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

H Share Stock Code : 1339

人民有期盼
保险有温度

Annual Report 2020

Company Profile

The Company is the first nation-wide insurance company in the PRC, established in October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, rising 9 places than last year and ranking the 112th in the list of Fortune Global 500 (2020) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC P&C (listed on Hong Kong Stock Exchange, stock code: 02328) and in Hong Kong through PICC Hong Kong, in which the Company holds approximately 68.98% and 89.36% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life and PICC Health, in which the Company, directly and indirectly, holds 80.00% and approximately 95.45% equity interests, respectively. The Company centrally and professionally manages most of its insurance assets through PICC AMC, in which the Company holds 100% equity interest, and holds a 100% equity interest in PICC Investment Holding which is a professional investment company specialising in real estate investments. The Company carries out alternative investments with debt investment and equity investment businesses as the main line for insurance capital and non-insurance capital within and outside the Group through PICC Capital in which it holds a 100% equity interest. The Company takes PICC Financial Services as a professional platform for the Group's layout of internet finance in which the Company holds 100% equity interest. The Company operates reinsurance business within and outside the Group through PICC Reinsurance in which the Company, directly and indirectly, holds 100% equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension in which the Company holds 100% equity interest and has also made strategic layout in non-insurance financial businesses such as banking and trust.

The Company's principal competitive strengths include:

We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognised brand with the longest history in the industry;

We are an integrated insurance financial group on our core business and on the customer-oriented development strategy to achieve co-development of various business segments;

We have diversified institutions and service network based in cities and towns spread over the country, as well as extensive and solid customer base, achieving the integration of policy insurance business and commercial insurance business;

We have an internationally first-class and Asia's leading P&C insurance company with distinct advantages in scale, cost and service as well as outstanding profitability;

We have a life insurance company with a layout throughout the country, steady growth, continuous profitability and sound operating platform as well as with great potentials in value creation and profitability;

We have the first nation-wide professional health insurance company with professional capability to create a featured healthy endowment ecosystem;

We have an industry-leading asset management platform characterised by steady investment and proven performance;

We serve people's livelihood, safeguard the economy, fulfil social responsibilities, grasp policy opportunities and explore new business model with an overall plan;

We have advanced applicable information technology to define a layout in financial technology area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;

We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

Contents

Definitions

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

SSF	National Council for Social Security Fund, PRC
Prospectus	the Prospectus of The People's Insurance Company (Group) of China Limited for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the SSE and the Company on 5 November 2018
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Insurance Law	the Insurance Law of the People's Republic of China
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People's Insurance Company (Group) of China Limited disclosed by the Company on 26 February 2021
"To be Prominent Strategy"	the Company determined the "To be Prominent Strategy" in November 2020, which has a "1+7" strategic framework as the core, which the "1" refers to "1 strategic vision", that is "to build a world-class financial insurance group with excellent risk management capabilities"; and the "7" refers to "7 strategic initiatives", that are to always maintain the development concept of PICC Group, to fulfil the historical responsibility of contributing to the national strategy, to enhance the innovation-driven market advantage of property insurance, to create a service platform for comprehensive risk management, to improve the management system of market-oriented operation, to establish a foundation for digitally supported development, and to improve the governance capacity of modern state-owned enterprises.
China, PRC	the People's Republic of China, which, for the purposes of this report, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
RMB	Renminbi

Financial Highlights and Performance Highlights

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

Unit: in RMB million, except for percentages

	2020	2019	(% of change)	2018	2017	2016
Group consolidation						
Total assets	**1,256,064**	1,133,229	10.8	1,031,635	987,906	932,149
Total liabilities	**982,508**	885,929	10.9	825,334	801,025	761,155
Total equity	**273,556**	247,300	10.6	206,301	186,881	170,994
Gross written premiums (“GWPs”)	**563,608**	555,251	1.5	498,608	476,447	439,874
Net profit	**28,233**	31,281	-9.7	18,715	23,051	20,681
Net profit attributable to equity holders of the Company	**20,036**	22,135	-9.5	12,912	16,099	14,245
Earnings per share (RMB)(1)	**0.45**	0.50	-9.5	0.30	0.38	0.34
Net assets per share(RMB)(1)	**4.58**	4.15	10.4	3.46	3.24	2.97
Weighted average return on equity (%)	**10.4**	13.2	Decrease of 2.8 pts	9.0	12.2	11.8

(1) As attributable to owners of the Company. The percentage increase or decrease of earnings per share is calculated based on the data before rounding off.

Performance Highlights

1. Steady Growth in Profits

The profit before tax amounted to RMB31,610 million, representing a year-on-year increase of 8.5%. Net profit amounted to RMB28,233 million, excluding the one-off impact of the tax preferential policy on handling charges last year, representing a year-on-year increase of 6.2%.

2. Substantial Increase in Cash Dividends

An additional interim dividend was paid to the shareholders, and the cash dividend for the year amounting to RMB1.56 per 10 shares[1] represented a year-on-year increase of 34.5%, which significantly exceeded the increase in net profit attributable to the parent company. The dividend payout ratio based on the net profit attributable to the parent company amounted to 34.4%, setting a new record high.

3. Steady Development of P&C Insurance Business

PICC P&C coped with the impact of the pandemic actively and responded to the trend of comprehensive reform of motor vehicle insurance by accelerating the integration and development of channels, proactively adjusting its business structure and maintaining steady business development. The combined ratio was 98.9%, which outperformed the industry; the comprehensive solvency margin ratio was 289%, demonstrating a strong capital; excluding the impact of changes from the tax policy on handling charges over the same period last year, the net profit was RMB20,868 million, representing a year-on-year increase of 4.1%.

1 On 23 March 2021, the Board of the Company proposed the distribution of a final dividend of RMB1.20 per 10 shares for the year of 2020. The profit distribution proposal will be implemented upon approval on the general meeting of the Company.

4. Great Potential in Life and Health Insurance

The life and health insurance achieved new business of RMB6,132 million, representing a year-on-year increase of 9.7%. The effective workforce of PICC Life continued to grow with a monthly average effective workforce of 101,806 for "Comprehensive individual life insurance", representing a year-on-year increase of 8.8%. Its profitability increased significantly, achieving a consolidated net profit of RMB4,463 million, representing a year-on-year increase of 30.8%. Renewal premiums accumulated rapidly and amounted to RMB47,354 million, representing a year-on-year increase of 7.8%. The proportion of regular payment continued to increase. Regular payment (including renewal) premiums amounted to RMB66,472 million, which accounted for 69.1%, representing a year-on-year increase of 4.4 percentage points.

PICC Health achieved gross written premiums of RMB32,257 million, representing a year-on-year increase of 43.9%, which ranked the top among professional health insurance companies. The innovated health insurance products have earned reputation among customers. The "Hao Yi Bao" (好醫保) series were upgraded and achieved original premiums income of RMB11,056 million, benefiting 41.29 million customers.

5. Serving the People's Livelihood and Demonstrating the Role of PICC

The Group actively participated in the "Healthy China" strategy, with its social insurance services covering 863 million people; participated in the poverty alleviation strategy to complete the mission of designated poverty alleviation. PICC P&C paid claims of more than RMB6 billion for disaster relief and medical assistance to customers in poverty, received the highest rating from the State Council's Poverty Alleviation Office for two consecutive years and achieved full coverage for its poverty alleviation network and personnel in China; safeguarded national major deployments such as "First Mars Exploration Mission" and the "FAST", has underwritten 626 "Belt and Road" relevant projects for 118 countries, fully demonstrating its responsibility in people's insurance.

6. Actively Assisting in Pandemic Prevention and Control and Resumption of Work and Production

To fight against the COVID-19 pandemic, the Group established a public health emergency relief insurance that covered 78,598 thousand people. The Group upgraded insurance coverage, strengthened responsibility, fully supported the resumption of work and production, and underwrote over 10,000 enterprises for combined insurance for resumption of work and production. China Association for Disaster Prevention awarded PICC P&C with the "Outstanding Contribution Award" for fighting against the COVID-19 pandemic. PICC P&C was the only one that received this award in the insurance industry.

7. Continuous Improvement in Brand Value

As a pioneer and cornerstone of the insurance industry in the PRC, after more than 70 years of development, the Group has developed into a leading large-scale integrated insurance financial group nationwide, with the prestige brand of "PICC The People's Insurance". In 2020, we rebranded "People's Insurance" to create a brand image that can be experienced and perceived by our customers with the slogan of "Meeting Your Demands and Warming Your Hearts". With our strong comprehensive competence, the Group was ranked 112th in the Fortune 500 and 30th in the China Top 500 Enterprises by China Enterprise Confederation.

8. Initiation of Technology Capability Planning

The Group has formulated a science and technology construction plan for the "14th Five-Year Plan" period, planned to promote the reform of the science and technology management mechanism and initiated the planning of future-oriented science and technology capabilities: to reform the governance structure of science and technology, with centralisation as the direction, optimise resources allocation and establish a market-oriented operation mechanism; to accelerate the construction of a centralised infrastructure, independently build world-class data centres and realise a multi-site, multi-centre, multi-live/disaster recovery system; to build a consolidated development and technology platform for the Group and to build a technology ecosystem that is independently controllable, stable and secure with leading technology; to implement consolidated data management applications, explore the internal value of data assets and allow data to fully play the empowering role in operation management and business development; to strengthen the construction of scientific and technological talent team, and scientifically design the selection, assessment and incentive mechanism in alignment with the market; to enhance the level of scientific and technological innovation capabilities, create prospective and strategic technology applications, and accelerate the establishment of a mature and robust mechanism and capacity system for scientific and technological innovation.

Luo Xi
Chairman

Dear shareholders,

The year 2020 marks an extraordinary year in the history of new China, and it was also an extraordinary year in the development of PICC Group. In response to the pandemic and economic downturn, the Group took effective measures in the coordination of pandemic prevention and control, as well as business development, to maintain a steady and progressive development trend.

Contrived "To be Prominent Strategy" with High Standard

In 2020, in response to the complex market environment with the new conditions and new demands, PICC Group's new leaders, with its shareholders, clients and the society as its foremost priority, based on the actual development, both current and long-term, of the Group, established the "To be Prominent Strategy" focusing on evolving PICC Group to become an internationally renowned financial insurance company with excellent risk management at their disposal, paving a solid path for the future of PICC Group and defining the next steps.

The core of "To be Prominent Strategy" refers to the "1 strategic vision" and the "7 strategic initiatives". The 1 strategic vision is "to build a world-class financial insurance group with excellent risk management capabilities". The "7 strategic initiatives" include to always maintain the development concept of PICC Group, to fulfil the historical responsibility of contributing to the national strategy, to enhance the innovation-driven market advantage of property insurance, to create a service platform for comprehensive risk management, to improve the management system of market-oriented operation, to establish a foundation for digitally supported development, and to improve the governance capacity of modern state-owned enterprises.

The "1 strategic vision" and the "7 strategic initiatives" jointly constitute the main framework for the "To be Prominent Strategy" of PICC Group, and they are the overall strategy and action plan for the development of PICC Group at present and in the coming period.

Performance Review in 2020

In 2020, the Group achieved GWPs of RMB563,608 million, representing a year-on-year increase of 1.5%; the profit before tax amounted to RMB31,610 million, representing a year-on-year increase of 8.5%; the Group's total assets amounted to RMB1.26 trillion, representing a year-on-year increase of 10.8%.

As regards property insurance, PICC P&C accelerated ability building and adjusted business structure to overcome the impacts brought about by factors such as the COVID-19 pandemic, economic downturn and the comprehensive reform of motor vehicle insurance, and achieved GWPs of RMB433,187 million with a relatively stable business scale. Among which the online insurance purchase rate of family-owned vehicle customers hit 89%, the percentage of direct sales of motor vehicle insurance rose up to over 30%, and market growth rate of motor vehicle insurance reached 140%; achieving a combined ratio of 98.9%, and a net profit of RMB20,868 million; **PICC Reinsurance** achieved reinsurance premium income of RMB5,191 million by taking advantage of the professional reinsurance platform of the Group. **PICC Hong Kong** explored new business growth areas and achieved GWPs of RMB1,240 million.

As regards life insurance, PICC Life focused on value creation, built a professional operation system and achieved GWPs of RMB96.19 billion, among which, regular payment business accounted for 69.1%, an increase of 4.4 percentage points year-on-year. Our effective monthly manpower reached 102 thousand persons, a year-on-year increase of 8.8%; with the net profit of RMB4,463 million, increasing by 30.8% year-on-year, and the scale of embedded value exceeded RMB100 billion. **PICC Health** actively explored markets, continuously promoted health guarantee capability and achieved GWPs of RMB32,257 million, an increase of 43.9% year-on-year, among which, the scale of premium income from Internet insurance broke through RMB10 billion, a year-on-year increase of 77.1%; with the net profits of RMB36 million, representing a year-on-year increase of 9.1%.

In terms of investment, we strengthened the research and development of integrated construction, optimised assets allocation, achieved total investment yield amounted to 5.8%, representing a year-on-year increase of 0.4 percentage point. The scale of third-party asset management amounted to RMB854.1 billion, representing a year-on-year increase of 22.8%; among which, the assets under pension management amounted to RMB249.1 billion, representing a year-on-year increase of 107%; and the assets under trust management were RMB207.5 billion.

With regards to fintech, PICC Financial Services supported the development of main business of the Group from various aspects such as marketing, underwriting, insurance renewal, claim settlement and services, achieved a revenue of RMB0.22 billion and served main business to settle claims, reducing losses of RMB1.44 billion.

Regarding the operation and financial performance of business segments, please refer to "Management Discussion and Analysis" for details.

Work Measures and Effectiveness

In 2020, PICC Group stayed committed to seeking progress while maintaining a stable performance, pursued high-quality development, actively participated in the pandemic prevention and control and the overall situation of reopening economy, made efforts to serve the supply-side structural reform, pushed forward reform and innovation solidly, and endeavoured to drive the transformation from an old PICC towards a new PICC.

We continued to bear primary responsibility as a financial SOE. While accomplishing our prevention and control work, the Group actively innovated insurance products, expanded insurance responsibilities, optimised claim settlement services, donated anti-pandemic funds of over RMB35 million and paid insurance claims of RMB58.5 million to insurance underwriters including frontline medical staff. We made efforts to fight against poverty alleviation, promoted green development, and strived to safeguard the people's livelihood and wellbeing. We provided services for the real economy and for the building of the new development pattern of dual circulation. The Group undertook total insurance responsibility valued at RMB1,446 trillion in 2020, and claim settlement amounting to RMB308.8 billion.

We accelerated the reform of science and technology system mechanism. The Group formulated informationisation construction plans and institutional reform plans of science and technology management. The construction of Langfang Data Centre has commenced, and together with the establishment of data centres, research and development centres, and sharing centres, we drove the reform of PICC Financial Services and strengthened scientific and technological empowerment to frontline employees.

We intensified the promotion of institutional reform. By setting up goals of optimisation, coordination, high efficiency and innovation, the Group took the lead to carry out a new round of institutional reform, strengthened business functions, consolidated supervision functions, integrated decentralised functions, and optimised comprehensive security services. We newly established the strategic customer department and the audit centre and facilitated the establishment of a sharing centre. The total number of departments of the Group were streamlined from 19 to 14, laying a solid foundation for constructing an agile organisational structure which is compatible with the "To be Prominent Strategy".

We profoundly pushed forward the coordinated development. We firstly piloted a regional working committee mechanism in 10 regions including Shanghai, built a new governance pattern under the leadership of the Party Committee, which connects thoroughly at all levels and across the institutions. We innovated the strategic customer management mechanism and consecutively entered into cooperative agreements with 8 strategic customers, namely Shenzhen city, Xinjiang Production & Construction Corps ("XPCC"), Jiangsu province, Guangdong Development Bank, China Construction Bank, China Electronics Corporation, State Development & Investment Corp. Ltd. and China Merchants Group. We promoted a business synergy model and the premium income size of business synergy reached RMB16.53 billion, representing an increase of 3.7% year-on-year.

We accelerated the innovation of product and services. We made efforts to develop governance liability insurance and launched the first catastrophe insurance product in China including hurricane and flood, strategically developed individual non-vehicle insurance business, improved "insurance + technology + services" product systems, and explored new fields such as personal liability insurance, service-based family property insurance and IoT home insurance. We enhanced the development of security-typed and value-based life products, and launched 35 security-typed products. We launched the first cancer prevention medical insurance with a lifetime guarantee of renewal in the industry, and upgraded the nursing insurance product which integrates nursing guarantee with nursing demand assessment services.

We carried out the "Heart-warming Project" thoroughly. The first phase of the activity focused on the concerned, minor and practical matters of the customers to investigate problems, select priorities and work on the practical matters. We summarised 11,267 realistic issues which customers cared about the most, worked on 9,801 practical matters which enabled customers and grassroots levels to see we care, and responded to customers' expectation with noticeable changes.

We proactively prevented and resolved risks. We handled cases with major risks in an appropriate manner, examined systemic risk base, carried out activities of treating root causes with real cases, and enhanced the clean-up and rectification. We implemented regulatory requirements carefully, enhanced compliance management of key fields such as motor vehicle insurance and agricultural insurance, and guided grass-rooted organisations to form a good atmosphere for encouraging compliance operation. We improved the fundamental construction of risk control, upgraded the Company's risk appetite system, and strengthened key business risk prevention such as credit risks.

Opportunities and Challenges

The role of insurance is to provide risks reductive and protective measures. Under the new development plan, the intensification and expansion of domestic demand brings great opportunities to the insurance industry. **The Rural Revitalisation Strategy has been comprehensive implemented.** Insurance business will be significantly expanded into the county level areas with the agricultural insurance transforming from insuring cost to insuring income, and the insurance integrating into the rural industrial economy, social governance, public services and ecological civilization construction. **The construction of a strong and nationwide transportation network and intelligent transportation has been accelerated.** The automobile market is shifting from purchase management to usage management. The reform of motor vehicle insurance has been promoted comprehensively, which will boost the overall transformation and upgrade of the field, and automobile insurance products will shift from property insurance to conduct insurance and from physical damage compensation to liability damage compensation, extending the scope and field of coverage. **China has promoted the steady development of life insurance expansion and quality uplift.** The accelerated development of commercial health insurance has been promoted, which means that health insurance will continue to make important strategic growth in the industry; the development of endowment insurance has been standardised as the third-pillar, increasing the effectiveness of pension protection, and commercial pension insurance is expected to have unprecedented development opportunities. **The central government has attached unprecedented importance to self-reliance and self-improvement in science and technology.** Financial support for strategic innovative technologies has been enhanced, which is conducive to the innovation of technological insurance and insurance investment products. **The change in the role of the government has accelerated.** Insurance will become increasingly important in serving social governance. PICC Group will continue to improve its capabilities and seize opportunities.

Prospects of Development

The year 2021 marks the beginning of the "the 14th Five-Year Plan" and also the first year for PICC Group to fully implement its "To be Prominent Strategy". Based on the new development stage, and by implementing the new development philosophy, building a new development planning, taking innovation and reform as the driving force, taking supply improvement as the main focus, taking quality enhancement as the main theme, promoting transformation and upgrade, strengthening technology empowerment, carrying out the "Heart-warming Project", implementing strategic plan, improving corporate governance, and further strictly administrating over the Party, PICC Group will promote and ensure the "To be Prominent Strategy" is started properly.

We will provide high-quality insurance services. We will serve the rural revitalisation, develop insurance products for local specialty agricultural products, continuously work on designated poverty alleviation and alleviate poverty through the provision of insurance products. We will serve transportation safety, respond properly to the market situation changes after the comprehensive reform of motor vehicle insurance and promote the transformation and upgrade of motor vehicle insurance in an all-round way. We will serve the pension insurance system, actively participate in pilots of exclusive pension insurance products, develop diversified and multi-level commercial pension insurance and annuity products, build PICC Kangyang town, and establish the service standards and brand of PICC Pension. We will serve public health, and accelerate the transformation of expense reimbursement and payment products to service-based products. We will serve scientific and technological innovation, promote the upgrade and expansion of the scale of insurance products through scientific and technological development and provide integrated financial solutions covering investment, financing and insurance for technological innovation-based enterprises. We will serve social governance, comprehensively solve governments' problems in governing fields such as safe production, environment protection, construction quality and catastrophes, and bring its role into play in building a new development pattern.

We will promote the core capability of the investment segment. We will speed up the professional and market-oriented operation of the investment segment, push forward the reform of asset allocation mechanism, improve the assessment mechanism for benchmarking market standards as well as the decision-making mechanism, optimise investment strategies, implement asset management accountability and increase the income from the use of insurance funds. We will intensify the linkage mechanism between investment and insurance, focus on the strategic regional markets that the Group shall make efforts for breakthroughs, carry out the association of exclusive insurance with investment and help to build advantages in regional competitiveness. We will strengthen industry investment capacity construction and enhance the support to key industry projects necessary for major business under the guidance of strategies.

We will build scientific and technological core competitiveness. We will accelerate the optimisation of our governance system of science and technology, and with corporatisation and marketisation approaches, implement mechanisms such as cost-sharing and project assessment management, and enhance our momentum and vitality for informationisation across the Group. We will adhere to the scientific and technological empowerment to frontline employees, set up standards by relying on the perception of grassroots level and customers' experience, prioritise the development of operation systems, trading systems and sales support tools which can directly drive the productivity and serve grassroots, and provide effective and useful "insurance + sci-tech" applications for frontline employees.

We will intensify the institutional reform. We will optimise the governance system, intensify organisational revolution, reform the distribution system, and fully mobilise the proactiveness, activeness and creativity of officers and employees in the system, to contribute pressure, momentum and vitality to the national strategy and the establishment of a world-class enterprise.

We will elevate the effectiveness of risk prevention and control. We will adhere to our bottom-line thinking, improve our risk prediction capability and resolve various existing risks, and prevent and control incremental risks. We will improve our internal control of the compliance system, adhere to learning from cases and referencing to cases, promote our technological management and control capability of major business processes and key procedures, improve the case prevention mechanism in internal control for major cases and major risks, and strictly implement the mechanism of associating risk compliance accountability with performance assessment. We will promote the construction of intelligent risk control platforms and, by enhancing IT approaches, we will rigidly manage and control the key procedures of underwriting and claim settlement.

PICC Group will constantly intensify revolution and innovation, promote high-quality development, implement the "To be Prominent Strategy" and create greater value for shareholders, customers and the society.

ACKNOWLEDGEMENT

On behalf of the Board of Directors of The People's Insurance Company (Group) of China Limited, I would like to express my sincere gratitude to all shareholders who have given us trust and support over the years. I would also like to express, on behalf of the Board of Directors, our deepest gratitude to all employees for their dedication in performing their duties.

Luo Xi
Chairman

Beijing, PRC

23 March 2021

Honours and Awards

1. The Company was ranked the 112th in the list of Fortune Global 500

   In August 2020, the Company ranked the 112th in the list of Fortune Global 500 published by the Fortune magazine in the US.

2. The Company was ranked the 30th in the list of Top 500 Enterprises of China

   In September 2020, the Company ranked the 30th in the list of Top 500 Enterprises of China in 2020.

3. The Company was awarded three awards from the “Ark Prize in Chinese Insurance Industry"

   In August 2020, the Company was awarded the “Ark Prize for Insurance Company in High Quality Development 2020”, “Ark Prize for Chinese Insurance Company in Poverty Alleviation 2020” and “Ark Prize for Chinese Insurance Company in Advanced Anti-Pandemic Demonstration 2020” at the “Ark Prize in Chinese Insurance Industry in 2020” organised by the Securities Times.

4. The Company was awarded the “Best Insurance Service Innovation Award” and the “Best Event Organiser Award"

   In September 2020, the Company was awarded the “Best Insurance Service Innovation Award” and the “Best Event Organiser Award” by the China International Fair for Trade in Services.

5. The Company was awarded the “Top 100 Comprehensive Strength” and the “Most Valuable Investment Award"

   In December 2020, the Company was awarded the “Top 100 Comprehensive Strength” and the “Most Valuable Investment Award” by Finet HK.

6. The Company was awarded the “2020 Evergreen Award – Sustainable Development Efficiency Award"

   In January 2021, the Company was awarded the “2020 Evergreen Award – Sustainable Development Efficiency Award” at the Sustainable Development Summit & Evergreen Awards Ceremony organised by the Caijing Magazine.

7. The Company was awarded the “Social Responsibility Award”

   In December 2020, the Company received the “Social Responsibility Award” in 2020 Golden Quality Award for Listed Companies organised by Shanghai Securities News.

8. PICC P&C was awarded the “Ark Prize in Chinese Insurance Industry for Innovation"

   In August 2020, PICC P&C was awarded the “Ark Prize for Chinese Insurance Industry for Innovation” at the “Ark Prize in Chinese Insurance Industry in 2020” organised by Securities Times.

9. PICC P&C was awarded the title of "Best Property Insurance Company in Asia in 2020"

   In November 2020, PICC P&C was awarded the title of "Best Property Insurance Company in Asia in 2020" in the "Ranking of Competitiveness of Insurance Enterprises in Asia" organised by the 21st Century Business Herald and the Financial Research Center of the 21st Century Research Institution.

10. PICC P&C was awarded the "Targeted Poverty Alleviation Contribution 2020"

    In December 2020, PICC P&C was awarded the "Targeted Poverty Alleviation Contribution 2020" in the "First Top 100 China Times Enterprises in Public Welfare" co-organised by the Economic Media Association of China and China Times.

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

    In November 2020, PICC P&C was awarded the "Annual Outstanding Award for Insurance Brand" at the Eleventh "Golden Fortune" Award Ceremony organised by Shanghai Securities News.

12. PICC P&C was awarded the "Annual Six Stabilities and Six Securities Insurance Company with the Best Service" award

    In December 2020, PICC P&C was awarded the "Annual Six Stabilities and Six Securities Insurance Company with the Best Service" award in the 2020 China Financial Institution Golden List organised by the Financial Times.

13. PICC P&C was awarded the title of "Annual Insurance Company (Property Insurance)"

    In November 2020, PICC P&C was awarded the title of "Annual Insurance Company (Property Insurance)" in the "2020 Top Financial Ranking" organised by The Paper.

14. PICC AMC was awarded the "2020 Junding Awards in Excellent Chinese Wealth Management Institutions"

    In August 2020, PICC AMC was awarded the "2020 Junding Awards in Excellent Chinese Wealth Management Institutions" in the "2020 Junding Awards in Chinese Wealth Management Institutions" organised by Securities Times.

15. PICC AMC was awarded the "Annual Asset Management Excellence Award"

    In November 2020, PICC AMC was awarded the "Annual Asset Management Excellence Award" at the Eleventh "Golden Fortune" Award Ceremony organised by Shanghai Securities News.

16. PICC AMC was awarded the "Outstanding Customer Service Award"

    In December 2020, PICC AMC's public fund was awarded the "Outstanding Customer Service Award" at the "5th International Conference on Intelligent Finance & the 2020 JRJ.com Navigating China Annual Ceremony" organised by JRJ.com.

17. PICC Life was awarded the "2019-2020 Annual Trusted Life Insurance Institution" award

    In June 2020, PICC Life was awarded the "2019-2020 Annual Trusted Life Insurance Institution" award in "2019-2020 Annual Trusted Financial Institution" organised by the Economic Observer.

18. PICC Life was awarded the "Ark Prize Value Growth Insurance Company"

    In August 2020, PICC P&C was awarded the "Ark Prize Value Growth Insurance Company" at the "Ark Prize in Chinese Insurance Industry in 2020" organised by Securities Times.

19. PICC Life was awarded the “2020 Outstanding Prize for Communication Case of Social Responsibility 2020” award and the “2020 Outstanding Prize for Communication Case of Fighting Against COVID-19" award

    In August 2020, PICC Life was awarded two awards, which were the “2020 Outstanding Prize for Communication Case of Social Responsibility 2020” award and the “2020 Outstanding Prize for Communication Case of Fighting Against COVID-19” in “Jinnuo Ceremony – Brand Power” award 2020 China Financial Brand Influence Summit organised by the China Banking and Insurance News.

20. PICC Life was awarded the title of top 10 in “Chinese Life and Health Insurance Companies in the Overall Competitiveness Ranking"

    In October 2020, PICC life was awarded the title of top 10 in “Chinese Life and Health Insurance Companies in the Overall Competitiveness Ranking” in the “13th China Insurance Culture and Brand Innovation Forum” organised by the Insurance Culture Magazine.

21. PICC Life was awarded the “Leading Institution in Targeted Poverty Alleviation” award

    In December 2020, PICC Life was awarded the “Leading Institution in Targeted Poverty Alleviation” award in the Third China.org.cn Excellent Leader of Financial Poverty Alleviation” organised by China.org.cn.

22. PICC Health was awarded the “Technology Innovation Demonstration Case” award

    In September 2020, the “cloud computing and distributed IT technology framework assisting internet insurance business development” of PICC Health was awarded the “2020 China International Fair for Trade in Services Technology Innovation Demonstration Case” award.

23. PICC Capital was awarded the “Institution with Special Contribution in Industry Designated Poverty Alleviation” award

    In October 2020, PICC Capital was awarded the “Institution with Special Contribution in Industry Designated Poverty Alleviation” award in the “2020 Poverty Alleviation Experience Exchange Meeting” organised by the Insurance Asset Management Association of China.

24. PICC Capital was included in the “Typical Cases of National Insurance Industry Assisting Alleviate Poverty"

    In October 2020, PICC Capital was the only insurance asset management institution included in the “Typical Cases of National Insurance Industry Assisting Alleviate Poverty” in the “2020 National Poverty Alleviation Day Forum – Banking and Insurance Industry Helping to Fight Against Poverty” organised by the CBIRC, and held by the China Banking Association and the Insurance Association of China.

25. PICC Financial Services was awarded the “Ark Prize in Chinese Insurance Industry for Innovation"

    In August 2020, PICC Financial Services was awarded the “Ark Prize for Chinese Insurance Industry for Innovation” at the “Ark Prize in Chinese Insurance Industry in 2020” organised by Securities Times.

Management Discussion and Analysis

We are committed to creating a world-class financial insurance group with excellent risk management capabilities. In 2020, we firmly kept in mind the mission of serving the people. We focused on the needs of the national strategies and relieved people's anxieties. With professionalism to create value, craftsmanship to spread warmth, technology to empower the future, under the new planning and together with the nation, we served the people and promoted the high-quality development of the Company. We strengthened the operating capacity in the P&C insurance segment, enhanced the business capabilities in vehicle insurance, initiated the development of personal non-vehicle insurance business, and accelerated online transformation of digital technology. All these led to a more solid operating foundation. The life and health insurance adhered to concentrate on its value, promoted its "Comprehensive individual life insurance" with the "Cornerstone Plan", and actively contributed to the construction of the "Healthy China", and as a result, the Company's professionalism has been further enhanced. The investment segment adhered to focus on enhancing the efficiency of investment and centering on the support of main businesses, while promoting the construction of differentiated core capabilities. The financial technology segment strengthened technology empowerment and reinforced the foundation of the Group's sustainable development and its core competitiveness.

I. Business Overview of the Company

(I) Principal Businesses

The COVID-19 pandemic has raged across the world in 2020, resulting in the severe recession in the global economy. China's economic growth was affected heavily as well, and with the suspensions of many industries and enterprises, the key economic indicators did not turn from negative to positive until the fourth quarter. The insurance industry not only was influenced by the pandemic in many aspects but also faced the challenging climate, the prominent credit risk, and a volatile financial market. As a result, the growth rate of both premiums and profits declined significantly this year. Meanwhile, the comprehensive reforming of the auto insurance, the state policies for life insurance to provide broader coverage and better quality and efficient services, the integration of online and offline businesses as accelerated by the pandemic and other new requirements for market players also promoted industry transformation and reform.

Amidst the complex and severe domestic and international economic environment, the Group has determined to carry out the new development concept, fulfilled its responsibilities as a financial central enterprise, actively planned and implemented the "To be Prominent Strategy", steadily improved the quality of business development, accelerated the progress of innovation, enhanced the ability and quality of officers and employees, took the initiative to prevent, control and eliminate operational risks and maintained a stable, progressive and positive development trend. Net profit excluding the one-off impact of the tax preferential policy on handling charges last year represented a year-on-year increase of 6.2%. As of 31 December 2020, the market share of PICC P&C in the P&C insurance market was 31.8%, the market share of PICC Life and PICC Health in the life and health insurance market was 4.0%. In terms of the total written premiums (the "**TWPs**"), in 2020, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB432,019 million, RMB101,339 million, RMB32,754 million and RMB207 million, respectively.

1. P&C Insurance Segment: Operating Efficiency Remains Stable

With the impact of the pandemic and market challenges, PICC P&C is committed to contributing to the national strategies, public health, social governance and innovation development, as well as strengthening business synergy and continuously improving the quality of insurance services, and actively adjusts and optimises our business structure, disposes high-risk businesses in a timely manner and dedicates to resolve and prevent business risks to create value for our customers. In 2020, PICC P&C achieved gross written premiums of RMB433,187 million, with a relatively stable business scale; the market share was 31.8%, maintaining the top position in the industry. Excluding the impact of changes from the tax policy on handling charges over the same period last year, the net profit was RMB20,868 million, representing a year-on-year increase of 4.1%.

2. Life and Health Insurance Segment: Business Development to a New Level

In 2020, the life and health insurance achieved new business of RMB6,132 million, representing a year-on-year increase of 9.7%. PICC Life accelerated the business model reform, improved product structure, vigorously promoted team-building, and strictly controlled risks, and has achieved satisfactory results in the transformation to high-quality development. Its profitability and value creation ability increased steadily, achieving a consolidated net profit of RMB4,463 million, representing a year-on-year increase of 30.8%. PICC Health concentrated on the two functions of "protecting from health risks and providing healthcare services" and accelerated transformation and upgrade, and there was a significant growth in business. The TWPs from internet insurance business reached RMB12,678 million, representing a year-on-year increase of 77.1%; PICC Health achieved new business of RMB703 million, representing a year-on-year increase of 56.6%.

3. Investment Segment: Continuous Improvement in Investment Results

The investment segment adhered to the idea of value investment, strengthened the research and development of integrated construction, and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective. In 2020, the Group achieved a total investment income of RMB56,741 million, representing a year-on-year increase of 15.3%; the total investment yield amounted to 5.8%, representing a year-on-year increase of 0.4 percentage point, which is ahead of the industry's average to a large extent. At the same time, the investment segment leveraged its core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. In 2020, the scale of third-party assets management increased by 46.1% compared with the beginning of the year, among which the scale of PICC retirement annuity insurance and pension management was RMB249,148 million, representing an increase of 106.9% compared with the beginning of the year.

4. *Financial Technology Segment: Continuous Improvement of Scientific and Technological Capabilities*

The technology segment took the perception of grassroots level and customer experience as the standard and actively improved the technology support capability. Firstly, we continued to enhance the online operation system and speed up the construction of online sales, underwriting, claims and services. The rate of customers using online claim system to handle vehicle insurance reached 93.2%, and that of online household-owned vehicle customers reached 89%, effectively meeting the surge in demand for online services under the COVID-19 pandemic. Secondly, we increased the application of intelligent technology, further introduced intelligent robots, voice recognition, AirSig, and big data technologies, as well as the introduction of robots for intelligent double recording, revisits, quality control, outbound calls, damage assessment and AI pandemic investigation; continuously enhanced the level of technology empowerment and comprehensively improved customer experience. Thirdly, we optimised the construction of management tools, accelerated the application of new management tools such as the "Vehicle Insurance Claim Butler", "Seven Platforms" for claims, intensified the construction of customer-oriented, internal-oriented and external-oriented mobile interactive platforms, accelerated the optimisation and reconstruction of the core system, and gradually established independent controllable technology system to support the Group's digital transformation to achieve new results.

(II) Key Operating Data

The Group engages in three main businesses, namely P&C insurance business, life and health insurance business and asset management business. The Group's businesses are composed of four main operating segments: the P&C insurance business consists of P&C insurance segment of the Group, which includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 89.36% equity interests, respectively; the life and health insurance business consists of two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business consists of asset management segment of the Group and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC AMHK, which are all 100.00% owned by the Company; the Company also holds 100.00% equity interest in PICC Financial Services, directly and indirectly holds 100.00% equity interest in PICC Reinsurance and holds 100.00% equity interest in PICC Pension.

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Original premiums income			
PICC P&C	**432,019**	431,724	0.1
PICC Life	**96,186**	98,115	(2.0)
PICC Health	**32,257**	22,420	43.9
Combined ratio of PICC P&C (%)	**98.9**	99.2	Decrease of 0.3 pt
Value of one year's new business of PICC Life	**5,429**	5,142	5.6
Value of one year's new business of PICC Health	**703**	449	56.6
Total investment yield (%)	**5.8**	5.4	Increase of 0.4 pt

Note: The assumption of investment yield used in the calculation of the value of one year's new business of PICC Life and PICC Health for the 12 months up to 31 December 2019 is the same as the current assumption of investment yield. Apart from the assumption of investment yield, other assumptions are the same as those used for the evaluation as of 31 December 2019.

Unit: RMB million

	31 December 2020	31 December 2019	(% of change)
Market share (%)			
PICC P&C	31.8	33.2	Decrease of 1.4 pts
PICC Life	3.0	3.3	Decrease of 0.3 pt
PICC Health	1.0	0.8	Increase of 0.2 pt
Embedded Value of PICC Life	102,297	84,692	20.8
Embedded Value of PICC Health	14,947	11,097	34.7

Note:

1. The market share was independently calculated based on the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Banking and Insurance Regulatory Commission (the "**CBIRC**"), and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

2. The assumption of investment yield used in the calculation of Embedded Value of PICC Life and PICC Health as of 31 December 2019 is the same as the current assumption of investment yield. Apart from the assumption of investment yield, other assumptions are the same as those used for the evaluation as of 31 December 2019.

	31 December 2020	31 December 2019	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	305	300	Increase of 5 pts
PICC P&C	289	282	Increase of 7 pts
PICC Life	261	244	Increase of 17 pts
PICC Health	205	201	Increase of 4 pts
Core solvency margin ratio (%)			
PICC Group	257	252	Increase of 5 pts
PICC P&C	250	252	Decrease of 2 pts
PICC Life	233	211	Increase of 22 pts
PICC Health	162	140	Increase of 22 pts

(III) Key Financial Indicators

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Gross written premiums	563,608	555,251	1.5
PICC P&C	433,187	433,175	–
PICC Life	96,190	98,117	(2.0)
PICC Health	32,257	22,423	43.9
Profit before tax	31,610	29,147	8.5
Net profit	28,233	31,281	(9.7)
Net profit attributable to owners of the Company	20,036	22,135	(9.5)
Earnings per share (1) (RMB/share)	0.45	0.50	(9.5)
Weighted average return on equity (%)	10.4	13.2	Decrease of 2.8 pts

(1) The percentage increase or decrease of earnings per share is calculated based on the data before rounding off.

Unit: RMB million

	31 December 2020	31 December 2019	(% of change)
Total assets	**1,256,064**	1,133,229	10.8
Total liabilities	**982,508**	885,929	10.9
Total equity	**273,556**	247,300	10.6
Net assets per share [(1)] (RMB)	**4.58**	4.15	10.4
Gearing ratio [(2)] (%)	**78.2**	78.2	–

(1) The percentage increase or decrease of net assets per share is calculated based on the data before rounding off.

