,809
2	Huitianfu annuity insurance 惠添富年金保險	6,502
3	Multiple Protection Type A1 critical illness insurance 多倍保障重大疾病保險(A1款)	2,620
4	Jiankangwuyou critical illness insurance (Family Version) 健康無憂重大疾病保險(宜家版)	1,603
5	Ronghuashijia Whole Life insurance 榮華世家終身壽險	1,553

5. Business quality

For the 12 months ended 31 December	**2020**	2019	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio[1]	**89.9%**	90.3%	-0.4pt
25-month persistency ratio[2]	**84.9%**	86.2%	-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.

6. Analysis on claims and interests of policyholders

Unit: RMB in millions

For the 12 months ended 31 December	**2020**	2019	Change
Surrender value	**12,258**	12,990	-5.6%
Insurance benefits and claims	**55,741**	60,648	-8.1%
Claims recoverable	**(1,339)**	(1,045)	28.1%
Policyholder dividends resulting from participating in profits	**577**	42	1,273.8%
Net change in insurance contract liabilities	**86,651**	53,335	62.5%

Claims recoverable increased by 28.1% year on year because of the increase of claims for products and business ceded out.

Policyholder dividends resulting from participating in profits increased by 1,273.8% year on year mainly due to the increase of participating business profit and continuous growth of participating business.

Net change in insurance contract liabilities increased by 62.5% year on year mainly due to the increase of premiums and decrease of surrenders and claims.

Unit: RMB in millions

For the 12 months ended 31 December	2020	2019	Change
Insurance benefits and claims	**55,741**	60,648	-8.1%
Participating insurance[(1)]	**43,515**	48,911	-11.0%
Health insurance	**8,110**	7,260	11.7%
Traditional insurance	**3,457**	3,794	-8.9%
Accident insurance	**635**	657	-3.3%
Universal insurance[(1)]	**24**	26	-7.7%
Insurance benefits and claims	**55,741**	60,648	-8.1%
Claims	**2,959**	3,079	-3.9%
Annuity benefits	**10,756**	9,500	13.2%
Maturity and survival benefits	**34,349**	41,344	-16.9%
Casualty and medical benefits	**7,677**	6,725	14.2%

Note:

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

In 2020, insurance benefits and claims decreased slightly compared with the same period of last year.

7. *Analysis on commission and brokerage expense*

Unit: RMB in millions

For the 12 months ended 31 December	**2020**	2019	Change
Commission and brokerage expense(1)	**17,826**	16,871	5.7%
Participating insurance(2)	**832**	934	-10.9%
Health insurance	**14,322**	13,893	3.1%
Traditional insurance	**2,108**	1,309	61.0%
Accident insurance	**564**	735	-23.3%
Universal insurance(2)	**–**	–	–

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 2020, the commission and brokerage expense increased slightly compared with the same period of last year. The commission and brokerage expense of traditional insurance increased by 61.0% year on year due to the increase of first year premiums from traditional insurance business.

8. Analysis on insurance contract liabilities

Unit: RMB in millions

Component	**As at 31 December 2020**	As at 31 December 2019	Change
Unearned premiums liabilities	**2,349**	2,102	11.8%
Outstanding claims liabilities	**1,802**	1,611	11.9%
Life insurance liabilities	**634,501**	567,985	11.7%
Long-term health insurance liabilities	**115,757**	86,493	33.8%
Insurance contract liabilities in total	**754,409**	658,191	14.6%
Participating insurance[1]	**517,162**	481,522	7.4%
Health insurance	**101,475**	73,287	38.5%
Traditional insurance	**134,622**	102,259	31.6%
Accident insurance	**1,124**	1,068	5.2%
Universal insurance[1]	**26**	55	-52.7%
Insurance contract liabilities in total	**754,409**	658,191	14.6%
Including: residual margin[2]	**227,161**	214,525	5.9%

Notes:

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

2. 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.

The insurance contract liabilities at the end of 2020 increased by 14.6% compared with the end of 2019 due to the increase of insurance business and accumulation of insurance liabilities. As at the date of the balance sheet, all types of insurance contract liabilities of the Company passed the adequacy test.

ii. Asset management business

As COVID-19 swept across the world in 2020, internal and external environment became more complex and capricious. Staying committed to "prudent, long-term and value-oriented" investment philosophy, the Company adopted flexible investment tactics under the strategic guidance, emphasized on both investment return and risk control in asset management business. The Company actively seized market opportunities and achieved sound investment return throughout the year.

In 2020, the Company's total investment yield was 5.5% and the net investment yield was 4.6%.

The debt financial assets amounted to RMB567,171 million, accounting for 58.8% of total investment assets, decreasing by 6.8 percentage points compared with the end of last year. Seizing opportunities when interest rates were high, the Company strategically invested in interest rate bonds such as long-duration local government bonds and treasury bonds, seized swing trading opportunities in bonds. To achieve absolute return, the Company carried out both online and offline researches towards financial products. The Company prioritized the defense against risks, and actively invested in high-quality financial assets on the premise of controllable risks.

The equity financial assets amounted to RMB206,290 million, accounting for 21.4% of total investment assets, increasing by 2.7 percentage points compared with the end of last year. Structural opportunities existed while equity market further divided in 2020. The Company committed itself to value-oriented and long-term investment philosophy in equity investment, selected industries and stocks from the bottom up and seized structural opportunities. The Company continued to invest in the undervalued assets with high dividend in the Hong Kong stock market.