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

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

Unit: RMB million

	Net profit attributable to owners of the Company		**Attributable to owners of the Company**	
	2020	2019	**31 December 2020**	31 December 2019
China Accounting Standards for Business Enterprises	**20,069**	22,401	**202,194**	183,133
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance *(Note 1)*	**22**	(608)	**424**	403
Impact of above adjustment on deferred income tax	**(5)**	150	**(106)**	(102)
Reclassification of insurance contracts to investment contracts *(Note 2)*	**(50)**	192	**(32)**	18
Under the International Financial Reporting Standards	**20,036**	22,135	**202,480**	183,452

Explanation for major adjustments:

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

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

II. PERFORMANCE ANALYSIS

(I) Insurance Business

P&C Insurance Business

1. PICC P&C

In 2020, PICC P&C proactively responded to the trend of comprehensive vehicle insurance reform, continued to optimise risk pricing models and increase the market share of vehicle insurance; proactively contributed to national key projects and major strategies, increased product innovation and promoted the development of individual non-vehicle insurance business; adjusted business structure, continuously promoted disaster prevention and loss reduction and reduced management costs; strengthened regional capacity construction and accelerated digital and online transformation; committed to addressing the potential risks, strengthened risk prevention and control in key areas and procedures, GWPs of RMB433,187 million was achieved, realising a positive year-on-year growth and the market share was 31.8%, maintaining the top position in the industry; underwriting profits amounted to RMB4,177 million, representing a year-on-year increase of 31.5%; the combined ratio was 98.9%, representing a year-on-year decrease of 0.3 percentage point, staying at the top of the industry.

As a result of its outstanding industry position and continuous improvement in its overall strength, PICC P&C has been ranked among the "Top 100 Hong Kong Listed Enterprises – Comprehensive Strength" of "The Top 100 Hong Kong Listed Companies" for eight consecutive years, and has been ranked top in "Asian Insurance Competitiveness List" for twelve consecutive years, and Moody's Investors Service continues to give the highest rating of A1 to PICC P&C's insurance financial strength in Mainland China.

(1) Underwriting

PICC P&C actively countered the challenges brought by the internal and external environment, accelerated the implementation of its digitalisation strategy, built an online contactless service model, proactively adjusted its business structure, and strived to mitigate and prevent business risks, achieving original premiums income of RMB432,019 million, a 0.1% increase compared to the corresponding period last year. While PICC P&C promoted the continuous improvement of business quality, it also strongly resolved the risks of existing business and improved the efficiency of resource utilisation, underwriting profits amounted to RMB4,177 million, representing a year-on-year increase of 31.5%; combined ratio was 98.9%, representing a year-on-year decrease of 0.3 percentage point. Among which, the claim ratio remained flat year-on-year at 66.2%; the expense ratio was 32.7%, representing a year-on-year decrease of 0.3 percentage point.

- Motor vehicle insurance

Despite the double impact on the business due to the decline in automobile production and sales and the COVID-19 pandemic, PICC P&C explored the market's potential intensively, continued to promote the establishment of direct sales team strongly, increased the channel integration and development, driving the premium scale of motor vehicle insurance to rise steadily, resulting in an original premiums income of RMB265,651 million, representing a year-on-year increase of 1.0%.

PICC P&C achieved underwriting profits for motor vehicle insurance of RMB8,809 million, representing a year-on-year increase of 7.4%. In terms of underwriting, PICC P&C's optimisation of business structure has begun to show results, the growth rate of household-owned vehicle business has led the industry, while the quality of business for motor vehicle insurance continues to improve; it continued to optimise risk pricing models, improved the ability of accurate pricing and constantly enhanced the operational efficiency. In terms of claim settlement, PICC P&C actively promoted the "linkage between police and insurance" and "Yuhang Model", introduced contactless claim settlement services during the pandemic, and continuously improved the claim settlement service capability; continued to promote cost reduction and profitability improvement, effectively offset the adverse impact of the rise in prices of the working hours of auto parts and the higher compensation standard for personal injury by taking loss-reduction measures including payment recovery, technology-oriented claim settlement, and "Jia'anpei" order-and-supply platform. Besides, the claim frequency declined. As a result, the claim ratio of the motor vehicle insurance decreased by 1.8 percentage points as compared to the corresponding period of last year. The combined ratio was 96.5%, decreased by 0.2 percentage point as compared to the corresponding period of last year, representing a leading position in the industry.

- Accidental injury and health insurance

In terms of social medical insurance business, PICC P&C continued to contribute to the "Healthy China" strategy, and actively participated in the construction of the multi-level medical insurance system and the national long-term care insurance pilot scheme, promoting the significant growth of social medical insurance business including critical illness insurance, supplementary medical insurance, and nursing care insurance. In terms of commercial accident and health insurance, we intensively promoted innovation of product and business model, promoted policy and commercial business integration, and promoted online-offline channel balanced distribution, resulting in rapid development in individual business particularly driving insurance, "Millions Medical Insurance" and commercial-social security integrated health insurance business. The original premiums income for accidental injury and health insurance was RMB66,187 million, representing a year-on-year increase of 14.8%.

PICC P&C strengthened its centralised and refined underwriting control and introduced an intelligent risk control platform for health insurance to ensure effective risk monitoring; reinforced the quality control of claim settlement and implemented risk reduction management; and strictly managed and controlled costs and optimised resources allocation. The claim ratio for accidental injury and health insurance was 88.1%, with an expense ratio of 13.2%, both demonstrating a decline.

- Agricultural insurance

PICC P&C closely concentrated on the national rural revitalisation strategy, based on intensifying the supply-side structural reform of agriculture. On the one hand, we have been pushing forward the standard upgrading and expansion of traditional business and continuously improving the protection of agricultural insurance; on the other hand, we have been increasing innovation in products and developing local specialty business, breaking through the development of new business areas. The agricultural insurance comprehensive service capability has been increased so as to better satisfy the increasing need of risk prevention with regards to "agriculture, rural areas, and farmers", further consolidated the leading advantages of PICC P&C in the agriculture insurance market, effectively promoted the rapid development of the agricultural insurance business scale. The original premiums income of the agricultural insurance was RMB35,754 million, representing a year-on-year increase of 17.4%.

When it comes to natural disasters including floods, typhoons, hail and frost, PICC P&C further enhanced its response ability to claims and made advance deployment for emergency response to major disasters and proper response to major catastrophes, with a year-on-year decrease in agricultural insurance claim ratio of 6.4 percentage points. As a result of the adjustment to the terms in the reinsurance policy, there was a decrease in the generation rate of the net earned premiums, and the reinsurance commission income decreased as compared to the corresponding period of last year. As a result, the expense ratio of agricultural insurance increased by 4.5 percentage points as compared to the corresponding period of last year.

- Liability insurance

PICC P&C focused on the four aspects of contributing to the real economy, safeguarding national strategies, participating in social governance and protecting the emerging economy. It has been strengthening its product innovation and development efforts, helping to cope with pandemic and assisting in work, production and school resumption, responding to the compulsory insurance system for safe production liability, and getting involved in the field of livelihood assistance and public health in order to achieve better social and economic efficiency. Meanwhile, PICC P&C actively built the new model of "insurance + risk control + technology + service" to create and develop competitive advantages, with greater growth in the business scale of safe liability insurance, comprehensive insurance for first set of major technical equipment and new materials, project quality potential defects insurance, government assistance insurance (including public health emergencies), and campus comprehensive insurance. The original premiums income for liability insurance was RMB28,467 million, representing a year-on-year increase of 4.6%.

As the claim standard of personal injury increases along with the average social income level, the cost of claim settlement involving personal injury insurance increased, resulting in a year-on-year increase of 1.8 percentage points in the overall claim ratio of liability insurance. At the same time, PICC P&C adjusted its planning on channels and optimised expense resources allocation, achieving a year-on-year decrease in expense ratio of 4.3 percentage points. The underwriting profits of liability insurance amounted to RMB543 million, representing a year-on-year increase of 805.0%.

- Credit insurance

PICC P&C continued to strengthen risk management and control, actively adjusted the business structure, and accelerated the clearing of existing business risks; in terms of new business, it insisted on prioritising efficiency and strictly controlled the quality of new business. The business scale of credit insurance decreased by 76.8% year-on-year.

Due to the increased social credit risk level caused by the pandemic, there was an increase in the overdue rate of existing business and a year-on-year increase in costs of claims; coupled with the curbs placed on the scale of financing credit and surety insurance business, there was a decrease in premiums income, the overall claim ratio of credit insurance increased by 46.6 percentage points year-on-year, the expense ratio decreased by 23.5 percentage points year-on-year, the comprehensive cost ratio increased by 23.1 percentage points year-on-year, and the underwriting loss was RMB5,104 million. PICC P&C will continue to strengthen the post-loan collection and process management and control, and improve the subsequent recovery income.

- Commercial property insurance

PICC P&C actively responded to the adverse impact of COVID-19 pandemic and the fierce market competition, swiftly optimised business development solutions, increased the efforts in new products development, and continued to strengthen the service for existing customers, developed and improved the source map system, and assisted the grassroots to expand new business. The original premiums income of commercial property insurance was RMB14,258 million, representing a year-on-year increase of 0.2%.

Meanwhile, PICC P&C optimised the allocation efficiency in expenses and timely adjusted reinsurance arrangements, resulting in a year-on-year decrease in the expenses rate of 3.4 percentage points; however, due to the major claims such as flood and fire as well as the impact of the pandemic, the claim ratio of commercial property insurance increased by 1.7 percentage points year-on-year. The underwriting loss of commercial property insurance was RMB344 million, representing a year-on-year reduction in loss of RMB158 million.

- Cargo insurance

Affected by the pandemic and the intensified market competition, the scale of the traditional cargo insurance market has shrunk. There was a year-on-year decrease in the average rate. Meanwhile, PICC P&C actively reduced its high-risks business, which led to a year-on-year decrease in cargo insurance original premiums income of 4.1%.

PICC P&C actively responded to the adverse impacts, improved the automatic quotation tools of cargo insurance, strengthened the management and control of business risks, and further improved the business quality. In addition, in the first half of the year, the accident rate was reduced due to the traffic and logistics control during the pandemic, and there was a year-on-year increase in the operating efficiency of cargo insurance. The underwriting profits amounted to RMB440 million, representing a year-on-year increase of 26.4%.

- Other insurances

The original premiums income of other PICC P&C insurances was RMB12,612 million, representing a year-on-year increase of 0.7%; the underwriting profits turned loss into profit and amounted to RMB595 million. Among which:

In terms of special insurance, PICC P&C fully leveraged its advantages in professional operation and services, safeguarded national major deployments such as “First Mars Exploration Mission” and the “FAST”, steadily developed high-quality overseas business, and strengthened product innovation. The business scale increased by 18.6% year-on-year, and the business quality continued to improve. Meanwhile, PICC P&C increased its efforts in disaster prevention and loss prevention, and the claim ratio decreased by 31.0 percentage points year-on-year with an underwriting profit of RMB177 million.

In terms of family property insurance, PICC P&C actively adjusted its business structure, proactively eliminated high-loss business, implemented authorised operation for certain high-risk business, strengthened risk management and control, and the business scale of family property insurance recorded a year-on-year decrease. However, the operating efficiency was significantly improved, and the underwriting profits turned loss into profit and amounted to RMB519 million.

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

Unit: RMB million

	For the year ended 31 December 2020						
	Original premiums income	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	265,651	265,651	103,567,179	147,571	193,221	8,809	96.5
Accidental injury and health insurance	66,187	66,187	817,630,504	50,722	29,348	(818)	101.3
Agricultural insurance	35,754	36,121	2,437,312	19,378	14,865	56	99.8
Liability insurance	28,467	28,467	191,299,913	10,971	26,480	543	97.2
Credit insurance	5,283	5,283	1,343,547	14,976	15,378	(5,104)	144.8
Commercial property insurance	14,258	14,957	31,935,722	5,478	13,907	(344)	104.1
Cargo insurance	3,807	3,807	12,999,386	1,151	2,429	440	82.9
Other PICC P&C insurances	12,612	12,714	113,923,440	4,035	17,245	595	91.9
Total	432,019	433,187	1,275,137,003	254,282	312,873	4,177	98.9

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

① Analysis by Insurance Types

The following table sets forth the original premiums income by insurance types from PICC P&C for the reporting periods indicated:

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Motor vehicle insurance	265,651	262,927	1.0
Accidental injury and health insurance	66,187	57,633	14.8
Agricultural insurance	35,754	30,454	17.4
Liability insurance	28,467	27,220	4.6
Credit insurance	5,283	22,763	(76.8)
Commercial property insurance	14,258	14,227	0.2
Cargo insurance	3,807	3,970	(4.1)
Other PICC P&C insurances	12,612	12,530	0.7
Total	432,019	431,724	0.1

② Analysis by Channel

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

Unit: RMB million

	Year ended 31 December				
	2020			2019	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	285,328	66.0	(4.2)	297,891	69.0
Among which: Individual insurance agents	148,438	34.4	6.6	139,254	32.3
Ancillary insurance agents	42,933	9.9	(14.2)	50,037	11.5
Professional insurance agents	93,957	21.7	(13.5)	108,600	25.2
Direct sales	113,033	26.2	14.7	98,579	22.8
Insurance brokerage	33,658	7.8	(4.5)	35,254	8.2
Total	432,019	100.0	0.1	431,724	100.0

In 2020, PICC P&C continued to strengthen the construction of its own channels, improved the ability of direct sales and direct control, enhanced channel coordination and promoted the integration and development of its business. The original premiums income of direct sales increased by 14.7% to RMB113,033 million in 2020 from RMB98,579 million in 2019; the original premiums income of insurance brokerage decreased by 4.5% to RMB33,658 million in 2020 from RMB35,254 million in 2019.

③ Analysis by Region

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Jiangsu Province	42,343	40,156	5.4
Guangdong Province	41,522	50,181	(17.3)
Zhejiang Province	34,213	31,201	9.7
Shandong Province	25,860	24,349	6.2
Hebei Province	24,252	23,849	1.7
Sichuan Province	21,362	20,313	5.2
Hunan Province	17,983	16,180	11.1
Hubei Province	17,473	18,646	(6.3)
Anhui Province	17,381	16,845	3.2
Fujian Province	16,576	16,748	(1.0)
Other regions	173,054	173,256	(0.1)
Total	432,019	431,724	0.1

(2) Financial Analysis

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Net earned premiums	**393,127**	380,683	3.3
Investment income	**15,737**	14,069	11.9
Other income	**1,517**	1,629	(6.9)
Total income	**421,987**	406,496	3.8
Net claims and policyholders' benefits	**260,263**	251,796	3.4
Handling charges and commissions	**49,552**	55,042	(10.0)
Finance costs	**1,547**	1,424	8.6
Other operating and administrative expenses	**92,769**	82,426	12.5
Total benefits, claims and expenses	**404,752**	390,611	3.6
Profit before tax	**24,676**	23,783	3.8
Less: Income tax expense/(credit)	**3,808**	(496)	–
Net profit	**20,868**	24,279	(14.0)

Net earned premiums

Net earned premiums of PICC P&C increased by 3.3% to RMB393,127 million in 2020 from RMB380,683 million in 2019, which was mainly attributable to the development in the businesses of motor vehicle insurance, accidental injury and health insurance and agricultural insurance.

Investment income

The investment income of PICC P&C increased by 11.9% to RMB15,737 million in 2020 from RMB14,069 million in 2019, mainly due to better utilisation of investment opportunities in the equity market.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC P&C increased by 3.4% to RMB260,263 million in 2020 from RMB251,796 million in 2019, the claim ratio was 66.2%, which remained stable with 2019.

Handling charges and commissions

The regulatory reform in P&C insurance sector has been further promoted, the market rationality has been continuously enhanced and the comprehensive reform of motor vehicle insurance has been promoted in an all-round way. PICC P&C has strictly implemented the requirements of regulatory authorities on "integration of reporting and implementation" policy, and actively adjusted its business structure, strengthened the construction of its own channels, and enhanced the direct control ability of direct sales. The handling charges rate has decreased by 1.2 percentage points from 12.7% in 2019 to 11.5% in 2020, and the handling charges and commissions have decreased by 10.0% from RMB55,042 million in 2019 to RMB49,552 million in 2020.

Finance costs

Finance costs of PICC P&C increased by 8.6% to RMB1,547 million in 2020 from RMB1,424 million in 2019, mainly due to an increase in interest expense of bond payables.

Income tax expense

The income tax expense of PICC P&C changed from RMB-496 million in 2019 to RMB3,808 million in 2020 which was a one-off impact caused by the application of the new taxation rules on handling charges in 2019.

Net profit

As a result of the foregoing reasons, the net profit of PICC P&C decreased by 14.0% to RMB20,868 million in 2020 from RMB24,279 million in 2019.

2. *PICC Hong Kong*

As of 31 December 2020, PICC Hong Kong's total assets amounted to RMB3,803 million, and net assets were RMB1,438 million. In 2020, the GWPs amounted to RMB1,240 million, the combined ratio was 99.99%, and the net profit amounted to RMB58 million.

PICC Reinsurance

In 2020, the construction of PICC Reinsurance professional capacity has achieved results, the market competitiveness was enhanced, and the premiums income of third party business was RMB1,355 million, representing a year-on-year increase of 37.2%, accounting for more than 25% of total premium income; the development layout of domestic market has been further improved, with business expanded to head companies of P&C insurance; the international layout has taken a new step and PICC Reinsurance became the first Chinese funded insurance institution registered in Argentina; business quality has been continuously improved, with a year-on-year decrease of 4.96 percentage points in combined ratio. Net profit in 2020 amounted to RMB100 million, representing a year-on-year increase of 5.77 times.

Life and Health Insurance

1. *PICC Life*

In 2020, facing the complex external environment and the severe impact of COVID-19 pandemic, PICC Life thoroughly implemented the Group's "To be Prominent Strategy", carried out innovation and reform, vigorously promoted the construction of "Comprehensive individual life insurance" sales capability, increased the efforts of technology empowerment and online and offline integration, actively reduced single premiums business and adjusted business structure, and achieved a significant increase in net profit under a slight decrease in business scale, with a year-on-year growth of 30.8%; it maintained a stable market position, continued to expand its brand influence and achieved further results in the development and transformation to high-quality. In 2020, the original premiums income for general life insurance of PICC Life was RMB23,667 million, representing a year-on-year increase of 0.9%; the original premiums income for health insurance was RMB21,077 million, representing a year-on-year increase of 4.8%; and the original premiums accounted for 3.0% of market share. In 2020, the value of a year's new business of PICC Life amounted to RMB5,429 million, representing a year-on-year increase of 5.6%. The embedded value amounted to RMB102,297 million, representing an increase of 20.8% as compared to the end of last year. The residual margin[1] amounted to RMB75,789 million, representing an increase of 18.2% as compared to the end of last year.

[1] Residual margin is a component of insurance contract liability and should be measured at initial recognition to ensure no day one gain is recognised. Residual margin will be amortised over the whole coverage period of insurance contracts.

(1) Original premiums income

① Analysis by Product

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

Unit: RMB million

	Year ended 31 December				
	2020			2019	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Life insurance	**73,478**	**76.4**	**(3.5)**	76,164	77.6
General life insurance	**23,667**	**24.6**	**0.9**	23,464	23.9
Participating life insurance	**49,704**	**51.7**	**(5.5)**	52,593	53.6
Universal life insurance	**106**	**0.1**	**(0.9)**	107	0.1
Health insurance	**21,077**	**21.9**	**4.8**	20,110	20.5
Accident insurance	**1,632**	**1.7**	**(11.4)**	1,841	1.9
Total	**96,186**	**100**	**(2.0)**	98,115	100.0

PICC Life actively responded to the challenges of the pandemic, accelerated the construction of online operation system, vigorously improved the sales-in-force, and focused on the development of protection regular premiums insurance business. Under the continuous compression of the scale of single premiums and termination of supplementary group medical products, the business structure was further optimised, achieving the original premiums income of RMB96,186 million, representing a year-on-year decrease of 2.0%, and the business remained basically stable.

PICC Life continued to optimise its business structure, and actively reduced the scale of short and medium-term business. Meanwhile, under the impact of COVID-19 pandemic, the increment of regular premiums business was lower than expected, and the original premiums income of life insurance was RMB73,478 million, representing a year-on-year decrease.

Adhering to the development and transformation to high-quality, PICC Life actively met the growth trend of health insurance demand under the impact of COVID-19 pandemic, stepped up the effort to develop and promote protection products such as critical illness insurance. The original premiums income of health insurance was RMB21,077 million, representing a year-on-year increase of 4.8%.

PICC Life continued to strengthen the management and control of business risk and the management of premiums receivable, actively adjusted the sales structure of short-term insurance, and continuously improved the operating efficiency. The original premiums income of accident insurance was RMB1,632 million, representing a year-on-year decrease of 11.4%.

In terms of TWPs, in 2020, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB23,667 million, RMB50,222 million and RMB4,736 million, respectively. TWPs of health insurance and accident insurance amounted to RMB21,083 million and RMB1,632 million, respectively.

② Analysis by Channel

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

Unit: RMB million

	Year ended 31 December				
	2020			2019	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	**35,930**	**37.4**	**(8.9)**	39,444	40.2
First-year business of long-term insurance	**22,737**	**23.6**	**(15.7)**	26,986	27.5
Single premiums	**15,276**	**15.9**	**(24.3)**	20,168	20.6
First-year regular premiums	**7,461**	**7.8**	**9.4**	6,819	6.9
Renewal business	**13,115**	**13.6**	**6.3**	12,340	12.6
Short-term insurance	**78**	**0.1**	**(33.9)**	118	0.1
Individual Insurance	**54,817**	**57.0**	**7.0**	51,248	52.2
First-year business of long-term insurance	**20,364**	**21.2**	**6.6**	19,108	19.5
Single premiums	**8,880**	**9.2**	**28.0**	6,938	7.1
First-year regular premiums	**11,484**	**11.9**	**(5.6)**	12,170	12.4
Renewal business	**33,304**	**34.6**	**7.3**	31,027	31.6
Short-term insurance	**1,148**	**1.2**	**3.1**	1,113	1.1
Group Insurance	**5,439**	**5.7**	**(26.7)**	7,423	7.6
First-year business of long-term insurance	**2,403**	**2.5**	**(42.2)**	4,156	4.2
Single premiums	**2,230**	**2.3**	**(37.6)**	3,571	3.6
First-year regular premiums	**173**	**0.2**	**(70.4)**	585	0.6
Renewal business	**935**	**1.0**	**68.2**	556	0.6
Short-term insurance	**2,101**	**2.2**	**(22.5)**	2,711	2.8
Total	**96,186**	**100.0**	**(2.0)**	98,115	100

PICC Life insisted on promoting the transformation of regular premium business of bancassurance channel, continued to reduce the scale of low value single premium business such as short and medium-term business, continuously optimised the business structure and achieved a valuable scale of growth. The original premiums income of bancassurance channel was RMB35,930 million, representing a year-on-year decrease of 8.9%.

PICC Life is determined to promote the strategy of "Comprehensive individual life insurance", and will continue to promote the implementation of the "Cornerstone Plan", focus on the construction of sales capacity and infrastructure, fully implement the new basic law, take systemised operation as a guidance, strengthen the basic management of sales agent, continuously improve the quality of individual insurance agent team, and enhance the sales capacity of personal business. The effective workforce per month was 101,806, representing a year-on-year increase of 8.8%. The original premiums income of personal insurance channel was RMB54,817 million, representing a year-on-year increase of 7.0%.

PICC Life has terminated supplementary group medical products. The original premiums income of group insurance channel was RMB5,439 million, representing a year-on-year decrease of 26.7%.

In terms of TWPs, in 2020, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB36,870 million, RMB58,464 million and RMB6,005 million, respectively. As at 31 December 2020, the number of sales agents for "Comprehensive individual life insurance" was 414,255. The first-year TWPs per capita per month amounted to RMB2,198 and the average number of new life insurance policies per capita was 0.79 per month.

③ Analysis by Region

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Zhejiang Province	**13,607**	11,326	20.1
Sichuan Province	**7,472**	7,300	2.4
Jiangsu Province	**4,970**	5,043	(1.4)
Hunan Province	**4,920**	5,102	(3.6)
Beijing City	**4,514**	4,852	(7.0)
Guangdong Province	**4,148**	3,148	31.8
Henan Province	**3,865**	4,796	(19.4)
Hubei Province	**3,752**	4,030	(6.9)
Hebei Province	**3,732**	4,761	(21.6)
Jilin Province	**3,282**	3,350	(2.0)
Other regions	**41,925**	44,407	(5.6)
Total	**96,186**	98,115	(2.0)

④ Persistency Ratios of Premiums

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

	Year ended 31 December	
Items	**2020**	2019
13-month premium persistency ratio(1)(%)	**86.5**	91.8
25-month premium persistency ratio(2)(%)	**88.9**	91.4

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

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

⑤ Top Five Products

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

Unit: RMB million

	For the year ended 31 December 2020		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance/ Bancassurance	15,033
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	11,447
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance	8,647
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	6,668
PICC Life Le Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance/ Bancassurance	4,287

(2) Financial Analysis

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Net earned premiums	**94,288**	95,849	(1.6)
Investment income	**21,466**	16,101	33.3
Other income	**935**	788	18.7
Total income	**117,126**	112,991	3.7
Net claims and policyholders' benefits	**94,136**	91,735	2.6
Handling charges and commissions	**12,591**	11,450	10.0
Finance costs	**2,673**	2,858	(6.5)
Other operating and administrative expenses	**8,437**	8,944	(5.7)
Total benefits, claims and expenses	**117,932**	114,938	2.6
Profit before tax	**3,136**	2,115	48.3
Less: Income tax expense/(credit)	**(1,327)**	(1,297)	2.3
Net profit	**4,463**	3,412	30.8

Net earned premiums

Net earned premiums of PICC Life decreased by 1.6% from RMB95,849 million in 2019 to RMB94,288 million in 2020. On the one hand, PICC Life took the initiative to reduce the scale of existing short and medium-term business, and achieved further results in the development and transformation to high-quality; on the other hand, due to the adverse impact of the COVID-19 pandemic, the growth of regular business was below expectation with a year-on-year decrease in business scale.

Investment income

The investment income of PICC Life increased by 33.3% from RMB16,101 million in 2019 to RMB21,466 million in 2020. This was primarily due to better utilisation of investment opportunities in the equity market.

Other income

Other income of PICC Life increased by 18.7% to RMB935 million in 2020 from RMB788 million in 2019. This was primarily due to the year-on-year increase in business synergy income.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Life increased by 2.6% to RMB94,136 million in 2020 from RMB91,735 million in 2019. This was mainly due to the significant effect of adjustment in business structure of PICC Life and the year-on-year decrease in insurance claims expenses and maturity benefits, and the increase in insurance liability reserves.

Handling charges and commissions

The handling charges and commissions of PICC Life increased by 10.0% from RMB11,450 million in 2019 to RMB12,591 million in 2020. It was mainly because, on the one hand PICC Life took the initiative to reduce the scale of existing short and medium-term business and increase the proportion of regular premiums business; on the other hand, while continuously optimising its business structure and increasing product cost, PICC Life deeply promoted "Comprehensive individual life insurance" strategy, focused on valuable regular premiums and sales-in-force, and made effort on sales team building.

Finance costs

Finance costs of PICC Life decreased by 6.5% from RMB2,858 million in 2019 to RMB2,673 million in 2020. The decrease was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life changed from RMB-1,297 million in 2019 to RMB-1,327 million in 2020, which remained basically stable with last year.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life increased by 30.8% to RMB4,463 million in 2020 from RMB3,412 million in 2019.

2. *PICC Health*

In 2020, adhering to the development direction of serving people's health, PICC Health steadily promoted the transformation of business model, promoted the specialisation of social security business, the individualisation of group business, the premiumisation of personal business, the popularisation of internet business, the platformisation of health management and the specialisation of product supply, centering on the two major functions of "ensuring health risks and providing health services", so as to create a professional health insurance operation system with PICC characteristics; PICC Health accelerated the transition to high-quality development in the strategy of serving "Healthy China" and the construction of the national multi-level medical security system. The original premiums income of PICC Health was RMB32,257 million, representing a year-on-year increase of 43.9%. The "Hao Yi Bao" (好醫保) series products were upgraded iteratively, achieving original premiums income of RMB11,056 million, and benefiting 41.29 million customers; the Group implemented the long-term medical rate adjustment policy and launched the first lifelong cancer prevention medical insurance with adjustable rate in the industry.

(1) Original premiums income

① Analysis by Product

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

Unit: RMB million

	Year ended 31 December				
	2020			2019	
Health insurance products	**Amount**	**(% of total)**	**(% of change)**	Amount	(% of total)
Medical insurance	**21,524**	**66.7**	**26.4**	17,024	76.0
Participating endowment insurance	**5,972**	**18.5**	**212.2**	1,913	8.5
Illness insurance	**2,842**	**8.8**	**70.3**	1,669	7.4
Nursing care insurance	**1,287**	**4.0**	**11.5**	1,154	5.1
Accidental injury insurance	**536**	**1.7**	**(9.9)**	595	2.7
Disability losses insurance	**96**	**0.3**	**50.0**	64	0.3
Total	**32,257**	**100.0**	**43.9**	22,420	100.0

In 2020, PICC Health focused on three key aspects of "reconstruction", "improvement" and "activation" under the new business model of "health insurance + health management + technology empowerment" to emphasise on coordination and proper implementation of pandemic prevention and control measures as well as reform and development. Thus, PICC Health recorded an original premiums income of RMB32,257 million, representing a year-on-year increase of 43.9%.

PICC Health actively served the construction of multi-level medical security system, deepened the cooperation with key platforms, and the premiums of inclusive internet medical insurance increased significantly, realising an original premiums income of medical insurance of RMB21,524 million, representing a year-on-year increase of 26.4%.

PICC Health proactively developed critical illness insurance products with outstanding protection attributes, and realised an original premiums income of illness insurance of RMB2,842 million, representing a year-on-year increase of 70.3%.

PICC Health seized the policy opportunity of the national long-term care insurance pilot expansion, actively initiated new projects, and realised an original premiums income of nursing care insurance of RMB1,287 million, representing a year-on-year increase of 11.5%.

PICC Health has increased the quality control of short-term accidental insurance business. Meanwhile, due to the adverse impact of COVID-19 pandemic, the premiums income of accident insurance has declined.

PICC Health actively promoted the supplementary work injury business, which led to a substantial increase of 50% in the premium for disability losses insurance.

In 2020, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB21,704 million, RMB5,972 million, RMB2,842 million, RMB1,604 million, RMB536 million and RMB96 million, respectively.

② Analysis by Channel

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

Unit: RMB million

	Year ended 31 December				
	2020			2019	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	4,973	15.4	284.9	1,292	5.8
First-year business of long-term insurance	4,443	13.8	390.9	905	4.0
Single premiums	4,078	12.6	545.3	632	2.8
First-year regular premiums	365	1.1	33.7	273	1.2
Renewal business	522	1.6	41.5	369	1.7
Short-term insurance	8	–	(55.6)	18	0.1
Individual Insurance	15,441	47.9	59.6	9,672	43.1
First-year business of long-term insurance	7,429	23.0	13.6	6,540	29.2
Single premiums	89	0.3	187.1	31	0.1
First-year regular premiums	7,340	22.8	12.8	6,509	29.1
Renewal business	7,352	22.8	174.7	2,676	11.9
Short-term insurance	660	2.0	44.7	456	2.0
Group Insurance	11,843	36.7	3.4	11,456	51.1
First-year business of long-term insurance	29	0.1	(25.6)	39	0.2
Single premiums	14	–	(44.0)	25	0.1
First-year regular premiums	15	–	7.1	14	0.1
Renewal business	32	0.1	39.1	23	0.1
Short-term insurance	11,782	36.5	3.4	11,394	50.8
Total	32,257	100.0	43.9	22,420	100.0

PICC Health further strengthened its cooperation on the bank channel with the “four banks and one post”, dug up network resources, and marketed excellent customers. While fighting the battle of pandemic prevention and control, it vigorously promoted the issuance of digital channels and promoted the rapid development of bancassurance channel business, realising an original premiums income of RMB4,973 million, representing a year-on-year increase of 284.9%.

In terms of individual insurance agent business, in accordance with the Company's new business model of "health insurance + health management + technology empowerment", PICC Health continuously expanded the scale of personal health insurance business, optimised the business structure, enhanced the embedded value of channels, and steadily promoted the Company's strategic deployment of "individual business premiumisation". In terms of internet insurance business, the Company continued to improve the internet health insurance product system, through deepening the cooperation with excellent internet platforms, the Company improved the information and technology content of the whole business process, enhanced the core value of channels, and promoted the sound development of business. The original premiums income for individual insurance channel was RMB15,441 million, representing a year-on-year increase of 59.6%.

PICC Health grasped the opportunity of resumption of work and production in commercial group insurance business, emphasised key work such as business expansion of corporate customers, quality and efficiency enhancement of short-term insurance business and improvement of service capacity, and took multiple measures to promote transformation to high-quality development of group insurance business. For social insurance business, the diversified development layout of business covering critical illness insurance, long-term nursing care insurance and poverty alleviation insurance has been consolidated, and the project expansion capacity has been continuously improved. The original premiums income from group insurance channel was RMB11,843 million, representing a year-on-year increase of 3.4%.

In terms of TWPs, in 2020, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB4,996 million, RMB15,873 million and RMB11,885 million respectively. As of 31 December 2020, the number of individual insurance sales agents for PICC Health was 15,668. The first-year TWPs per capita from sales agent per month amounted to RMB2,160 and the average number of new life insurance policies per capita was 0.76 per month.

③ Analysis by Region

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Guangdong Province	**15,545**	8,996	72.8
Henan Province	**2,365**	1,555	52.1
Jiangxi Province	**2,138**	1,643	30.1
Liaoning Province	**1,520**	1,401	8.5
Yunnan Province	**1,252**	1,036	20.8
Shanxi Province	**1,020**	908	12.3
Shandong Province	**922**	647	42.5
Anhui Province	**899**	819	9.8
Tianjin City	**843**	602	40.0
Jiangsu Province	**801**	822	(2.6)
Other regions	**4,952**	3,991	24.1
Total	**32,257**	22,420	43.9

④ Persistency Ratios of Premiums

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

	Year ended 31 December	
Items	**2020**	2019
13-month premium persistency ratio(1) (%)	**85.0**	87.3
25-month premium persistency ratio(2) (%)	**83.2**	82.6

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

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

⑤ Top Five Products

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

Unit: RMB million

	Year ended 31 December		
	Type of insurance	**Sales channels**	**Original premiums income**
PICC Health You Xiang Bao individual medical insurance	**Medical insurance**	**Individual insurance channel**	**9,596**
Kang Li Ren Sheng endowment insurance (Participating)	**Endowment insurance**	**Bancassurance channel, Individual insurance channel**	**5,740**
Group critical illness medical insurance for urban and rural residents (Type A)	**Medical insurance**	**Group insurance channel**	**4,526**
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	**Medical insurance**	**Group insurance channel**	**3,977**
PICC Health Xin Xiang Ru Yi critical illness insurance	**Illness insurance**	**Individual insurance channel**	**1,069**

(2) Financial Analysis

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Net earned premiums	**27,806**	19,595	41.9
Investment income	**2,295**	1,690	35.8
Other income	**318**	223	42.6
Total income	**31,952**	22,404	42.6
Net claims and policyholders' benefits	**25,066**	17,320	44.7
Handling charges and commissions	**1,142**	729	56.7
Finance costs	**419**	460	(8.9)
Other operating and administrative expenses	**5,411**	4,078	32.7
Total benefits, claims and expenses	**32,043**	22,587	41.9
Profit before tax	**(73)**	(164)	–
Less: Income tax expense/(credit)	**(109)**	(197)	–
Net profit	**36**	33	9.1

Net earned premiums

Net earned premiums of PICC Health increased by 41.9% from RMB19,595 million in 2019 to RMB27,806 million in 2020 which was primarily due to the growth of insurance business scale.

Investment income

The investment income of PICC Health increased by 35.8% to RMB2,295 million in 2020 from RMB1,690 million in 2019 which was primarily due to better utilisation of investment opportunities in the equity market.

Other income

Other income of PICC Health increased by 42.6% to RMB318 million in 2020 from RMB223 million in 2019. This was primarily due to the increase in income from government commissioned processing business and health management services.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 44.7% to RMB25,066 million in 2020 from RMB17,320 million in 2019. It was mainly due to the growth of business scale and the increase in insurance liability reserves.

Handling charges and commissions

The handling charges and commissions of PICC Health increased by 56.7% from RMB729 million in 2019 to RMB1,142 million in 2020. It was mainly attributable to the growth of insurance business scale and the increase in expenses of related handling charges.

Finance costs

Finance costs of PICC Health decreased by 8.9% from RMB460 million in 2019 to RMB419 million in 2020. It was mainly due to the decrease in bonds interest expenses resulted from the maturity and redemption of certain capital supplementary bonds.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 9.1% to RMB36 million in 2020 from RMB33 million in 2019.

(II) Asset Management Business

In 2020, the asset management segment of the Group adhered to the idea of value investment, maintained investment strength, and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective. Under the asset management segment, the registered scale of debt plan amounted to RMB49,102 million, ranked the fifth in the industry; and the asset balance of debt plan under management amounted to RMB137,363 million, ranked the third in the industry.

By the end of 2020, the scale of third-party assets management of the asset management segment of the Group amounted to RMB464,839 million, representing an increase of 46.1% compared to the beginning of the year. Among which, the annuity and pension businesses actively capitalised on the development opportunities arising from the endowment business, with the scale of assets under management grew by 106.9% compared with the beginning of the year. PICC AMC and PICC Capital of the Group always set their sights on the innovation of asset management products. Both companies were awarded with a number of prizes, including Excellence Award for Serving National Key Strategic Projects (服務國家重點戰略工程優秀推介獎), Best Product Innovation Award (最佳創新產品推介獎), Excellence Award for Supporting the Building of "New Infrastructure and New Urbanisation initiatives and major projects" (支持「兩新一重」建設優秀推介獎) and Excellent Group Award for Comprehensive Insurance (綜拓先進團體獎項) in The Fourth Insurance Asset Management Product Innovation Promotion Event (第四屆保險資產管理產品創新推介活動) organised by the Insurance Asset Management Association of China in 2020.

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

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Investment income	**594**	658	(9.7)
Other income	**1,843**	1,607	14.7
Total income	**2,437**	2,265	7.6
Finance costs	**20**	4	400.0
Other operating and administrative expenses	**1,575**	1,305	20.7
Total expenses	**1,593**	1,312	21.4
Profit before tax	**922**	935	(1.4)
Less: Income tax expense/(credit)	**232**	206	12.6
Net profit	**690**	729	(5.3)

Investment income

Investment income of the asset management segment decreased by 9.7% to RMB594 million in 2020 from RMB658 million in 2019, mainly due to the impairment of investment real estate assessment.

Other income

Other income of the asset management segment increased by 14.7% to RMB1,843 million in 2020 from RMB1,607 million in 2019, mainly due to the increase in management fee income.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment decreased by 5.3% to RMB690 million in 2020 from RMB729 million in 2019, mainly due to the increase in costs from technology investment and talent reserve.

(III) Investment Portfolio and Investment Income

In 2020, amid the sudden outbreak of the COVID-19 pandemic under complex and dynamic domestic and international market environment, the Group actively kept abreast of the situation by optimising asset structure and capturing market opportunities in the bond and equity markets, thereby achieving better results in investment.

1. Investment Portfolio

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

Unit: RMB million

	31 December 2020		31 December 2019	
	Amount	(% of total)	Amount	(% of total)
Investment assets	1,088,851	100.0	978,212	100.0
Classified by investment object				
Cash and cash equivalents	78,209	7.2	76,984	7.9
Fixed-income investments	680,142	62.5	620,956	63.5
Term deposits	89,016	8.2	87,009	8.9
Treasury bonds	123,476	11.3	45,328	4.6
Financial bonds	102,833	9.4	108,354	11.1
Corporate bonds	172,613	15.9	163,772	16.7
Long-term debt investment schemes	87,903	8.1	100,282	10.3
Other fixed-income investments[1]	104,301	9.6	116,211	11.9
Fund and equity securities investments at fair value	155,888	14.3	115,373	11.8
Fund	75,460	6.9	61,832	6.3
Shares	66,548	6.1	48,968	5.0
Perpetual bond	13,880	1.3	4,573	0.5
Other investments	174,612	16.0	164,899	16.9
Investment in associates and joint ventures	124,840	11.5	117,083	12.0
Others[2]	49,772	4.6	47,816	4.9
By the purpose for which it was held				
Financial assets at fair value through profit or loss for the period	33,433	3.1	27,032	2.8
Held-to-maturity investment	181,199	16.6	140,398	14.4
Available-for-sale financial assets	379,312	34.8	316,901	32.4
Long-term equity investments	124,840	11.5	117,083	12.0
Loans and others[3]	370,067	34.0	376,798	38.5

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

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

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

(1) Classified by investment object

In terms of fixed-income investments, the Group seized the window period of local government bonds issuance peak and increased interest rates, and substantially increase the allocation of long-term local bonds at the high interest rates, so as to stabilise the position yield and effectively extend the account duration; meanwhile, we continued to optimise the credit structure of existing assets and strictly controlled the incremental credit varieties, and the credit premium was at a relatively reasonable level.

As of 31 December 2020, the bond investment accounted for 36.6%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers are rated at AA/A-1 and above, of which, those rated at AAA accounted for 99.2%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as bank, transportation, general and non-bank finance; the ability of entities to repay debt is generally strong and the credit risks is controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and continued to optimise the same in practice. During the year, the Group has strengthened regular credit risks inspection as well as the tracking, evaluation, research and identification of the existing credit products. Meanwhile it improved relevant systems and operational procedures, and controlled the credit risk dynamically on a forward-looking basis; in addition, it improved the digital and intelligent level of credit risk management with big data and artificial intelligence technology actively.

The overall credit risk of the Group's investment in non-standard financial product asset is controllable, assets with an external credit rating of AAA account for 97.8%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, municipal, energy, steel, expressway, construction and operation, commercial real estate, and shantytown renovation. These industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. The Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation, asset mortgages/pledges and others; it has no arrangement for products assuring credit extension and the qualification of entities to repay debt meets the relevant credit exemption condition of CBIRC, which provides a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks of the Group are large state-owned commercial banks or joint-stock commercial banks with financial strength and good credit qualifications.

The Group insisted on the "long-term and value investment" in terms of equity investment. The proportion of equity positions is controlled within a risk tolerance range with a focus on structural opportunities and phased opportunities. On one hand, this allows us to share the investment opportunities brought by China's economic recovery; on the other hand, we can actively optimise the position structure and grasp the opportunities brought by high-quality economic transformation.

(2) Classified by investment purpose

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. Financial assets at fair value through profit or loss for the period increased by 0.3 percentage point as compared with those as at the end of last year. The held-to-maturity investments increased by 2.2 percentage points as compared with those as at the end of last year. Available-for-sale financial assets increased by 2.4 percentage points as compared with those as at the end of last year. This is mainly due to the significant increase in bonds allocation in these two categories. The proportion of loans and others decreased by 4.5 percentage points as compared with those as at the end of last year, mainly because the maturity scale of financial products is larger than that of the new allocation scale.

2. Investment Income

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

Unit: RMB million

	Year ended 31 December	
Items	**2020**	2019
Cash and cash equivalents	**634**	907
Fixed-income investments	**30,626**	30,786
Interest income	**31,482**	30,142
Gains and losses from disposal of financial instruments	**316**	562
Gains and losses on fair value changes	**(239)**	82
Impairment	**(933)**	–
Fund and equity securities investments at fair value	**13,410**	4,470
Dividends and bonus income	**4,656**	3,667
Gains and losses from disposal of financial instruments	**11,294**	2,099
Gains and losses on fair value changes	**216**	564
Impairment	**(2,756)**	(1,860)
Other investments	**12,071**	13,037
Investment income from associates and joint ventures	**11,413**	12,566
Other gains and losses	**658**	471
Total investment income	**56,741**	49,200
Net investment income(1)	**48,970**	47,872
Total investment yield(2) (%)	**5.8**	5.4
Net investment yield(3) (%)	**5.0**	5.3

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

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

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

The total investment income of the Group increased by 15.3% to RMB56,741 million in 2020 from RMB49,200 million in 2019; the net investment income increased by 2.3% to RMB48,970 million in 2020 from RMB47,872 million in 2019; the total investment yield increased by 0.4 percentage point to 5.8% in 2020 from 5.4% in 2019; the net investment yield decreased by 0.3 percentage point to 5.0% in 2020 from 5.3% in 2019.

III. SPECIFIC ANALYSIS

(I) Liquidity Analysis

1. Liquidity Analysis

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

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

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

2. Statement of Cash Flows

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

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Net cash flows from operating activities	**31,867**	36,808	(13.4)
Net cash flows from investing activities	**(51,370)**	(6,299)	715.5
Net cash flows from financing activities	**21,114**	(15,181)	–

The Group's net cash flows from operating activities changed from a net inflow of RMB36,808 million in 2019 to a net inflow of RMB31,867 million in 2020, mainly due to the increase in claims and expenses, cost and expenditure.

The Group's net cash flows from investing activities changed from a net outflow of RMB6,299 million in 2019 to a net outflow of RMB51,370 million in 2020, mainly due to an increase in fixed-income asset investment such as bonds in due course.

The Group's net cash flows from financing activities changed from a net outflow of RMB15,181 million in 2019 to a net inflow of RMB21,114 million in 2020, mainly due to the issuance of RMB8,000 million new bonds and the increase of net cash from securities sold under agreements to repurchase.

(II) Solvency

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

Unit: RMB million

	31 December 2020	31 December 2019	(% of change)
PICC Group			
Actual capital	392,076	335,868	16.7
Core capital	329,768	282,063	16.9
Minimum capital	128,432	112,092	14.6
Comprehensive solvency margin ratio (%)	305	300	Increase of 5 pts
Core solvency margin ratio (%)	257	252	Increase of 5 pts
PICC P&C			
Actual capital	207,246	181,721	14.0
Core capital	179,290	162,136	10.6
Minimum capital	71,757	64,414	11.4
Comprehensive solvency margin ratio (%)	289	282	Increase of 7 pts
Core solvency margin ratio (%)	250	252	Decrease of 2 pts
PICC Life			
Actual capital	120,119	95,832	25.3
Core capital	107,301	83,125	29.1
Minimum capital	45,990	39,307	17.0
Comprehensive solvency margin ratio (%)	261	244	Increase of 17 pts
Core solvency margin ratio (%)	233	211	Increase of 22 pts
PICC Health			
Actual capital	16,927	11,661	45.2
Core capital	13,379	8,131	64.5
Minimum capital	8,268	5,810	42.3
Comprehensive solvency margin ratio (%)	205	201	Increase of 4 pts
Core solvency margin ratio (%)	162	140	Increase of 22 pts

As of 31 December 2020, the comprehensive solvency margin ratio of the Group was 305%, representing an increase of 5 percentage points as compared to that as of the end of 2019, and its core solvency margin ratio was 257%, representing an increase of 5 percentage points as compared to the end of 2019. While the business scale was expanding, the total profit and net asset achieved faster growth, the core solvency margin ratio increased year-on-year, reflecting the significant progress of the Company in the transformation to high-quality development.

As of 31 December 2020, the comprehensive solvency margin ratio of PICC P&C was 289%, representing an increase of 7 percentage points as compared to the end of 2019, and its core solvency margin ratio was 250%, representing a decrease of 2 percentage points as compared to the end of 2019; the comprehensive solvency margin ratio of PICC Life was 261%, representing an increase of 17 percentage points as compared to the end of 2019; and its core solvency margin ratio was 233%, representing an increase of 22 percentage points as compared to the end of 2019; the comprehensive solvency margin ratio of PICC Health was 205%, representing an increase of 4 percentage points as compared to the end of 2019, and its core solvency margin ratio was 162%, representing an increase of 22 percentage points as compared to the end of 2019.

PROSPECTS AND RISK ANALYSIS

(I) Market Environment

2021 marks the start of the "the 14th Five-Year Plan" with the country embarking on a new journey of fully building a modern socialist country. Under the new development plan, the deepening and expansion of domestic demand brings great opportunities to the insurance industry which is still in an important period of strategic opportunities. Insurance business will be significantly expanded into the county level areas through the change of agricultural insurance from remedy for cost loss to income guarantee, and the integration of insurance into the rural industrial economy, social governance, public services and ecological civilization construction, along with the comprehensive implementation of the Rural Revitalization Strategy. The construction of strong and national-wide transportation network and intelligent transportation has been accelerated. The automobile market is shifting from purchase management to usage management. The comprehensive reform of motor vehicle insurance has been promoted in an all-round way, which will boost the transformation and upgrading of the field. Our government promotes the steady development of life insurance with expansion and quality uplift while accelerating development of commercial health insurance, which means that health insurance will continue to make important strategic growth of the industry; standardising development of endowment insurance as the third-pillar and increasing effectiveness of endowment insurance supply will usher in unprecedented development opportunities in commercial endowment insurance. The central government attaches unprecedented importance to technological innovation and strengthens financial support for strategic innovative technologies, which is conducive to the innovation of technological insurance and insurance investment products. With the accelerated change of government's role, insurance will become increasingly important in serving social governance. The CBIRC will invigorate markets by improving the system and mechanism of effective financial support for the real economy and promoting the implementation of deeper reform in financial market and institutions.

(II) Development Strategy and Operation Plan

We are committed to creating a world-class financial insurance group with excellent risk management capabilities. In 2020, the Company adhered to the requirements of high-quality development, actively assisted in pandemic prevention and control and resumption of work and production, strived to serve the supply-side structural reform, pushed forward reform and innovation, increased technology empowerment in the front-line, promoted collaborative development, carried out the "Heart-warming Project" and strived to transform towards a new PICC. Our business segments maintain solid growth and total profit increases steadily. The main indicators of operation plan in the year have been completed.

In 2021, the Company will move forward in the direction of "To be Prominent Strategy", based on the new development stage, implement the new development concept, build a new development pattern and take innovation and reform as the driving force. We will focus on supply improvement by raising quality. We will also promote transformation and upgrading, strengthen efforts to technology empowerment, dedicate to "Heart-warming Project", improve corporate governance, to kick off a good start of "the 14th Five-Year Plan".

The insurance segment will effectively grasp the strategic opportunity of building a new development pattern, fully tap our insurance resources, ensure business increases with the recovering growth of economy, and maintain growth with the industry development. PICC P&C will enlarge the innovation-driven advantage in the market. Taking the beneficial effects of the comprehensive reform of motor vehicle insurance, PICC P&C will optimise the pricing model of motor vehicle insurance, build an intelligent pricing platform, and accelerate the construction of e-commerce network sales and direct marketing channels; PICC P&C will move faster in the high-quality development of non-vehicle insurance business, innovate products of individual non-vehicle insurance, promote the development of industrial insurance and strengthen risk reduction management; PICC P&C will also deeply explore favourable policies, ensure smooth transition from poverty alleviation to rural revitalization and continue to optimise social security business. PICC Life will coordinate the relationship between scale and value, enrich and optimise product supply, accelerate the implementation of the "Cornerstone Plan", initiate the implementation of high-end sales elite training project, improve the quality of individual insurance marketing team, and optimise and build multiple channels with value orientation. PICC Health will seize the opportunity of "Healthy China" construction, adhere to the "three medical systems" of medical treatment, medicine and medical insurance, accelerate the exploration of health insurance business model suitable for China, and speed up the integration development of "health insurance + health management". PICC Reinsurance will vigorously develop third party business. PICC Hong Kong will tap into the business from Chinese funded enterprises.

The investment segment will adhere to benchmarking market standards, build core capabilities, optimise asset allocation and better support the core business of insurance to maximise the profit contribution to the Group. Among which, PICC AMC will strengthen the integration and capacity construction of investment and research, enhance fixed income investment, reinforce equity investment, build the core capacity for multi-asset allocation, and speed up the expansion of third-party asset management business. PICC Investment Holding will strengthen its management capability for real estate investments and actively develop the endowment business. PICC Capital will step up its investment efforts for non-standard assets with stronger, better and larger debt and equity investments and foster its capability in private equity investment. PICC Pension will expand the scale of entrusted annuity and fully prepare for endowment insurance as the third-pillar.

Financial technology segment will strengthen technology empowerment and push forward the technological system reform to comprehensively enhance the Group's capacity to provide financial technology services.

(III) Major Potential Risks and Countermeasures

Firstly, macro environment risk. The COVID-19 pandemic continues to spread, the macroeconomic environment continues to fluctuate and the international political environment is becoming increasingly complex, instability and uncertainty have grown significantly and the domestic economy is up against many challenges. The pandemic that continues to rage, the changes in the external macroeconomic environment and international political environment and other comprehensive factors would influence aspects including the operation management, business development and investment of the Company to a certain extent. The Company had a high regard for its research on the global macroeconomic environment and internal and external economic situation, and will remain concerned about the possible impact of the global pandemic on the Company, continuously enhance our awareness of opportunities and risks, and actively conduct risk assessments and risk responses.

Secondly, capital use risk. Under the adverse impact of the COVID-19 pandemic, the domestic equity market continued to fluctuate, the bond market continues to be volatile, and the low interest rate environment, the allocation of high quality assets becomes more difficult. As a result, it was more difficult to perform asset-liability matching, and the re-investment stress increased, causing a certain extend of impact on the efficiency of capital use and investment earnings and some uncertainties on investment income. The Company closely monitors the macro situation and changes in the domestic and overseas capital markets, constantly strengthens the tracking and analysis of capital utilisation risk exposure, promptly adjusts the allocation strategy according to changes in the market, increases post-investment management efforts, conduct penetrating analysis of underlying assets, improves risk response capability and investment management capability, conducts regular stress tests and other risk assessment work, and implements risk budget management and dynamic tracking of capital utilisation.

Thirdly, investment credit risk. The COVID-19 pandemic has certain negative impacts on the real economy and basic credits. With an increase in uncertainties of the pandemic and external environment, the domestic and external environment continued to change, and incidents related to default risk occurred frequently. The Company has a high regard for credit risk prevention, actively makes forecasts of macroeconomic policy changes. It continued to strengthen daily credit risk tracking, constantly strengthen post-investment management, enhanced the credit risk analysis to key industries, proactively carried out risk inspection of key trade counterparties, and improved the credit risk management and control capabilities of investment business.

Fourthly, insurance risk. The COVID-19 pandemic has had a certain degree of negative impact on the industry and the Company's business development, bringing more uncertainties to the claims, losses, expenses and other related aspects of the Company's insurance business. The Company adopted techniques including sensitivity analysis and stress tests to assess and monitor insurance business risk, focused on business risk control, and strengthened the process management of insurance business of the Company through the establishment of regular risk monitoring mechanism, continuous optimisation of business structure and implementation of effective product development management systems, multi-level reinsurance mechanisms, reasonable and prudent cost policies and other measures, continued to strengthen the risk management of the entire process of the insurance business and develop risk warning and risk response in a timely manner.

Capital Expenditure

The capital expenditure of the Group primarily consists of property construction, acquisition of motor vehicles for business needs and development of information systems. Capital expenditure of the Group amounted to RMB11,616 million in 2020.

Pledge of Assets

Certain subsidiaries of the Company sold and repurchased securities in the market for liquidity management. During the course of transaction, securities held by the Company's subsidiaries were pledged for such transactions. The carrying amount of relevant securities as at 31 December 2020 is set out in Note 32 to the consolidated financial statements.

Bank Borrowings

Besides the capital supplementary bonds issued by the Group and the repurchase business, the Group had bank borrowings of RMB592 million at the end of 2020. Details of the capital supplementary bonds are set out in Note 35 to the consolidated financial statements.

Contingencies

There were a number of outstanding litigation matters against the Group as of 31 December 2020. The Company's management believes such litigation matters will not cause significant losses to the Group.

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

Major Acquisitions and Disposals

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

I. MATERIAL LAWSUITS AND ARBITRATION

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

II. RELATED PARTY TRANSACTIONS

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

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions that are required to be reported, announced or obtain independent shareholders' approval in accordance with Chapter 14A "Connected Transactions" of the Listing Rules of the Stock Exchange.

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

In accordance with the SSE Listing Rules and other regulatory requirements, the SSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, the SSF has entrusted PICC AMC to manage part of its assets. As of 31 December 2020, the assets under the management of PICC AMC were RMB9,105 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB11,765.7 thousand. The above-mentioned transactions do not constitute major related party transactions and have not yet reached the disclosure standard of related party transactions.

(III) Overall Situation of Related Party Transactions in 2020 under the Regulatory Standards of the CBIRC

During the reporting period, the types of related party transactions of the Company under the regulatory standards of the CBIRC mainly include: use of funds, investment in shares, transfer of rights, insurance business, services and leasing. According to the requirements of the Administrative Measures for Related Party Transactions of Insurance Companies, the types of related party transactions between the holding subsidiaries of the Company (excluding listed companies or financial institutions that have been regulated by the industry) and related parties of the Company under the standards of the CBIRC mainly include the use of funds and the provision or receipt of services.

During the reporting period, the Company carried out the identification, review, disclosure and reporting work of related party transactions in accordance with laws and regulations, and actively implemented the information entry requirements of the CBIRC's related party transaction monitoring system. The pricing of related party transactions was in line with the fairness requirements.

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

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitment in the report on changes in equity	Restriction on sale of A Shares	The SSF	The SSF, in respect of the shares transfer, shall fulfil the obligation of lock-up period of not less than 3 years from the date of transfer of the shares to its account.	Not less than 3 years from 26 September 2019	Yes	Yes
Commitments related to the initial public offering	Restriction on sale of A Shares	The MOF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Others	The MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		The SSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company and related Directors and senior management	Measures for stabilising stock prices after listing in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and Senior Management	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes

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

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

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

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

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

VI. MATERIAL CONTRACTS

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

VII. OTHER SIGNIFICANT EVENTS

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

VIII. EXTERNAL GUARANTEES AND MATERIAL GUARANTEES

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

IX. POVERTY ALLEVIATION

(I) Future Plans

PICC will carry out the implementation of the Fifth Plenary Session of the Nineteenth Central Committee on the strategic requirement of "prioritising the development of agriculture and rural areas, and comprehensively promote rural revitalization to achieve the consolidation of the results of expanding poverty alleviation and effectively link it with poverty alleviation", and promote the function of continuous effort in rural revitalization.

(II) Summary of Targeted Poverty Alleviation for the Year

In 2020, PICC extensively carried out the important remarks and instructions of General Secretary Xi Jinping on poverty alleviation, fully implemented the decision and deployment of the Central Committee and the State Council on winning the fight against poverty and coordinating the requirements of pandemic prevention and control and economic and social development. Under the guidance of CBIRC, PICC has fully leveraged the functions of insurance risk compensation, capital financing and social management, concentrating on three major areas, namely industry, people's livelihood and social governance, in order to penetrate the two major key areas, which are the deep poverty-stricken areas and the designated poverty alleviation areas, and strongly promote "insurance+" poverty alleviation model, achieving certain results in the poverty alleviation using insurance. The Company's experience in poverty alleviation was included in the Top 50 Comprehensive Targeted Poverty Alleviation Cases of Chinese Enterprises selected by the State Council Leading Group Office of Poverty Alleviation of the State Council, and the practice of consumer poverty alleviation was selected as one of the outstanding typical case of national consumer poverty alleviation organised by the National Development and Reform Commission.

(III) Effectiveness of Targeted Poverty Alleviation

PICC actively leveraged the innovative demonstration effect of financial central enterprises, strengthened the link between insurance mechanism and poverty alleviation, innovated "Insurance+" poverty alleviation models such as "Insurance + Industry", "Insurance + Health", "Insurance + Livelihood" and "Insurance + Financing", developed exclusive products for poverty alleviation with the characteristics of the PICC brand, established a long-term mechanism for sustainable poverty alleviation and elimination, created a "demonstration field" for insurance poverty alleviation with all its heart and explored a distinctive path of "Insurance+" poverty alleviation.

1. Designated poverty alleviation. In 2020, PICC invested in poverty alleviation funds with an amount of RMB44.90 million in four designated poverty alleviation counties, which fully exceeded the six indicators of the letter of commitment in designated poverty alleviation of the central government.

2. Industrial poverty alleviation. PICC focused on promoting the development of the agricultural industry, actively developed specialty agricultural insurance products, promoted the transformation of agricultural insurance from "insuring cost and natural risks" to "insuring income and market risks", promoted industrial poverty alleviation from various perspectives, promoted rural revitalisation, and stimulated the endogenous driving force of poor families and poverty-stricken areas to get rid of poverty. In 2020, agricultural insurance provided 86.07 million farmers with risk protection of RMB2.4 trillion.

3. Health poverty alleviation. PICC has established a multi-level health and poverty alleviation protection system that includes basic medical care, critical illness insurance, medical assistance and supplemental medical care for the poverty-stricken population, helping the government at all levels to ensure that the poverty-stricken population is insured as much as possible and that benefits are in place. By lowering the minimum cost for major medical insurance, increasing the reimbursement ratio and eliminating the cap line, we practically solved the issue of having the poverty-stricken population becoming poorer or returning to poverty due to illnesses. In 2020, the Group undertook 1,857 policy health insurance projects of various types, covering 863 million people in 31 provinces.

4. Livelihood poverty alleviation. PICC actively undertook a large number of livelihood security projects from the government, and strove to provide comprehensive protection for the people in poverty-stricken areas. It launched the industry's first "Government Poverty Alleviation Insurance", the exclusive product of which has provided risk protection of RMB2 trillion to poor households and specific populations in 31 provinces as at the end of 2020. In the poverty alleviation services in deep poverty-stricken areas, PICC continued to strengthen its support of poverty alleviation in the deep poverty-stricken areas of "three districts and three states". As of the end of 2020, the Group's outlets are serving 135 counties in the deep poverty-stricken areas of "three districts and three states", with a coverage rate of 100%. All county-level institutions in the deep poverty-stricken areas of "three districts and three states" have been approved by the CBIRC, with a coverage rate of 100%. There are a total of 139 exclusive products for poverty alleviation launched in the deep poverty-stricken areas of "three districts and three states", covering all the deep poverty-stricken areas.

(IV) Subsequent Plan

The year 2021 is the opening year of the 14th Five-Year Plan, and PICC will continue to perform the function of insurance in the promotion of rural revitalisation. The first is to safeguard the effective supply of important agricultural products, on the basis of "expanding the coverage, increasing the number of products and raising the standards", steadily expanding the insurance coverage of bulk agricultural products related to national livelihood and national food security, expanding the scope of full cost insurance and income insurance, and accelerating the development of seed production insurance. The second is to innovate the specialty agricultural insurance, to help the poverty-stricken areas to explore the specialty resources and activate the momentum of industry development in order to further promote the anti-return-to-poverty insurance and effectively consolidate the results of poverty alleviation and the effect linking of rural revitalization. The third is to explore various features and values around rural areas and innovate products and services to promote the integration and penetration of insurance into the whole industry chain in the rural areas, and help enhance the modernisation of the supply chain of the rural industry chain. The fourth is to actively participate in rural social governance, help resolve the rural social conflicts and disputes multi-dimensional handling mechanism, and promote the construction of a safe village.

X. ENVIRONMENTAL INFORMATION

The Company is not a high pollution and high emissions enterprise. During the reporting period, the Company continued to comply with and continuously promoted a number of related measures involving energy use, emission treatment and environmental changes. The Group has implemented various environmentally friendly policies to reduce the consumption of paper, water and electricity resources, implemented energy conservation management measures to achieve a reduction in greenhouse gases emission, conducted separate treatment of sewage, domestic waste and various types of waste generated in the office process in accordance with the management principle of waste classification, to achieve recycling of resources. The Company will issue its 2020 Corporate Social Responsibility Report in accordance with regulatory requirements, which specifies the Group's performance of social responsibilities (including environmental and social governance).

XI. SOCIAL RESPONSIBILITY REPORT

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

XII. CONSUMERS' RIGHTS AND INTERESTS PROTECTION

The Company highly values the protection of consumer rights. During the reporting period, the Company strictly implemented the relevant regulations and requirements under the Guiding Opinions on Strengthening the Mechanism and System Building of Consumer Rights and Interests of Banking and Insurance Institutions (Yin Bao Jian Fa [2019] No. 38) requirements, practically fulfilled the main responsibility, continued to improve the consumers' rights and interests protection system, promoted the integration of consumers' rights and interests protection into the Group's management system, consolidated work related to consumers protection inspection, information disclosure, dispute resolution, education promotion, work assessment and audit. At the same time, the Company earnestly implemented the Administrative Measures for Handling the Complaints of Insurance Consumption (Decree No. 3 of the CBIRC in 2020) and revised the complaint handling system to improve our ability in complaint management.

The Company integrated consumer protection into the corporate governance evaluation system, established the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of Directors. PICC P&C, PICC Life and PICC Health also established the Consumers' Rights and Interests Protection Committee under the board of directors. Meanwhile, the Company also established the group of consumers' rights and interests protection at the management level in order to better implement the main responsibility of consumers' rights and interests protection and improve working efficiency, thus to coordinate and promote the system construction of consumers' rights and interests protection. PICC P&C, PICC Life and PICC Health established the Consumers' Rights and Interests Protection Working Committee led by and comprised of the Company's leaders and heads of relevant departments.

The Group effectively engaged various establishment of mechanism of consumers' rights and interests protection, and initially forged working management system of consumers' rights and interests protection featuring "coordination of the Group, responsibility of the subsidiary and inter-departmental collaboration", as well as integrated the works of consumers' rights and interests protection into internal assessment system, thus promoting the implementation of review system and comprehensively engagement of information disclosures of consumers' rights and interests protection, and proactively carrying out education and promotion activity.

The Group thoroughly implemented the development concept of "people-oriented" and proposed to give a new era of mission and connotation to people's insurance, and to become "the people's insurance company that is suitable for all". The system took active actions, adhered to the initiate intention of "serving the people", made "giving customers what they need, solving their difficulties, understanding their concerns, knowing their needs and fulfilling their wishes" as the goal of implementing a series of heart-warming projects, so that customers can feel, enjoy and pass on the heart-warming feeling of our services.

XIII. COMPLIANCE WITH LAWS AND REGULATIONS

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

I. MOVEMENTS IN ORDINARY SHARE CAPITAL

(I) Statement of Movements in Ordinary Shares

During the reporting period, there was no change in the total number of ordinary shares and the share capital structure of the Company.

Unit: Share

	31 December 2019		Changes during the reporting period					31 December 2020	
	Number	Proportion (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Subtotal	Number	Proportion (%)
I. Shares subject to selling restriction	29,896,189,564	67.60	–	–	–	–	–	**29,896,189,564**	**67.60**
1. Shares held by the state	29,896,189,564	67.60	–	–	–	–	–	**29,896,189,564**	**67.60**
II. Shares not subject to selling restriction	14,327,801,019	32.40	–	–	–	–	–	**14,327,801,019**	**32.40**
1. Renminbi-denominated ordinary shares	5,601,567,019	12.67	–	–	–	–	–	**5,601,567,019**	**12.67**
2. Overseas listed foreign shares	8,726,234,000	19.73	–	–	–	–	–	**8,726,234,000**	**19.73**
III. Total number of ordinary shares	44,223,990,583	100	–	–	–	–	–	**44,223,990,583**	**100**

(II) Movements in Restricted Shares

During the reporting period, there was no change in the restricted shares of the Company.

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for restrictions	Restrictions released on
The National Council for Social Security Fund, PRC	2,989,618,956	–	–	2,989,618,956	Transfer restrictions of the MOF	26 September 2022
The MOF	26,906,570,608	–	–	26,906,570,608	Restricted for listing of A Shares	16 November 2021
Total	29,896,189,564	–	–	29,896,189,564		

II. SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)	A Shares: 258,427, H Shares: 5,711
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of the annual report (Shareholder)	A Shares: 259,662, H Shares: 5,688

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

Unit: Share

	Shareholdings of the Top Ten Shareholders						
					Pledged or frozen shares		
Name of shareholder	Increase/decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	The number of shares held subject to selling restrictions	Status of the share	Number	Nature of shareholder
The MOF	–	26,906,570,608	60.84	26,906,570,608	–	–	The State
HKSCC Nominees Limited	-2,627,050	8,702,458,698	19.68	–	–	–	Foreign legal person
National Council for Social Security Fund, PRC	-395,892,848	6,395,293,127	14.46	2,989,618,956	–	–	The State
Hong Kong Securities Clearing Company Limited	+37,742,111	51,603,008	0.12	–	–	–	Foreign legal person
Beijing Hengzhaoweiye Investment Company Limited	+20,607,653	20,607,653	0.05	–	–	–	Others
Mo Jianrong	+16,152,729	16,152,729	0.04	–	–	–	Domestic natural person
Industrial and Commercial Bank of China-Shanghai 50 Transactional Open Index Securities Investment Fund	+7,657,577	15,852,077	0.04	–	–	–	Others
Xiong Shanshan	+10,000,000	10,000,000	0.02	–	–	–	Domestic natural person
Li Shaofu	+8,259,108	9,700,000	0.02	–	–	–	Domestic natural person
Huo Wenliang	+8,426,071	9,607,071	0.02	–	–	–	Domestic natural person

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares: Class	Number
HKSCC Nominees Limited	8,702,458,698	H Shares	8,702,458,698
National Council for Social Security Fund, PRC	3,405,674,171	A Shares	3,405,674,171
Hong Kong Securities Clearing Company Limited	51,603,008	A Shares	51,603,008
Beijing Hengzhaoweiye Investment Company Limited	20,607,653	A Shares	20,607,653
Mo Jianrong	16,152,729	A Shares	16,152,729
Industrial and Commercial Bank of China-Shanghai 50 Transactional Open Index Securities Investment Fund	15,852,077	A Shares	15,852,077
Xiong Shanshan	10,000,000	A Shares	10,000,000
Li Shaofu	9,700,000	A Shares	9,700,000
Huo Wenliang	9,607,071	A Shares	9,607,071
Li Mahao	8,911,600	A Shares	8,911,600
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies.		

Note:

1. In addition to the 6,395,293,127 A Shares of the Company held by the National Council for Social Security Fund, PRC, it also holds 524,279,000 H Shares as a beneficial owner and 649,000 H Shares through overseas manager.

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

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

Unit: Share

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

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

III. CONTROLLING SHAREHOLDER

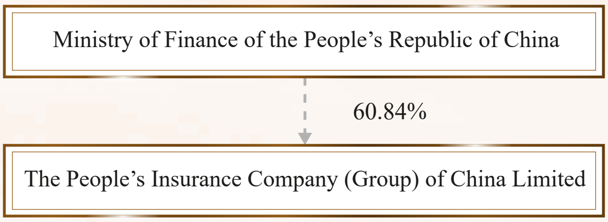
(I) Legal Person

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

According to the publicly available information, as of 30 September 2020, the MOF directly holds more than 5% of the issued shares of the following other domestic and overseas listed companies:

Name of company	Short name of the stock	Stock code	Percentage of the company's total Shares
Industrial and Commercial Bank of China Limited	Industrial and Commercial Bank	601398.SH	31.14%
Agricultural Bank of China Limited	Agricultural Bank	601288.SH	35.29%
Bank of Communications Co., Ltd.	Bank of Communications	601328.SH	23.88%
China Cinda Asset Management Co., Ltd.	China Cinda	01359.HK	58.00%
China Reinsurance (Group) Corporation	China Reinsurance	01508.HK	11.45%

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



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

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

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

As far as the Directors of the Company are aware, as at 31 December 2020, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of shareholder	Capacity	Number of A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
The MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
The SSF	Beneficial owner	6,395,293,127	Long position	18.02%	14.46%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
The Capital Group Companies, Inc. (note 1)	Interest of controlled corporation	693,908,744	Long position	7.95%	1.57%
The SSF (note 2)	Beneficial owner	524,928,000	Long position	6.02%	1.19%

Note:

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

2. The SSF, as the beneficial owner, holds 524,279,000 H Shares. In addition, the SSF holds 649,000 H Shares via the overseas manager. Accordingly, the SSF is deemed to be interested in the aforementioned H Shares.

Save as disclosed above, as at 31 December 2020, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be entered into the register under Section 336 of the Securities and Futures Ordinance.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position(s)	Gender	Age	Date of appointment
Luo Xi	Chairman	Male	60	December 2020
	Executive Director			
Wang Tingke	Vice Chairman	Male	56	August 2020
	Executive Director			
	President			July 2020
Xie Yiqun	Executive Director	Male	59	October 2017
	Vice President			July 2015
Li Zhuyong	Executive Director	Male	48	December 2020
	Vice President			November 2018
	Secretary to the Board			August 2020
Wang Qingjian	Non-executive Director	Male	56	July 2017
Miao Fusheng	Non-executive Director	Male	56	December 2020
Wang Shaoqun	Non-executive Director	Male	51	December 2020
Cheng Yuqin	Non-executive Director	Female	59	October 2015
Wang Zhibin	Non-executive Director	Male	53	August 2016
Shiu Sin Por	Independent Non-executive Director	Male	71	May 2018
Ko Wing Man	Independent Non-executive Director	Male	63	May 2018
Lin Yixiang	Independent Non-executive Director	Male	57	September 2015
Chen Wuzhao	Independent Non-executive Director	Male	51	March 2017
Huang Liangbo	Chairman of the Board of Supervisors	Male	56	April 2020
Xu Yongxian	Shareholder Representative Supervisor	Male	57	September 2009
Jing Xin	Independent Supervisor	Male	63	March 2017
Zhang Yan	Employees Representative Supervisor	Female	47	January 2021
Wang Yadong	Employees Representative Supervisor	Male	50	January 2021
Xiao Jianyou	Vice President	Male	52	August 2019
Yu Ze	Vice President	Male	49	April 2020
	Responsible Compliance Officer			August 2020
	Chief Risk Officer			April 2020
Cai Zhiwei	Vice President	Male	45	March 2021
Han Kesheng	Assistant to the President	Male	55	May 2010
	Responsible Audit Officer			February 2018
Lin Zhiyong	Business Director	Male	57	March 2019
Zhou Houjie	Responsible Financial Officer	Male	56	March 2010
	Chief Financial Officer			
Lv Chen	Business Director	Male	49	August 2013

(II) Resigned Directors, Supervisors and Senior Management

Name	Previous position	Date of appointment	Date of termination	Change and cause
Miao Jianmin	Chairman	January 2018	July 2020	Resigned due to job changes
	Executive Director	July 2017		
Bai Tao	Executive Director, Vice Chairman	October 2018	January 2020	Resigned due to job changes
	President	September 2018		
Tang Zhigang	Executive Director	November 2017	January 2020	Resigned due to job changes
	Vice President	December 2013		
	Secretary to the Board	May 2019		
Xiao Xuefeng	Non-executive Director	October 2017	December 2020	Resigned due to job changes
Hua Rixin	Non-executive Director	October 2015	March 2020	Retired
Luk Kin Yu, Peter	Independent Non-executive Director	July 2015	March 2021	Retired due to age and health issue
Wang Dajun	Employees Representative Supervisor	March 2016	January 2021	Resigned due to job changes
Ji Haibo	Employees Representative Supervisor	October 2017	January 2021	Resigned due to job changes
Zhao Jun	Chief Information Technology Officer	September 2007	December 2020	Retired

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

(III) Shareholdings of Directors, Supervisors and Senior Management

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

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

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

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

Name	Position in the Company	Name of other companies/institutions	Position in other companies/ institutions	Date of appointment
Luo Xi	Chairman, Executive Director	Insurance Association of China	Honorary President	May 2019
Wang Tingke	Vice chairman, President and Executive Director	Insurance Society of China	Vice Chairman	June 2019
		China Chamber of International Commerce	Vice Chairman	September 2020
Xie Yiqun	Executive Director and Vice President	National Internet Finance Association of China	Vice Chairman	September 2016
		Insurance Association of China	Vice Chairman	May 2019
Li Zhuyong	Executive Director, Vice President and Secretary to the Board	China Institute of Insurance Law of the China Law Society	Vice Chairman	October 2017
		Chairman of the 15th council of China Maritime Law Association	Chairman	July 2020
Wang Qingjian	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	July 2017
Miao Fusheng	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	January 2021
Wang Shaoqun	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	February 2021
Cheng Yuqin	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	June 2007
Shiu Sin Por	Independent Non-executive Director	New Paradigm Foundation	President	September 2017
		Chongyang Institute for Financial Studies at Renmin University of China	Senior fellow	December 2017
		School of Public Policy and Management of Tsinghua University	Senior Visiting Fellow	January 2018
		Shanghai East Asia Research Institute	Consultant	April 2018
		CITIC Foundation for Reform and Development Studies	Consultant	August 2018
		Institute of Social Governance, University of Chinese Academy of Social Sciences	Research analyst	March 2019
		Chinese Association of Hong Kong & Macao Studies	Consultant	September 2020
Ko Wing Man	Independent Non-executive Director	Dr. Ko Wing Man Clinic	Doctor	August 2017
		Bamboos Health Care Holdings Limited	Independent Non-executive Director	August 2018
		Governance Committee of St. Teresa's Hospital	Non-executive member	December 2020
Lin Yixiang	Independent Non-executive Director	CITIC Trust Co., Ltd	Independent Non-executive Director	December 2017
		Xinxing Energy Equipment Co., Ltd.	Director	August 2016
		Tianjin Binhai OTC Co., Ltd.	Director	February 2014
		Securities Association of China	Supervisor	June 2017
		Expert Committee on Shenzhen Stock Exchange Index	Chairman	September 2009
		TX Investment Consulting Co., Ltd and some of its subsidiaries	Director and/or General Manager and/or Supervisor	March 2001
		School of Finance of Central University of Finance & Business Economics	Master tutor	2004
		School of Beijing Language & Culture University	Master tutor	2016
		Business School of the China University of Political Science & Law	Director of Board and adjunct professor	2017
		Dong Fureng Economics & Social Development School of Wuhan University	Research analyst	January 2018
		School of Economics of Peking University	Adjunct professor	January 2012
		Tsinghua University PBC School of Finance	Master tutor	May 2012

Name	Position in the Company	Name of other companies/institutions	Position in other companies/ institutions	Date of appointment
Chen Wuzhao	Independent Non-executive Director	School of Economics and Management, Tsinghua University	Associate professor	October 1998
		Guizhou Broadcasting & TV Information Network Co., Ltd.	Independent Non-executive Director	January 2016
		Accounting Society of China	Member of Enterprise Accounting Standards Professional Board	January 2009
		VeriSilicon Microelectronics (Shanghai) Co.,Ltd.	Independent Non-executive Director	March 2019
Jing Xin	Independent Supervisor	Government Accounting Standards Board of the MOF	Consultant	December 2015
Xiao Jianyou	Vice President	The 7th Council of China Foundation for Financial Education Development	Director	November 2020
Yu Ze	Vice President, Responsible Compliance Officer and Chief Risk Officer	China Foreign Trade Council	Executive director	September 2019
Zhou Houjie	Responsible Financial Officer and Chief Financial Officer	Insurance Association of China	Chief Chairman of Financial & Accounting Committee	June 2016
		China Association of Chief Financial Officers	Vice chairman of the 5th Council	April 2019
Lv Chen	Business Director	Asian Financial Cooperation Association	Deputy director of Belt and Road Financial Cooperation Committee	May 2019

(II) BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Luo Xi, is an Executive Director and Chairman of the Company and a senior economist. From December 1987 to December 2009, Mr. Luo worked in Agricultural Bank of China and was the assistant to president and the general manager of International Business Department since January 2002, the vice president since March 2004, and an executive director and the vice president since December 2008. From December 2009 to November 2013, he served as the executive director and vice president of Industrial and Commercial Bank of China Limited. From November 2013 to January 2016, he served as the vice chairman and general manager of China Export & Credit Insurance Corporation. From January 2016 to August 2018, he served as the vice chairman and general manager of China Resources (Holdings) Company Limited. From August 2018 to September 2020, he was the chairman of China Taiping Insurance Group Ltd. (China Taiping Insurance Group (HK) Company Limited), and also served as the chairman of China Taiping Insurance Holdings Company Limited, Taiping Life Insurance Company Limited and Taiping Asset Management Company Limited. Mr. Luo has been appointed as an Executive Director and the Chairman of the Company since October 2020. Mr. Luo was also appointed as non-executive director and chairman of PICC P&C since October 2020, as a non-executive director and the chairman of PICC AMC since January 2021 and proposed to be a non-executive director and the chairman of PICC Hong Kong since March 2021. Since May 2019, Mr. Luo has served as the honorary president of Insurance Association of China. Mr. Luo graduated from the Postgraduate Department of Financial Research Institute of People's Bank of China (currently known as PBC School of Finance, Tsinghua University) in December 1987 and received a master's degree in economics.