1. *Investment portfolio*

Unit: RMB in millions

As at 31 December	**2020** Amount	**2020** Proportion	2019 Amount	2019 Proportion	Change
Investment assets	**965,653**	**100.0%**	839,447	100.0%	15.0%
Classified by investment type					
Term deposits(1)	**122,640**	**12.7%**	64,040	7.6%	91.5%
Debt financial assets	**567,171**	**58.8%**	550,539	65.6%	3.0%
– Bonds	**390,587**	**40.4%**	358,062	42.7%	9.1%
– Trust products	**99,831**	**10.3%**	77,266	9.2%	29.2%
– Debt plans(2)	**41,135**	**4.3%**	38,934	4.6%	5.7%
– Asset funding plans	**–**	**–**	10,000	1.2%	-100.0%
– Others(3)	**35,618**	**3.8%**	66,277	7.9%	-46.3%
Equity financial assets	**206,290**	**21.4%**	156,957	18.7%	31.4%
– Funds	**55,858**	**5.8%**	46,389	5.5%	20.4%
– Stocks(4)	**85,364**	**8.8%**	55,805	6.6%	53.0%
– Others(5)	**65,068**	**6.8%**	54,763	6.6%	18.8%
Investments in associates and joint ventures	**4,967**	**0.5%**	4,917	0.6%	1.0%
Cash and cash equivalents(1)	**12,993**	**1.3%**	11,765	1.4%	10.4%
Other investment assets(6)	**51,592**	**5.3%**	51,229	6.1%	0.7%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**32,298**	**3.3%**	24,554	2.9%	31.5%
Available-for-sale financial assets	**426,703**	**44.2%**	387,296	46.2%	10.2%
Held-to-maturity investments	**273,076**	**28.3%**	246,212	29.3%	10.9%
Loans and other receivables(7)	**228,609**	**23.7%**	176,468	21.0%	29.5%
Investment in associates and joint ventures	**4,967**	**0.5%**	4,917	0.6%	1.0%

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, asset management products and wealth management products, etc.

4. Stocks include common stocks and preferred stocks.

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

6. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividend receivables and interest receivables, 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, dividend receivables, interest receivables, loans and receivables, etc.

8. Numbers may not be additive due to rounding.

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	2020	2019	Change
Interest income from cash and cash equivalents	**148**	98	51.0%
Interest income from term deposits	**4,405**	3,157	39.5%
Interest income from debt financial assets	**26,722**	24,911	7.3%
Dividend income from equity financial assets	**6,066**	5,602	8.3%
Interest income from other investment assets(1)	**1,941**	1,686	15.1%
Net investment income(2)	**39,282**	35,454	10.8%
Realized gains/(losses) on investment assets	**11,721**	(227)	N/A
Unrealized gains/(losses)	**(1,900)**	2,647	N/A
Impairment losses on financial assets	**(2,703)**	(2,032)	33.0%
Share of results of associates and joint ventures under equity method	**264**	502	-47.4%
Total investment income(3)	**46,664**	36,344	28.4%
Net investment yield(4)	**4.6%**	4.8%	-0.2pt
Total investment yield(4)	**5.5%**	4.9%	0.6pt

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 financial 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 2020, the non-standard investment assets amounted to RMB232,953 million, accounting for 24.1% of the total investment assets, decreasing by 5.3 percentage points compared with the end of last year. In 2020, the Company invested in non-standard assets with eligible returns and controllable risks, and selected assets with strict criteria. The non-standard assets held by the Company have good quality and controllable risks. The financing entities are industrial giants and large financial institutions. The non-standard assets are taken sound credit enhancement measures.

(1) Ratings

Excluding wealth management products issued by commercial banks, equity financial products and portfolio products issued by insurance asset management companies not requiring external ratings, the non-standard assets held by the Company with AAA ratings accounted for 95.5% of total non-standard assets. The overall credit risk was limited.

Ratings of Financial Products

Credit Rating	**Proportion**
AAA	95.5%
AA+	3.0%
AA	1.5%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB in millions

As at 31 December 2020	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	175,061	75.1%	-3.0pt	(17,416)
– Trust products	99,831	42.8%	11.5pt	22,565
– Debt plan	41,135	17.7%	1.9pt	2,201
– Project asset support plan	–	–	-4.1pt	(10,000)
– Wealth management product	29,050	12.5%	-12.4pt	(32,182)
– Perpetual bond	5,000	2.1%	0.1pt	–
– Asset management plan	45	–	–	–
Non-standard equity investments	57,892	24.9%	3.0pt	3,775
– Asset management plan	27,111	11.7%	2.7pt	4,786
– Private equity	9,411	4.0%	1.1pt	2,357
– Unlisted equity	16,570	7.1%	-0.4pt	(2,094)
– Equity investment plan	4,800	2.1%	0.2pt	100
– Derivative financial assets	–	–	-0.6pt	(1,374)
Total	232,953	100.0%		(13,641)

(3) Major management institutions

Unit: RMB in millions

Top 10 management institutions of financial products	Paid Amount	Proportion
New China Asset Management Co., Ltd.	49,551	21.3%
Shanghai Pudong Development Bank Co., Ltd.	28,980	12.4%
CITIC Trust Co., Ltd.	17,447	7.5%
Zhongrong International Trust Co., Ltd.	14,043	6.0%
Everbright Xinglong Trust Co., Ltd.	12,469	5.4%
Huaneng Guicheng Trust Co., Ltd.	9,300	4.0%
Generali China Asset Management Co., Ltd.	7,010	3.0%
Bohai International Trust Co., Ltd.	5,438	2.3%
Lujiazui International Trust Co., Ltd.	4,998	2.2%
China Fortune International Trust Co., Ltd.	4,985	2.1%
Total	**154,221**	**66.2%**

III. ANALYSIS BY COMPONENT

i. Solvency

New China Life Insurance Company Ltd. calculated and disclosed the 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 insurance company in PRC must meet the prescribed thresholds as required by CBIRC.

Unit: RMB in millions

	As at 31 December 2020	As at 31 December 2019	Reason(s) for Change
Core capital	**280,817**	261,164	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**290,817**	261,164	Reasons for change of core capital and the issuance of capital supplementary bonds of RMB10,000 million
Minimum capital	**104,672**	92,077	Growth and structural change of insurance and investment business
Core solvency margin ratio(1)	**268.28%**	283.64%	
Comprehensive solvency margin ratio(1)	**277.84%**	283.64%	

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 2020	As at 31 December 2019
Gearing ratio	**89.9%**	90.4%

Note: Gearing ratio = total liabilities/total assets.

2. Liquidity

Unit: RMB in millions

For the 12 months ended 31 December	**2020**	2019	Change
Net cash flows from operating activities	**67,179**	42,102	59.6%
Net cash flows from investing activities	**(67,728)**	(85,636)	-20.9%
Net cash flows from financing activities	**1,972**	46,263	-95.7%

Facing the impact of COVID-19, the Company actively carried out various operating, investing and financing activities. The Company's cash flows in 2020 were not significantly affected.

The net inflow from operating activities increased by 59.6% year on year, mainly due to the increase of premiums of insurance contracts.

The net outflow from investing activities decreased by 20.9% year on year, mainly due to the increase of cash received from investment and financial assets purchased under agreements to resell.

The net inflow from financing activities decreased by 95.7% year on year, mainly due to the increase of cash paid for 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, 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 RMB12,993 million. The term deposits amounted to RMB122,640 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 RMB567,171 million, and the book value of equity financial assets amounted to RMB206,290 million.

The principal cash outflows of the Company are comprised of liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, 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 insurance activities primarily relate to benefit payments of insurance products, as well as payments for policy surrenders and 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. The premiums ceded out are as follows:

1. Premiums ceded out for reinsurers

Unit: RMB in millions

For the 12 months ended 31 December	**2020**	2019
Swiss Reinsurance Company Ltd. Beijing Branch	**1,642**	1,392
China Life Reinsurance Company Ltd.	**747**	643
Others[(1)]	**509**	392
Total	**2,898**	2,427

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, etc.

2. Premiums ceded out by insurance products

Unit: RMB in millions

For the 12 months ended 31 December	**2020**	2019
Life insurance	**276**	282
Health insurance	**2,588**	2,105
Accident insurance	**34**	40
Total	**2,898**	2,427

IV. FUTURE PROSPECT

The year of 2021 marks the beginning of national “14th Five-year Plan”. China is still in an important period of strategic opportunities in development, though the global economic outlook looks grim. Transformation and upgrading of China’s life insurance industry will be further accelerated. The Company will further integrate into the new pattern of national development, provide insurance protection, pursue high-quality development and forestall risks.

First, strengthen Party building and play its leading role. The Company will strengthen the centralized and unified leadership of the Party, give full play to the role of the Party Committee in ensuring “direction, overall management and implementation”. At the new development stage, the Company will carry out the visions of the Fifth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference in its development, to lay a solid foundation for the beginning of the Company’s “14th Five-year Plan”.

Second, fulfill its social responsibility and serve the real economy. The Company will leverage the advantages of long-term life insurance funds to support the national development strategy and strategic emerging industry, speed up the development of commercial endowment insurance, the third pillar of China’s pension system. The Company will continue to optimize the featured mode of “insurance products + public welfare platform + voluntary service”.

Third, push forward life insurance business and accelerate coordinated development. Pursuing high-quality growth, the Company will continue to carry out the “1 + 2 + 1” strategy, focus on life insurance, leverage the synergy of assets and liabilities, improve investment capacity and tactics. The Company strives to build a “product + service” mode, strengthen team building, upgrade and enrich product supply and push forward development of traditional channels to build the foundation for high-quality development, and optimize and innovate the industrial layout.

Fourth, strengthen technology support and better serve the customer. Following the national strategy, the Company will enhance technology empowerment and data support, implement key projects, integrate and boost online and offline businesses, improve operation quality and service efficiency to improve customer experience and release development vitality.

Fifth, abide by laws and regulations and forestall risks. The Company will strictly implement regulatory requirements of China Risk Oriented Solvency System, focus on risks in key areas, strengthen risk prevention and control awareness and system. The Company will accelerate the construction of intelligent risk control system, optimize the risk identification, assessment, early warning and disposal mechanism, and forestall risks to ensure stable operation.

EMBEDDED VALUE

1. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year's new business as at 31 December 2020, 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 11.0% 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.

	2021	2022	2023	2024+
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	6.00%	6.00%	6.00%	6.00%
New non-participating	6.00%	6.00%	6.00%	6.00%
Specific participating	6.00%	6.00%	6.00%	6.00%
Specific non-participating	5.25%	5.25%	5.25%	5.25%

Notes:

1. Investment return assumptions are applied to the calendar year.

2. The Company has set up a specific non-participating fund to solely manage the new product "NCI Huijinsheng Annuity Insurance" in December 2020.

(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 (2020)".

(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.

2. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2020 and their corresponding results as at prior valuation date.