Mr. Wang Tingke, is an Executive Director, Vice Chairman and President of the Company and a senior economist. From July 1995 to March 2009, Mr. Luo worked in China Everbright Bank. He worked in China Everbright Group from March 2009 to February 2015. He was deputy general manager of China Taiping Insurance Group Ltd. (China Taiping Insurance Group (Hong Kong) Co., Ltd.) from February 2015 to June 2018 and executive director from August 2016. He also served as chairman of Taiping Pension Co., Ltd. from May 2015. He served as the vice chairman and general manager of China Export & Credit Insurance Corporation from June 2018 to April 2020. He has been appointed as Executive Director, Vice Chairman and President of the Company since April 2020. Mr. Wang was also appointed as non-executive director and chairman of PICC Pension since December 2020, as non-executive director of PICC Health since January and as chairman since February 2021. Mr. Wang served as the vice president of Insurance Society of China since June 2019 and as the vice president of China Chamber of International Commerce since September 2020. Mr. Wang graduated from Shaanxi University of Finance and Economics (now known as School of Economics and Finance of Xi'an Jiaotong University) in July 1995 with a doctorate degree in economics.

Mr. Xie Yiqun, is an Executive Director and a Vice President of the Company and a senior economist. Mr. Xie joined the Company in April 1980 and worked as the general manager of China Insurance Company S.A. Luxemburg, the general manager of China Insurance Company (UK) Limited, the general manager of China Insurance Singapore branch and China Taiping Insurance Group Singapore branch consecutively. Mr. Xie worked as the chairman of Taiping Life Insurance Co., Ltd. from December 2001 to November 2004. From August 2004 to May 2009, he worked as managing director and deputy general manager of China Insurance (Holdings) Company Limited and China Insurance H.K. (Holdings) Company Limited. From May 2009 to March 2015, he worked as deputy general manager of China Taiping Insurance Group Co. and China Taiping Insurance Group (HK) Company Limited. During that period, he worked as managing director from May 2009 to March 2012 and executive director from June 2013 to March 2015. Mr. Xie has been working as the Vice President of the Company since March 2015 and the Executive Director since October 2017. He was appointed as the Secretary to the Board from August 2018 to March 2019, and was appointed as non-executive director of PICC P&C in June 2018, and was transferred to being an executive director, appointed as Vice Chairman and President since March 2019, and ceased to be the President since March 2021. Mr. Xie also worked as director and chairman of PICC Hong Kong since June 2015, and ceased to be the chairman since May 2019. He has been the chairman of PICC Financial Services from January 2017 to March 2019, and chairman of PICC Investment Holding from March 2018 to March 2019. Mr. Xie has been a vice chairman of National Internet Finance Association of China since September 2016 and the vice chairman of the Asian Financial Cooperation Association from July 2017 to May 2019. He has been the vice chairman of the Insurance Association of China since May 2019. Mr. Xie graduated from Nankai University in July 1988 and from Middlesex University Business School, UK in June 2001 and obtained the degree of M.A.

Mr. Li Zhuyong, is an Executive Director, Vice President and Secretary of the Board of the Company and a senior economist. Mr. Li joined the Company in August 1998. From March 2006 to March 2017, he was the General Manager of the legal and compliance department, the risk management department/legal compliance department, and the legal compliance department. From August 2013 to July 2018, he served as the Legal Director. He was appointed as the Vice President of the Company since August 2018, as Secretary of the Board since April 2020, and as Executive Director since August 2020. Mr. Li has served as the Responsible Compliance Officer and the Chief Risk Officer from August 2018 to April 2020. Mr. Li has served as a director of PICC Hong Kong since June 2007. He served as the supervisor of PICC P&C from March 2016 to March 2019. He served as the supervisor of Zhongsheng International from February 2018 to April 2019, and has served as chairman of PICC Financial Services from March 2019 to December 2020. Mr. Li has served as the vice chairman of the China Institute of Insurance Law of the China Law Society since October 2017, the chairman of the 15th council of China Maritime Law Association since July 2020. Mr. Li graduated from the Capital University of Economics and Business in July 1998 with a master’s degree in law, and graduated from China University of Political Science and Law in June 2011 with a doctoral degree in law.

Non-executive Directors

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

Mr. Miao Fusheng, is a Non-executive Director of the Company. From July 1984 to June 1992, Mr. Miao taught at the Central Institute of Finance and Banking (now the Central University of Finance and Economics). Since June 1992, he has worked in China Financial and Economic News under the MOF. He has served as deputy director of office, deputy director of international department and economic and social department, director of government procurement editorial department and news center, director of finance and economics special department, director of chief editor's office, director of macroeconomic department and director of local finance and economics department; from April 2008 to July 2013, he served as deputy chief editor (deputy director level) of China Financial and Economic News. He has been the chief editor (director general level) from July 2013 to January 2021. He has been a Non-executive Director of the Company since December 2020. He has been a director appointed by Central Huijin Investment Company Limited since January 2021. Mr. Miao became the member of China Writers' Association in June 2019, and served as the executive director of Society of Public Finance of China since October 2019. He was granted special government allowance by the State Council in December 2016. Mr. Miao graduated from Shandong University with a bachelor's degree in literature in July 1984.

Mr. Wang Shaoqun, is a senior engineer and senior economist. He is a Non-executive Director of the Company. Mr. Wang joined the People's Bank of China in August 1992, and has served as deputy director of the insurance risk monitoring and assessment division of the financial stability bureau, deputy director of the financial holding company risk monitoring and assessment division, researcher and director of the insurance risk monitoring and assessment division, director and first-class researcher of the insurance division; he has been the second level inspector of financial stability bureau and director of the insurance division of the People's Bank of China since May 2020. He has been a Non-executive Director of the Company since December 2020. He has been a director appointed by Central Huijin Investment Company Limited since February 2021. Mr. Wang graduated from North Jiaotong University with a bachelor's degree in engineering in July 1992, a master's degree in business administration from Peking University in July 2000, and a doctoral degree in management from Tianjin University in August 2008.

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

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

Independent Non-Executive Directors

Mr. Shiu Sin Por, is an Independent Non-executive Director of the Company. Mr. Shiu was the member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Shiu studied in the School of Industrial and Labour Relations at Cornell University in New York in the United States; he graduated from the University of Wisconsin in the United States in September 1985 with a bachelor degree in Economics, and was appointed as a Justice of the Peace for Hong Kong in August 2012 and was awarded the Gold Bauhinia Star in Hong Kong in October 2017. Mr. Shiu served as the Deputy Secretary General of the Consultative Committee for the Basic Law of Hong Kong from November 1985 to April 1990, the president of the One Country Two Systems Research Institute from September 1990 to September 2005, an Asia Programs Fellow at the John F. Kennedy School of Government at Harvard University from September 2005 to June 2006, a Senior Visiting Fellow at the School of Public Policy and Management of Tsinghua University in Beijing from September 2006 to August 2007, a full-time consultant at the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from August 2007 to June 2012, the chief consultant at the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from July 2012 to June 2017, the president of New Paradigm Foundation since September 2017, a senior fellow of the Chongyang Institute for Financial Studies at Renmin University of China (中國人民大學重陽金融研究院) since December 2017, a member of the Academic Advisory Board of CITIC Foundation for Reform and Development Studies (中信改革與發展基金會學術顧問委員會) since January 2018, a Senior Visiting Fellow at the School of Public Policy and Management of Tsinghua University since January 2018, a consultant of Shanghai East Asia Research Institute (上海東亞研究所) since April 2018, a consultant of CITIC Foundation for Reform and Development Studies (中信改革發展研究基金會) since August 2018, and a consultant of Chinese Association of Hong Kong & Macao Studies (全國港澳研究會) since September 2020. Mr. Shiu previously served as a consultant of transitional affairs in Hong Kong of the Hong Kong and Macao Affairs Office of the State Council and the Xinhua News Agency, Hong Kong Branch, a standing director of the Chinese Association of Hong Kong & Macao Economic Studies (全國港澳經濟研究會), a member and deputy secretary general of the Preparatory Committee for the Hong Kong Special Administrative Region of the National People's Congress, an honorary advisor of Guangdong Association for Hong Kong & Macao Economic Studies (廣東港澳經濟研究會), a member of the board of The Hong Kong Jockey Club Institute of Chinese Medicine, a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Special Administrative Region Government and a director of the One Country Two Systems Research Institute in Hong Kong.

Mr. Ko Wing Man, is an Independent Non-executive Director of the Company. He is currently an orthopaedic surgeon at Dr. Ko Wing Man Clinic (高永文醫生診所). Mr. Ko is a member of the 13th National Committee of the Chinese People's Political Consultation Conference. Mr. Ko served as a trainee doctor and hospital doctor of Princess Margaret Hospital from July 1981 to March 1989, the chief doctor and assistant director of former Health Services Panel in Hong Kong from April 1989 to November 1991, the Professional and Public Affairs director and the Professional and Human Resources director of the Hong Kong Hospital Authority from December 1991 to December 2004, the specialist of Congruence Orthopaedics & Rehabilitation Center from April 2005 to June 2012, the Secretary for Food and Health of Government of the Hong Kong Special Administrative Region from July 2012 to June 2017, and has been an orthopaedic surgeon at Dr. Ko Wing Man Clinic since August 2017. Mr. Ko served as the Chairman of The Hong Kong Anti-Cancer Society from December 2005 to June 2017 and the director of the Hong Kong Red Cross from September 2008 to June 2012, and the non-executive member of the Governance Committee of St. Teresa's Hospital since December 2020. Mr. Ko graduated from The University of Hong Kong in July 1981 with a bachelor degree in medicine and surgery; he graduated from the Royal College of Surgeons of Edinburgh in January 1986 with a qualification of fellowship; he graduated from the University of New South Wales in Australia in May 1993 with a master degree in health administration; he was awarded a qualification of fellowship of Orthopaedics of the Hong Kong Academy of Medicine in December 1993 and a qualification of fellowship Community Medicine in October 2000; he became a fellow of Faculty of Public Health of the Royal College in the United Kingdom in February 2002. Mr. Ko was awarded the Bronze Bauhinia Star in Hong Kong in October 2008 and the Gold Bauhinia Star in Hong Kong in October 2017.

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

Mr. Chen Wuzhao, is an Independent Non-executive Director of the Company. Mr. Chen worked in Zhonghua Accounting Firm from August 1995 to October 1998, holding positions as certified public accountant and project manager. Since October 1998, he has been a lecturer and associate professor of the School of Economics and Management, Tsinghua University. From July 2007 to December 2018, he served successively as an independent non-executive director of Integrated Electronic Systems Lab Co., Ltd. (a listed company on the SZSE, stock code: SZ.002339), Shenzhen Development Bank Co., Ltd. (renamed as Ping An Bank Co., Ltd., a listed company on the SZSE, stock code: SZ.000001), CITIC 21CN Company Limited (renamed as Alibaba Health Information Technology Limited, a listed company on the Hong Kong Stock Exchange, stock code: HK.00241), Beijing Highlander Digital Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300065), Nsfocus Information Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300369), Beijing Huelead Audiovisual Technology Co., Ltd. (a listed company on the National Equities Exchange and Quotations, stock code: NEEQ.835078), Beijing Miteno Communication Industrial Technology Co., Ltd. (was renamed as Beijing Shuzhi Technology Co., Ltd., a listed company on the SZSE, stock code: SZ.300038), Giga Device Semiconductor (Beijing) Inc. (a listed company on the SSE, stock code: SH.603986) and Beijing Andawell Science& Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300719). He now serves as an independent non-executive director of Guizhou Broadcasting & TV Information Network Co.,Ltd. (a listed company on the SSE, stock code: SH.600996) and VeriSilicon Microelectronics (Shanghai) Co.,Ltd. (a listed company on the SSE, stock code: SH.688521). Mr. Chen was an adjunct professor of Beijing National Accounting Institute from September 2010 to September 2012 and has been a committee member of the Enterprise Accounting Standards Professional Board of the Accounting Society of China since January 2009. Mr. Chen has been an Independent Non-executive Director of the Company since March 2017. Mr. Chen graduated from Zhongnan University of Finance and Economics (renamed as Zhongnan University of Economics and Law) with a bachelor's degree in Economics in July 1992, graduated from the Finance Science Institute of the MOF (renamed as Chinese Academy of Fiscal Sciences) with a master's degree in Economics in July 1995, and graduated from the School of Economics and Management, Tsinghua University with a doctorate in Management in July 2004. Mr. Chen is a non-practicing member of the Chinese Institute of Certified Public Accountants, and he holds the international certificate for certified internal auditor as well as the professional qualification certificate for self-assessment on internal control.

Supervisors

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

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

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

Ms. Zhang Yan, is the Employee Representative Supervisors of the Company. Ms. Zhang worked in the Central Committee of the Communist Youth League from January 1996 to February 2013, served as deputy director of the Hong Kong, Macao and Taiwan working division of the United Front Work Department, deputy head of the Youth League Office, and the head, deputy inspector and vice head of Youth League Office. She served as the deputy secretary-general (departmental post) of the PICC Foundation (renamed as the PICC Charity Foundation in April 2014) and deputy general manager of the culture brand department of the Company from February 2013 to February 2015. She served as the general manager of the culture brand department of the Company from February 2015 to June 2018. She has been serving as the General Manager of the Department of Labor Union/ Youth League Committee/Service Department for Veteran Cadres of the Company since June 2018. Since March 2021, she has been the Deputy General Manager (Department General Manager level) of Party Building and Public Work Department. Ms. Zhang has been a member of the Fifth National Committee of the PRC Financial Union and the Standing Committee of the Fifth Women's Workers' Committee since July 2019. She served as the secretary-general of PICC Charity Foundation from February 2015 to December 2018, a supervisor of the Foundation since December 2018, and a member of the Standing Committee of the Seventh National Council of China Financial Sports Association since November 2019. Ms. Zhang graduated from Southwest University of Political Science and Law with a bachelor's degree in Law in July 1995, graduated from Peking University with a master's degree in Public Administration in July 2006 and graduated from Cheung Kong Graduate School of Business in September 2014, obtaining a master's degree in Business Administration in Senior Management.

Mr. Wang Yadong, is the Employee Representative Supervisors of the Company and an economist. Mr. Wang joined the Company from July 1995 to July 2013 and was the deputy director of the Property Insurance Department of Hubei Branch. He worked at PICC P&C, and was the general manager of the Underwriting Department of the Hubei Branch, the Property and Casualty Insurance Department/Major Commercial Risk Insurance Department/Cargo Insurance Department/Reinsurance Department from July 2003 to November 2007. He was a Senior Manager of the business collaboration team of business development department and a Senior Manager of the infrastructure office of the Company from November 2007 to August 2013. He served as the Deputy General Manager of the infrastructure office of the Company of the second south information center of the Company from August 2013 to March 2017 and the General Manager of the infrastructure office from March 2017 to June 2018. He has been the General Manager of the audit department since June 2018. Mr. Wang was appointed as a supervisor of PICC P&C since March 2019. Mr. Wang has been a member of the standing committee of the China Internal Audit Association since September 2018. Mr. Wang graduated from Hunan College of Finance and Economics with a bachelor's degree in Economics in July 1995 and obtained an EMBA degree from Huazhong University of Science and Technology in December 2010.

Senior Management

Mr. Wang Tingke. Please refer to the section headed "Executive Directors" for the biography of Mr. Wang Tingke.

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

Mr. Li Zhuyong. Please refer to the section headed "Executive Directors" for the biography of Mr. Li Zhuyong.

Mr. Xiao Jianyou, is a Vice President of the Company and a senior economist. Mr. Xiao joined the Company in August 1994. From August 1996 to May 2019, he worked in China Life Insurance Company Limited (PICC Life Company Limited and China Life Insurance Company). Mr Xiao served as an assistant to the general Manager of Jiangsu Branch in March 2008, the deputy general manager of Jiangsu Branch in August 2010, the person-in-charge of Jiangsu Branch in February 2013, the deputy general manager (presiding) in April 2013, and the general manager of Jiangsu Branch in January 2014. He was an assistant to the president in July 2015 and the vice president from October 2016 to May 2019 of China Life Insurance Company Limited. From September 2015 to May 2019, he was also a non-executive director of China Life Property and Casualty Insurance Company Limited. He has been appointed as a Vice President of the Company since June 2019, and has been appointed as the chairman of PICC Reinsurance since August 2019 and the chairman of PICC Life since September 2019. He has been appointed as a non-executive director and vice chairman of PICC Hong Kong since March 2021. Mr. Xiao is also a member of the 7th Board of Directors of the China Foundation for Development of Financial Education in November 2020. Mr. Xiao graduated from Jiangxi Traditional Chinese Medicine College in July 1991 with a bachelor's degree in Medicine, and graduated from Nanjing University in July 1994 with a bachelor's degree in Law.

Mr. Yu Ze, is a Vice President, the Responsible Compliance Officer and the Chief Risk Officer of the Company. Mr. Yu joined the Company from July 1994 to July 2003. From July 2003 to October 2006, he worked in PICC P&C and was the executive deputy general manager of Motor Vehicle Insurance Business Department of Tianjin Branch. He worked at The Tai Ping Insurance Company Limited (Taiping General Insurance Company Limited) from October 2006 to December 2019 and served as general manager of the Tianjin Branch in February 2007, marketing director in May 2009, assistant general manager in April 2010, deputy general manager in October 2012, deputy general manager (presiding) in October 2015, and the general manager in September 2016. He also served as a director of Taiping Reinsurance Brokers Limited, chairman of Taiping Science and Technology Insurance Co., Ltd., director of Taiping-Starr Holdings, LLC and director of Taiping-Starr Insurance Agency, Inc. He has been appointed as the Vice President of the Company since December 2019, and being appointed as Responsible Compliance Officer and Chief Risk Officer since April 2020. Mr. Yu was also appointed as the chairman of PICC Investment Holding from April 2020 to March 2021, as non-executive director and chairman of PICC Financial Services since December 2020 and as president of PICC P&C since March 2021. Mr. Yu was appointed as an executive director of China Foreign Trade Council since September 2019. Mr. Yu graduated from Nankai University in July 1994 with a bachelor's degree in Economics.

Mr. Cai Zhiwei, is a Vice President of the Company. Mr. Cai worked for the China Development Bank from July 1997 to January 2007. He worked at DTZ Corporate Finance Limited (Hong Kong) from January 2007 to May 2008. Mr. Cai worked in China Investment Corporation from May 2008 to December 2020. He was the analyst of Alternative Asset Management Department, senior deputy manager and senior manager of Private Investment Department, senior manager and managing director of Private Equity Investment Department and team leader of Real Estate Investment Team; he was appointed as the acting director and the managing director of the Real Estate Investment Department in October 2015 and the director in November 2018; he was appointed as a member of the Executive Committee of China Investment Corporation and the director of the Real Estate Investment Department in December 2019, and has also been the director of the Investment Support Department since February 2020. Mr. Cai has been appointed as the Vice President of the Company since January 2021. Mr. Cai was also appointed as non-executive director and chairman of PICC Capital since January 2021, as non-executive director and chairman of China Credit Trust since February 2021, and as non-executive director and chairman of PICC Investment Holding since March 2021. Mr. Cai graduated from Beijing International Studies University with a bachelor's degree in Economics in July 1997; he obtained a master's degree in Economics from Xiamen University in December 2000. and a master's degree in Philosophy from University of Cambridge in August 2006.

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

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

Mr. Zhou Houjie, is the Financial Responsible Officer and Chief Financial Officer of the Company, and one of the China's first batch of Top Management Accountants. Mr. Zhou served as a teacher in Xinjiang Finance School (currently known as Xinjiang University of Finance and Economics) from July 1984 to May 1992; he served as the deputy division director and the head of accounting department of the Bank of China (Xinjiang Branch) from May 1992 to March 2002. Mr. Zhou served as deputy general manager and general manager of the Finance Department of China UnionPay Company Limited, secretary of the communist party group and general manager of its Shanghai branch and general manager of its Banking Service Department from March 2002 to July 2008. Mr. Zhou served as vice president of China Huawen Investment Holding Company Limited and vice president of Shanghai Xin Huawen Investment Company Limited from July 2008 to July 2010 and has served as the Financial Responsible Officer and Chief Financial Officer of the Company since January 2010. Mr. Zhou served as a non-executive director of Shanghai New Huang Pu Real Estate Co., Ltd. (listed on the SSE, stock code: SH.2014) from September 2008 to September 2010 and a non-executive director of PICC Capital from March 2014 to April 2017. Mr. Zhou has served as chairman of Financial & Accounting Committee of the Insurance Association of China since June 2016. He has served as the vice president of the Fifth Committee of the China Association of Chief Financial Officers since April 2019. Mr. Zhou graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in June 1991 with a bachelor's degree in Economics and the Shanghai National Accounting Institute in June 2005 with an Executive Master of Business Administration degree.

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

(III) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Amount paid (RMB10,000)	Payments for various benefits, social security contributions, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Luo Xi	14.48	6.06	20.53
Wang Tingke	38.60	15.81	54.41
Xie Yiqun	52.11	22.15	74.27
Li Zhuyong	50.96	22.15	73.11
Wang Qingjian	/	/	/
Miao Fusheng	/	/	/
Wang Shaoqun	/	/	/
Cheng Yuqin	/	/	/
Wang Zhibin	/	/	/
Shiu Sin Por	30.00	/	30.00
Ko Wing Man	25.00	/	25.00
Lin Yixiang	30.00	/	30.00
Chen Wuzhao	30.00	/	30.00
Huang Liangbo	57.90	23.75	81.66
Xu Yongxian	127.35	38.88	166.23
Jing Xin	30.00	/	30.00
Zhang Yan	/	/	/
Wang Yadong	/	/	/
Xiao Jianyou	50.96	22.15	73.11
Yu Ze	50.96	22.15	73.11
Cai Zhiwei	/	/	/
Han Kesheng	152.71	39.43	192.14
Lin Zhiyong	152.71	42.93	195.64
Zhou Houjie	152.71	39.12	191.83
Lv Chen	127.35	38.88	166.23

Remuneration of Resigned Directors, Supervisors and Senior Management

Name	Amount paid (RMB10,000)	Payments for various benefits, social security contributions, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Miao Jianmin	33.78	13.66	47.44
Bai Tao	4.83	2.37	7.19
Tang Zhigang	4.29	2.23	6.53
Xiao Xuefeng	/	/	/
Hua Rixin	/	/	/
Luk Kin Yu, Peter	25.00	/	25.00
Wang Dajun	20.63	10.51	31.14
Ji Haibo	98.35	30.72	129.07
Zhao Jun	92.32	39.12	131.44

Note: Due to work adjustment, Mr. Wang Dajun has not received any salary from the Company since May 2020.

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

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

3. Actual payment of remuneration of directors, supervisors and senior management: After completion of the approval procedures for the remuneration of directors, supervisors and senior management, they shall be paid according to the regulations. During the reporting period, the total actual remuneration received by all directors, supervisors and senior management from the Company was RMB18.8508 million.

4. According to the relevant assessment results of the Company in 2019, the remuneration of the directors, supervisors and senior management of the Company in 2019 was adjusted, please see the disclosed information dated 29 December 2020 on the Company's website (https://www.picc.com/information/gkxx/zxxx/jtqt/202012/P020201229570363584478.pdf).

5. The data are rounded and therefore the total amount of pre-tax remuneration is not necessarily equal to the sum of the first two items.

IV. EMPLOYEES OF THE COMPANY

1. Employees

Unit: person

Number of employees in the parent company	369
Number of employees in major subsidiaries	193,125
Total number of employees	193,494
Number of employees to be retired for whom the parent company and major subsidiaries have to pay pension	32,332
Specialty composition	
Category of specialty composition	**Headcount**
Management personnel	3,333
Professional and technical personnel	98,984
Marketing and sales personnel	88,762
Others	2,415
Total	193,494
Education level	
Category of education level	
Master and above	9,514
Undergraduate	112,794
College graduate	58,951
Others	12,235
Total	193,494

2. Employee Compensation Policy

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

3. Training Programme

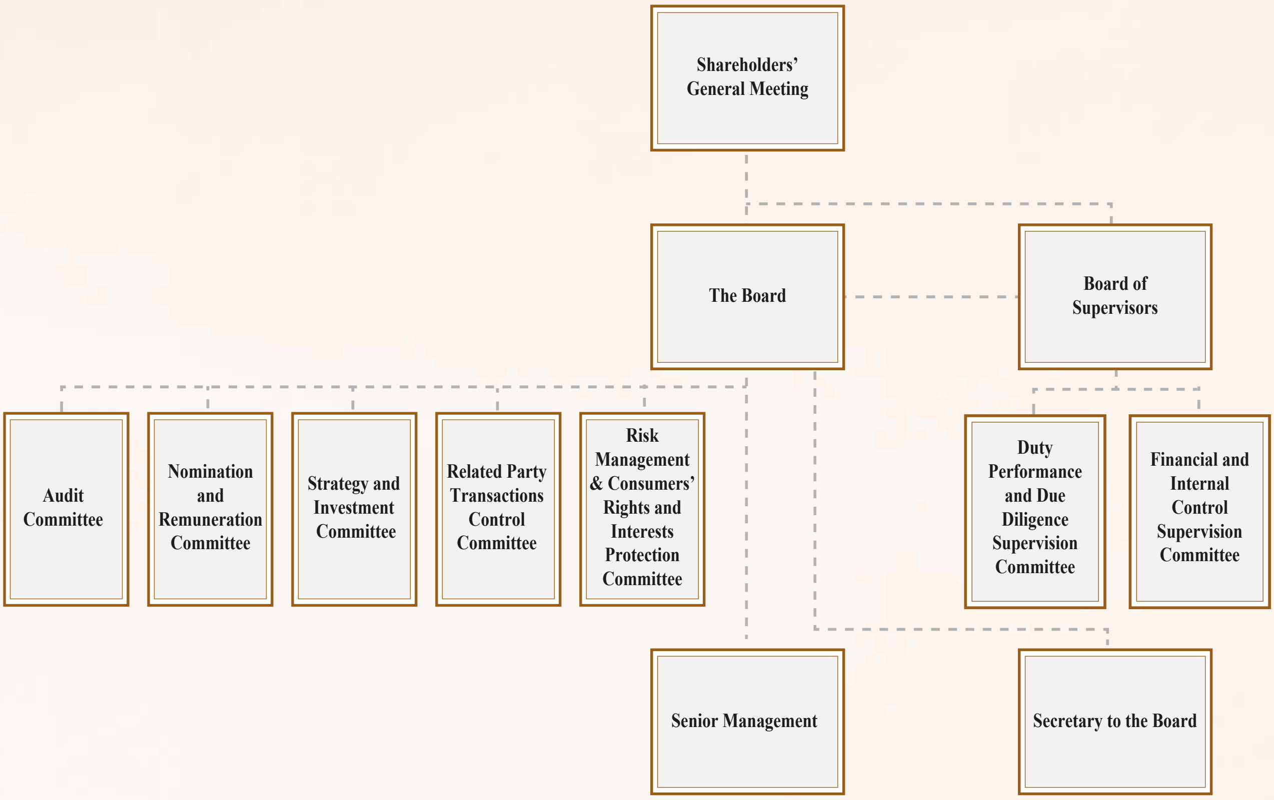
In 2020, the Company strongly strengthened training coordination and planning, created high-quality training programmes, organised and introduced new staff orientation training, officer job training, “Leadership Project” series training, officer leadership training and career path development for servicing staff, orderly promoted the planning of online training, extensively applied remote live stream training and continuously expanded the coverage of training to provide strong protection and intellectual support for the Company's high-quality development.

OVERVIEW

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

In 2020, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, and the Company has a complete corporate governance structure. The shareholders' general meeting, the Board, Board of Supervisors and senior management performed their respective duties pursuant to the Articles of Association, in compliance with laws and regulatory requirements. The Board of the Company is responsible for fulfilling the corporate governance responsibilities as set out in code provision D.3.1 of the Corporate Governance Code.

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



Shareholders' General Meeting

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

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

- Election of executive Directors, non-executive Directors and Shareholder representative Supervisor.
- Considered and approved the report of the Board of Directors and the report of the Board of Supervisors of the Company for the year 2019.
- Considered and approved the final financial accounts of the Company for the year 2019.
- Considered and approved the profit distribution plan of the Company for the year 2019 and the profit distribution plan for the first half of 2020.
- Considered and approved the fixed assets investment budgets of the Company for the year 2020.
- Considered and approved the resolution on the engagement of auditor for 2020 and 2021 financial statements and internal control.
- Considered and approved the resolution on the work report and appraisal of performance of the Independent Non-executive Directors for the year 2019.
- Considered and approved the remuneration settlement schemes of Directors and Supervisors of the Company for the year 2018.
- Considered and approved the resolutions on the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited and relevant authorisation, and the amendments to the Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited.
- Considered and approved the resolution on the grant of a general mandate to the Board to issue shares.
- Received the performance report of the Directors of the Company for the year 2019.
- Received the report on related party transactions of the Company for the year 2019 and the evaluation of internal transactions of the Group.
- Received the report on the solvency of the Group for the year 2019.

In addition, the conditions for the renewal of the liability insurances for Directors, Supervisors and senior management of the Company from 2019 to 2020 were also received at the shareholders' general meeting.

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

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

Methods of Convening Extraordinary General Meetings

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

Procedures for Proposing Resolutions at General Meetings

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

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

The Board

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

Composition

As at the date of this report, the Board of the Company comprised 13 Directors (see the section "Directors, Supervisors, Senior Management and Employees" in this annual report for the profiles of current Directors), consisting of four Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. Directors serve a term of three years and are eligible for re-election, but Independent Non-executive Directors shall not serve consecutively for more than six years.

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

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

Name	Position(s)	Date of Appointment
Executive Directors		
Luo Xi	Chairman, Executive Director	10 December 2020
Wang Tingke	Vice Chairman, Executive Director	11 August 2020
Xie Yiqun	Executive Director	13 October 2017
Li Zhuyong	Executive Director	9 December 2020
Non-executive Directors		
Wang Qingjian	Non-executive Director	13 July 2017
Miao Fusheng	Non-executive Director	9 December 2020
Wang Shaoqun	Non-executive Director	9 December 2020
Cheng Yuqin	Non-executive Director	24 October 2015
Wang Zhibin	Non-executive Director	5 August 2016
Independent Non-executive Directors		
Shiu Sin Por	Independent Non-executive Director	14 May 2018
Ko Wing Man	Independent Non-executive Director	14 May 2018
Lin Yixiang	Independent Non-executive Director	25 September 2015
Chen Wuzhao	Independent Non-executive Director	2 March 2017

As at the date of this report, changes in the members of the Board of the Company were as follows:

On 20 January 2020, due to work arrangements, Mr. Bai Tao resigned as an Executive Director, the Vice-Chairman, the President and the member of the Strategy and Investment Committee of the Board of the Company, and Mr. Tang Zhigang resigned as an Executive Director, the Vice-President, the chairman of Risk Management & Consumers' Rights and Interests Protection Committee of the Board, the member of Related Party Transactions Control Committee of the Board and the Secretary to the Board of the Company.

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

On 29 April 2020, Mr. Wang Tingke was nominated as a candidate for Executive Director to serve the third session of the Board of Directors of the Company at the 19th meeting of the third session of the Board of Directors of the Company and Mr. Wang Tingke was nominated as the Vice Chairman to serve the third session of the Board of Directors of the Company (the term of office of the Vice Chairman shall commence on the date of approval of his qualification as a Director by the CBIRC). On 23 June 2020, Mr. Wang Tingke was elected as an Executive Director of the third session of the Board of Directors of the Company in the 2019 Annual General Meeting of the Company. The qualification of Mr. Wang Tingke as Director was approved on 11 August 2020 by the CBIRC.

On 15 July 2020, Mr. Miao Jianmin resigned as an Executive Director, the Chairman and the chairman of Strategy and Investment Committee of the Board of the Company due to work arrangements.

On 21 August 2020, Mr. Li Zhuyong was nominated as an Executive Director of the third session of the Board of Directors of the Company, and Mr. Miao Fusheng and Mr. Wang Shaoqun were nominated as candidates for Non-executive Directors of the third session of the Board of Directors of the Company in the 21st meeting of the third session of the Board of Directors of the Company. On 28 October 2020, Mr. Li Zhuyong was elected as an Executive Director of the third session of the Board of Directors of the Company, and Mr. Miao Fusheng and Mr. Wang Shaoqun were elected as Non-executive Directors of the third session of the Board of Directors of the Company in the 2020 Second Extraordinary General Meeting of the Company. The qualifications of Mr. Li Zhuyong, Mr. Miao Fusheng and Mr. Wang Shaoqun as Directors were approved on 9 December 2020 by the CBIRC.

On 9 December 2020, Mr. Xiao Xuefeng resigned as a Non-executive Director, the member of the Nomination and Remuneration Committee of the Board and the member of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of the Company due to work arrangements.

From 28 September to 10 October 2020, Mr. Luo Xi was nominated as a candidate for Executive Director to serve the third session of the Board of Directors of the Company at the 22nd meeting of the third session of the Board of Directors of the Company and Mr. Luo Xi was elected as the Chairman to serve the third session of the Board of Directors of the Company (the term of office of the Chairman shall commence on the date of approval of his qualification as a Chairman by the CBIRC). On 28 October 2020, Mr. Luo Xi was elected as an Executive Director of the third session of the Board of Directors of the Company in the 2020 Second Extraordinary General Meeting of the Company. The qualification of Mr. Luo Xi as Chairman was approved on 10 December 2020 by the CBIRC.

On 16 March 2021, Mr. Luk Kin Yu resigned as an Independent Non-executive Director of the Company, the member of the Audit Committee of the Board and the member of the Nomination and Remuneration Committee of the Board due to his age and health. Following the resignation of Mr. Luk Kin Yu, there are 13 members remained in the Board (including 4 Independent Non-executive Directors), the Company fails to meet the requirement of having at least one-third of the Board being independent Directors under the SSE and the Hong Kong Stock Exchange. The Company will identify suitable candidates to fill up the vacancy of the Independent Non-executive Director of the Company as soon as possible and will follow the necessary procedures and make further announcements in accordance with the relevant regulatory requirements of the SSE and the Hong Kong Stock Exchange in a timely manner.