Embedded Value

Unit: RMB in millions

Valuation Date	31 December 2020	31 December 2019
Risk Discount Rate	**11.0%**	11.5%
Adjusted Net Worth	**147,291**	122,924
Value of In-Force Business Before Cost of Required Capital Held	**115,285**	102,908
Cost of Required Capital Held	**(21,972)**	(20,789)
Value of In-Force Business After Cost of Required Capital Held	**93,313**	82,119
Embedded Value	**240,604**	205,043

Notes:

1. Numbers may not be additive due to rounding.

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

Value of One Year's New Business

Unit: RMB in millions

Valuation Date	31 December 2020	31 December 2019
Risk Discount Rate	**11.0%**	11.5%
Value of One Year's New Business Before Cost of Required Capital Held	**11,813**	11,921
Cost of Required Capital Held	**(2,631)**	(2,142)
Value of One Year's New Business After Cost of Required Capital Held	**9,182**	9,779

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 2020 and 31 December 2019 were RMB46,657 million and RMB32,300 million respectively.

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

Value of One Year's New Business by Channel

Unit: RMB in millions

Valuation Date	31 December 2020	31 December 2019
Risk Discount Rate	**11.0%**	11.5%
Individual insurance channel	**8,987**	9,692
Bancassurance channel	**326**	291
Group insurance channel	**(131)**	(204)
Total	**9,182**	9,779

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 2020 and 31 December 2019 were RMB46,657 million and RMB32,300 million respectively.

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

3 ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2019 to 31 December 2020 is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2019 to 31 December 2020

1.	**EV at the beginning of period**	205,043
2.	Impact of Value of New Business	9,182
3.	Expected Return	18,074
4.	Operating Experience Variances	3,847
5.	Economic Experience Variances	8,841
6.	Operating Assumption Changes	(3,494)
7.	Economic Assumption Changes	(1,350)
8.	Change of Risk Discount Rate	3,764
9.	Capital Injection/Shareholder Dividend Payment	(4,399)
10.	Others	146
11.	Value Change Other Than Life Insurance Business	950
12.	**EV at the end of period**	240,604

Note: Numbers may not be additive due to rounding.

Items 2 to 11 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. Reflects the change of risk discount rate from 11.5% to 11.0%.

9. Capital injection and other dividend payment to shareholders.

10. Other miscellaneous items.

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

4. 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 2020	VIF after Cost of Required Capital Held	the Value of One Year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	93,313	9,182
Risk Discount Rate at 11.5%	89,022	8,705
Risk Discount Rate at 10.5%	97,896	9,690
Investment Return 50bps higher	112,050	10,844
Investment Return 50bps lower	74,494	7,512
Expenses 10% higher (110% of Base)	91,588	8,016
Expenses 10% lower (90% of Base)	95,038	10,348
Discontinuance Rates 10% higher (110% of Base)	92,361	8,692
Discontinuance Rates 10% lower (90% of Base)	94,254	9,679
Mortality 10% higher (110% of Base)	92,459	9,104
Mortality 10% lower (90% of Base)	94,170	9,260
Morbidity and Loss Ratio 10% higher (110% of Base)	89,047	8,313
Morbidity and Loss Ratio 10% lower (90% of Base)	97,586	10,052
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	88,177	9,099

CORPORATE GOVERNANCE

The board of directors 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. During the reporting period, the board of directors of the Company held a meeting to review the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report of 2020 Annual Report. 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 2020 to 31 December 2020.

ANNUAL GENERAL MEETING

The specific arrangements of the annual general meeting will be separately disclosed by the Company in the circular for annual general meeting.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

RECOMMENDATION OF DISTRIBUTION OF 2020 ANNUAL DIVIDEND

The Company plans to distribute an annual dividend in cash of RMB1.39 (including tax) per share to all the A shareholders and H shareholders of the Company for 2020, totaling approximately RMB4,336 million, representing approximately 30.3% of the net profit attributable to shareholders of the Company as contained in the 2020 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the Articles of Association of the Company.

The aforementioned recommendation will be proposed to the shareholders for consideration and approval on the annual general meeting of 2020. The Company expects that 2020 annual dividend will be distributed on Friday, 6 August 2021 to all the H shareholders.

ANNUAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED

For the year ended 31 December 2020

Unit: RMB in millions

	Notes	**For the year ended 31 December 2020**	2019
REVENUES			
Gross written premiums and policy fees	*1*	**159,556**	138,171
Less: premiums ceded out		**(2,898)**	(2,427)
Net written premiums and policy fees		**156,658**	135,744
Net change in unearned premiums liabilities		**(215)**	(301)
Net premiums earned and policy fees		**156,443**	135,443
Investment income	*2*	**46,400**	35,842
Other income	*3*	**1,015**	818
Total revenues		**203,858**	172,103
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims	*4*		
Claims and net change in outstanding claims liabilities		**(2,875)**	(3,440)
Life insurance death and other benefits		**(63,937)**	(69,672)
Increase in long-term insurance contract liabilities		**(86,499)**	(52,816)
Policyholder dividends resulting from participating in profits		**(577)**	(42)
Investment contract benefits		**(2,042)**	(1,736)
Commission and brokerage expenses		**(17,827)**	(16,872)
Administrative expenses	*5*	**(12,395)**	(13,037)
Other expenses	*6*	**(1,129)**	(727)
Total benefits, claims and expenses		**(187,281)**	(158,342)

Note: The Group in this section includes New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)

For the year ended 31 December 2020

Unit: RMB in millions

	Notes	**For the year ended 31 December 2020**	2019
Share of profits and losses of associates and joint ventures		**264**	502
Finance costs	*7*	**(1,350)**	(1,042)
Profit before income tax		**15,491**	13,221
Income tax credit/(expense)	*8*	**(1,194)**	1,339
Net profit for the year		**14,297**	14,560
Net profit for the year attributable to:			
– Owners of the parent	*9*	**14,294**	14,559
– Non-controlling interests		**3**	1
Earnings per share (RMB)			
Basic	*10*	**4.58**	4.67
Diluted	*10*	**4.58**	4.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)

For the year ended 31 December 2020

Unit: RMB in millions

	For the year ended 31 December **2020**	2019
Net profit for the year	**14,297**	14,560
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	**7,290**	6,751
Available-for-sale financial assets		
Changes in fair value	**24,650**	16,357
(Gains)/losses transferred to profit or loss from other comprehensive income	**(8,971)**	338
Impairment transferred to profit or loss from other comprehensive income	**2,703**	2,032
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**(8,818)**	(9,608)
Currency translation differences	**(20)**	6
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**188**	(60)
Others	**–**	(48)
Income tax relating to components of other comprehensive income	**(2,442)**	(2,266)
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	**7,290**	6,751
Total comprehensive income for the year	**21,587**	21,311
Total comprehensive income for the year attributable to:		
– Owners of the parent	**21,584**	21,310
– Non-controlling interests	**3**	1

NOTES:

1 GROSS WRITTEN PREMIUMS AND POLICY FEES

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Gross written premiums		
– Insurance contracts	**159,511**	138,131
Policy fees		
– Investment contracts	**45**	40
Gross written premiums and policy fees	**159,556**	138,171

2 INVESTMENT INCOME

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Held-to-maturity investments		
– Interest income	**11,584**	10,296
Available-for-sale financial assets		
– Interest income	**12,508**	11,425
– Dividend income	**4,896**	5,422
– Net realized gains/(losses)	**8,956**	(355)
– Impairment losses on equity financial assets	**(2,703)**	(2,032)
Financial assets at fair value through profit or loss		
– Interest income	**134**	197
– Dividend income	**1,170**	180
– Fair value gains/(losses)	**(1,900)**	2,647
– Net realized gains	**2,679**	128
Loans and receivables		
– Interest income	**2,496**	2,993
Interest income from bank deposits	**4,628**	3,328
Interest income from policy loans	**1,799**	1,556
Interest income from financial assets purchased under agreements to resell	**67**	57
Others	**86**	–
Total	**46,400**	35,842
Including:		
Investment income based on the effective interest method	**33,216**	29,852
Investment income from listed investments	**11,983**	7,729
Investment income from unlisted investments	**34,417**	28,113
Total	**46,400**	35,842

3 OTHER INCOME

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Rental income from investment properties	**368**	294
Management fee income	**260**	175
Government grants	**77**	95
Exchange gain	**–**	40
Others	**310**	214
Total	**1,015**	818

4 INSURANCE BENEFITS AND CLAIMS

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Gross		
Claims and change in outstanding claims liabilities	**3,150**	3,626
Life insurance death and other benefits	**65,040**	70,559
Increase in long-term insurance liabilities	**87,008**	53,187
Total	**155,198**	127,372
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(275)**	(186)
Life insurance death and other benefits	**(1,103)**	(887)
Increase in long-term insurance liabilities	**(509)**	(371)
Total	**(1,887)**	(1,444)
Net		
Claims and change in outstanding claims liabilities	**2,875**	3,440
Life insurance death and other benefits	**63,937**	69,672
Increase in long-term insurance liabilities	**86,499**	52,816
Total	**153,311**	125,928

5 ADMINISTRATIVE EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Employee benefit expenses (including directors' emoluments)[(1)]	**8,981**	9,852
Depreciation and amortization	**1,386**	1,161
Operating lease expense	**371**	452
Entertainment fees	**319**	419
Official fees	**290**	304
Insurance guarantee fund	**289**	249
Travel and conference fees	**241**	322
Electronic equipment operating costs	**240**	212
Postal fees	**138**	135
Promotional printing cost	**104**	169
Advertising fees	**56**	60
Auditors' remuneration fees	**22**	22
Vehicle use fees	**19**	27
Less: Expenses recoverable from insurers	**(780)**	(746)
Others	**719**	399
Total	**12,395**	13,037

(1) Employee benefit expenses are presented below:

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Salary and welfare expenses	**7,128**	7,589
Social security costs – pension	**365**	790
Social security costs – other	**680**	697
Including:		
Supplementary defined contribution pension expense	**229**	169
Supplementary medical expense	**30**	25
Housing fund	**578**	570
Employee education and labor union fees	**230**	206
Total	**8,981**	9,852

6 OTHER EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Tax and surcharges	**263**	192
Depreciation and amortization	**266**	229
Exchange losses	**241**	–
Others	**359**	306
Total	**1,129**	727

7 FINANCE COSTS

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
Interest expenses for financial assets sold under agreements to repurchase	**1,103**	810
Interest expenses for the subordinated debts	**211**	198
Interest expenses for lease liabilities	**36**	34
Total	**1,350**	1,042

8 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:

Unit: RMB in millions

	For the year ended 31 December **2020**	2019
Current tax	**1,260**	(938)
Deferred tax	**(66)**	(401)
Total income tax	**1,194**	(1,339)

(2) The reconciliation between the Group's effective tax rate and the mainly applicable tax rate of 25% in the PRC is as follows:

Unit: RMB in millions

	For the year ended 31 December **2020**	2019
Profit before income tax	**15,491**	13,221
Tax computed at the statutory tax rate in China	**3,873**	3,305
Non-taxable income (i)	**(2,764)**	(2,838)
Expenses not deductible for tax purpose (i)	**76**	94
Effect of unrecognized deferred tax assets arising from deductible loss	**28**	34
Adjustments in respect of current tax of previous periods	**(18)**	(1,932)
Effect of different tax rate of a subsidiary	**(1)**	(2)
Income tax computed at effective tax rate	**1,194**	(1,339)

(i) Non-taxable income mainly includes interest income from government bonds, and dividend income from applicable equity financial assets, etc. Expenses not deductible for tax purposes mainly include those expenses such as supplementary medical insurance, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

(3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Unit: RMB in millions

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
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
As at 1 January 2020	**(696)**	**858**	**162**
Charged to net profit	**(2)**	**–**	**(2)**
Charged to other comprehensive income	**(7)**	**–**	**(7)**
As at 31 December 2020	**(705)**	**858**	**153**
Net deferred tax liabilities			
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)
As at 1 January 2020	**(2,332)**	**2,034**	**(298)**
Charged to net profit	**436**	**(368)**	**68**
Charged to other comprehensive income	**(4,592)**	**2,157**	**(2,435)**
Charged to other reserve	**–**	**(8)**	**(8)**
As at 31 December 2020	**(6,488)**	**3,815**	**(2,673)**

Unit: RMB in millions

	As at 31 December 2020	As at 31 December 2019
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**4,666**	2,621
– deferred tax assets to be recovered after 12 months	**1,223**	932
Subtotal	**5,889**	3,553
Deferred tax liabilities		
– deferred tax liabilities to be recovered within 12 months	**(7,767)**	(2,958)
– deferred tax liabilities to be recovered after 12 months	**(642)**	(731)
Subtotal	**(8,409)**	(3,689)
Total net deferred tax assets	**153**	162
Total net deferred tax liabilities	**(2,673)**	(298)

(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:

Unit: RMB in millions

	As at 31 December 2020	As at 31 December 2019
Deductible losses	**611**	593
Total	**611**	593

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2020 was RMB14,294 million (for the year ended 31 December 2019: RMB14,559 million) which is included in the consolidated financial statements of the Group.

10 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	
	2020	2019
Net profit attributable to shareholders of the Company (RMB in millions)	**14,294**	14,559
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**4.58**	4.67

(2) Diluted

The Company has no dilutive potential ordinary shares in 2020. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2020 (for the year ended 31 December 2019: same).

11 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 23 June 2020, a final dividend of RMB1.41 per ordinary share (inclusive of tax) totalling RMB4,399 million was declared.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED

As at 31 December 2020

Unit: RMB in millions

	As at 31 December	
	2020	2019
ASSETS		
Property, plant and equipment	**15,692**	14,335
Investment properties	**8,857**	9,051
Right-of-use assets	**1,243**	1,152
Intangible assets	**3,753**	3,726
Investments in associates and joint ventures	**4,967**	4,917
Debt financial assets	**567,171**	550,539
– Held-to-maturity	**273,076**	246,212
– Available-for-sale	**238,957**	244,931
– At fair value through profit or loss	**13,754**	9,962
– Loans and receivables	**41,384**	49,434
Equity financial assets	**206,290**	156,957
– Available-for-sale	**187,746**	142,365
– At fair value through profit or loss	**18,544**	14,592
Term deposits	**122,640**	64,040
Statutory deposits	**1,715**	1,715
Policy loans	**37,732**	35,148
Financial assets purchased under agreements to resell	**1,832**	5,685
Accrued investment income	**10,313**	8,681
Premiums receivable	**2,312**	2,233
Deferred tax assets	**153**	162
Reinsurance assets	**3,666**	3,028
Other assets	**3,047**	5,836
Cash and cash equivalents	**12,993**	11,765
Total assets	**1,004,376**	878,970

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED (CONTINUED)
As at 31 December 2020

Unit: RMB in millions

	As at 31 December	
	2020	2019
LIABILITIES AND EQUITY		
Liabilities		
Insurance contracts		
Long-term insurance contract liabilities	**750,258**	654,478
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,802**	1,611
– Unearned premiums liabilities	**2,349**	2,102
Investment contracts	**51,672**	46,518
Policyholder dividends payable	**3**	–
Borrowings	**10,000**	–
Lease liabilities	**1,064**	961
Financial liabilities at fair value through profit or loss	**14,837**	501
Financial assets sold under agreements to repurchase	**41,888**	68,190
Benefits, claims and surrenders payable	**6,445**	5,704
Premiums received in advance	**6,458**	4,181
Reinsurance liabilities	**297**	220
Provisions	**–**	29
Other liabilities	**12,920**	9,559
Current income tax liabilities	**30**	157
Deferred tax liabilities	**2,673**	298
Total liabilities	**902,696**	794,509
Shareholders' equity		
Share capital	**3,120**	3,120
Reserves	**52,604**	41,254
Retained earnings	**45,943**	40,077
Equity attributable to owners of the parent	**101,667**	84,451
Non-controlling interests	**13**	10
Total equity	**101,680**	84,461
Total liabilities and equity	**1,004,376**	878,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – AUDITED