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

Duties and Responsibilities

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

Summary of Work Undertaken

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

	Attendance in person/attendance by proxy/scheduled attendance								
	Shareholders' General Meeting		The Board		Board Committees				
Directors	Shareholders' General Meeting	Attendance	The Board	Percentage of attendance in person	Audit Committee	Nomination and Remuneration Committee	Strategy and Investment Committee	Related Party Transactions Control Committee	Risk Management & Consumers' Rights and Interests Protection Committee
Executive Directors									
Luo Xi *(Chairman)*	–	–	1/1	100%	–	–	1/0/1	–	–
Wang Tingke *(Vice Chairman)*	0/1	0%	2/4	50%	–	–	2/0/2	–	0/0/0
Xie Yiqun	2/3	66.7%	6/7	85.7%	–	–	6/0/6	–	–
Li Zhuyong	–	–	1/1	100%	–	–	–	0/0/0	–
Non-executive Directors									
Wang Qingjian	3/3	100%	7/7	100%	6/0/6	–	6/0/6	1/0/1	–
Miao Fusheng	–	–	1/1	100%	–	0/0/0	–	–	0/0/0
Wang Shaoqun	–	–	1/1	100%	–	–	–	–	0/0/0
Cheng Yuqin	3/3	100%	7/7	100%	–	–	6/0/6	–	–
Wang Zhibin	0/3	0%	6/7	85.7%	–	–	–	–	4/0/4
Independent Non-executive Directors									
Shiu Sin Por	2/3	66.7%	6/7	85.7%	6/0/6	–	–	1/0/1	4/0/4
Ko Wing Man	2/3	66.7%	7/7	100%	–	7/0/7	–	–	4/0/4
Lin Yixiang	3/3	100%	7/7	100%	–	7/0/7	6/0/6	1/0/1	–
Chen Wuzhao	3/3	100%	7/7	100%	6/0/6	7/0/7	–	1/0/1	–
Resigned Directors									
Miao Jianmin	2/2	100%	3/3	100%	–	–	3/0/3	–	–
Bai Tao	1/1	100%	–	–	–	–	–	–	–
Tang Zhigang	1/1	100%	–	–	–	–	–	–	–
Xiao Xuefeng	3/3	100%	6/6	100%	–	6/0/6	–	–	4/0/4
Hua Rixin	1/1	100%	–	–	–	–	–	–	–
Luk Kin Yu, Peter	0/3	0%	5/7	71.4%	3/3/6	7/0/7	–	–	–

During the reporting period, the Board convened three shareholders' general meetings in which 19 resolutions were submitted for consideration and approval with three reports presented; convened seven Board meetings in which 80 resolutions were considered and reviewed. The main tasks accomplished by the Board included:

- Convened three shareholders' general meetings;

- Considered and approved the operation plan, financial plan and fixed asset investment plan of the Group for the year 2021, the overall asset allocation plan (2021-2023) and asset allocation plan for the year 2021, the capital planning of the Group (2020-2022), asset allocation plan of the Company for the year 2021-2023 and the asset allocation plan for the year 2021, the statement on risk appetite for the year 2020, the fixed asset investment budget, the audit plan and cost budget;

- Considered and approved the final account, profit distribution plan of the Company for the year 2019 and profit distribution plan for the first half of 2020;

- Considered and approved the annual report, annual results announcement, corporate social responsibility report, solvency report, internal control evaluation report and internal control audit report, risk evaluation report, compliance report, corporate governance report, duty report and evaluation result of performance of duties of Independent Directors, assessment report on the implementation of business plan, evaluation and audit report of internal control on the insurance capital use for the year 2019, first quarterly report, interim report, interim results announcement, third quarterly report for the year 2020, and solvency report for the first half of 2020 of the Company;

- Considered and approved the resolutions on optimisation of the organisational setup of the Company, renewal of the liability insurances for the Directors, Supervisors and senior management and the grant of a general mandate to issue shares;

- Considered and approved the formulation of the Internal Audit Charter of The People's Insurance Company (Group) of China Limited, amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited, Terms of Reference of the Strategy and Investment Committee of the Board of Directors of The People's Insurance Company (Group) of China Limited, Terms of Reference of the Risk Management Committee of the Board of Directors of The People's Insurance Company (Group) of China Limited and relevant implementation of information disclosure of the Company;

- Elected Chairman and Vice Chairman of the Board, nominated candidates for Executive Directors and Non-executive Directors, elected the members of the Nomination and Remuneration Committee, members of the Strategy and Investment Committee, members of the Related Party Transactions Control Committee, and chairman and members of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board;

- Appointed the President, Secretary to the Board, responsible compliance officer and Chief Risk Officer of the Company;

- Considered and approved the remuneration settlement schemes of the Group for the year 2019, financial budget on total salary of the Group for the year 2020, remuneration settlement scheme of the Company's responsible officers for the year 2019, remuneration settlement scheme for Directors and Supervisors of the Company for the year 2019, and implementation of the performance appraisal and incentive scheme of the Company for the year 2019;

- Considered and approved the resolution on the engagement of auditor for 2020 and 2021 financial statements and internal control;

- Considered and approved the resolutions on the recommendations of non-executive directors and chairman candidates of subsidiaries, capital increase to subsidiaries, and amendments to the Articles of Association and profit distribution and share transfer of subsidiaries;

- Received reports on the implementation of the 2019 annual financial plan of the Group, report on the write-off of doubtful accounts in the first half of 2020, performance reports of the Directors of the Company for the year 2019, reports on the related party transactions and the implementation of its management system and evaluation of internal transactions for the year 2019, and report on specific auditing results of related party transactions for the year 2019.

DIRECTORS

Responsibility with respect to Financial Statements

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

Securities Transactions

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

Independence of Independent Non-executive Directors

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

Training of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chairman/Vice Chairman/President

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

The Vice Chairman and President of the Company is Mr. Wang Tingke as at the date of this report. On 20 January 2020, Mr. Bai Tao resigned as the Vice Chairman and President of the Company. On 29 April 2020, Mr. Wang Tingke was elected as the President and Vice Chairman of the Company at the 19th meeting of the third session of the Board of Directors of the Company. The CBIRC approved the qualification of Mr. Wang Tingke as the President of the Company on 21 July 2020, and the qualification of Mr. Wang Tingke as a Director on 11 August 2020, and Mr. Wang Tingke's appointment as Vice Chairman became effective on 11 August 2020. The President is responsible for leading the operation management of the Company, organising the implementation of Board resolutions, annual operation plans and investment proposals, formulating the internal management organisation plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of other senior management. The Company's senior management team is the Company's execution body and assumes responsibilities to the Board. The powers of the Board and the senior management team are provided in accordance with the Articles of Association. The senior management team's powers in relation to operation, management and decision-making are authorised by the Board.

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

BOARD COMMITTEES

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

Audit Committee

As at the date of this report, the Audit Committee of the Board of the Company comprised three Directors, including two Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the Chairman. On 16 March 2021, Mr. Luk Kin Yu, Peter resigned as the member of the Audit Committee.

Composition

Chairman: Chen Wuzhao (Independent Non-executive Director)

Members: Shiu Sin Por (Independent Non-executive Director), Wang Qingjian (Non-executive Director)

Duties and Responsibilities

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

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

Auditor's Fees

In 2020, total fees in respect of audit services provided to the Company and its subsidiaries by Deloitte Touche Tohmatsu Certified Public Accountants LLP/Deloitte Touche Tohmatsu ("Deloitte") were RMB36.19 million in total for interim financial report review and annual financial report audit, and the fees in respect of internal control audit and other special audit and assurance services were RMB10.38 million in total. In addition, Deloitte also provided non-audit services to the Company and its subsidiaries for a fee of RMB7.92 million in total.

Summary of Work Undertaken

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

- Reviewed and considered formulation of the Internal Audit Charter of The People's Insurance Company (Group) of China Limited;

- Reviewed and considered the annual report, annual results announcement, relevant final account report, internal control evaluation report, risk evaluation report, evaluation and audit report of internal control on the insurance capital use, evaluation result of performance of duties of Audit Committee of the Board, reports on related party transactions and the implementation of its management system and evaluation of internal transactions, report on the audit work, and report on comprehensive analysis of audit findings and comprehensive analysis of corrective actions for the year 2019;

- Reviewed and considered the first quarterly report, interim report, interim results announcement and third quarterly report for the year 2020;

- Reviewed and considered the audit plan and financial budget for the Company for the year 2020;

- Reviewed and considered the resolutions on the appointment of the auditor for the financial statements and the internal control of 2020 and 2021 of the Company, and on adjustment of the Group's audit service project procurement implementation plan for the Group for the year 2021;

- Reviewed and considered the audit system reform proposal of the Group;

- Received the auditor's report on the annual audit work for 2019 and the interim review for 2020;

- Received the report of implementation and executive of the financial plan for the year 2019, special audit report on related party transactions, report on the performance of the Audit Committee of the Board, report on the construction of the Group's internal audit system, report of the audit work in the first half of 2020, and a comprehensive analysis of the problems found in the first half of the year and their rectification.

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

Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee comprised four Directors including three Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the chairman. On 9 December 2020, Mr. Xiao Xuefeng resigned as the member of the Nomination and Remuneration Committee. On 29 December 2020, Mr. Miao Fusheng was appointed as the member of Nomination and Remuneration Committee. On 16 March 2021, Mr. Luk Kin Yu, Peter resigned as the member of the Nomination and Remuneration Committee.

Composition

Chairman: Lin Yixiang (Independent Non-executive Director)

Members: Ko Wing Man (Independent Non-executive Director), Chen Wuzhao (Independent Non-executive Director), Miao Fusheng (Non-executive Director)

Duties and Responsibilities

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

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

Director Nomination

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

Remuneration of Directors and Other Senior Management

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

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

Summary of Work Undertaken

During the year, the third session of the Nomination and Remuneration Committee of the Board held seven meetings, of which 31 proposals were reviewed and considered. During the year, the main tasks accomplished by the Nomination and Remuneration Committee included:

- Reviewed and considered the matter in relation to the nomination of the Chairman, the Vice Chairman, Executive Directors, Non-executive Directors and member of the Board Committees of the Company, with recommendation made to and adopted by the Board;

- Reviewed and considered the matter in relation to the nomination of the President, the secretary of the Board, responsible compliance officer and Chief Risk Officer of the Company, with recommendation made to and adopted by the Board;

- Reviewed and considered the remuneration settlement schemes of the Group for the year 2019, financial budget on total salary of the Group for the year 2020, remuneration settlement scheme of the Company's responsible officers for the year 2019, remuneration scheme for Directors and Supervisors of the Company for the year 2019, and implementation of the performance appraisal and incentive scheme of the Company for the year 2019;

- Reviewed and considered the resolution on optimisation of the organisational setup of the Company;

- Reviewed and considered the "Incentive and Restraint Mechanism" section of the corporate governance report for the year 2019;

- Reviewed and considered performance report of the Directors of the Company for the year 2019, and the work report and appraisal of performance of the Independent Directors for the year 2019;

- Reviewed and considered the resolutions on the recommendation of candidates of non-executive directors and chairman of related subsidiaries.

Strategy and Investment Committee

As at the date of this report, the Strategy and Investment Committee comprised six Directors, including three Executive Directors, two Non-executive Directors and one Independent Non-executive Director. Pursuant to the Articles of Association, the chairman of the committee should be served by the Chairman of the Board. On 20 January 2020, Mr. Bai Tao resigned as the member of the Strategy and Investment Committee. On 15 July 2020, Mr. Miao Jianmin resigned as the chairman of the Strategy and Investment Committee. On 21 August 2020, Mr. Wang Tingke was appointed as the member of the Strategy and Investment Committee. On 10 December 2020, Mr. Luo Xi was appointed as the chairman of the Strategy and Investment Committee.

Composition

Chairman: Luo Xi (Executive Director)

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

Duties and Responsibilities

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

The primary duties of the Strategy and Investment Committee include, but are not limited to, the following: (1) review the Company’s general strategic development plans and specific strategic development plans, and make recommendations to the Board; (2) evaluate factors that may have an impact on the Company’s strategic development plans and their implementation in light of domestic and international economic financial conditions and trend of market changes and make prompt development plans adjustment recommendations on the strategic development plans to the Board; (3) evaluate the overall development of the Company’s businesses and make prompt adjustment recommendations on the strategic development plans to the Board; (4) review our annual financial budget and final accounts plans, and make recommendations to the Board; (5) review the matters relating to external investments which requires the Board’s approval: ① external investment management systems; ② external investment management approaches; ③ decision-making procedures and authorisation mechanisms for external investments; ④ strategic asset allocation plans, annual investment plans, investment guidelines and relevant adjustment plans; ⑤ significant direct investments; ⑥ strategy and operation plans for new investment categories; ⑦ systems for evaluating and examining the performance of external investments; (6) explain the Company’s external investment proposals at shareholders’ general meetings and Board meetings upon their request; (7) formulate and revise policies related to our corporate governance, and make recommendations to the Board; (8) supervise the Directors and senior management’s training and continuing professional development; (9) develop, amend and supervise the internal code of conduct for the Company’s staff and Directors; (10) supervise the Company's disclosure on corporate governance in compliance with the the relevant requirements of the securities regulatory authority at the place where the Company’s shares are listed; (11) develop and amend the Company's policies on corporate social responsibility in regards to environmental, social and governance, consider the following matters, and report and make recommendations to the Board: ① suggestions on the Company’s environmental, social and governance management system, including the governance approach and strategy, the process for assessing, prioritising and managing issues related to significant environmental, social and governance (including business risks); ② studies and assessments of factors related to environmental, social and governance that may affect the Company’s development; ③ review of planning and implementation of the Company’s environmental, social and governance activities; ④ the Company’s corporate social responsibility disclosures such as environmental, social and governance information; and (12) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company’s shares are listed, and other matters as authorised by the Board.

Summary of Work Undertaken

During the year, the third session of the Strategy and Investment Committee of the Board held six meetings, of which 36 proposals were reviewed and considered. During the year, the main tasks accomplished by the Strategy and Investment Committee included:

- Reviewed and considered the operation plan, financial plan and fixed assets investment budget plan of the Group for the year 2021;
- Reviewed and considered relevant report on the final account for the year 2019, profit distribution plan for the year 2019 and profit distribution plan for the first half of 2020 of the Company;
- Reviewed and considered the overall asset allocation plan for 2021-2023 and the asset allocation plan for the year 2021 of the Group and the Company, and the capital planning of the Group (2020-2022);
- Reviewed and considered the first section "Corporate Governance Operations" under the corporate governance report of the Company for the year 2019, the Corporate Social Responsibility Report, the assessment report on the implementation of the development plan, the Report of the Board of Directors, and the corporate governance report;
- Reviewed and considered the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited, and Terms of Reference of the Strategy and Investment Committee of the Board of Directors of The People's Insurance Company (Group) of China Limited and relevant system of information disclosure of the Company;
- Reviewed and considered the general mandate to issue shares;
- Reviewed and considered the resolutions on the amendments to the Articles of Association of related subsidiaries and profit distribution;
- Reviewed and considered the resolutions on capital contribution to PICC Hong Kong and adjustment of the transfer of equity interest in PICC AMHK;
- Received reports on the write-off of doubtful accounts of the Group in the first half of 2020.

Related Party Transactions Control Committee

As at the date of this report, the Related Party Transactions Control Committee comprised five Directors including one Executive Director, one Non-executive Director and three Independent Non-executive Directors, and an Independent Non-executive Director served as the chairman. On 20 January 2020, Mr. Tang Zhigang resigned as the member of the Related Party Transactions Control Committee. On 29 December 2020, Mr. Li Zhuyong was appointed as the member of the Related Party Transactions Control Committee.

Composition

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

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

Duties and Responsibilities

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

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

Summary of Work Undertaken

During the year, the third session of the Related Party Transactions Control Committee of the Board held one meeting, of which two proposals were heard. In addition, on 27 November 2020, Shiu Sin Por (the chairman) held a special meeting to receive special report from the office of the Related Party Transactions Control Committee of the Company. During the year, the main tasks accomplished by the Related Party Transactions Control Committee included:

- Received the report on related party transactions of the Company for the year 2019 and the evaluation of internal transactions of the Group.

- Received the report on auditing results of related party transactions of the Company for the year 2019.

- Received the report on the working mechanism of Related Party Transactions Control Committee of the Company.

Risk Management & Consumers' Rights and Interests Protection Committee

As at the date of this report, the Risk Management & Consumers' Rights and Interests Protection Committee comprised six Directors, including one executive Director, three Non-executive Directors and two Independent Non-executive Directors. On 20 January 2020, Mr. Tang Zhigang resigned as the chairman of the Risk Management & Consumers' Rights and Interests Protection Committee. On 18 March 2020, Ms. Hua Rixin resigned as the member of the Risk Management & Consumers' Rights and Interests Protection Committee. On 9 December 2020, Mr. Xiao Xuefeng resigned as the member of the Risk Management & Consumers' Rights and Interests Protection Committee. On 29 December 2020, Mr. Wang Tingke was appointed as the chairman of the Risk Management & Consumers' Rights and Interests Protection Committee, and Mr. Miao Fusheng and Mr. Wang Shaoqun were appointed as the members of the Risk Management & Consumers' Rights and Interests Protection Committee.

On 19 April 2020, the 19th meeting of the third session of the Board of Directors of the Company considered and approved the "Resolution on the Adjustment and Establishment of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of Directors", and the original "Risk Management Committee of the Board of Directors" was replaced by "Risk Management & Consumers' Rights and Interests Protection Committee of the Board of Directors". Since the establishment of the committee, the Company continued to improve the consumers' rights and interests protection system, promoted the integration of consumers' rights and interests protection into the Group's management system, consolidated work related to consumers protection inspection, information disclosure, dispute resolution, education promotion, work assessment and audit.

Composition

Chairman: Wang Tingke (Executive Director)

Members: Shiu Sin Por (Independent Non-executive Director), Ko Wing Man (Independent Non-executive Director), Miao Fusheng (Non-executive Director), Wang Shaoqun (Non-executive Director), Wang Zhibin (Non-executive Director)

Duties and Responsibilities

The Risk Management & Consumers' Rights and Interests Protection Committee is mainly responsible for having a comprehensive understanding of all major risks faced by the Company and their respective management status, and supervising the operational effectiveness of the risk management system. It established and improved the system of consumers' rights and interests protection to ensure effective protection of the legitimate rights and interests of customers, and ensure that the relevant systems and regulations are in line with corporate governance, corporate culture and construction and business development strategies.

The primary duties of the Risk Management & Consumers' Rights and Interests Protection Committee include, but are not limited to, the following: (1) be responsible for the Company's risk management, have a full understanding of the Company's various significant risks and the respective management status, and supervise the operational effectiveness of our risk management controls; (2) review the Company's overall goals, fundamental policies and terms of references for risk management, and make suggestions and recommendations to the Board; (3) review the Company's risk management organisation and corresponding responsibilities, and make suggestions and recommendations to the Board; (4) review the Company's risk evaluations of material decision and solutions on significant risks, and make suggestions and recommendations to the Board; (5) review the Company's annual risk evaluation report and make suggestions and recommendations to the Board; (6) review and submit the Company's annual compliance report to the Board; (7) receive reports in relation to compliance matters and make recommendations to the Board; (8) formulate and amend the internal compliance code applicable to the Company's staff and Directors, assess and supervise the Company's compliance policies and status, and make recommendations to the Board; (9) carry out relevant work with the authorisation of the Board, discuss and decide relevant matters, study major issues and important policies on the protection of consumers' rights and interests, and submit work report and annual report on the protection of consumers' rights and interests to the Board; (10) guide and supervise the establishment and optimisation of the consumers' rights and interests protection management system, guide the material disclosure in regard to consumers' rights and interests protection work and supervise the comprehensiveness, promptness and effectiveness of the work of the management and consumers' rights and interests protection departments; (11) review work report of the management and consumers' rights and interests protection departments, study the annual audit report, regulatory reports and internal assessment results in relation to consumers' rights and interests protection, and supervise the management and related departments to timely rectify the issues identified; (12) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, procedural rules for the Board meetings, the terms of reference, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, and other matters as authorised by the Board.

Summary of Work Undertaken

During the year, the third session of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board held four meetings, of which nine proposals were reviewed and considered. During the year, the main tasks accomplished by the Risk Management & Consumers' Rights and Interests Protection Committee included:

- Reviewed and considered the report on the anti-insurance fraud management of the Group in 2019;
- Reviewed and considered the resolution on the renewal of the liability insurances for the Directors, Supervisors and senior management;
- Reviewed and considered the Group's compliance report, risk evaluation report, and self-assessment report in internal control for the year 2019 (being the 2019 corporate governance report: Part III "Evaluation of Internal Control");
- Reviewed and considered the solvency reports of the Group for the year 2019 and the first half of 2020;

- Reviewed and considered the risk appetite statement of the Group for the year 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company believes that good risk management and internal control play an important role in the operation of the Company, and established a vertical and horizontal risk management structure. Vertically, the risk management structure runs through the Board, the management and all functional departments and covers all business sectors and branches at all levels of the Group. Horizontally, the “three lines of defence” in risk management have performed in accordance with their respective functions. The Board is committed to establishing an effective risk management and internal control system, and is devoted to the implementation and supervision of risk management and internal control. The Board is ultimately responsible for the risk management, internal control, and compliance management of the Company. It makes decisions on risk management, internal control and compliance policies, approves the annual risk appetite statement and risk assessment report, internal control evaluation report and compliance report, and reviews the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. Under the Board, the Company has established: (1) the Risk Management & Consumers’ Rights and Interests Protection Committee is responsible for having a comprehensive understanding of all major risks faced by the Company and their respective management status, promoting the management to fully implement consumer protection work, supervising the effectiveness of the operation of risk management & consumers’ rights and interest protection system, reviewing the overall objectives, basic policies and work systems for risk management, and providing opinions and suggestions to the Board; (2) the Audit Committee is responsible for the inspection and review of all kinds of matters including internal control and audit. Meanwhile, the Company has established internal audit organisations responsible for the regular supervision and evaluation of the work results in risks management, internal control and compliance. The management of the Company organises and leads the daily operation of the risk management and internal control of the Company and is responsible for the design, implementation and monitoring of the risk management and internal control system. The Company has established a risk and compliance committee as a comprehensive coordination organisation under the senior management, which is responsible for guiding, coordinating and supervising the development of risk management, internal control and compliance by the Company and all our subsidiaries. In 2020, the Group and its subsidiaries optimised the risk and compliance committee. The business, finance, investment and other functional departments or operating units of the Company and its subsidiaries assume primary responsibilities in their respective risk management and internal control systems; specialised organisations or departments such as the risk management department and the internal control and compliance department are responsible for the overall planning and organisation of implementation of risk management, internal control and compliance. Internal audit organisations or departments are responsible for supervising and auditing in relation to the effectiveness of risk management, internal control and compliance, and investigating the accountability for any action which violates the requirements and incurs risk damages.

In 2020, the Company’s overall strategy for risk management was to: closely concentrate on its high quality development and different strategic deployments including the “To be Prominent Strategy”, implement the spirit of the Group’s 2020 work conference, strengthen the management of major risks, improve risk management system, consolidate the foundation of internal control and compliance, further innovate the concept, model and method of risk management, promote the prevention and resolution of major financial risks ensuring the final stages being carried out as planned, and maintain the bottom line of zero systematic risks.

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

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

In 2020, the Company continued to optimise its risk management professional instruments and methods to enhance the effectiveness of risk management. In terms of risk management environment development, the Company initiated and implemented the Risk Appetite Phase II project to further improve the risk appetite system. The Company and relevant subsidiaries have prepared annual risk appetite statements based on the results of the Risk Appetite Phase II project, making it an effective instrument to centralise the risk management policies of the Group as a whole. At the same time, it established a mechanism for daily operation of the risk appetite system, including the establishment and updating of risk appetite, dissemination and implementation, monitoring and evaluation, re-examination and adjustment, and holding regular risk appetite communication meetings to promote the dissemination and implementation of risk appetite to branches institution and business departments, so that the risk appetite system can be effectively applied and serve as a risk constraint. With regard to risk assessment and analysis, the Company started to assess and respond to the risk of the COVID-19 pandemic in a timely manner, continued to strengthen the measure and application of economic capital, constantly monitored the execution of risk capital budget, optimised the centralised stress testing framework, enhanced the assessment and analysis of a variety of risks, and facilitated the formation of risk and capital-based management of the Company as a whole; with regard to information collection and reporting, the Company has developed a risk management information system, established a risk monitoring and warning mechanism, and continued to optimise the risk monitoring index system and improve the indices and warning values to enhance the quality and effectiveness of risk monitoring.

In 2020, the Company continued to strengthen the construction of risk management and internal control system, and introduced the “Year of Risk Control Compliance Infrastructure Construction” across the system. The comprehensive risk management system, mechanism and process of each subsidiary have been enhanced continuously, and the foundation of risk control has been further strengthened. The Group has made strong efforts to prevent and resolve major financial risks and achieved the expected results. It strengthened the Group’s risk coordination and planning control mechanism, and optimised risk compliance performance assessment; proactively pushed forward the prevention and resolution of risks, examined the risk base, and handled major cases in an appropriate manner; studied the establishment of a key business risk monitoring mechanism, highlighted the dynamic monitoring, evaluation, warning, response and reporting of key business and key risks, and organised a comprehensive risk survey of assets and liabilities; further promoted the construction of risk management information technology and strengthened the collection and management of risk data; continued to profoundly promote the construction of the internal control system to the grassroots level, carried out risk management and internal control investigation and research, and supervision and inspection, comprehensively investigated the internal control process and system, improved the weaknesses of internal control, strengthened the strict control of internal control, promoted the construction of a long-term mechanism for internal control and prevention and the internal control management of key positions, started special internal control evaluation and audit of capital utilisation, strengthened the control of key risks, organised professional training on risk management and internal control, strengthened the construction of a team of professionals and train talents, and improved the level of risk management and internal control across the Company. PICC P&C comprehensively implemented the construction of the three major components of risk management and internal control, which are “structure, system and assessment”, implemented the functions of the risk compliance committee, strengthened the assessment and guidance, continued to develop the construction of the basic internal control system, strengthened the management of key personnel positions, promoted the risk data monitoring system, pushed forward the improvement of strict control of business systems, continued to carry out internal control evaluation, compliance inspection and special risk investigation, continued to identify, evaluate and improve various risks, and strengthened risk prevention in key areas and critical procedures. PICC AMC has been determined to safeguard its risk bottom line, intensively promote the construction of a comprehensive risk management system, strengthen the construction of systems and processes, concentrate on the prevention and control of business risks, take performance assessment as a guide, focus on the prevention and control of risks in key investment areas, and deploy and facilitate the implementation of risk control measures and risk investigation and inspection work. PICC Life strengthened the top-level design of risk management, studied and deployed special projects to strengthen risk prevention and standardised measures, improved the level of risk control in all aspects and further strengthened the foundation of risk management and internal control system through the “two reductions and two enhancements” special management projects and the “major six projects” infrastructure construction plan of compliance and risk control. PICC Health strengthened the organisational responsibilities and operation regulations of the risk compliance committee, introduced the verification and rectification work in key areas, reinforced the construction of systems and processes, launched a comprehensive risk assessment of assets and liabilities, started the SARMRA self-assessment and rectification, optimised the database of key risk indicators, established a product-specific risk monitoring system and improved its risk monitoring, assessment and response capabilities. PICC Investment Holding promoted the construction of centralised risk compliance management, consolidated the foundation of risk control compliance and system, strengthened training and promotion, conducted in-depth risk and internal control investigation, continuously optimised the risk compliance performance assessment mechanism, and prevented risks in major operating behaviours and key management areas. PICC Capital strengthened the construction of the risk management system, advanced the mechanism construction and normalised operation of the Risk Compliance Committee, gradually improved the management system of the alternative investment business, achieved a comprehensive online operation of the product development decision-making process, and enhanced the refinement level of internal control. PICC Financial Services strengthened its risk prevention and control capabilities, took the construction and improvement of risk and internal control management information system as the main line, made comprehensive use of risk preference transmission, performance evaluation and risk investigation in key areas, strengthened risk dynamic monitoring capability, accelerated the construction of internal control management system and comprehensively improved the overall risk management level. PICC Reinsurance enhanced the operation mechanism of risk compliance committee, completed the appointment of chief risk officer and responsible compliance officer, optimised the function of risk management information system, and continuously strengthened the structure control, process control and system control. PICC Pension continued to improve the risk management and internal control system, improved the system and internal control process, focused on prevention and control of investment risks, and actively carried out risk identification and training promotion.

The Company fully conducted the risk appraisal and internal control assessment covering the whole Group in 2020. The Board believed that during the reporting period, relevant management and control measures were sufficient to guarantee the actual demands of the Company in risk management. For internal control, all of the risk management and internal monitoring systems of the Company covering all key aspects, including financial monitoring, operation monitoring and compliance monitoring are sufficient and effective. There were no factors affecting the conclusion on the appraisal of the effectiveness of the internal control during the period from the base date of the internal control appraisal report to the publication date of the internal control appraisal report. The Company was not aware of any matters that may have direct effects on the quality of the operation activities or the achievement of the targets of financial reports and the operation of the internal control system of the Group is sufficient and effective.

In 2020, the risk management system of the Company was sound and effective and it did not identify any significant risks affecting the normal operation of the Company. The Company continued to strengthen the frequency and effectiveness of the dynamic risks monitoring and established the annual, quarterly and other regular risk appraisal mechanisms. The management of the Company continued to conduct analysis and appraisal on various significant risks and consistently strengthened the frequency of risks monitoring. Besides the annual reporting to the Board, it conducts overall in-depth appraisal on risks and capital risks of the Company every quarter and monitors sensitive risk indicators every month and collects, summarises and reports significant risk matters every week. Meanwhile, the Company conducts special appraisal and reports on risks of overseas affiliates or branches and overseas investments of the Company every quarter. The Company has established a complete set of sophisticated risk appraisal mechanism, which will guarantee the effectiveness of risk management.

In 2020, the Company strictly complied with relevant requirements in relation to each special risk management system, managed insurance risk, market risk, credit risk, operational risk, strategic risk, reputational risk and liquidity risk, and no major risk events occurred during the year. For insurance risk, the Company continued to strengthen the underwriting risk prevention, further enhanced the functions of business system, strengthened rigid control and risk investigation and standardised product, terms and single policyholder risk exposure, continued to optimise product structure, term structure and profit source structure, whilst special risk assessments and analysis were carried out on focus areas and key businesses. In terms of market risk, the Company closely monitored the macro situation and changes in the domestic and overseas capital markets, constantly strengthened the tracking and analysis of investment risk exposure and evaluated and analysed market risk regularly by using sensitivity analysis, value at risk and stress testing, and scenario analysis. The Company also promptly adjusted the allocation strategy according to changes in the market, increased efforts for post-investment management, conducted penetrating analysis of underlying assets, reinforced management for matching assets and liabilities, improved risk response capability and investment management capability. In terms of credit risk, in respect of its insurance business, the Company continuously strengthened front control and credit management, and strictly focused on process management and control with conducts of regular monitoring analysis and risk warnings for reducing exposures of risk and business. In respect of investment business, it continuously paid attention to the credit risks arising from post-epidemic, by improving the guarantee of main responsibility of subsidiaries, credit risk monitoring and warnings and the post-investment management level of investment projects. For operational risk, the Company continued to establish and improve the special operational risk management system and mechanism, established and continued to improve the database of the Company's loss, regularly conducted information collection and analysis of operational risk loss events, continuously improved the internal control system, combined with internal evaluation to strengthen the identification, analysis, prevention and control of operational risk, effectively carried out training and promotion of operational risk management, and promoted the construction of operational risk management culture. For strategic risk, the Company applied a four-step strategy of "develop, implement, evaluate and adjust" to form an effective closed loop of strategic risk management and control, regularly analysed and evaluated strategic risks in accordance with the PEST analysis, the internationally-accepted risk analysis on a framework, continuously traced the implementation conditions of the strategies, and effectively identified strategic risk conditions. For reputational risk, the Company continued to strengthen the management of public opinion transmission, strengthened the monitoring of public opinion from all media in order to be warned regarding sensitive information that may cause reputational risks in a timely manner, so as to promptly understand and verify public opinion information, examine and determine the development of public opinion, continuously strengthen monitoring and deal with it correspondingly. For liquidity risk, the Company continued to strengthen its asset and liability management, dynamically tracked and monitored the liquidity of investment assets, continued monitoring liquidity risk warning indicators, and regularly conducted cash flow testing and current stress testing. Please refer to Note 43 to the consolidated financial statements of this Annual Report for details of the Company's insurance risk, market risk and credit risk.

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

BOARD OF SUPERVISORS

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

Composition

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

Chairman: Mr. Huang Liangbo

Supervisors: Mr. Xu Yongxian (Shareholder Representative Supervisor), Mr. Jing Xin (Independent Supervisor), Ms. Zhang Yan (Employee Representative Supervisor), Mr. Wang Yadong (Employee Representative Supervisor)

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

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

The Company held the 15th meeting of the third session of the Board of Supervisors on 14 November 2019. According to the resolutions of the meeting, Mr. Huang Liangbo was proposed to act as the shareholder representative supervisor, the Chairman of the Board of Supervisors and the Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Company, the term of office shall commence from the date of approval granted for the Supervisor of the Company at the shareholders' general meeting and upon receiving the approval of the qualification of the Supervisor by the CBIRC. The Company held the 2020 first extraordinary general meeting on 6 January 2020, and elected Mr. Huang Liangbo as the shareholder representative supervisor of the third session of the Board of Supervisors of the Company. The qualification of Mr. Huang Liangbo as Supervisor was approved on 17 April 2020 by the CBIRC.

Ms. Zhang Yan and Mr. Wang Yadong were elected as the employees representative Supervisors of the Company in accordance with the election results of the staff representative meeting of the Company on 10 July 2020. The qualifications of Ms. Zhang Yan and Mr. Wang Yadong as Supervisors were approved on 25 January 2021 by the CBIRC. On 8 March 2021, Ms. Zhang Yan and Mr. Wang Yadong were elected as a member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors and the Financial and Internal Control Supervision Committee of the Board of Supervisors, respectively.

On 10 July 2020, due to work arrangements, Mr. Wang Dajun resigned from the position of employee representative Supervisor of the Company and member of the Financial and Internal Control Supervision Committee of the Board of Supervisors, and continued to perform his duties until 25 January 2021.

On 10 July 2020, due to work arrangements, Mr. Ji Haibo resigned from the position of employee representative Supervisor of the Company and member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors, and continued to perform his duties until 25 January 2021.

Duties and Responsibilities

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

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

Summary of Work Undertaken

During the year, the Board of Supervisors, pursuant to the relevant provisions of the Company Law and the Articles of Association, earnestly fulfilled its duties, and protected the interests of the Company, shareholders and employees. During the year, the Board of Supervisors convened six meetings, and considered, reviewed and received 53 resolutions. The Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors convened five meetings, and the Financial and Internal Control Supervision Committee convened six meetings. The attendance of meetings of the Board of Supervisors was as follows:

Name	Huang Liangbo	Jing Xin	Xu Yongxian	Wang Dajun	Ji Haibo
Attendance in person/scheduled attendance	4/5	6/6	6/6	6/6	6/6
Percentage of attendance in person	80%	100%	100%	100%	100%
Attendance by proxy/scheduled attendance	1/5	0/6	0/6	0/6	0/6
Attendance by proxy	20%	0%	0%	0%	0%

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

COMPANY SECRETARY

Ms. Ng Sau Mei, an associate director of the Listing Services Department of TMF Hong Kong Limited, has been appointed as the Company Secretary of the Company. The departments of the Company that mainly contact with Ms. Ng Sau Mei are the Offices of the Board of Directors/the Board of Supervisors of the Company.

During the reporting period, Ms. Ng Sau Mei has attended not less than 15 hours of relevant professional training.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

According to the Administrative Measures for Related Party Transactions of Insurance Companies and Guiding Opinions on Strengthening the Mechanism and System Building of Consumer Rights and Interests of Banking and Insurance Institutions promulgated by the CBIRC, the insurance companies should set up the associated transaction control committee and consumer protection committee under the Board of Directors. On 27 December 2019, the 17th meeting of the third session of the Board of Directors of the Company considered and approved the resolution on the Establishment of the Related Party Transactions Control Committee of the Board and the formulation of the Terms of Reference of the Committee, and the management duties of related party transactions by the Audit Committee under the Board were adjusted accordingly. On 29 April 2020, the 19th meeting of the third session of the Board of Directors of the Company considered and approved the resolution on "Adjustment and Establishment of the Risk Management and Consumers' Rights and Interests Protection Committee of the Board of Directors and the Amendment on the. Terms of Reference of the Committee". Upon establishment of the above committees, provisions on the special committees of the Board and their respective obligations and duties as set out in the Articles of Association shall be revised accordingly. Based on the situation above, the 21st meeting of the third session of the Board of Directors of the Company considered and approved the proposals for amendments to the Articles of Association of the Company on 21 August 2020. The amendments were considered and approved in the 2020 Second Extraordinary General Meeting of the Company on 28 October 2020.

On 7 February 2021, the CBIRC approved the above amendments to the Articles of Association.

INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

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

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

In 2020, the Company strictly abided by the principle of "as much as possible, as strict as possible, as early as possible" for disclosing information for A share and H share, continuously enhancing the level of transparency of information disclosure, protecting the legitimate rights and interests of investors, and maintaining information disclosure in a fair, just and open manner. At the same time, the Company continued to safeguard the bottom line of "no significant risks for information disclosure", completed disclosure of annual and interim reports and results announcements in accordance with laws and regulations, and carefully identified price-sensitive information. The Company ensured there were no cases of non-compliance disclosure, and ensured that information was disclosed timely, fairly, truthfully, accurately and completely.

After publishing the annual results for the year 2019, the first quarter results for the year 2020, the interim results for the year 2020 and the third quarter results for the year 2020, the Company communicated with investors with respect to the Company's operation results and trend of business development through press conferences for result announcement and roadshows. Also, the Company invited certain shareholders to attend the Company's annual work conference to understand the operation and development of the Company. The Company strengthened daily communication with investors through receiving visit of investors, participating in large investor forums, and timely replying telephone, email and "SSE e-Interaction" enquiries. The Company has also established and maintained a good relationship with investors through the investor relations information on its website.

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

The Board presents its report and audited financial statements of the Company and its subsidiaries for the year ended 31 December 2020. During the reporting period, there have been no significant changes to the scope of the Company's principal activities.

(I) BUSINESS REVIEW

A review of the Group's business during the year, description of future business development, and description of possible risks and uncertainties that the Group may face, are set out in Chairman's Statement and Management Discussion and Analysis of the Annual Report. The risk management policies of the Group are set out in Corporate Governance Report. The Management Discussion and Analysis section also contains business overview and business analysis of the Group, using financial key performance indicators to analysis the Group's performance during the year. Events which happened subsequent to the balance sheet date and have significant effect to the Company are set out in Note 54 "Events After the Reporting Period" to the Consolidated Financial Statements of the Annual Report. In addition, descriptions of the environmental protection policies of the Group, relationship with major customers and employees and compliance with relevant laws and regulations which have significant effect to the Group, are set out in Corporate Social Responsibility Report of the Company, Report of the Board of Directors and Significant Events of the Annual Report.

(II) ENVIRONMENTAL ISSUES

During the reporting period, the Group continued to comply with and continuously promoted a number of related measures involving energy use, emission treatment and environmental changes. The Group strove to reduce the consumption of paper, water and electricity resources; implemented energy conservation management measures to achieve a reduction in greenhouse gases emission, conducted separate treatment of sewage, domestic waste and various types of waste generated in the office process, and followed the management principle of waste classification, to achieve recycling of resources. In accordance with regulatory requirements, the Company will issue its 2020 Corporate Social Responsibility Report, which specifies the Group's performance of social responsibilities (including environmental and social governance).

(III) PRINCIPAL ACTIVITIES

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

(IV) FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

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

2. According to the Articles of Association, the details of profit distribution policy of the Company are:

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

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

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

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

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

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

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

4. Profit distribution plans in the recent three years are as follows:

Unit: RMB million

Year of profit distribution	**Number of bonus shares for every 10 shares (share)**	**Cash dividends per 10 shares (tax inclusive, RMB)**	**Number of conversion for every 10 shares (share)**	**Amount of cash dividends (tax inclusive)**	**Net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements for the year of dividend distribution**	**Proportion in net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements (%)**
2020	–	1.56	–	6,899	20,069	34.4%
2019	–	1.16	–	5,130	22,401	22.9%
2018	–	0.457	–	2,021	13,450	15.0%

Note: The net profit attributable to ordinary shareholders of listed companies in the above-mentioned annual consolidated statement of dividends is based on domestic accounting standards.

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

5. Profit distribution proposed for 2020

The Company's profit distribution emphasises reasonable investment return to investors. Stability and continuity of the profit distribution policy have been maintained. The specific ratio of cash dividend distribution has taken into full account various factors, such as business development and demand, operating results and shareholders' return of the Company and its subsidiaries, as well as the characteristics of the equity and financial structure of the two-level legal person of the Company and its subsidiaries. The Company formulated the profit distribution plans based on the operating strategy and the needs of business development of the Group.

According to the profit distribution policy for 2020 approved by the Board on 23 March 2021, after the statutory surplus reserve is drawn according to 10% of the net profit in the Company's financial statements in 2020, it is proposed to distribute a cash dividend of RMB1.20 (tax inclusive) for every ten shares, with a total distribution of approximately RMB5.307 billion, on the basis of 44,223,990,583 shares in issue. In addition to the distributed interim cash dividend of RMB0.36 for every ten shares, the full-year cash dividend for 2020 will be RMB1.56 for every ten shares. The profit distribution ratio for the year has been raised to 34.4%, which is approximately 11.5 percentage points higher than the profit distribution ratio in 2019. The profit distribution plan for 2020 shall become effective upon the approval of the shareholders' general meeting.