For the year ended 31 December 2020

Unit: RMB in millions

	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
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	–	–	(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
For the year ended 31 December 2020						
As at 1 January 2020	**3,120**	**41,254**	**40,077**	**84,451**	**10**	**84,461**
Net profit for the year	**–**	**–**	**14,294**	**14,294**	**3**	**14,297**
Other comprehensive income	**–**	**7,290**	**–**	**7,290**	**–**	**7,290**
Total comprehensive income	**–**	**7,290**	**14,294**	**21,584**	**3**	**21,587**
Others	**–**	**31**	**–**	**31**	**–**	**31**
Dividends paid	**–**	**–**	**(4,399)**	**(4,399)**	**–**	**(4,399)**
Appropriation to reserves	**–**	**4,029**	**(4,029)**	**–**	**–**	**–**
Total transactions with owners	**–**	**4,029**	**(8,428)**	**(4,399)**	**–**	**(4,399)**
As at 31 December 2020	**3,120**	**52,604**	**45,943**	**101,667**	**13**	**101,680**

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED

For the year ended 31 December 2020

Unit: RMB in millions

	For the year ended 31 December 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**15,491**	13,221
Adjustments for:		
Investment income	**(46,400)**	(35,842)
Finance costs	**1,350**	1,042
Net change in outstanding claims liabilities	**152**	519
Net change in unearned premiums liabilities	**215**	301
Increase in long-term insurance contract liabilities	**86,499**	52,816
Investment contract benefits	**2,042**	1,736
Policy fees	**(45)**	(40)
Depreciation and amortization	**1,656**	913
Impairment losses on other receivables	**37**	4
Losses on disposal of property, plant and equipment	**14**	8
Changes in operational assets and liabilities:		
Receivables and payables	**4,232**	3,314
Investment contracts	**3,103**	4,267
Income tax paid	**(1,167)**	(157)
Net cash flows from operating activities	**67,179**	42,102
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**2,018**	18,806
Proceeds from maturities of debt financial assets	**60,753**	55,160
Proceeds from sales of equity financial assets	**243,860**	95,681
Purchases of financial assets investments		
Purchase of debt financial assets	**(119,300)**	(161,735)
Purchase of equity financial assets	**(253,730)**	(118,498)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**1**	41
Purchase of property, plant and equipment, intangible assets and other assets	**(3,035)**	(5,042)
Interests received	**39,192**	29,353
Dividends received	**6,213**	5,573
Term deposits, net	**(58,600)**	650
Financial assets purchased under agreements to resell, net	**4,204**	(1,460)
Others	**10,696**	(4,165)
Net cash flows from investing activities	**(67,728)**	(85,636)

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED (CONTINUED)
For the year ended 31 December 2020

Unit: RMB in millions

	For the year ended 31 December	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings repaid	**–**	(4,000)
Payment of lease liabilities	**(598)**	(546)
Interests and dividends paid	**(4,416)**	(2,543)
Received from borrowings	**10,000**	–
Capital injected into subsidiary by non-controlling interest	**31,891**	326
Financial assets sold under agreements to repurchase, net	**(25,957)**	53,026
Others	**(8,948)**	–
Net cash flows from financing activities	**1,972**	46,263
Effect of foreign exchange rate changes	**(195)**	31
Net increase in cash and cash equivalents	**1,228**	2,760
Cash and cash equivalents		
Beginning of the year	**11,765**	9,005
End of the year	**12,993**	11,765
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**12,993**	11,765
Total of cash and cash equivalents	**12,993**	11,765

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.

(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 2020, 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

Unit: RMB in millions

	For the year ended 31 December 2020				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	156,737	2,819	–	–	159,556
Less: premiums ceded out	(2,828)	(70)	–	–	(2,898)
Net written premiums and policy fees	153,909	2,749	–	–	156,658
Net change in unearned premiums liabilities	(100)	(115)	–	–	(215)
Net premiums earned and policy fees	153,809	2,634	–	–	156,443
Investment income	45,667	299	434	–	46,400
Other income	587	12	1,324	(908)	1,015
Including: inter-segment transaction	24	1	883	(908)	–
Total revenues	200,063	2,945	1,758	(908)	203,858
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,251)	(1,624)	–	–	(2,875)
Life insurance death and other benefits	(63,748)	(189)	–	–	(63,937)
Increase in long-term insurance contract liabilities	(86,482)	(17)	–	–	(86,499)
Policyholder dividends resulting from participation in profits	(577)	–	–	–	(577)
Investment contract benefits	(1,949)	(93)	–	–	(2,042)
Commission and brokerage expenses	(17,360)	(467)	–	–	(17,827)
Administrative expenses	(10,985)	(1,281)	(1,013)	884	(12,395)
Including: inter-segment transaction	(773)	(86)	(25)	884	–
Other expenses	(616)	(18)	(517)	22	(1,129)
Including: inter-segment transaction	(19)	(1)	(2)	22	–
Total benefits, claims and expenses	(182,968)	(3,689)	(1,530)	906	(187,281)
Share of results of associates and joint ventures	241	2	21	–	264
Finance costs (other than interest on lease liabilities)	(1,288)	(62)	–	–	(1,350)
Net profit before income tax	16,048	(804)	249	(2)	15,491
Segment assets	936,779	8,826	58,957	(186)	1,004,376
Segment liabilities	860,885	7,239	34,758	(186)	902,696

Other segment information for the year ended 31 December 2020:

Unit: RMB in millions

Other segment information	**Insurance**		**Others**	**Elimination**	**Total**
	Individual	**Group**			
Capital expenditure	–	–	3,035	–	3,035
Depreciation and amortization	(1,380)	(152)	(124)	–	(1,656)
Interest income	32,450	230	536	–	33,216
Impairment	(2,696)	(44)	–	–	(2,740)
Share of results of associates and joint ventures	241	2	21	–	264

Unit: RMB in millions

	For the year ended 31 December 2019				
	Insurance		Others	Elimination	Total
	Individual	Group			
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 transaction	28	–	45	(73)	–
Other income	484	10	1,128	(804)	818
Including: inter-segment transaction	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 transaction	(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 (other than interest on lease liabilities)	(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:

Unit: RMB in millions

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
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

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 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.