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

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

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the PRC Individual Income Tax Law, the Notice of the State Administration of Taxation on the Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Announcement of the State Administration of Taxation on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35 [2019] of of State Administration of Taxation), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay income tax on the dividends paid including individual income tax for the individual shareholders and enterprise income tax for non-resident enterprise shareholders in respect of the final dividend to be distributed to them. For the details of withholding and paying income tax on the dividends paid for individual shareholders and non-resident enterprise shareholders, the Company will disclose separately in the circular of the general meeting.

(V) ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES

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

(VI) FINANCIAL HIGHLIGHTS

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

(VII) BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the buildings, equipment and investment properties of the Group during the year are set out in Note 27 and Note 26 to the consolidated financial statements respectively. As at 31 December 2020, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules of the Stock Exchange) exceed 5%.

(VIII) SHARE CAPITAL

Changes in the share capital of the Company in 2020 and the share capital of the Company as at 31 December 2020 are set out in the section headed "Movements in Ordinary Shares and Shareholders".

(IX) PRE-EMPTIVE RIGHTS

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

(X) REPURCHASE, DISPOSAL AND REDEMPTION OF LISTED SECURITIES

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

(XI) RESERVES

Details of reserves of the Group are set out in Note 42 to the consolidated financial statements, and the consolidated statement of changes in equity.

(XII) DISTRIBUTABLE RESERVES

As of 31 December 2020, the distributable reserves of the Company amounted to RMB5,406 million.

(XIII) CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in 2020 were RMB96.59 million, of which the donations made by the Company were RMB0.75 million.

(XIV) EQUITY-LINKED AGREEMENT

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

(XV) MAJOR CUSTOMERS AND EMPLOYEES

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

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

(XVI) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

(XVII) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

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

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

(XVIII) HIGHEST PAID INDIVIDUALS

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

(XIX) INDEMNITY FOR DIRECTORS

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

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

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

(XXI) MANAGEMENT CONTRACTS

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

(XXII) CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

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

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

As at 31 December 2020, Mr. Wang Dajun, a resigned Supervisor, held 50,000 H Shares of the Company. Save as disclosed above, no other Directors, Supervisors and senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

(XXIV) INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

(XXV) PUBLIC FLOAT

Based on the public information and to the knowledge of the Directors, as of the latest practicable date prior to the printing of this report, the Company has maintained the public float required by the Listing Rules of the Stock Exchange.

(XXVI) CONNECTED TRANSACTIONS

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

(XXVII) CORPORATE GOVERNANCE

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

(XXVIII) AUDIT COMMITTEE

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

(XXIX) AUDITOR

As considered and approved by the 2019 Annual General Meeting, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditor of the Company for the financial statements of the year 2020, prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively. There were no changes of the Company's auditors in the past three financial years.

By order of the Board
Luo Xi
Chairman

Report of the Board of Supervisors

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

I. PERFORMANCE OF THE BOARD OF SUPERVISORS

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

During the year, the Board of Supervisors convened six meetings and considered and received 53 resolutions and reports. Among which, 22 resolutions were reviewed and approved, including the resolution on relevant report of 2019 final financial account, the resolution on profit distribution in 2019, the resolution on the A Shares and H Shares periodic report in 2019, the resolution on the appointment of auditors for financial statements 2020 and internal control, the resolution on capital planning (2020-2022) of the Group, the resolution on 2019 Corporate Social Responsibility Report, the resolution on the internal control evaluation report (and 2019 corporate governance report: Part III "Evaluation of Internal Control") and internal control audit report for 2019, the resolution on internal control evaluation report and audit related report of utilisation of insurance funds for 2019, the resolution on the Group's audit plan and cost budget for 2020, the resolution on the report of Board of Supervisors for 2019, the resolution on the work plan of Board of Supervisors for 2020, the resolution on evaluation report for performance of duties of the supervisors in 2019, the resolution on evaluation report of the Board of Supervisors on performance of duties of the Board of Directors, the management and its members in 2019, the resolution on the First Quarterly Report of A Shares and H Shares in 2020, the resolution on the appointment of auditors for financial statements 2021 and internal control, the resolution on corporate governance report for 2019, the resolution on compliance report for 2019, the resolution on the evaluation report on the implementation of development plan of the Group in 2019, the resolution on the interim periodic report of A Shares and H Shares in 2020, the resolution on the profit distribution plan for the first half of 2020, the resolution on amending the Articles of Association of The People's Insurance Company (Group) of China Limited, the resolution on the Third Quarterly Report of A Shares and H Shares in 2020. In addition, the Board of Supervisors studied and listened to the presentations of 31 motions on operation, finance, internal control, risk and compliance of the Company.

When studying, reviewing and considering the motions, the Board of Supervisors seriously discussed matters of concern, formed advice and suggestions and gave feedback to the Board and management.

During the year, in accordance with the requirements of the responsibilities, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held five meetings; the Financial and Internal Control Supervision Committee held six meetings to provide advice on some resolutions and report to the Board of Supervisors. The Board of Supervisors also convened two special meetings to communicate with related functional departments on matters of concern and put forward opinions and suggestions and gave feedback to the Board and management.

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

During the year, the Supervisors attended three shareholders' general meetings, six Board meetings on-site and five meetings of Board committees as well as six resolution communication meetings. The Supervisors also attended major meetings in operation management, such as the annual work meeting and semi-annual work meeting of the Company, quarterly meeting of the operational analysis of major subsidiaries, quarterly meeting of the Risk and Compliance Committee, and meeting of Asset and Liability Management Committee. Through attending and participating in such meetings, the Supervisors conducted effective oversight on relevant decision-making process and the performance of duties by the Board and the management, proposed monitoring comments and fully delivered the corporate governance functions of the Board of Supervisors.

(III) Performing duties such as performance supervision, financial supervision and development planning supervision

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

Performance supervision. The Board of Supervisors mainly conducts daily supervision of the performance of Directors and senior management by attending and participating in meetings of the Board and management. It carried out supervision and evaluation of the annual performance of the Board, management and its members, and formed a supervision and evaluation report of the Board and management, and its opinions on the supervision and evaluation of Directors and senior management. The Board of Supervisors believed that the Board of the Company strictly abided by the domestic and overseas listing rules and regulations of stock exchanges in 2020, operated in compliance with laws and regulations, and earnestly fulfilled the duties stipulated in the Articles of Association. All Directors performed their duties in compliance with laws and regulations in 2020, and met relevant requirements for their duty of loyalty and diligence. Under the leadership of the Party Committee of the Company and the decision-making of the Board, the management of the Company strictly abided by the Articles of Association and the Proposal for Delegation of the Board to the Management in 2020, and carried out relevant operation and management in compliance with laws and regulations. All senior management performed their duties in compliance with laws and regulations in 2020, and met the relevant requirements for their duty of loyalty and diligence.

Financial supervision. The Board of Supervisors reviewed or received resolutions relating to the Company's finances, conducted serious research and analysis of the Company's annual, interim and quarterly results, provided advice and suggestions on improvement of capital use, analysis of financial budget and final accounts, and cash flow management.

Development planning supervision. The Board of Supervisors was highly concerned about the closing of "the 13th Five-Year Plan" and "the 14th Five-Year Plan" and the formation of the "To be Prominent Strategy", and made opinions and recommendations in relation to the acceleration of system and mechanism transformation and the promotion of regulatory management of annual operational plan.

Internal control supervision. The Board of Supervisors followed closely and paid attention to the effectiveness of the Company's internal control by reviewing the Company's 2019 internal control evaluation report and special reports of internal control, and regularly monitored and analysed the Company's internal control.

Risk management supervision. The Board of Supervisors paid close attention to the Company's major risks and the effectiveness of risk management, particularly risks due to the COVID-19 pandemic, promptly pointed out major risks, and regularly monitored and analysed the Company's risk management.

Internal audit supervision. The Board of Supervisors continued to strengthen the guidance and supervision of the internal audit work, supported the reform of auditing management of the Company, regularly listened to the internal audit work reports and integration, put forward advices and suggestions on improvement of the quality and efficiency of internal audit work and the supervisory role of the internal audit.

Compliance management supervision. The Board of Supervisors continued to survey the performance of compliance management responsibilities of the Board and the management and the major compliance risks faced by the Company, paid attention to relevant cases, and put forward advices and suggestions on strengthening compliance awareness, implementing compliance risk responsibilities and authorisation control.

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

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

Consumers' rights and interests protection. The Board of Supervisors understood the Company's effort on the protection of the rights and interests of the Company's consumers, and provided advices and suggestions by paying attention to the improvement establishment, system formulation and implementation of institutional mechanism in relation to the protection of the rights and interests of consumers.

(IV) Conducting special investigation

The Board of Supervisors paid attention to the internal and external risks in the Company, to carry out special investigation on "Work on the Group's transformation to high-quality development and uplift the capacity of risk management and control". On-site research was also conducted in the headquarter and branches of subsidiaries and online questionnaire survey was performed in eleven subsidiaries. The report of special investigation focused on problems, analysed the internal and external risks of the Group, and provided specific suggestions to improve risk management and control of the Company to defend against systematic risks.

(V) Reinforcing the construction of the Board of Supervisors

During the year, the Board of Supervisors continued to strengthen its own organisation, structure and capacity, so that the performance of the Board of Supervisors can be standardised and professionalised to enhance the effectiveness of duty performance.

Firstly, it adhered to the organic integration of strengthening the leadership of the Party and corporate governance, and performed corporate governance process after significant affairs of the Board of Supervisors are reported to the Party Committee of the Company.

Secondly, it reinforced the construction of organisation. In accordance with laws, regulations and regulatory requirements, it completed the corporate governance process in relation to the change of chairman of the Board of Supervisors, and orderly promoted the corporate governance process in relation to the change of employee supervisors.

Thirdly, it continued to improve the supervision mechanism. It continued to pay attention to the Group's risk situation, and formed a quarterly supervisory report. It improve the coordinated supervision mechanism of the Board of Supervisors of the parent company and subsidiaries, and further delivered the functions of the Board of Supervisors in corporate governance. It conducted data analysis regularly and formed monitor briefing.

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

II. WORK PERFORMANCE OF THE SUPERVISORS

Based on the attendance of all members of the Board of Supervisors in the shareholders' general meetings, meetings of the Board of Supervisors and the meetings of its committees, their attendance in the Board meetings and the meetings of its committees, the participation in special communication meetings, specific investigation and research organised by the Board of Supervisors, provision of advice and recommendations on such resolutions and matters, the Board of Supervisors is of the view that during the year 2020, the performance of all members of the Board of Supervisors has met the requirements of laws and regulations, such as the Company Law, and the Articles of Association. The Board of Supervisors also believes that members are able to perform the duties as Supervisors earnestly and diligently to actively facilitate the excellent development of the Company and effectively safeguard the interests of the shareholders, the Company, employees and other stakeholders.

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

(I) Operation of the Company in accordance with the law

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

(II) Facts about the financial statements

The annual financial statements of the Company are true and objective presentation of the financial position and operating results of the Company. The financial statements of the Company for the year 2020 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu respectively in accordance with the corresponding independent auditing standards, which have issued audit reports with standard unqualified opinions.

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

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

(IV) Material investments and significant financing

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

(V) Related party transactions

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

(VI) Consumers' rights and interests protection

During the reporting period, the Company strictly implemented regulatory compliance requirements, practically fulfilled the main responsibility, continued to improve the consumers' rights and interests protection system and mechanism, promoted the integration of consumers' rights and interests protection into the Group's management system, consolidated work related to consumers protection, and continuously improved the complaint management ability.

(VII) Review of internal control report

During the reporting period, the management of the Company attached great importance to the construction of an internal control system. The Company established a complete, reasonable and effective internal control system, which enhanced the level of internal control management. The Board of Supervisors considered the Internal Control Evaluation Report of the Company for the Year 2020 and had no objection to such report.

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

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

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

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

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as at 31 December 2020, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended 31 December 2020, on a range of assumptions. Copies of consulting actuaries' review reports are included in our annual report. These reports do not constitute an audit opinion of the financial information used in the report.

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

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

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

PICC Life Insurance Company Limited ("PICC Life") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 31 December 2020. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Consulting" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and value of one year's new business as at 31 December 2020;

- Review the assumptions of the embedded value and value of one year's new business as at 31 December 2020;

- Review the various embedded value results as at 31 December 2020, including the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2019 to 31 December 2020, and the sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;

- Review the embedded value results as at 31 December 2019 recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged;

- Review the breakdown of value of one year's new business as at 31 December 2020 and 31 December 2019 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

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

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

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

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

OPINION

Based on our work, we concluded that:

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

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

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

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

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

Eric Lu	**Yu Jiang**
FIAA, FCAA	*FSA, FCAA*

31 DECEMBER 2020 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1 Definition

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

- **Embedded Value ("EV")**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth ("ANW")**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business ("VIF")**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital ("CoC")**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of One year's New Business ("V1NB")**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of one year's new business; and
- **Expense Overrun**: the amount of actual expenses in excess of the assumed expenses.

1.2 Methodology

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

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

2. RESULTS SUMMARY

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

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 31 December 2020 and 31 December 2019 (Unit: RMB Million)

	31/12/2020	31/12/2019
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	69,605	55,324
Value of In-Force Business before CoC	45,972	38,784
Cost of Required Capital	(13,279)	(9,417)
Value of In-Force Business after CoC	32,693	29,368
Embedded Value	102,297	84,692

Note: 1. Figures may not add up to total due to rounding.

2. In the table above, the embedded value as at 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

Table 2.1.2 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2020 and 31 December 2019 (Unit: RMB Million)

	31/12/2020	31/12/2019
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	8,033	7,399
Cost of Required Capital	(2,604)	(2,258)
Value of One year's New Business after CoC	5,429	5,142

Note: 1. Figures may not add up to total due to rounding.

2. In the table above, the value of one year's new business for the 12 months up to 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

2.2 Results by Distribution Channels

PICC Life split the value of one year's new business by distribution channel. The results of the value of one year's new business by distribution channel as at 31 December 2020 and 31 December 2019 are summarised in the table below.

Table 2.2.1 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2020 and 31 December 2019 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate 10.0%

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
Value of One year's New Business after CoC (2020)	(37)	5,286	180	–	5,429
Value of One year's New Business after CoC (2019)	(82)	4,803	420	–	5,142

Note: 1. Figures may not add up to total due to rounding.

2. In the table above, the value of one year's new business for the 12 months up to 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

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

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2020.

3.1 Risk Discount Rate

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

3.2 Rate of Investment Return

A 5% p.a. investment return assumption has been used.

3.3 Policy Dividend

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

3.4 Mortality and Morbidity

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

3.5 Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 40% to 85% of gross premium depending on the lines of business.

3.6 Lapse Rates

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

3.7 Expenses and Commissions

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

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

3.8 Tax

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

4. SENSITIVITY TESTS

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

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Life as at 31 December 2020 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	32,693	5,429
Risk Discount Rate at 9%	37,520	6,593
Risk Discount Rate at 11%	28,659	4,442
Rate of investment return increased by 50 bps	43,768	7,404
Rate of investment return decreased by 50 bps	21,845	3,454
Expenses increased by 10%	31,534	5,024
Expenses decreased by 10%	33,852	5,833
Lapse rate increased by 10%	32,413	5,287
Lapse rate decreased by 10%	32,974	5,571
Mortality increased by 10%	32,212	5,317
Mortality reduced by 10%	33,180	5,541
Morbidity increased by 10%	31,306	4,987
Morbidity reduced by 10%	34,097	5,876
Short-term business claim ratio increased by 10%	32,605	5,282
Short-term business claim ratio decreased by 10%	32,781	5,576
Participating Ratio(80/20)	31,186	5,338

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

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2019 to 31 December 2020 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2019 to 31 December 2020 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2019	89,086
2	New Business Contribution	5,833
3	Expected Return	7,110
4	Investment Return Variance	6,777
5	Other Experience Variance	(701)
6	Model and Assumption Modification	(3,640)
7	Capital Change and Market Value Adjustment	(693)
8	Others	(1,475)
9	Embedded Value as at 31 December 2020	102,297

Explanations on items 2 to 8 above:

2. The contribution of new business sold in 2020 to the embedded value at 31 December 2020;

3. The expected return in 2020 arising from the in-force business and adjusted net worth as at 31 December 2019;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2020;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2020;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2020;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2020;

8. The impact on embedded value due to the changes in the projection factors of the minimum required capital for various risks from 31 December 2019 to 31 December 2020.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

PICC Health Insurance Company Limited ("PICC Health") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 31 December 2020. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Consulting" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and value of one year's new business as at 31 December 2020;
- Review the assumptions of the embedded value and value of one year's new business as at 31 December 2020;
- Review the various embedded value results as at 31 December 2020, including the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2019 to 31 December 2020, and the sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;
- Review the embedded value results as at 31 December 2019 recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged;
- Review the breakdown of value of one year's new business as at 31 December 2020 and 31 December 2019 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

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

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

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

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

OPINION

Based on our work, we concluded that:

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

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

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

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

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

Eric Lu
FIAA, FCAA

Yu Jiang
FSA, FCAA

31 DECEMBER 2020 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1 Definition

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

- **Embedded Value ("EV")**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth ("ANW")**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business ("VIF")**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital ("CoC")**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of One year's New Business ("V1NB")**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of one year's new business; and
- **Expense Overrun**: the amount of actual expenses in excess of the assumed expenses.

1.2 Methodology

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

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

2. RESULTS SUMMARY

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

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Health as at 31 December 2020 and 31 December 2019 (Unit: RMB Million)

	31/12/2020	31/12/2019
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	6,515	5,898
Value of In-Force Business before CoC	8,840	6,514
Cost of Required Capital	(407)	(1,315)
Value of In-Force Business after CoC	8,432	5,199
Embedded Value	14,947	11,097

Note: 1. Figures may not add up to total due to rounding.

2. In the table above, the embedded value as at 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged

Table 2.1.2 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2020 and 31 December 2019 (Unit: RMB Million)

	31/12/2020	31/12/2019
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	1,531	1,267
Cost of Required Capital	(828)	(818)
Value of One year's New Business after CoC	703	449

Note: 1. Figures may not add up to total due to rounding.

2. In the table above, the value of one year's new business for the 12 months up to 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

2.2 Results by Distribution Channels

PICC Health split the value of one year's new business by distribution channel. The results of the value of one year's new business by distribution channel as at 31 December 2020 and 31 December 2019 are summarised in the table below.

Table 2.2.1 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2020 and 31 December 2019 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate	10.0%				
Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
Value of One year's New Business after CoC (2020)	**111**	**629**	**(36)**	**–**	**703**
Value of One year's New Business after CoC (2019)	50	488	(88)	–	449

Note: 1. Figures may not add up to total due to rounding.

2. In the table above, the value of one year's new business for the 12 months up to 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

The expense assumptions used by PICC Health represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of one year's new business. During the reporting period of year 2020, PICC Health has achieved the expected long-term expense level. The maintenance expense overrun will no longer be calculated in accordance with the guidelines of CAA.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2020.

3.1 Risk Discount Rate

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

3.2 Rate of Investment Return

A 5% p.a. investment return assumption has been used.

3.3 Policy Dividend

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

3.4 Mortality and Morbidity

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

Based on recent experience analysis of critical illness, PICC Health includes the long-term deterioration trends in setting of the critical illness rate.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 10% to 110% of gross premium depending on the lines of business.

3.6 Lapse Rates

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

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health.

It is assumed that the future inflation rate is 2.5% p.a..

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

3.8 Tax

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

VAT for accident insurance and other applicable business is in compliance with the relevant tax regulation.

4. SENSITIVITY TESTS

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

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Health as at 31 December 2020 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	8,432	703
Risk Discount Rate at 9%	8,953	943
Risk Discount Rate at 11%	7,977	492
Rate of investment return increased by 50 bps	9,218	986
Rate of investment return decreased by 50 bps	7,642	419
Expenses increased by 10%	8,254	497
Expenses decreased by 10%	8,610	910
Lapse rate increased by 10%	8,483	783
Lapse rate decreased by 10%	8,391	640
Mortality increased by 10%	8,414	697
Mortality reduced by 10%	8,450	708
Morbidity increased by 10%	7,969	446
Morbidity reduced by 10%	8,898	961
Short-term business claim ratio increased by 5%	8,399	292
Short-term business claim ratio decreased by 5%	8,465	1,114
Participating Ratio(80/20)	8,362	668

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

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2019 to 31 December 2020 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2019 to 31 December 2020 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2019	11,432
2	New Business Contribution	1,404
3	Expected Return	911
4	Investment Return Variance	777
5	Other Experience Variance	830
6	Model and Assumption Modification	(541)
7	Capital Change and Market Value Adjustment	(2)
8	Others	136
9	Embedded Value as at 31 December 2020	14,947

Explanations on items 2 to 8 above:

2. The contribution of new business sold in 2020 to the embedded value at 31 December 2020;

3. The expected return in 2020 arising from the in-force business and adjusted net worth as at 31 December 2019;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2020;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2020;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2020;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2020;

8. The impact on embedded value due to the changes in the projection factors of the minimum required capital for various risks, and profit or loss from health management business and entrusted business of social security from 31 December 2019 to 31 December 2020.

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

Opinion

We have audited the consolidated financial statements of The People’s Insurance Company (Group) of China Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 132 to 236, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of long-term life and health insurance contract liabilities	
We identified the valuation of long-term life and health insurance contract liabilities as a key audit matter because the determination of these balances requires the use of appropriate actuarial methodologies, which incorporate highly judgmental assumptions. The Group recorded long-term life and health insurance contract liabilities of RMB348,652 million as at 31 December 2020. Assumptions used in the valuation of long-term life and health insurance contract liabilities include discount rates, demographic assumptions such as mortality and morbidity, and the assumptions over the future costs of obtaining and maintaining the life insurance business. When the Group applied these assumptions in the valuation, a risk margin liability is determined to reflect the estimation uncertainty. Small movements in these assumptions can have a material impact on the long-term life and health insurance contract liabilities. Details of the long-term life and health insurance contract liabilities are set out in note 37 to the consolidated financial statements.	Our procedures in relation to the valuation of long-term life and health insurance contract liabilities included: • Testing and evaluating the key controls relevant to our audit of the estimation of long-term life and health insurance contract liabilities; • Testing the policy data input into the actuarial models and related supporting documents; • With the assistance of actuarial specialists: – Assessing the appropriateness of the models, methodologies and assumptions used (including assumptions on discount rates, mortality, morbidity, persistency and maintenance expenses); – Evaluating and challenging management's key judgments and assumptions. Our evaluation and challenge included audit work to determine whether these judgments were supported by relevant experience, market information and formed a reasonable basis for setting the assumptions; – Reviewing the sensitivity analysis around the key assumptions, to assess the extent to which changes, both individually and in aggregate, would result in changes in long-term life and health insurance contract liabilities and their reasonableness; and – Verifying independently the calculations of actuarial models on a sample basis.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of non-life insurance contract liabilities	
We identified the valuation of non-life insurance contract liabilities as a key audit matter as the estimation of non-life insurance contract liabilities involves a significant degree of judgment. The Group recorded non-life insurance contract liabilities of RMB315,839 million as at 31 December 2020. The liabilities comprised unearned premium reserves and claim reserves. Unearned premium reserves represent premiums received for risks that have not yet expired, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserves. Claim reserves are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, the related claims handling costs, together with a risk margin to reflect the related uncertainty. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Small changes in these assumptions could result in material changes to the amount of claim reserves. Details of the non-life insurance contract liabilities are set out in note 37 to the consolidated financial statements.	Our procedures in relation to the valuation of non-life insurance contract liabilities included: • Testing and evaluating the key controls relevant to our audit of the estimation of non-life insurance contract liabilities; • Testing the policy data input into the actuarial models and the related supporting documents; • With the assistance of actuarial specialists: – Comparing the methodology, models and assumptions used against recognised actuarial practices to assess their reasonableness; – Performing independent projections on non-life insurance contract liabilities, and comparing our projected reserves to those recorded by the management to assess their reasonableness; – Performing independent testing on the liability adequacy for unearned premium reserves; and – Reviewing the appropriateness of the results of the Group's retrospective analysis for claim reserves.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of financial assets	
We identified the impairment of financial assets as a key audit matter as the Group applied significant judgement to determine whether objective evidence of impairment exists. This included for available-for-sale equity instruments and mutual funds, judging whether any decline of fair value below cost is "significant" or "prolonged", and for financial assets measured at amortised cost, judging whether objective evidence of impairment exists. Significant accounting estimates are also involved in determining the present values of expected future cash flows, or the fair values measured by using significant unobservable inputs. As at 31 December 2020, the Group holds debt securities of RMB401,530 million, equity securities, mutual funds and trust schemes of RMB192,414 million, net insurance receivables of RMB52,405 million and investments classified as loans and receivables of RMB171,307 million. Impairment losses of RMB2,756 million, RMB149 million and RMB933 million respectively were recorded for available-for-sale financial assets, insurance receivables and investments classified as loans and receivables for the current year. Details of these financial assets and key estimation uncertainties of their impairment are disclosed in note 6, note 18, note 19, note 20, note 23 and note 3 to the consolidated financial statements, respectively.	Our procedures in relation to impairment of financial assets included: • Testing and evaluating the key controls relevant to our audit on the identification of financial assets with evidence of impairment; • Testing the financial assets data to supporting documents on a sample basis; • For financial assets that have evidence of impairment, reviewing the impairment assessment and recalculating the impairment amounts provided by management; • For financial assets measured at amortised cost, checking whether any evidence of impairment exists, including financial difficulties experienced by the issuers of the financial assets, default on repayment or delinquency on principal or interests; and • For available-for-sale equity instruments and mutual funds, checking whether the judgment on "significant" or "prolonged" decline of fair value below cost is appropriate and consistently applied.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2021

Consolidated Income Statement

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2020**	2019
Gross written premiums	5	**563,608**	555,251
Less: Premiums ceded to reinsurers	5	**(44,436)**	(35,342)
Net written premiums	5	**519,172**	519,909
Change in unearned premium reserves	5	**1,409**	(18,401)
Net earned premiums		**520,581**	501,508
Reinsurance commission income		**11,921**	9,871
Investment income	6	**45,328**	36,629
Other income	7	**3,775**	3,204
TOTAL INCOME		**581,605**	551,212
Life insurance death and other benefits paid		**61,734**	67,035
Claims incurred		**300,967**	291,471
Changes in long-term life insurance contract liabilities		**44,310**	27,532
Policyholder dividends		**3,127**	1,730
Claims and policyholders' benefits	8	**410,138**	387,768
Less: Claims and policyholders' benefits ceded to reinsurers	8	**(27,301)**	(23,190)
Net claims and policyholders' benefits	8	**382,837**	364,578
Handling charges and commissions		**62,489**	66,448
Finance costs	9	**5,689**	5,807
Exchange losses/(gains)		**816**	(173)
Other operating and administrative expenses	10	**109,577**	97,971
TOTAL BENEFITS, CLAIMS AND EXPENSES		**561,408**	534,631
Share of profits or losses of associates and joint ventures		**11,413**	12,566
PROFIT BEFORE TAX	11	**31,610**	29,147
Income tax (expense)/credit	12	**(3,377)**	2,134
PROFIT FOR THE YEAR		**28,233**	31,281
Attributable to:			
Owners of the Company		**20,036**	22,135
Non-controlling interests		**8,197**	9,146
		28,233	31,281
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	15	**0.45**	0.50

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2020	2019
PROFIT FOR THE YEAR		**28,233**	31,281
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		**22,551**	20,407
– Reclassification of gains to profit or loss on disposals		**(10,747)**	(2,449)
– Impairment losses	6(d)	**2,756**	1,860
Portion of fair value changes attributable to participating policyholders	37(a)	**(2,317)**	–
Income tax effect	30	**(3,017)**	(4,435)
		9,226	15,383
Share of other comprehensive (expense)/income of associates and joint ventures		**(1,207)**	200
Exchange differences arising on translating foreign operations		**(105)**	30
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**7,914**	15,613
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	26	**320**	241
Income tax effect	30	**(40)**	(63)
		280	178
Actuarial losses on pension benefit obligation	39	**(57)**	(81)
Share of other comprehensive income of associates and joint ventures		**3**	1
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**226**	98
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**8,140**	15,711
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**36,373**	46,992
Attributable to:			
– Owners of the Company		**25,721**	33,838
– Non-controlling interests		**10,652**	13,154
		36,373	46,992

Consolidated Statement of Financial Position

At 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**31 December 2020**	31 December 2019
ASSETS			
Cash and cash equivalents	17	**78,209**	76,984
Debt securities	18	**401,530**	333,587
Equity securities, mutual funds and trust schemes	19	**192,414**	150,744
Insurance receivables, net	20	**52,405**	55,809
Reinsurance assets	21, 37	**35,178**	29,509
Term deposits	22	**89,016**	87,009
Restricted statutory deposits		**12,994**	12,994
Investments classified as loans and receivables	23	**171,307**	182,858
Investments in associates and joint ventures	25	**124,840**	117,083
Investment properties	26	**13,246**	12,445
Property and equipment	27	**34,028**	26,340
Right-of-use assets	28	**7,114**	7,681
Intangible assets	29	**3,105**	2,729
Deferred tax assets	30	**8,337**	8,552
Other assets	31	**32,341**	28,905
TOTAL ASSETS		**1,256,064**	1,133,229
LIABILITIES			
Securities sold under agreements to repurchase	33	**85,826**	58,263
Payables to reinsurers	34	**21,296**	19,046
Income tax payable		**373**	220
Bonds payable	35	**56,960**	48,780
Lease liabilities	36	**2,792**	3,051
Insurance contract liabilities	37	**674,272**	618,959
Investment contract liabilities for policyholders	38	**38,671**	40,030
Policyholder dividends payable		**4,225**	3,909
Pension benefit obligation	39	**2,833**	2,927
Deferred tax liabilities	30	**1,449**	1,486
Other liabilities	40	**93,811**	89,258
TOTAL LIABILITIES		**982,508**	885,929
EQUITY			
Issued capital	41	**44,224**	44,224
Reserves	42	**158,256**	139,228
Equity attributable to owners of the Company		**202,480**	183,452
Non-controlling interests		**71,076**	63,848
TOTAL EQUITY		**273,556**	247,300
TOTAL EQUITY AND LIABILITIES		**1,256,064**	1,133,229

The consolidated financial statements on pages 132 to 236 were approved and authorised for issue by the board of directors on 23 March 2021 and are signed on its behalf by:

Luo Xi
DIRECTOR

Wang Tingke
DIRECTOR

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital (note 41)	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 42(a)) **	Catastrophic loss reserve (note 42(b)) **	Asset revaluation reserve **	Share of other comprehensive income/ (expense) of associates and joint ventures **	Portion of fair value changes attributable to policyholders (note 37(a)) **	Foreign currency translation reserve **	Surplus reserve * (note 42(c)) **	Other reserves (note 42(d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2020	44,224	23,973	9,650	11,884	1,235	3,015	217	–	14	12,551	(15,153)	(1,152)	92,994	183,452	63,848	247,300
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	20,036	20,036	8,197	28,233
Other comprehensive income/ (expense) for the year	–	–	7,857	–	–	194	(884)	(1,344)	(81)	–	–	(57)	–	5,685	2,455	8,140
Total comprehensive income/ (expense) for the year	–	–	7,857	–	–	194	(884)	(1,344)	(81)	–	–	(57)	20,036	25,721	10,652	36,373
Appropriations to general risk reserve and surplus reserve	–	–	–	1,887	–	–	–	–	–	768	–	–	(2,655)	–	–	–
Appropriation to catastrophic loss reserve	–	–	–	–	215	–	–	–	–	–	–	–	(215)	–	–	–
Utilisations of catastrophic loss reserve	–	–	–	–	(657)	–	–	–	–	–	–	–	657	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	–	(6,722)	(6,722)	–	(6,722)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,438)	(3,438)
Capital invested by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	9	9
Others	–	–	–	–	–	–	29	–	–	–	–	–	–	29	5	34
Balance at 31 December 2020	44,224	23,973	17,507	13,771	793	3,209	(638)	(1,344)	(67)	13,319	(15,153)	(1,209)	104,095	202,480	71,076	273,556

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB158,256 million in the consolidated statement of financial position as at 31 December 2020 comprise these reserve accounts.

Consolidated Statement of Changes In Equity (continued)

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														
	Issued capital (note 41)	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 42(a)) **	Catastrophic loss reserve (note 42(b)) **	Asset revaluation reserve **	Share of other comprehensive income/ (expense) of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * (note 42(c)) **	Other reserves (note 42(d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2019	44,224	23,973	(1,832)	9,874	1,705	2,892	115	(8)	12,041	(15,153)	(1,071)	74,930	151,690	52,688	204,378
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	22,135	22,135	9,146	31,281
Other comprehensive income/ (expense) for the year	–	–	11,482	–	–	123	157	22	–	–	(81)	–	11,703	4,008	15,711
Total comprehensive income/ (expense) for the year	–	–	11,482	–	–	123	157	22	–	–	(81)	22,135	33,838	13,154	46,992
Appropriations to general risk reserve and surplus reserve	–	–	–	2,010	–	–	–	–	510	–	–	(2,520)	–	–	–
Appropriation to catastrophic loss reserve	–	–	–	–	216	–	–	–	–	–	–	(216)	–	–	–
Utilisations of catastrophic loss reserve	–	–	–	–	(686)	–	–	–	–	–	–	686	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	(2,021)	(2,021)	–	(2,021)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,925)	(1,925)
Others	–	–	–	–	–	–	(55)	–	–	–	–	–	(55)	(69)	(124)
Balance at 31 December 2019	44,224	23,973	9,650	11,884	1,235	3,015	217	14	12,551	(15,153)	(1,152)	92,994	183,452	63,848	247,300

* This reserve contains both statutory and discretionary surplus reserves.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2020	2019
OPERATING ACTIVITIES			
Profit before tax		**31,610**	29,147
Adjustments for:			
Investment income	6	**(45,328)**	(36,629)
Exchange losses/(gains)		**816**	(173)
Share of profits or losses of associates and joint ventures		**(11,413)**	(12,566)
Depreciation of property and equipment	11, 27	**2,377**	2,369
Depreciation of right-of-use assets	11, 28	**1,492**	1,276
Amortisation of intangible assets	11, 29	**580**	446
Disposal gains from investment properties, property and equipment, intangible assets and right-of-use assets	7	**(128)**	(73)
Finance costs except for interests credited to policyholders	9	**4,241**	4,257
Recognition of impairment losses on receivables and other assets	11	**150**	176
Investment expenses		**35**	91
Operating cash flows before working capital changes		**(15,568)**	(11,679)
Decrease/(increase) in insurance receivables, net		**3,255**	(11,824)
Decrease in investment contract liabilities for policyholders		**(1,359)**	(1,778)
Increase in insurance contract liabilities, net		**47,327**	57,258
Increase in other assets, net		**(2,481)**	(570)
Increase in other liabilities, net		**6,796**	10,155
Cash generated from operations		**37,970**	41,562
Income tax paid		**(6,103)**	(4,754)
Net cash generated from operating activities		**31,867**	36,808
INVESTING ACTIVITIES			
Interests received		**32,479**	31,682
Dividends received		**7,686**	6,531
Increase in policy loans		**(787)**	(971)
Purchases of investment properties, property and equipment, intangible assets and right-of-use assets		**(11,616)**	(5,254)
Proceeds from disposals of investment properties, property and equipment, intangible assets and right-of-use assets		**202**	356
Investments in associates and joint ventures		**(957)**	(1,590)
Purchases of investments		**(306,836)**	(245,026)
Proceeds from disposal of interest in an associate		**594**	–
Proceeds from disposals of investments		**229,576**	195,749
Payments for investment expenses		**(144)**	(91)
Rentals received		**536**	606
(Increase)/decrease in term deposits, net		**(2,103)**	11,709
Net cash used in investing activities		**(51,370)**	(6,299)

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2020**	2019
FINANCING ACTIVITIES			
Net increase in securities sold under agreements to repurchase	45	**27,563**	3,374
Issue of bonds payable	45	**8,000**	–
Proceeds from bank borrowings	45	**592**	–
Repayment of bonds payable	45	**–**	(8,800)
Interests paid	45	**(3,588)**	(4,485)
Dividends paid		**(10,160)**	(3,946)
Repayment of lease liabilities	45	**(1,302)**	(1,205)
Funds from capital invested by non-controlling shareholders		**9**	–
Others		**–**	(119)
Net cash generated from/(used in) financing activities		**21,114**	(15,181)
Net increase in cash and cash equivalents		**1,611**	15,328
Cash and cash equivalents at beginning of the year		**76,984**	61,601
Effects of exchange rate changes on cash and cash equivalents		**(386)**	55
Cash and cash equivalents at end of the year	17	**78,209**	76,984
Analysis of balances of cash and cash equivalents			
Demand deposits and deposits with banks with original maturity of no more than three months	17	**23,128**	23,946
Securities purchased under resale agreements with original maturity of no more than three months	17	**55,081**	53,038
Cash and cash equivalents at end of the year		**78,209**	76,984

(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the year ended 31 December 2020, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

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

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB") and the disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.2 BASIS OF PREPARATION

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

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

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions.

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

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

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

IFRS 9	*Financial Instruments*[1]
IFRS 17	*Insurance Contracts and the related Amendments*[2]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform-Phase 2*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before intended Use*[3]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a contract*[3]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018-2020*[3]

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

2 Effective for annual periods beginning on or after 1 January 2023.

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

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

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

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

IFRS 9 – Financial Instruments

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

Key requirements of IFRS 9:

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

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

IFRS 9 – Financial Instruments *(continued)*

Key requirements of IFRS 9: *(continued)*

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2020 the following principal impacts to the consolidated financial statements on initial application of IFRS 9 are expected:

Classification and measurement

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

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

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

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

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

IFRS 9 – Financial Instruments *(continued)*

Classification and measurement *(continued)*

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

Impairment

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

IFRS 17 – Insurance Contracts and the related Amendments

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

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

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

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

The IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Amendments to IFRS 4 *Extension of the Temporary Exemption from IFRS 9* that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors of the Company anticipate that the new Standard will result in an important change to the accounting policies for insurance contracts and is likely to have a material impact on the Group's profit and financial position, together with significant changes in presentation and disclosure. In order to adopt IFRS 17 in the consolidated financial statements, a IFRS 17 implementation workgroup comprised of various functions (Finance, Actuarial, Risk, IT and Operations) has been operating since 2018. The Group is in the process of assessing the impact of IFRS 17. As of 31 December 2020, it was not practicable to quantify the potential impact on the Group's financial position or performance of applying IFRS 17.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

When the Group is an investor of a structured entity in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entity.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entity, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries/structured entity

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures *(continued)*

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(3) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(4) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

(5) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchasing or selling the asset. Regular way purchases or sales are purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as investment income in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Measured at fair value

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

Measured at cost less impairment

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's financial assets that are classified as loans and receivables include cash equivalents, terms deposits, investments classified as loans and receivables and miscellaneous receivables. Insurance receivables and policy loans are also accounted for as if they were loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included in investment income in the income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Derecognition of financial assets *(continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(6) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears arising from defaults or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost described below. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets carried at amortised cost, if there is an objective evidence that the financial asset's value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

Financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(7) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interests charged on these financial liabilities.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities including securities sold under agreements to repurchase, amounts due to banks and other financial institutions, bonds payable, investment contract liabilities for policyholders, miscellaneous payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement. Policyholders' dividends and amounts due to reinsurers are accounted for as if they were other financial liabilities.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(8) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

The Group has previously regarded certain credit insurance contracts it issued with a financial guarantee element as insurance contracts and has used the accounting methods applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(9) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16(since 1 January 2019) or IAS 17(before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(10) Fair value measurement *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(11) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless IFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of the investment property, the asset revaluation reserve included in equity is transferred to retained profits as a movement in reserves.

(Amounts in millions of Renminbi, unless otherwise stated)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(12) Property and equipment and depreciation

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, other than construction in progress, to its residual value over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Land and buildings	1.50% to 19.40%
Office equipment, furniture and fixtures	7.50% to 32.33%
Motor vehicles	6.00% to 24.25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(13) Construction in progress

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(14) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful lives of software are from 2 to 10 years.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(15) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises or treated as a revaluation decrease, as appropriate.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises or treated as a revaluation increase, as appropriate.

(16) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(17) Insurance contracts

Product classification and unbundling

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. Details of significant insurance risk testing are set out below. Insurance contracts may also transfer financial risk to the Group.

Investment contracts are those contracts that transfer significant financial risk but have no or insignificant insurance risk. Financial risk is the risk of a possible future change in one or more specified interest rates, a financial instrument price, a commodity price, a foreign exchange rate, an index of price or rates, a credit rating or a credit index or other variables, provided in the case of a non-financial variable, the variable is not specific to a party to the contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(17) Insurance contracts *(continued)*

Product classification and unbundling *(continued)*

Some contracts issued by the Group may contain both an insurance component and a deposit component. If these two components are distinct and can be measured reliably, the underlying amounts are unbundled. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as financial liabilities. If the insurance component and the deposit component are not distinct and separately measurable, the entire contract will be accounted for as an insurance contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract up to derecognition, even if the insurance risk subsequently reduces significantly. Investment contracts can, however, be reclassified as insurance contracts after initial recognition if insurance risk becomes significant.

Discretionary participating feature in insurance and investment contracts

Some of the Group's long-term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. In accordance with the relevant regulatory requirements, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long-term life insurance contract liabilities and investment contract liabilities. To the extent that there is a subsequent change in the expected future eligible surplus due to realised and unrealised gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long-term life insurance contract liabilities and investment contract liabilities. When the Group reports an eligible surplus that has not been declared and paid to the policyholders at the reporting date, the long-term life and health insurance contracts liabilities take into consideration of this eligible surplus. When the eligible surplus comes from other comprehensive income, the portion of fair value changes attributable to participating policyholders is also recognised in the same section of the consolidated statement of comprehensive income.

Significant insurance risk testing

For insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of a similar nature are grouped together for this purpose. When performing the significant insurance risk testing, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities

The insurance contract liabilities of the Group include long-term life and health insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. Non-life and short-term health insurance policies are grouped into certain measurement units by lines of business. For long-term life and health insurance policies, the measurement unit is each individual insurance contract.

Unearned premium reserves

Unearned premium reserves are recognised at inception of non-life and short-term health insurance contracts until the insurance coverage expires. The unearned premium reserves represent premiums received for risks that have not yet expired. Unearned premium reserves are measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus handling charges and commissions, underwriting personnel expenses, insurance security fund, regulatory costs and other relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 or 1/24 basis according to the insurance coverage period. The liability is discounted to present value using a risk-free rate, plus an appropriate premium to fully reflect the characteristics of the cash flow being discounted, when the impact of time value of money is significant. When any deficiency arises from performing the liability adequacy tests as described below, unearned premium reserves have to be adjusted to reflect the deficiency.

Insurance contract liabilities other than unearned premium reserves

Other than unearned premium reserve, insurance contract liabilities are measured based on reasonable estimates of the payments the Group will make to fulfil the relevant obligations under the insurance contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

Expected future net cash outflows over the entire coverage and settlement period are taken into account in measuring insurance contract liabilities. For insurance policies with a guaranteed renewal option, the coverage period is extended to the date when the option to renew ceases to be guaranteed because the Group acquires the right to re-price the risk under the contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Insurance contract liabilities other than unearned premium reserves *(continued)*

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (a) guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  (b) non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends;

  (c) reasonable expenses necessary for policy acquisitions, administration and claims handling, including policy maintenance expenses and claim handling expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

Both risk margin and residual margin are separately recognised for long-term life and health insurance contracts. Risk margins are recognised for claim reserves.

- risk margin represents provision for the uncertainty associated with the future net cash flows. Risk margin is determined using the scenario comparison approach or the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark. Diversification effect is not considered in arriving at risk margins.

- at inception of an insurance contract, any “day-one” gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any “day-one” loss is recognised in the income statement. Residual margins are not re-measured at the end of each reporting date. They are amortised on the basis of the effective sums insured or number of policies over the entire coverage period.

Reasonable estimates in expected future net cash flows are determined based on information currently available as at the end of the reporting period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is material. For short contracts with durations less than one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information currently available at the end of the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserve. If, after applying a risk margin, the amount of expected present value of cash outflows minus the expected present value of cash inflows exceeds the carrying amount of the unearned premium reserve, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned premium reserve may have to be adjusted if there is any deficiency arising from the performance of these tests.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they are discharged, cancelled, or have expired.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business for part of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance contract liabilities or settled claims associated with the reinsured policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the effect has a reliably measurable impact on the amounts that will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts. Receivables and payables arising from reinsurance contracts are measured at amortised costs and not offset for presentation purposes.

Commissions receivable on outward reinsurance contracts are recorded as income in the income statement. The reinsurers' share of unearned premium reserves is reduced by commissions receivable on outward reinsurance contracts at inception and subsequently the reduced balance is released over the term of the contract in the same manner as the related unearned premium reserves. Reinsurers' share of claim reserves also includes their share of risk margin to the gross balance of claim reserves.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the cedant. Investment income or expense on these contracts is accounted for using the effective interest method when accrued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(20) Provisions

Except for contingent considerations derived from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the time value of money. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

(21) Employee benefits

Retirement benefits cost

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' salaries.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement arising from actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss.

The remeasurements arising from actuarial gains and losses recognised in other comprehensive income are accumulated in the Group's reserve headed 'actuarial gains/losses on pension benefit obligation' and is transferred to retained profits when the defined benefit plans terminates. Past service cost is recognised in profit or loss in the period of a plan amendment. Interest expense is calculated by applying the discount rate at the beginning of the period to the defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including past service costs, gains and losses on curtailment and settlements);
- interest expenses; and
- remeasurement.

The Group presents the first two components of its defined benefit costs in profit or loss in "Other Operating and Administrative Expenses" and "Finance Costs". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group's defined benefit plan.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(21) Employee benefits *(continued)*

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Short-term employee benefits refer to employee wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

(22) Policyholder dividends

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of insurance contracts. The dividends are calculated and provided based on the dividend distribution determination and the results of actuarial valuation.

When policyholders' dividends are declared, they are accounted for as financial liabilities and initially measured at fair value and subsequently measured at amortised costs.

(23) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases *(continued)*

The Group as lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and other assets, other than leases of office premises, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases *(continued)*

The Group as lessee *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease and others.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

(24) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(24) Revenue recognition *(continued)*

Assets management income and management fee charged to policyholders

Insurance and investment contract policyholders are charged for policy administration services and investment management services. These income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities

The Group earns commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities. The commission income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the relevant authorities.

Gross premiums

Premium income and reinsurance premium income are recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Premiums from life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue according to the total premiums stated in the contracts.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

(25) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(26) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(27) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(27) Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted by facts and circumstances. The presumption is rebutted when the investment properties are depreciable and are held within the context of a business model whose objective is to substantially consume over time the economic benefits embodied in the investment properties, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2.5, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(1) Unbundling, classification and significant risk testing of contracts

The Group made judgement on whether a contract transfers insurance risk, and whether the transfer of insurance risk has commercial substance and is significant. The results of the judgement affect the classification of the contract at initial recognition.

When a contract transfers significant insurance risk and financial risks, the Group has reached a judgment on whether the financial risks and the deposit component are distinct and separately measurable and the Group's accounting policies fully reflect the rights and obligations from such deposit component. The results of this judgement would affect the unbundling of the contract.

When performing significant insurance risk testing, contracts exhibiting homogenous risks for a particular product are grouped together. Subsequently, adequate representative samples are drawn from individual groups, taking into account their risk distributions and characteristics.

The unbundling and classification of contracts affect revenue recognition, measurement of liabilities and presentation of the consolidated financial statements of the Group.

(2) Significant influence on an investee when less than 20 per cent of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 25 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

(3) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers. Details of these structured entities are disclosed in note 49 to these consolidated financial statements.

(4) Impairment assessment on investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose suitable discount rates in order to calculate the present values of those cash flows. Details of investments in associates are disclosed in note 25.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract reserve, the Group needs to make reasonable estimates of payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

The main assumptions made in measuring these liabilities are as follows:

- For insurance contracts under which future insurance benefits will not be affected by investment income of the underlying asset portfolio, as at 31 December 2020, the discount rates are determined by base rate curve with comprehensive premium. The comprehensive premium is added by considering taxation impacts, the liquidity, and other relevant factors. The discount rates assumption for the measurement were determined based on information currently available at the end of the reporting period and are presented as follows:

	31 December 2020	31 December 2019
Discount rates	**2.52% – 6.78%**	2.89% – 6.17%

- For insurance contracts under which future insurance benefits will be affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the investment portfolio backing the liabilities. The discount rates used by the Group are as follows:

	31 December 2020	31 December 2019
Discount rates	**5.00%**	5.00% – 5.25%

The discount rate and investment return assumptions are affected by the future economic environment, capital market performance, investment channels of insurance funds, investment strategy etc., and therefore subject to uncertainty.

- Mortality, morbidity and disability rates are based on the Group's own experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the understanding of China's insurance market, and presented using the standard Chinese mortality tables. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products and historical data. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- Lapse rates depend on policy year, product type and sales channel. The assumptions of lapse rates are affected by factors such as future economic environment and market competition, and hence subject to uncertainty.

- Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

- Future policyholder dividends depend on factors such as expected investment yields, dividend policy and policyholders' reasonable expectations. The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. Future policyholder dividends for individual participating insurance business of the Group are measured assuming that the Group will award to policyholders 70% of the distributable surplus calculated according to these contracts.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

- The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) for the liability adequacy test over unearned premium reserves as follows:

Type	31 December 2020	31 December 2019
Agricultural insurance	33.8%	33.8%
Motor vehicle insurance	3.0%	3.0%
Other non-life insurance	6.0%	6.0%
Short-term health insurance	3.0%	3.0%

- The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) of claim reserves as follows:

Type	31 December 2020	31 December 2019
Agricultural insurance	33.3%	33.3%
Motor vehicle insurance	2.5%	2.5%
Other non-life insurance	5.5%	5.5%
Short-term health insurance	2.5%	2.5%

As at 31 December 2020, the Group determined the insurance contract liabilities based on the discount rates, mortality, morbidity, lapse rates, policyholder dividends and claim ratio assumptions with the current information available at the end of the reporting date. The corresponding impact on long term life insurance contract liabilities is taken into statement of income of the current year.

As a result of such changes in assumptions, net long-term life insurance contract liabilities increased by RMB8,195 million as at 31 December 2020 (2019: increased by RMB1,991 million) and the profit before tax for the year 2020 was decreased by RMB8,195 million (2019: decreased by RMB1,991 million). Short-term health insurance contract liabilities increased by nil as at 31 December 2020 (2019: decreased by RMB505 million) and the profit before tax for the year 2020 was decreased by nil (2019: increased by RMB505 million).

The carrying values of insurance contract liabilities are disclosed in note 37 to these consolidated financial statements.

(2) Fair values of financial assets determined using valuation techniques

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and counterparties, volatilities and correlations and earnings require management to make estimates. Fair values of financial assets, their hierarchy, valuation techniques and key inputs are disclosed in note 44 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(3) Impairment of financial assets

Financial assets measured at amortised cost

When there is an objective evidence that there is impairment in loans and receivables and held-to-maturity investments, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Other than impairment for individual financial assets measured at amortised cost, the Group also collectively assesses impairment for insurance receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Financial assets measured at amortised cost include cash equivalents, insurance receivables, term deposits, restricted statutory deposits, held-to-maturity investments, investments classified as loans and receivable and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

Available-for-sale financial assets

The Group considers whether impairment provision is needed for an available-for-sale financial assets investment. If fair value of an available-for-sale financial instrument is below its carrying amount, the Group determines whether impairment exists by: for equity instruments, judging whether this decline below cost is "significant" or "prolonged" as explained in note 2.5(6); for debt instruments, whether the decline in fair value is due to market interest rates or interest rates specific to the issuers of the financial instruments, or presence of other objective evidence of impairment.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

- The non-life insurance segment offers a wide variety of non-life insurance products mainly by PICC Property and Casualty Company Limited("PICC P&C");
- The life insurance segment offers a wide range of life insurance products by PICC Life Insurance Company Limited("PICC Life");
- The health insurance segment offers a wide range of health and medical insurance products by PICC Health Insurance Company Limited("PICC Health");
- The asset management segment offers asset management services;
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, finance, legal and human resources functions;
- The others segment comprises insurance agent business, reinsurance business and other operating business of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

The segment's net profit includes revenue less expenses that are directly attributable to the segment.

Segment's assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment. Segment's assets are recognised after deducting the related provisions, and such deductions are directly written off in the Group's consolidated balance sheet.

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

In the segment reporting, net premiums and other income earned are included in the segment's revenue, and profit or loss is presented as the operating results of the segment.

The Group's revenue and profits for the period were mainly derived from the aforementioned business in Mainland China. As the revenue, net profit, assets and liabilities of operations outside Mainland China constitute less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

Intersegment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

Segment revenue and results for the year ended 31 December 2020

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	393,790	94,288	27,806	–	–	4,850	(153)	520,581
Reinsurance commission income	11,467	437	1,533	–	–	154	(1,670)	11,921
Investment income	18,352	21,466	2,295	594	9,578	686	(7,643)	45,328
Other income	1,517	935	318	1,843	38	809	(1,685)	3,775
TOTAL INCOME – SEGMENT INCOME	425,126	117,126	31,952	2,437	9,616	6,499	(11,151)	581,605
– External income	427,398	117,333	31,935	1,454	1,258	2,227	–	581,605
– Inter-segment income	(2,272)	(207)	17	983	8,358	4,272	(11,151)	–
Net claims and policyholders' benefits	260,626	94,136	25,066	–	–	3,529	(520)	382,837
Handling charges and commissions	49,585	12,591	1,142	–	–	–	(829)	62,489
Finance costs	1,549	2,673	419	20	991	59	(22)	5,689
Exchange losses/(gains)	614	95	5	(2)	46	58	–	816
Other operating and administrative expenses	92,880	8,437	5,411	1,575	904	2,596	(2,226)	109,577
TOTAL BENEFITS, CLAIMS AND EXPENSES	405,254	117,932	32,043	1,593	1,941	6,242	(3,597)	561,408
Share of profits or losses of associates and joint ventures	7,429	3,942	18	78	347	(42)	(359)	11,413
PROFIT/(LOSS) BEFORE TAX	27,301	3,136	(73)	922	8,022	215	(7,913)	31,610
Income tax (expense)/credit	(3,815)	1,327	109	(232)	(454)	(91)	(221)	(3,377)
PROFIT FOR THE YEAR – SEGMENT RESULTS	23,486	4,463	36	690	7,568	124	(8,134)	28,233

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 31 December 2019

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	381,275	95,849	19,595	–	–	4,767	22	501,508
Reinsurance commission income	10,031	253	896	–	–	217	(1,526)	9,871
Investment income	16,936	16,101	1,690	658	6,288	562	(5,606)	36,629
Other income	1,631	788	223	1,607	10	478	(1,533)	3,204
TOTAL INCOME – SEGMENT INCOME	409,873	112,991	22,404	2,265	6,298	6,024	(8,643)	551,212
– External income	412,747	112,699	22,345	1,438	753	1,230	–	551,212
– Inter-segment income	(2,874)	292	59	827	5,545	4,794	(8,643)	–
Net claims and policyholders' benefits	252,240	91,735	17,320	–	–	3,361	(78)	364,578
Handling charges and commissions	55,066	11,450	729	–	–	–	(797)	66,448
Finance costs	1,425	2,858	460	4	1,049	30	(19)	5,807
Exchange (gains)/losses	(71)	(49)	–	3	(44)	(12)	–	(173)
Other operating and administrative expenses	82,569	8,944	4,078	1,305	932	2,821	(2,678)	97,971
TOTAL BENEFITS, CLAIMS AND EXPENSES	391,229	114,938	22,587	1,312	1,937	6,200	(3,572)	534,631
Share of profits or losses of associates and joint ventures	7,898	4,062	19	(18)	857	(48)	(204)	12,566
PROFIT/(LOSS) BEFORE TAX	26,542	2,115	(164)	935	5,218	(224)	(5,275)	29,147
Income tax credit/(expense)	494	1,297	197	(206)	291	103	(42)	2,134
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	27,036	3,412	33	729	5,509	(121)	(5,317)	31,281

Segment assets and liabilities as at 31 December 2020 and 2019, and other segment information for the years ended 31 December 2020 and 2019 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
31 December 2020								
Segment assets	655,997	494,320	59,015	12,305	122,821	18,850	(107,244)	1,256,064
Segment liabilities	456,436	445,306	52,302	3,418	22,654	10,202	(7,810)	982,508
Other segment information:								
Capital expenditures	9,902	365	316	1,294	42	230	(533)	11,616
Depreciation and amortisation	3,499	632	245	118	148	94	(287)	4,449
Interest income	14,479	14,439	1,560	137	740	516	255	32,126
31 December 2019								
Segment assets	603,359	441,078	41,677	11,033	122,684	17,903	(104,505)	1,133,229
Segment liabilities	425,856	398,918	35,327	2,558	23,163	9,413	(9,306)	885,929
Other segment information:								
Capital expenditures	4,085	666	427	99	48	54	(125)	5,254
Depreciation and amortisation	3,313	485	194	110	153	36	(200)	4,091
Interest income	14,278	14,038	1,270	211	680	549	36	31,062

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2019: 0.85%, 5.91%, and 6.14%), respectively, in Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the consolidated financial statements are allocated to the respective segments according to their respective equity interest holding. Details of these interests are disclosed in note 25.

(Amounts in millions of Renminbi, unless otherwise stated)

5. GROSS AND NET WRITTEN PREMIUMS

	2020	2019
(a) Gross written premiums		
Long-term life insurance premiums	112,669	104,289
Short-term health insurance premiums	15,779	16,251
Non-life insurance premiums	435,160	434,711
TOTAL	563,608	555,251
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums	(6,303)	(4,001)
Short-term health insurance premiums	(228)	(297)
Non-life insurance premiums	(37,905)	(31,044)
TOTAL	(44,436)	(35,342)
Net written premiums	519,172	519,909
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	(466)	(19,177)
Less: Change in reinsurers' share of unearned premium reserves	1,875	776
Net	1,409	(18,401)

6. INVESTMENT INCOME

	2020	2019
Dividend, interest and rental income (a)	37,318	35,335
Realised gains (b)	11,849	2,660
Fair value (losses)/gains (c)	(150)	527
Impairment losses (d)	(3,689)	(1,893)
TOTAL	45,328	36,629

(a) Dividend, interest and rental income

	2020	2019
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	4,416	3,426
– At fair value through profit or loss	240	241
Subtotal	4,656	3,667
Interest income		
Current and term deposits	4,688	5,056
Debt securities		
– Held-to-maturity	7,424	6,541
– Available-for-sale	8,404	8,401
– At fair value through profit or loss	850	305
Loans and receivables	10,760	10,759
Subtotal	32,126	31,062
Operating lease income from investment properties	536	606
TOTAL	37,318	35,335

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(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME *(continued)*

(b) Realised gains/(losses)

	2020	2019
Debt securities		
– Available-for-sale	**349**	558
– At fair value through profit or loss	**(33)**	3
Equity securities, mutual funds and trust schemes		
– Available-for-sale	**10,528**	1,880
– At fair value through profit or loss	**766**	219
Gain on disposal of an associate	**239**	–
TOTAL	**11,849**	2,660

(c) Fair value (losses)/gains

	2020	2019
Debt securities		
– At fair value through profit or loss	**(239)**	82
Equity securities, mutual funds and trust schemes		
– At fair value through profit or loss	**216**	564
Investment properties *(note 26)*	**(127)**	(119)
TOTAL	**(150)**	527

(d) Impairment losses

	2020	2019
Available-for-sale financial assets	**(2,756)**	(1,860)
Loans and receivables	**(933)**	–
Others	**–**	(33)
TOTAL	**(3,689)**	(1,893)

7. OTHER INCOME

	2020	2019
Assets management income	**1,394**	901
Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities	**422**	570
Government grants (note)	**398**	368
Management fee charged to policyholders	**244**	223
Disposal gains from investment properties, property and equipment, intangible assets and right-of-use assets	**128**	73
Others	**1,189**	1,069
TOTAL	**3,775**	3,204

Note: Government grants of the Group mainly include agricultural insurance subsidies and subsidies for its insurance business operated in Tibet Autonomous Region.

(Amounts in millions of Renminbi, unless otherwise stated)

8. CLAIMS AND POLICYHOLDERS' BENEFITS

	2020		
	Gross	**Ceded**	**Net**
Life insurance death and other benefits paid	**61,734**	**2,215**	**59,519**
Claims incurred	**300,967**	**22,537**	**278,430**
– Short-term health insurance	**14,804**	**(26)**	**14,830**
– Non-life insurance	**286,163**	**22,563**	**263,600**
Changes in long-term life insurance contract liabilities	**44,310**	**2,549**	**41,761**
Policyholder dividends	**3,127**	**–**	**3,127**
TOTAL	**410,138**	**27,301**	**382,837**

	2019		
	Gross	Ceded	Net
Life insurance death and other benefits paid	67,035	1,516	65,519
Claims incurred	291,471	20,580	270,891
– Short-term health insurance	15,560	194	15,366
– Non-life insurance	275,911	20,386	255,525
Changes in long-term life insurance contract liabilities	27,532	1,094	26,438
Policyholder dividends	1,730	–	1,730
TOTAL	387,768	23,190	364,578

9. FINANCE COSTS

	2020	2019
Interest expenses relating to:		
Bonds payable	**2,648**	2,481
Interest credited to policyholders *(note 38)*	**1,448**	1,550
Securities sold under agreements to repurchase	**1,178**	1,308
Interest on lease liabilities	**128**	118
Interest cost on pension benefit obligation *(note 39)*	**82**	109
Others	**205**	241
TOTAL	**5,689**	5,807

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2020	2019
Employee costs	**44,609**	44,170
Promotion expense	**28,603**	18,754
Technical service and consulting fee	**8,803**	8,311
Depreciation and amortisation	**4,050**	3,694
Business and travel expenses	**2,923**	3,002
Contributions to China Insurance Security Fund (note)	**2,584**	3,293
Prevention fee	**2,031**	1,367
Taxes and surcharges	**1,987**	2,117
Electronic equipments running expenses	**1,473**	1,346
Entertainment expense	**1,084**	1,208
Recognition of impairment losses *(note 11)*	**150**	176
Others	**11,280**	10,533
TOTAL	**109,577**	97,971

Note: Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders when an insurance company in China is in financial troubles.

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11. PROFIT BEFORE TAX

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

	2020	2019
Employee costs (a) *(note)*	**51,963**	51,243
Depreciation of property and equipment *(note 27) (note)*	**2,377**	2,369
Depreciation of right-of-use assets *(note 28) (note)*	**1,492**	1,276
Amortisation of intangible assets *(note 29) (note)*	**580**	446
Recognition of impairment losses on insurance receivables *(note 10, 20(a))*	**149**	233
Reversal of impairment losses on other assets *(note 10, 31(c))*	**(5)**	(57)
Recognition of impairment losses on intangible assets *(note 10, 29)*	**6**	–
Auditors' remuneration	**36**	36

Note: Certain employee costs, depreciation and amortisation are recorded as claims handling expenses and are not included in other operating and administrative expenses.

(a) Employee costs

	2020	2019
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	**48,550**	46,410
– Pension scheme contributions	**3,413**	4,833
TOTAL	**51,963**	51,243

12. INCOME TAX EXPENSE/(CREDIT)

	2020	2019
Current tax	**6,230**	6,471
Adjustments in respect of prior years	**26**	(4,682)
Deferred tax *(note 30)*	**(2,879)**	(3,923)
TOTAL	**3,377**	(2,134)

Certain operations of the Company's subsidiary in the Western region enjoy tax preferential treatments in current year and their eligible taxable income is subject to an income tax rate of 15%. Except for the above-mentioned subsidiary, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2019: 25%) on their respective taxable income in accordance with the relevant PRC income tax rules and regulations. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In May 2019, Ministry of Finance and State Taxation Administration issued the "Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises" (Announcement of MOF and State Taxation Administration [2019] No.72, the "New Policy"). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its gross written premium, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,705 million for the year ended 31 December 2018 arising from the New Policy in 2019, and therefore resulting in a tax credit for the year.

(Amounts in millions of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE/(CREDIT) *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the CIT rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	2020	2019
Profit before tax	**31,610**	29,147
Tax at the statutory tax rate	**7,903**	7,287
Adjustments in respect of prior years	**26**	23
Tax effect of share of profits or losses of associates and joint ventures	**(2,853)**	(3,141)
Income not subject to tax	**(2,344)**	(1,660)
Impact on income tax expense from the New Policy	**–**	(4,705)
Expenses not deductible for tax	**221**	252
Unrecognised deductible temporary differences and tax losses/ tax losses utilised from previous periods	**519**	(189)
Effects of different tax rates applied to subsidiaries	**(102)**	(1)
Others	**7**	–
Income tax expense/(credit) for the year	**3,377**	(2,134)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Certain directors, supervisors and senior management are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

The total compensation package for the Company's key management for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's 2020 consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

Directors', supervisors' and senior management's remuneration for the years of 2020 and 2019, are disclosed as follows:

(a) Directors and Supervisors

	2020					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and otherbenefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Luo Xi (Chairman of the Board) *(i)*	–	5	4	1	3	13
Wang Tingke (Vice Chairman of the Board) *(ii)*	–	14	10	3	7	34
Xie Yiqun	–	298	223	74	148	743
Li Zhuyong *(iii)*	–	18	14	5	9	46
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Cheng Yuqin	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Miao Fusheng *(iv)*	–	–	–	–	–	–
Wang Shaoqun *(iv)*	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	300	–	–	–	–	300
Ko Wing Man	250	–	–	–	–	250
Luk Kin Yu	250	–	–	–	–	250
Lin Yixiang	300	–	–	–	–	300
Chen Wuzhao	300	–	–	–	–	300
Directors who have resigned:						
Miao Jianmin *(v)*	–	193	145	39	97	474
Bai Tao *(vi)*	–	27	21	7	17	72
Tang Zhigang *(vi)*	–	25	18	6	16	65
Hua Rixin *(vii)*	–	–	–	–	–	–
Xiao Xuefeng *(vii)*	–	–	–	–	–	–
Total	1,400	580	435	135	297	2,847
Supervisors:						
Huang Liangbo (Chairman of the Board of Supervisors) *(viii)*	–	331	248	74	164	817
Xu Yongxian	–	805	468	281	108	1,662
Jing Xin	300	–	–	–	–	300
Wang Dajun	–	206	–	75	30	311
Ji Haibo	–	571	413	227	80	1,291
Total	300	1,913	1,129	657	382	4,381

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

	2019 (Restated)					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and otherbenefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Miao Jianmin (Chairman of the Board)	–	331	422	80	210	1,043
Bai Tao	–	331	422	80	210	1,043
Xie Yiqun	–	298	380	79	194	951
Tang Zhigang	–	294	376	79	194	943
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Hua Rixin	–	–	–	–	–	–
Xiao Xuefeng	–	–	–	–	–	–
Cheng Yuqin	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	250	–	–	–	–	250
Ko Wing Man	250	–	–	–	–	250
Luk Kin Yu	250	–	–	–	–	250
Lin Yixiang	300	–	–	–	–	300
Chen Wuzhao	300	–	–	–	–	300
Total	1,350	1,254	1,600	318	808	5,330
Supervisors:						
Huang Liangbo (Proposed Chairman of the Board of Supervisors) *(viii)*	–	55	70	14	34	173
Xu Yongxian	–	806	990	291	154	2,241
Jing Xin	300	–	–	–	–	300
Wang Dajun	–	619	869	236	130	1,854
Ji Haibo	–	571	825	235	127	1,758
Supervisor who has resigned:						
Lin Fan *(ix)*	–	276	352	66	176	870
Total	300	2,327	3,106	842	621	7,196

(i) Luo Xi was appointed as executive director and Chairman of the Board in December 2020.

(ii) Wang Tingke was appointed as executive director and Vice Chairman of the Board in August 2020.

(iii) Li Zhuyong was appointed as executive director in December 2020

(iv) Miao Fusheng and Wang Shaoqun were appointed as non-executive directors in December 2020.

(v) Miao Jianmin resigned in July 2020.

(vi) Bai Tao and Tang Zhigang resigned in January 2020.

(vii) Hua Rixin and Xiao Xuefeng resigned in March 2020 and December 2020, respectively.

(viii) Huang Liangbo was nominated as Chairman of the Board of supervisors in November 2019, and appointed in April 2020.

(ix) Lin Fan resigned in November 2019.

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

The compensation amounts for the directors and supervisors during their appointment were stated above. The total compensation for the year ended 31 December 2019 was restated after finalisation in year 2020.

Executive directors' emoluments shown above were mainly for the services in connection with management of affairs of the Company and the Group. Non-executive directors did not receive any remuneration from the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

(b) Senior Management

The information set out below does not include remuneration of directors or supervisors. The relevant information of their remuneration is disclosed in note 13(a).

	2020 (in RMB'000)	2019 (in RMB'000) (Restated)
Salaries and allowances	**5,930**	5,245
Performance related bonuses	**3,352**	6,855
Social insurance, housing fund and other benefits	**1,775**	1,660
Retirement benefits	**1,297**	1,373
TOTAL	**12,354**	15,133

The number of senior management, excluding directors and supervisors, whose remuneration fell within the following bands are as follows:

	2020	2019 (Restated)
Nil to HKD500,000	**1**	2
HKD500,001 to HKD1,000,000	**5**	1
HKD1,000,001 to HKD1,500,000	**–**	2
HKD1,500,001 to HKD2,000,000	**2**	–
HKD2,000,001 to HKD2,500,000	**3**	2
HKD2,500,001 to HKD3,000,000	**–**	3
TOTAL	**11**	10

(Amounts in millions of Renminbi, unless otherwise stated)

14. FIVE HIGHEST PAID INDIVIDUALS

During the years of 2020 and 2019, the five highest paid individuals included one supervisor and no director, details of whose remuneration are set out in note 13 above. Details of the remuneration for the years of 2020 and 2019 of the remaining four highest paid individuals who are neither director nor supervisor of the Company are as follows:

	2020 (in RMB'000)	2019 (in RMB'000) (Restated)
Salaries and allowances	**3,576**	3,576
Performance related bonuses	**2,279**	4,701
Social insurance, housing fund and other benefits	**1,134**	1,173
Retirement benefits	**469**	616
TOTAL	**7,458**	10,066

The number of the highest paid individuals who are neither director nor supervisor of the Company whose remuneration fell within the following bands is as follows:

	2020	2019 (Restated)
HKD1,500,001 to HKD2,000,000	**4**	–
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**–**	3
TOTAL	**4**	4

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the years of 2020 and 2019 is based on the profit attributable to equity holders of the Company and the number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company for the year	**20,036**	22,135
Weighted average number of ordinary shares in issue (in million shares)	**44,224**	44,224
Basic earnings per share (in RMB Yuan)	**0.45**	0.50

No diluted earnings per share has been presented for the years of 2020 and 2019 as the Company had no potential ordinary shares in issue during these years.

16. DIVIDENDS

	2020	2019
Dividends recognised as distributions:		
2018 Final, paid – RMB4.57 cents per share	**–**	2,021
2019 Final, paid – RMB11.60 cents per share	**5,130**	–
2020 Interim, paid – RMB3.60 cents per share	**1,592**	–

An interim dividend in respect of the six months ended 30 June 2020 of RMB3.60 cents per share was proposed by the Board of Directors at 21 August 2020 and approved by the shareholders at 28 October 2020 at the general meeting and paid on 8 December 2020.

As at 23 March 2021, final dividend in respect of the year ended 31 December 2020 of RMB12 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

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(Amounts in millions of Renminbi, unless otherwise stated)

17. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Money at call and short notice	**22,500**	23,652
Deposits with banks with original maturity of no more than three months	**628**	294
Securities purchased under resale agreements with original maturity of no more than three months	**55,081**	53,038
TOTAL	**78,209**	76,984
Classification of cash and cash equivalents:		
Loans and receivables	**78,209**	76,984

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals as at 31 December 2020 and 31 December 2019.

18. DEBT SECURITIES

	31 December 2020	31 December 2019
Classification of debt securities		
At fair value through profit or loss, at fair value	**21,936**	17,201
Available-for-sale, at fair value	**198,395**	175,988
Held-to-maturity, at amortised cost	**181,199**	140,398
TOTAL	**401,530**	333,587

As at 31 December 2020, financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB80 million (December 31 2019: RMB316 million). The rest are trading assets, with no material limitation in realisation.

19. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	31 December 2020	31 December 2019
Investments, at fair value		
Mutual funds	**75,460**	61,832
Shares	**66,548**	48,968
Equity schemes and others	**44,213**	33,518
Subtotal	**186,221**	144,318
Investments, at cost less impairment		
Shares (note)	**93**	121
Total equity securities and mutual funds	**186,314**	144,439
Trust schemes, at fair value	**6,100**	6,305
TOTAL	**192,414**	150,744

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(Amounts in millions of Renminbi, unless otherwise stated)

19. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES *(continued)*

	31 December 2020	31 December 2019
Classification of equity securities and mutual funds		
At fair value through profit or loss, at fair value	**11,497**	9,831
Available-for-sale, at fair value	**174,724**	134,487
Available-for-sale, at cost less impairment	**93**	121
Subtotal	**186,314**	144,439
Classification of trust schemes		
Available-for-sale, at fair value	**6,100**	6,305
TOTAL	**192,414**	150,744

As at 31 December 2020, financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB2,117 million (December 31 2019: RMB407 million). The rest are trading assets, with no material limitation in realisation.

20. INSURANCE RECEIVABLES, NET

	31 December 2020	31 December 2019
Premiums receivable and agents' balances	**40,167**	42,851
Receivables from reinsurers	**15,741**	16,345
Subtotal	**55,908**	59,196
Less: Impairment provisions on		
– Premiums receivable and agents' balances	**(3,340)**	(3,217)
– Receivables from reinsurers	**(163)**	(170)
TOTAL	**52,405**	55,809

(a) The movements of provision for impairment of insurance receivables are as follows:

	2020	2019
At 1 January	**3,387**	3,208
Recognition of impairment losses (note 11)	**149**	233
Amount written off as uncollectible	**(33)**	(54)
At 31 December	**3,503**	3,387

(b) Analysis of insurance receivable as at the end of the reporting period, based on the payment past due date and net of provision, is as follows:

	31 December 2020	31 December 2019
Not yet due and up to 3 months	**43,215**	48,416
More than 3 months to 6 months	**2,624**	3,265
More than 6 months to 12 months	**5,177**	3,288
More than 1 year to 2 years	**1,286**	674
More than 2 years	**103**	166
TOTAL	**52,405**	55,809

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21. REINSURANCE ASSETS

	31 December 2020	31 December 2019
Reinsurers' share of		
Unearned premium reserves	**12,523**	10,648
Claim reserves	**18,556**	17,311
Long-term life insurance reserves	**4,099**	1,550
TOTAL	**35,178**	29,509

22. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	31 December 2020	31 December 2019
More than 3 months to 12 months	**1,803**	2,133
More than 1 year to 2 years	**47**	342
More than 2 year to 3 years	**8,040**	3,207
More than 3 years	**79,126**	81,327
TOTAL	**89,016**	87,009

These term deposits of the Group bear fixed interest rate ranging from 0.90% – 7.44% per annum as at 31 December 2020 (31 December 2019: bearing fixed or variable interest rates ranging from 1.55% – 7.44% and 1.30% – 4.30% per annum respectively).

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2020	31 December 2019
Long-term debt investment schemes	**88,622**	100,282
Trust schemes	**71,816**	67,809
Asset management products	**11,802**	14,767
Subtotal	**172,240**	182,858
Less: Impairment provisions	**(933)**	–
TOTAL	**171,307**	182,858

The interest rate of these long-term debt investment schemes is in the range of 4.25% – 7.40% per annum as at 31 December 2020 (31 December 2019: 3.50% – 7.40%).

Trust schemes predominantly invest in debt instruments and offer the Group expected returns ranging from 4.57% – 6.70% (31 December 2019: ranging from 4.85% – 7.10%) per annum.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in an active market. These financial products include securitised assets, asset management products offered by securities companies or asset management companies. The interest rate of these products is in the range of 4.20% – 6.30% per annum as at 31 December 2020 (31 December 2019: 4.00% – 6.35%).

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries as of 31 December 2020 and 2019 are set out below:

Name	Place of incorporation and type of legal entity	Paid up/ registered share capital	Proportion of shareholders' interest and voting rights 31 December 2020 Direct	31 December 2020 Indirect	31 December 2019 Direct	31 December 2019 Indirect	Principal activities/place of operation
PICC P&C	Beijing, PRC Corporation	RMB22,242,765,303	68.98%	–	68.98%	–	Non-life insurance, PRC
PICC Asset Management Company Limited ("PICC AMC")	Shanghai, PRC Limited Liability	RMB1,298,000,000	100.00%	–	100.00%	–	Investment management of insurance companies, PRC
PICC Capital Investment Management Company Limited ("PICC Capital")	Tianjin, PRC Limited Liability	RMB200,000,000	100.00%	–	100.00%	–	Investment management, PRC
PICC Health	Beijing, PRC Corporation	RMB8,568,414,737	69.32%	26.13%	69.32%	26.13%	Health insurance, PRC
PICC Life	Beijing, PRC Corporation	RMB25,761,104,669	71.08%	8.92%	71.08%	8.92%	Life insurance, PRC
PICC Investment Holding Company Limited ("PICC Investment Holding")	Beijing, PRC Limited Liability	RMB 800,000,000	100.00%	–	100.00%	–	Investment holding, PRC
PICC (Hong Kong) Limited ("PICC HK") *(note 1)*	Hong Kong Corporation	HKD1,609,999,956.25	89.36%		75.00%	–	P&C insurance, Hong Kong
PICC Services (Europe) Ltd. ("PICC Europe") *(note 2)*	London, UK Limited Liability	GBP500,000	–	100.00%	100.00%	–	Claim handling agency, United Kingdom
PICC Asset Management (Hong Kong) Company Limited	Hong Kong Corporation	HKD50,000,000	100.00%	–	100.00%	–	Management of insurance investments, Hong Kong
PICC Financial Services Company Limited ("PICC Financial Services")	Tianjin, PRC Limited Liability	RMB1,000,000,000	100.00%	–	100.00%	–	Internet finance, PRC
PICC Reinsurance Company Limited ("PICC Reinsurance")	Beijing, PRC Corporation	RMB4,000,000,000	51.00%	49.00%	51.00%	49.00%	Reinsurance business, PRC
PICC Pension Company Limited ("PICC Pension")	Hebei, PRC Limited Liability	RMB4,000,000,000	100.00%	–	100.00%	–	Endowment insurance, PRC

Note 1: On 29 April 2020, the directors of the Company approved the proposal of increasing the share capital of PICC HK by HKD970 million. After the increase, the proportion of shares held by the Company became 89.36%. On 8 July 2020, the China Banking and Insurance Regulatory Commission ("CBIRC") issued the "Approval of the Company on the Increase in Share Capital of PICC HK " (CBIRC [2020] No. 468), approving the share capital increase of PICC HK. On 30 September 2020, the Company and PICC HK signed the agreement. On December 9, 2020, the Hong Kong Companies Registry received the Return of Allotment, and PICC HK completed the capital increase registration.