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 the notes to the Group's consolidated financial statements.

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 2020

Standards/Amendments	Content
IFRS 3 Amendments	*Definition of a Business*
IFRS 7, IFRS 9 and IAS 39 Amendments	*Interest Rate Benchmark Reform*
IAS 1 and IAS 8 Amendments	*Definition of Material*
IFRS 16 Amendments	*COVID-19-Related Rent Concessions*

IFRS 3 Amendments – Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

IFRS 7, IFRS 9 and IAS 39 Amendments – Interest Rate Benchmark Reform

Amendments to IFRS 7, IFRS 9 and IAS 39 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

IAS 1 and IAS 8 Amendments – Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

IFRS 16 Amendments – COVID-19-Related Rent Concessions

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has early adopted the amendment on 1 January 2020. Because the Group was not provided with a significant amount of rent concessions arising as a direct consequence of COVID-19, the amendment did not have any significant 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.

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.

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 2023. 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.

The associates of the Group, China Jinmao Holdings Group Limited ("**China Jinmao**") and Huixin Capital International Management Limited ("**Huixin 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 2020 and 31 December 2019:

	Fair value as at 31 December 2020	Fair value as at 31 December 2019
Held for trading financial assets (A)	**32,298**	23,180
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)	**494,584**	455,930
– Financial assets with contractual terms that do not meet SPPI terms (D)	**269,227**	246,302
Total	**796,109**	726,786

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.

The table below presents the fair value changes for the years ended 31 December 2020 and 2019:

	Fair value changes for the year ended 31 December	
	2020	2019
Held for trading financial assets (A)	**2,040**	1,508
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**(504)**	1,374
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that meet SPPI terms (C)	**(2,825)**	4,596
– Financial assets with contractual terms that do not meet SPPI terms (D)	**31,435**	16,771
Total	**30,146**	24,249

(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 2020**	Carrying amount as at 31 December 2019
AAA	**488,783**	435,321
AA+	**2,619**	3,872
AA	**2,100**	2,100
A	**205**	–
Total	**493,707**	441,293

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 2020**	Carrying amount as at 31 December 2019
Baa1	**22**	16
Baa2	**730**	763
Baa3	**125**	106
Total	**877**	885

	As at 31 December 2020	
	Carrying amount	**Fair value**
Financial assets that do not have low credit risk *(Note)*	**4,924**	**4,924**

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

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.

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.

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2020

Standards/Amendments	**Content**	**Effective for annual periods beginning on or after**
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	*Interest Rate Benchmark Reform – Phase 2*	1 January 2021
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
IAS 37 Amendments	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*	1 January 2022
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17 and IFRS 17 Amendments	*Insurance Contracts*	1 January 2023/ Note 1
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Note 2

Note 1: As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

Note 2: 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, IFRS 7, IFRS 4 and IFRS 16 Amendments

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2018-2020

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IFRS 17 and IFRS 17 Amendments – 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

Amendments to IFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to IFRS 17. In addition, the amendments defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the IASB issued the amendments to IFRS 4 to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The Group is currently assessing the impact of the standard upon adoption.

SUBSEQUENT EVENTS

Dividend

In accordance with the profit distribution plan for the year 2020 considered and approved by the board of directors of the Company on 24 March 2021, with the appropriation to its discretionary surplus reserve of RMB1,336 million (10% of the net profit of the parent company for 2020), the Company proposed to distribute cash dividend amounting to RMB4,336 million to all shareholders of the Company at RMB1.39 per share (inclusive of tax). The profit distribution plan is subject to the approval by the shareholders' general meeting.

REVIEW OF ANNUAL RESULTS

The Audit and Related Party Transaction Control Committee of the board of directors of the Company has reviewed the annual results of the Company for the year ended 31 December 2020. Ernst & Young, the external auditor of the Company, has audited the Company's consolidated financial statements for the year ended 31 December 2020.

The announcement of annual results is based on the Group's audited consolidated financial statements for the year ended 31 December 2020 as agreed with the auditor of the Company.

The announcement of annual results is written in both Chinese and English. The English version shall prevail where there is any inconsistency between the Chinese version and the English version.

PUBLICATION OF ANNUAL REPORT

The Company's Annual Report for 2020 will be published on the Company's website (www.newchinalife.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
New China Life Insurance Company Ltd.
LI Quan
Executive Director

Beijing, China, 24 March 2021

As at the date of this announcement, the executive director of the Company is LI Quan; the non-executive directors are YANG Yi, GUO Ruixiang, HU Aimin, LI Qiqiang, PENG Yulong and Edouard SCHMID; and the independent non-executive directors are LI Xianglu, ZHENG Wei, CHENG Lie, GENG Jianxin and MA Yiu Tim.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meaning 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
CBIRC	China Banking and Insurance Regulatory Commission
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	The Articles of Association of New China Life Insurance Company Ltd.
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
pt	Percentage point(s)
RMB	Renminbi