Note 2: On 21 June 2019, the directors of the Company approved the proposal on the transfer of its total interest in PICC Europe to PICC P&C. On 2 December 2019, the Company entered into an agreement with PICC P&C to transfer the interest of PICC Europe with a consideration of RMB5.92 million. On 20 July 2020, PICC P&C completed the payment and directly acquired 100.00% of the interest and voting right of PICC Europe.

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24. PARTICULARS OF SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Only principal subsidiaries which are directly held by the Company and have material impact on the consolidated financial statements are listed above. Other subsidiaries did not materially affect the Group's net financial position and operating results and were therefore not separately disclosed.

As at 31 December 2020, market value of shares of PICC P&C which is listed on the Main Board of The Stock Exchange of Hong Kong Limited is RMB75,801 million (31 December 2019: RMB129,052 million).

Capital supplementary bonds issued by these subsidiaries are set out in note 35 to these consolidated financial statements.

The Company and the following subsidiaries had outstanding capital supplementary bonds at the end of the year, which are all held by third parties:

	31 December 2020		31 December 2019	
	Nominal Amount	**Carrying Amount**	Nominal Amount	Carrying Amount
The Company	**18,000**	**17,987**	18,000	17,982
PICC P&C	**23,000**	**23,297**	15,000	15,198
PICC Life	**12,000**	**12,128**	12,000	12,070
PICC Health	**3,500**	**3,548**	3,500	3,530
	56,500	**56,960**	48,500	48,780

At the end of the reporting period, the Company had other indirectly held subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities of the subsidiaries	Place of incorporation and operation in the PRC	**31 December 2020**	31 December 2019
Insurance intermediaries	Beijing, Shanghai, Shenzhen and others	**7**	7
Insurance training services	Hainan	**1**	1
Property development and management	Beijing, Shanghai and others	**13**	11
Hotels, restaurants and others	Beijing, Zhejiang, Chongqing and others	**6**	4
		27	23

The legal form of above-mentioned subsidiaries is Limited Liability Company.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2020	31 December 2019	**2020**	2019	**31 December 2020**	31 December 2019
PICC P&C and its subsidiaries	Beijing, PRC	**31.02%**	31.02%	**6,473**	7,531	**58,948**	52,719
PICC Life and its subsidiaries	Beijing, PRC	**20.00%**	20.00%	**893**	682	**9,803**	8,437

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

In particular, an interest in the equity interest of Industrial Bank is accounted for as an available-for-sale financial assets in the consolidated financial statements of PICC P&C but when combined with voting rights held by the Company and PICC Life, this interest is accounted for as an associate in the Group's consolidated financial statements. The information presented in this note does not consider the impact had these equity interests been accounted for as an associate in the consolidated financial statements of PICC P&C.

PICC P&C

	31 December 2020	31 December 2019
Total assets	**646,801**	596,081
Total liabilities	**456,770**	426,127
Total shareholders' equity	**190,031**	169,954
Equity attributable to owners of the Group	**131,083**	117,235
Non-controlling interests of the Group	**58,948**	52,719

	2020	2019
Total income	**412,267**	398,756
Total benefits, claims and expenses	**(391,542)**	(379,223)
Share of profits of associates	**3,951**	4,250
Income tax (expense)/credit	**(3,808)**	496
Profit for the year	**20,868**	24,279
Profit attributable to owners of the Group	**14,395**	16,748
Profit attributable to non-controlling interests of the Group	**6,473**	7,531
Other comprehensive income for the year	**6,946**	11,721
Total comprehensive income for the year	**27,814**	36,000
Dividends paid to non-controlling interests	**3,181**	1,877
Net cash inflow from operating activities	**12,811**	25,805
Net cash (outflow)/inflow from investing activities	**(29,390)**	941
Net cash inflow/(outflow) from financing activities	**10,409**	(28,063)
Net cash outflow	**(6,170)**	(1,317)

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

PICC Life

	31 December 2020	31 December 2019
Total assets	**494,320**	441,078
Total liabilities	**445,306**	398,918
Total shareholders' equity	**49,014**	42,160
Equity attributable to owners of the Group	**39,211**	33,723
Non-controlling interests of the Group	**9,803**	8,437

	2020	2019
Total income	**117,126**	112,991
Total benefits, claims and expenses	**(117,932)**	(114,938)
Share of profit of an associate	**3,942**	4,062
Income tax credit	**1,327**	1,297
Profit for the year	**4,463**	3,412
Profit attributable to owners of the Group	**3,570**	2,730
Profit attributable to non-controlling interests of the Group	**893**	682
Other comprehensive income for the year	**3,676**	8,381
Total comprehensive income for the year	**8,139**	11,793
Dividends paid to non-controlling interests	**257**	46
Net cash inflow from operating activities	**9,878**	9,487
Net cash outflow from investing activities	**(13,111)**	(6,147)
Net cash inflow from financing activities	**11,076**	12,872
Net cash inflow	**7,843**	16,212

(c) Significant restrictions

As certain major subsidiaries of the Company are engaged in insurance business and regulated by the relevant insurance regulatory authorities, the ability of the Company and its subsidiaries to access assets held by these insurance subsidiaries to settle liabilities of the Group is restricted. As such, there are restrictions on the Group's ability to access or use the assets of these insurance subsidiaries to settle the liabilities of the Group. Please refer to note 43.1(b) for detailed disclosure on the relevant regulatory capital requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) The Group's investments in associates and joint ventures as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Associates		
Cost of investment in associates	68,346	67,744
Share of post-acquisition profits and other comprehensive income *(note)*	53,344	46,090
Subtotal	121,690	113,834
Joint ventures		
Cost of investment in joint ventures	3,086	3,086
Share of post-acquisition profits and other comprehensive income	64	163
Subtotal	3,150	3,249
TOTAL	124,840	117,083

Note: The Group's material associates, Industrial Bank and Hua Xia Bank Co., Limited (the "Hua Xia Bank") applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standard. This adoption has decreased the carrying amount of investments in associates and joint ventures by RMB1,923 million on 1 January 2019.

As permitted by Amendments to IFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank.

Included in the carrying amount of investments in associates as at 31 December 2020 was an aggregate amount of RMB109,659 million (31 December 2019: RMB101,888 million) in respect of listed entities and their corresponding fair values amounted to RMB75,185 million (31 December 2019: RMB75,679 million) on the same date. As at 31 December 2020, the carrying amounts of associates, Hua Xia Bank and Industrial Bank, companies listed on the Shanghai Stock Exchange, exceeded their market values. Management performed impairment assessment accordingly considering such impairment indicator exist. Based on management's assessment results, there was no impairment as at 31 December 2020 (31 December 2019: none).

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

			Percentage of ownership interest and voting rights held by the Group			
			31 December 2020		31 December 2019	
Associates	Place of registration	Principal activities/Place of operation	Direct	Indirect	Direct	Indirect
Industrial Bank (1)	Fujian Province, PRC	Banking, PRC	0.85%	12.05%	0.85%	12.05%
Hua Xia Bank (2)	Beijing, PRC	Banking, PRC	–	16.66%	–	16.66%

The above table lists out the associates of the Group which principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised consolidated financial information in respect of each of the Group's material associates is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the PRC, and adjusted for any material differences from IFRS.

Industrial Bank and Hua Xia Bank are financial institutions. Therefore, their abilities to distribute dividends are subject to fulfillment of the relevant regulatory capital requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

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

(1) Industrial Bank

On 31 December 2012, the Company, PICC P&C and PICC Life in aggregate subscribed for approximately 1.38 billion shares of Industrial Bank through a private placement. After the completion of the subscription, the Group as a whole became the second largest shareholder of Industrial Bank.

In 2013, a member of senior management of PICC Life was nominated to be a director of Industrial Bank. The Group has been able to exercise significant influence on Industrial Bank, and therefore accounted for its equity interest in Industrial Bank as an associate using equity method of accounting.

On 9 July 2015, PICC P&C and PICC Life, the Company's subsidiaries, acquired 280 million and 328 million shares, respectively, of Industrial Bank in the open market. Therefore, the Group's aggregate interest in this associate was increased from 10.87% to 14.06%.

On 31 March 2017, Industrial Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Industrial Bank was diluted from 14.06% to 12.90%. The Group is of the view that it still has significant influence over Industrial Bank, as it appointed one director to the board of directors of Industrial Bank and the Group was the second largest shareholder of Industrial Bank.

	30 September 2020	30 September 2019
Total assets	**7,619,539**	6,982,100
Total liabilities	**7,042,372**	6,443,423
Net assets attributable to		
Equity holders of Industrial Bank	**568,312**	530,615
Non-controlling interests	**8,855**	8,062
Total equity	**577,167**	538,677

	Period from 1 October 2019 to 30 September 2020	Period from 1 October 2018 to 30 September 2019
Revenue	**196,485**	180,274
Profit attributable to		
Equity holders of Industrial Bank	**62,833**	64,929
Non-controlling interests	**1,056**	714
Profit for the period	**63,889**	65,643
Other comprehensive (expense)/income attributable to		
Equity holders of Industrial Bank	**(6,743)**	1,975
Non-controlling interests	**13**	(59)
Other comprehensive (expense)/income for the period	**(6,730)**	1,916
Total comprehensive income attributable to		
Equity holders of Industrial Bank	**56,090**	66,904
Non-controlling interests	**1,069**	655
Total comprehensive income for the period	**57,159**	67,559
Dividends received from the associate during the period	**2,041**	1,849

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

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

(1) Industrial Bank (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Industrial Bank recognised in the consolidated financial statements:

	31 December 2020	31 December 2019
Net assets of Industrial Bank attributable to equity holders of Industrial Bank	**568,312**	530,615
Total preference shares issued by Industrial Bank	**(55,842)**	(55,842)
Net assets attributable to ordinary share holders of Industrial Bank	**512,470**	474,773
Proportion of the Group's interest in Industrial Bank	**12.90%**	12.90%
The Group's interest in net assets of Industrial Bank	**66,109**	61,246
Goodwill	**445**	445
Net fair value adjustment to the investee's identifiable assets and liabilities	**2,426**	2,426
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	**(1,153)**	(960)
Carrying amount of the Group's interest in Industrial Bank	**67,827**	63,157
Fair value of shares listed in Mainland China	**55,911**	53,045

The Group accounted for its share of the profit of Industrial Bank from 1 October 2019 to 30 September 2020 (2019: 1 October 2018 to 30 September 2019).

(2) Hua Xia Bank

On 28 December 2015, PICC P&C entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien („Sal. Oppenheim") and Deutsche Bank Luxembourg S.A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to PICC P&C 877 million shares, 267 million shares and 992 million shares of Hua Xia Bank, respectively, held by them (amounting to a total of 2,136 million shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and PICC P&C conditionally agreed to purchase these shares. This transaction was completed on 17 November 2016. The Group holds the view that it has had significant influence over Hua Xia Bank since 17 November 2016 and therefore accounted for its interests in Hua Xia Bank as an associate using equity method of accounting.

On 28 December 2018, Hua Xia Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%. Management has assessed the level of influence that the Group has on Hua Xia Bank, and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation and other arrangements made. Consequently, this investment has been classified as an associate. It is accounted for using equity method.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

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

(2) Hua Xia Bank (continued)

The Group's interests in Hua Xia Bank are held for strategic purposes.

	31 December 2020	31 December 2019
Total assets	**3,399,816**	3,020,789
Net assets attributable to equity holders of Hua Xia Bank	**280,613**	267,588

	2020	2019
Revenue	**95,309**	84,734
Profit attributable to equity holders of Hua Xia Bank	**21,275**	21,905
Dividends received from the associate during the year	**638**	446

Reconciliation of the above summarised financial information to the carrying amount of interest in Hua Xia Bank recognised in the consolidated financial statements:

	31 December 2020	31 December 2019
Net assets of Hua Xia Bank attributable to equity holders of Hua Xia Bank	**280,613**	267,588
Total preference shares issued by Hua Xia Bank	**(19,978)**	(19,978)
Total perpetual bonds issued by Hua Xia Bank	**(39,993)**	(39,993)
Net assets attributable to ordinary share holders of Hua Xia Bank	**220,642**	207,617
Proportion of the Group's interest in Hua Xia Bank	**16.66%**	16.66%
The Group's interest in net assets of Hua Xia Bank	**36,759**	34,589
Net fair value adjustment to the investee's identifiable assets and liabilities	**(65)**	(65)
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	**274**	236
Carrying amount of the Group's interest in Hua Xia Bank	**36,968**	34,760
Fair value of shares listed in Mainland China	**16,020**	19,660

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(c) Aggregate information of associates and joint ventures that are not individually material

As at 31 December 2020, apart from the two associates disclosed above, the Group has in aggregate 19 (31 December 2019: 18) immaterial associates and joint ventures and their aggregate information is presented below:

	2020	2019
The Group's share of profit	**687**	1,039
The Group's share of other comprehensive expense	**(34)**	(70)
The Group's share of total comprehensive income	**653**	969
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**20,045**	19,166

26. INVESTMENT PROPERTIES

	2020	2019
At beginning of the year	**12,445**	12,782
Additions	**1,204**	36
Transfers from property and equipment *(note 27)*	**195**	127
Transfer from right-of-use assets (note 28)	**36**	48
Gains on revaluation of properties upon transfer from property and equipment	**263**	123
Gains on revaluation of properties upon transfer from right-of-use assets	**57**	118
Decrease in fair value of investment properties *(note 6(c))*	**(127)**	(119)
Transfer to property and equipment *(note 27)*	**(823)**	(621)
Disposals	**(4)**	(49)
At end of the year	**13,246**	12,445

The Group was still in the process of applying for title certificates for investment properties with a carrying value of RMB1,465 million as at 31 December 2020 (31 December 2019: RMB1,607 million). The directors of the Company do not expect this to have any impacts on the operation of the Group.

As at 31 December 2020 and 31 December 2019, the Group's investment properties were not pledged as collateral.

The Group's investment properties were revalued at the end of the reporting period by independent professional valuers. The investment properties held by PICC P&C and PICC Life were revalued by Cushman & Wakefield Shenzhen Valuation Co., Ltd.. The investment properties held by PICC Investment Holding were revalued by Jones Lang LaSalle (Beijing) Land and Real Estate Appraisal Consultant Co., Ltd.. Valuations were carried out by the following two approaches:

(1) The income approach determining the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or

(2) The direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to their professional judgement. Therefore, these fair values are categorised as Level 3.

There has been no change in the valuation technique used from the prior years. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENT PROPERTIES *(continued)*

One of the key inputs used in valuing these investment properties is the capitalisation rate used, which ranges from 4.00% to 7.50% as at 31 December 2020 (31 December 2019: ranges from 4.00% to 7.50%). A slight increase in the capitalisation rate used would result in a significant decrease in fair value measurement of investment properties, and vice versa.

There was no transfer in or out of Level 3 of the Group during the year.

27. PROPERTY AND EQUIPMENT

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2020	30,350	10,058	2,120	2,744	45,272
Additions	567	1,116	277	7,539	9,499
Transfer of construction in progress	1,144	7	–	(1,151)	–
Transfer from investment properties *(note 26)*	823	–	–	–	823
Transfer to investment properties *(note 26)*	(272)	–	–	–	(272)
Transfer to intangible assets *(note 29)*	–	–	–	(25)	(25)
Disposals	(43)	(409)	(141)	(1)	(594)
As at 31 December 2020	32,569	10,772	2,256	9,106	54,703
ACCUMULATED DEPRECIATION					
As at 1 January 2020	9,025	7,650	1,411	–	18,086
Provided for the year *(note 11)*	1,213	902	262	–	2,377
Transfer to investment properties *(note 26)*	(77)	–	–	–	(77)
Disposals	(32)	(390)	(135)	–	(557)
As at 31 December 2020	10,129	8,162	1,538	–	19,829
IMPAIRMENT LOSSES					
As at 1 January 2020 and 31 December 2020	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2020	21,611	2,608	718	9,091	34,028
As at 1 January 2020	20,496	2,406	709	2,729	26,340

(Amounts in millions of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT *(continued)*

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2019	28,281	9,432	2,262	3,159	43,134
Additions	248	1,181	16	1,170	2,615
Transfer of construction in progress	1,515	6	–	(1,521)	–
Transfer from investment properties *(note 26)*	621	–	–	–	621
Transfer to investment properties *(note 26)*	(175)	–	–	(22)	(197)
Disposals	(140)	(561)	(158)	(42)	(901)
As at 31 December 2019	30,350	10,058	2,120	2,744	45,272
ACCUMULATED DEPRECIATION					
As at 1 January 2019	8,112	7,127	1,271	–	16,510
Provided for the year *(note 11)*	1,004	1,071	294	–	2,369
Transfer to investment properties *(note 26)*	(70)	–	–	–	(70)
Disposals	(21)	(548)	(154)	–	(723)
As at 31 December 2019	9,025	7,650	1,411	–	18,086
IMPAIRMENT LOSSES					
As at 1 January 2019 and 31 December 2019	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2019	20,496	2,406	709	2,729	26,340
As at 1 January 2019	19,340	2,303	991	3,144	25,778

As at 31 December 2020, certain acquired buildings of the Group with a net book value of RMB846 million (31 December 2019: RMB777 million) were still in the process of title registration. The directors of the Company do not expect this to have any impact on the operation of the Group.

28. RIGHT-OF-USE ASSETS

	Leasehold lands	**Leased properties**	**Others**	**Total**
COST				
As at 1 January 2020	**6,191**	**4,282**	**67**	**10,540**
Additions	**88**	**1,121**	**23**	**1,232**
Transfer to investment properties *(note 26)*	**(55)**	**–**	**–**	**(55)**
Disposals	**(45)**	**(615)**	**(34)**	**(694)**
As at 31 December 2020	**6,179**	**4,788**	**56**	**11,023**
ACCUMULATED DEPRECIATION				
As at 1 January 2020	**1,770**	**1,010**	**32**	**2,812**
Provided for the year *(note 11)*	**224**	**1,239**	**29**	**1,492**
Transfer to investment properties *(note 26)*	**(19)**	**–**	**–**	**(19)**
Disposals	**(15)**	**(393)**	**(15)**	**(423)**
As at 31 December 2020	**1,960**	**1,856**	**46**	**3,862**
IMPAIRMENT LOSSES				
As at 1 January 2020 and As at 31 December 2020	**47**	**–**	**–**	**47**
NET CARRYING VALUES				
As at 31 December 2020	**4,172**	**2,932**	**10**	**7,114**
As at 1 January 2020	**4,374**	**3,272**	**35**	**7,681**

(Amounts in millions of Renminbi, unless otherwise stated)

28. RIGHT-OF-USE ASSETS *(continued)*

	Leasehold lands	Leased properties	Others	Total
COST				
As at 1 January 2019	5,093	3,456	50	8,599
Additions	1,248	972	64	2,284
Transfer to investment properties *(note 26)*	(82)	–	–	(82)
Disposals	(68)	(146)	(47)	(261)
As at 31 December 2019	6,191	4,282	67	10,540
ACCUMULATED DEPRECIATION				
As at 1 January 2019	1,632	–	–	1,632
Provided for the year *(note 11)*	196	1,031	49	1,276
Transfer to investment properties *(note 26)*	(34)	–	–	(34)
Disposals	(24)	(21)	(17)	(62)
As at 31 December 2019	1,770	1,010	32	2,812
IMPAIRMENT LOSSES				
As at 1 January 2019 and As at 31 December 2019	47	–	–	47
NET CARRYING VALUES				
As at 31 December 2019	4,374	3,272	35	7,681
As at 1 January 2019	3,414	3,456	50	6,920

The above items of leasehold land are amortised on a straight-line basis over 30 – 70 years. For the year ended 31 December 2020, expense relating to leases of low-value assets and short-term leases that applied the simplified approach is approximately RMB220 million (2019: RMB350 million).

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB27 million (2019: RMB1,180 million) in which the Group is in the process of obtaining. The directors of the Company do not expect this to have any impact on the operation of the Group.

29. INTANGIBLE ASSETS

	Software	
	2020	2019
COST		
At beginning of the year	**4,402**	3,580
Additions	**940**	858
Transfer from construction in progress	**25**	–
Disposals	**(7)**	(36)
At end of the year	**5,360**	4,402
ACCUMULATED AMORTISATION		
At beginning of the year	**1,673**	1,251
Amortisation *(note 11)*	**580**	446
Disposals	**(4)**	(24)
At end of the year	**2,249**	1,673
IMPAIRMENT LOSSES		
At beginning of the year	**–**	–
Recognition *(note 11)*	**6**	–
At end of the year	**6**	–
NET CARRYING VALUES		
At end of the year	**3,105**	2,729
At beginning of the year	**2,729**	2,329

(Amounts in millions of Renminbi, unless otherwise stated)

30. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Deferred tax assets	8,337	8,552
Deferred tax liabilities	(1,449)	(1,486)
TOTAL	6,888	7,066

The movements of deferred tax assets and liabilities of the Group during the years of 2020 and 2019 are as follows:

2020	As at 1 January	Credited/(charged) to income statement during the year	(Charged)/ credited to other comprehensive income during the year	As at 31 December
Provision for impairment losses	1,249	796	–	2,045
Employee benefits payable	615	418	–	1,033
Fair value change of available-for-sale financial assets	(4,292)	–	(3,596)	(7,888)
Fair value change of financial assets carried at fair value through profit or loss	(92)	(39)	–	(131)
Fair value change of investment properties	(1,938)	(15)	(40)	(1,993)
Insurance contract liabilities	9,395	1,002	–	10,397
Portion of fair value changes attributable to participating policyholders	–	–	579	579
Handling charges and commissions payable	1,087	835	–	1,922
Others	1,042	(118)	–	924
Net value	7,066	2,879	(3,057)	6,888

2019	As at 1 January	Credited/(charged) to income statement during the year	Charged to other comprehensive income during the year	As at 31 December
Provision for impairment losses	1,239	10	–	1,249
Employee benefits payable	399	216	–	615
Fair value change of available-for-sale financial assets	143	–	(4,435)	(4,292)
Fair value change of financial assets carried at fair value through profit or loss	57	(149)	–	(92)
Fair value change of investment properties	(1,905)	30	(63)	(1,938)
Insurance contract liabilities	7,137	2,258	–	9,395
Handling charges and commissions payable	–	1,087	–	1,087
Others	571	471	–	1,042
Net value	7,641	3,923	(4,498)	7,066

Unrecognised deductible temporary differences and deductible tax losses arising from entities in the Group, which do not have sufficient future taxable profits available for realisation, amounted to RMB10,467million as at 31 December 2020 (31 December 2019: RMB9,787 million), of which deductible tax losses arising from entities in the PRC amounted to RMB8,789 million as at 31 December 2020 (31 December 2019: RMB3,868 million).

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(Amounts in millions of Renminbi, unless otherwise stated)

30. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The expiry dates of unused tax losses are as follows:

	31 December 2020	31 December 2019
2020	**–**	43
2021	**948**	948
2022	**23**	23
2023	**653**	752
2024	**2,102**	2,102
2025	**5,063**	–
TOTAL	**8,789**	3,868

31. OTHER ASSETS

	Notes	**31 December 2020**	31 December 2019
Interest receivables		**10,235**	9,941
Other receivables	(a)	**2,044**	1,613
Policy loans	(b)	**5,295**	4,508
Deductible input value-added tax		**4,511**	3,992
Co-insurance receivables		**2,119**	2,060
Prepaid insurance underwriting commission		**407**	1,161
Commission receivables arising from collection of motor vehicles and vessels taxes		**580**	585
Others		**8,664**	6,545
TOTAL		**33,855**	30,405
Less: Impairment provision on other assets	(c)	**(1,514)**	(1,500)
Net carrying value		**32,341**	28,905

(a) Other receivables

	31 December 2020	31 December 2019
Prepayments and deposits	**726**	782
Securities settlement receivables	**728**	–
Others	**590**	831
TOTAL	**2,044**	1,613
Less: Impairment provision	**(403)**	(400)
Net carrying value	**1,641**	1,213

(b) Policy loans are secured by cash values of the relevant insurance policies of PICC Life and PICC Health and carry interest rate at 5.22% – 6.35% per annum as at 31 December 2020 (31 December 2019: 5.22% – 6.35%).

(c) The movements of provision for impairment of other assets are as follow:

	2020	2019
At 1 January	**1,500**	1,574
Reversal of impairment losses *(note 11)*	**(5)**	(57)
Amount written off as uncollectible	**–**	(17)
Others	**19**	–
At 31 December	**1,514**	1,500

(Amounts in millions of Renminbi, unless otherwise stated)

32. PLEDGED ASSETS AND RESTRICTED DEPOSITS

(a) Deposits with restricted rights or ownership

As at 31 December 2020, demand deposits and term deposits amounting to RMB2,957 million (31 December 2019: RMB1,690 million) were subject to various restrictions, in particular for the Group's involvement in agricultural insurance and satellite launch risk insurance.

(b) Securities pledged for repurchase transactions

As described in note 33 to these consolidated financial statements, the Group entered into a number of arrangements to sell certain bond securities with commitments to repurchase in the future. These bond securities are continued to be recognised in these consolidated financial statements and classified as at fair value through profit or loss, available-for-sale, or held-to-maturity securities, but they are in effect pledged as collaterals for these transactions.

	31 December 2020	31 December 2019
Carrying amount of transferred assets	**149,389**	91,664
Carrying amount of associated liabilities		
– Securities sold under agreements to repurchase	**85,826**	58,263

33. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2020	31 December 2019
Transactions by market places:		
Stock exchange	**31,874**	28,908
Inter-bank market	**53,952**	29,355
TOTAL	**85,826**	58,263

Debt securities are pledged for these transactions and details are set out in note 32(b) to these consolidated financial statements.

34. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2020	31 December 2019
Payables to reinsurers	**21,296**	19,046

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

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35. BONDS PAYABLE

As at 31 December 2020, bonds payable are capital supplementary bonds.

	31 December 2020	31 December 2019
Carrying amount repayable in		
– More than five years	56,960	48,780
TOTAL	56,960	48,780

As at 23 March 2020, PICC P&C issued capital supplementary bond of RMB8,000 million.

Original terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's capital supplementary bonds are 3.59% – 5.05% in the first five years (2019: 3.65% – 5.05%) and 4.59% – 6.05% in the second five years (2019: 4.65% – 6.05%).

36. LEASE LIABILITIES

Lease liabilities payable:

	31 December 2020	31 December 2019
Within one year	1,000	998
Within a period of more than one year but not more than two years	723	786
Within a period of more than two years but not more than five years	893	1,053
Within a period of more than five years	176	214
TOTAL	2,792	3,051

The incremental borrowing rates applied to lease liabilities range from 3.56% to 4.75% (2019: from 3.82% to 4.65%)

37. INSURANCE CONTRACT LIABILITIES

	31 December 2020		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts *(a)*	348,652	4,099	344,553
Short-term health insurance contracts *(b)*			
– Claim reserves	7,279	120	7,159
– Unearned premium reserves	2,502	60	2,442
Non-life insurance contracts *(c)*			
– Claim reserves	155,942	18,436	137,506
– Unearned premium reserves	159,897	12,463	147,434
Total insurance contract liabilities	674,272	35,178	639,094

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts *(a)*	302,025	1,550	300,475
Short-term health insurance contracts *(b)*			
– Claim reserves	6,723	173	6,550
– Unearned premium reserves	2,681	14	2,667
Non-life insurance contracts *(c)*			
– Claim reserves	148,278	17,138	131,140
– Unearned premium reserves	159,252	10,634	148,618
Total insurance contract liabilities	618,959	29,509	589,450

(a) Long-term life and health insurance contracts

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	274,493	456	274,037
Additions	94,568	2,610	91,958
Payments	(17,557)	(1,516)	(16,041)
Surrenders	(49,479)	–	(49,479)
At 31 December 2019	302,025	1,550	300,475
Additions	108,360	4,764	103,596
Payments	(16,089)	(2,215)	(13,874)
Surrenders	(45,644)	–	(45,644)
At 31 December 2020	**348,652**	**4,099**	**344,553**

As at December 31 2020, long-term life and health insurance contracts liabilities include eligible surplus amounted to RMB2,317 million that has not been declared and paid (December 31 2019: no eligible surplus that has not been declared and paid). This is recognised in other comprehensive income for the year. The related amount (net of tax) that is attributable to owners of the Company is RMB1,344 million, and is included in the consolidated statement of changes in equity.

(b) Short-term health insurance contracts

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	5,574	226	5,348
Claims incurred	15,560	194	15,366
Claims paid	(14,411)	(247)	(14,164)
At 31 December 2019	6,723	173	6,550
Claims incurred	14,804	(26)	14,830
Claims paid	(14,248)	(27)	(14,221)
At 31 December 2020	**7,279**	**120**	**7,159**

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

(b) Short-term health insurance contracts (continued)

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	1,886	17	1,869
Premiums written	16,251	297	15,954
Premiums earned	(15,456)	(300)	(15,156)
At 31 December 2019	2,681	14	2,667
Premiums written	15,779	228	15,551
Premiums earned	(15,958)	(182)	(15,776)
At 31 December 2020	**2,502**	**60**	**2,442**

(c) Non-life insurance contracts

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	136,394	16,471	119,923
Claims incurred	275,911	20,386	255,525
Claims paid	(264,027)	(19,719)	(244,308)
At 31 December 2019	148,278	17,138	131,140
Claims incurred	286,163	22,563	263,600
Claims paid	(278,499)	(21,265)	(257,234)
At 31 December 2020	**155,942**	**18,436**	**137,506**

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2019	140,870	9,855	131,015
Premiums written	434,711	31,044	403,667
Premiums earned	(416,329)	(30,265)	(386,064)
At 31 December 2019	159,252	10,634	148,618
Premiums written	435,160	37,905	397,255
Premiums earned	(434,515)	(36,076)	(398,439)
At 31 December 2020	**159,897**	**12,463**	**147,434**

38. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	31 December 2020	31 December 2019
Interest-bearing deposits	**36,995**	38,347
Non-interest-bearing deposits	**1,676**	1,683
Total	**38,671**	40,030

(Amounts in millions of Renminbi, unless otherwise stated)

38. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS *(continued)*

The movements in investment contract liabilities for policyholders are as follows:

	31 December 2020	31 December 2019
At beginning of the year	**40,030**	41,808
Deposits received after deducting fees	**7,667**	7,479
Deposits withdrawn	**(10,474)**	(10,807)
Interest credited to policyholders *(note 9)*	**1,448**	1,550
At end of the year	**38,671**	40,030

39. PENSION BENEFIT OBLIGATION

The Group is committed to defined benefit retirement benefit plans. Through the retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The amounts of these pension and medical benefits are paid monthly according to a policy agreed with these employees and number of years of services of these employees with the Group. The Group also offered an early retirement program to certain employees during its group reorganisation in 2003. For employees who joined this program, they are entitled to various periodic benefits up to their normal retirement ages. The beneficiaries of these pension benefits are not in active employment with the Group and these benefits are fully vested. There is no plan asset for these pension benefits.

(a) The movements in the present value of early retirement and retirement benefits are shown below:

	2020	2019
At beginning of the year	**2,927**	2,967
Interest cost on pension benefit obligation *(note 9)*	**82**	109
Actuarial losses arising from changes in financial assumptions	**1**	22
Actuarial losses arising from experience adjustments	**56**	59
Benefits paid	**(233)**	(230)
At end of the year	**2,833**	2,927

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

In aggregate, actuarial losses of RMB57 million were charged to other comprehensive income for the current year of 2020 (2019: actuarial losses of RMB81 million).

Willis Towers Watson was engaged by the Group to measure the retirement benefit plans at the end of both years.

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(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(b) The discount rates and the principal actuarial assumptions for the above obligations are as follows:

	31 December 2020	31 December 2019
Discount rates:		
– Early retirement benefits	**3.00%**	3.00%
– Retirement benefits	**3.25%**	3.25%
– Supplementary medical benefits	**3.50%**	3.50%
Average annual growth rates:		
– Early retirement benefits	**2.50%**	2.50%
– Medical expenses	**8.00%**	8.00%

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. The durations of early retirement benefits, retirement benefits and supplementary medical benefits are 4 years, 8 years and 12 years as at 31 December 2020 (31 December 2019: 4 years, 8 years and 12 years).

(c) The maturity of these benefits, in terms of undiscounted cash flows, is presented as follows:

	31 December 2020	31 December 2019
No more than 3 months	**50**	50
3 to 12 months (including 12 months)	**151**	151
1 to 5 years (including 5 years)	**792**	798
More than 5 years	**3,166**	3,316
Total	**4,159**	4,315

In order to reimburse the Company for this pension benefit obligation, a receivable of RMB2,847 million from MOF was recognised during the restructuring and reorganisation of the Company, as described in note 42(d)(2).

(d) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and average annual growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumptions	**Effect on the pension benefit obligation**	
		2020	2019
Discount rate	+50bps	(134)	(140)
Discount rate	-50bps	145	153
Average annual growth rate	+50bps	142	149
Average annual growth rate	-50bps	(132)	(138)

(Amounts in millions of Renminbi, unless otherwise stated)

40. OTHER LIABILITIES

	31 December 2020	31 December 2019
Premiums received in advance (a)	**24,048**	26,798
Salaries and welfare payable	**18,838**	15,829
Claims payable	**12,493**	10,272
Value added tax and other taxes payable	**8,209**	8,334
Handling charges and commission payable	**8,177**	8,240
Premium payable (b)	**5,336**	5,709
Suppliers payable	**3,224**	2,480
Interests payable	**1,305**	1,042
Insurance security fund	**931**	1,076
Bank borrowings	**592**	–
Others	**10,658**	9,478
TOTAL	**93,811**	89,258

(a) Premiums received in advance represent amounts collected from policies not yet effective as at 31 December 2020 and 31 December 2019, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(b) Premium payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.

41. ISSUED CAPITAL

	31 December 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	**35,498**	35,498
H shares	**8,726**	8,726
	44,224	44,224
Issued capital (in RMB million)		
A shares	**35,498**	35,498
H shares	**8,726**	8,726
	44,224	44,224

42. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) General risk reserve

Pursuant to "Financial Standards of Financial Enterprises – Implementation Guide" issued by the MOF of the PRC on 30 March 2007, a general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations for such reserve based on their respective annual profit or year-end risk assets as determined in their annual financial statements. This reserve is not available for profit distribution and cannot be transferred to capital.

(Amounts in millions of Renminbi, unless otherwise stated)

42. RESERVES *(continued)*

(b) Catastrophic loss reserve

Pursuant to the relevant regulatory requirements, the Group is required to make appropriation to a reserve when the agriculture and nuclear insurance business records underwriting profits. This reserve cannot be used for dividend distribution or conversion into capital, but can be utilised when there are catastrophic losses.

(c) Surplus reserve

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriation to a statutory surplus reserve based on its profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC in their annual statutory financial statements. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriation to a discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

(d) Principal items of other reserves were summarised as follows:

	Transfer to issued capital (1)	Compensation for post-employment benefit obligation (2) (note 39)	Transactions with non–controlling interests	Total
As at 1 January 2020 and 31 December 2020	**(17,942)**	**2,847**	**(58)**	**(15,153)**
As at 1 January 2019 and 31 December 2019	(17,942)	2,847	(58)	(15,153)

(1) In 2009, the Company obtained approval from the MOF for converting into a joint stock company. During the process, certain assets were revalued and the corresponding revaluation surplus was transferred to the issued capital. On consolidation, these revaluations were reversed, creating a negative balance.

(2) In 2009, the Company recognised an amount of RMB2,847 million recoverable from the MOF as compensation for the Company's assumption of post-employment benefit obligation. The amount was recognised as a special capital contribution from the MOF and was credited to other reserves. The amount has been fully recovered from the MOF.

43. CAPITAL AND RISK MANAGEMENT

43.1 Capital management

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The risk management structure runs through the board of directors, the management and all functional departments and covers all business sectors and branches at all levels of the Group. The board of directors is ultimately responsible for the risk management, internal control, and compliance policy formulation of the Group. A risk management committee is responsible for having a comprehensive understanding of significant risks faced by the Group and relevant risk management, as well as supervising the effectiveness of the operation of risk management system.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.1 Capital management *(continued)*

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to adjust the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and issued bonds. The Group also makes reinsurance arrangements to manage its regulatory capital requirements.

The Group has had no significant changes in its policies and processes in respect of its capital structure during the current year.

The comprehensive and core solvency margin ratios of the Group's principal subsidiaries are listed below:

	31 December 2020		
	PICC P&C	**PICC Life**	**PICC Health**
Actual capital	**207,246**	**120,119**	**16,927**
Core capital	**179,290**	**107,301**	**13,379**
Minimum capital	**71,757**	**45,990**	**8,268**
Comprehensive solvency margin ratio (%)	**289%**	**261%**	**205%**
Core solvency margin ratio (%)	**250%**	**233%**	**162%**

	31 December 2019		
	PICC P&C	PICC Life	PICC Health
Actual capital	181,721	95,832	11,661
Core capital	162,136	83,125	8,131
Minimum capital	64,414	39,307	5,810
Comprehensive solvency margin ratio (%)	282%	244%	201%
Core solvency margin ratio (%)	252%	211%	140%

Insurance companies carrying out business in China are required to comply with capital requirements imposed by the CBIRC. These capital requirements are generally known as solvency requirements in the insurance industry.

Insurance companies comply with requirements on both the core capital and actual capital (sum of core and supplementary capital). Under China Risk Oriented Solvency System, the minimum capital is calculated by formula prescribed by the CBIRC. The minimum capital requirement is a result of quantifications of underwriting risks, market risks, credit risks and results of an internal control assessment. For subsidiaries of the Group, core capital is principally net assets with adjustments to life insurance liabilities under solvency calculations, while supplementary capital mainly comprises capital supplementary bonds issued by these subsidiaries.

Comprehensive and core solvency margin ratios are defined as actual capital and core capital divided by the minimum capital requirements, respectively. Comprehensive and core solvency margin ratio have to be higher than 100% and 50% respectively for compliance with the solvency requirements.

The CBIRC can take a number of regulatory measures against any insurance company non-compliant with the solvency requirements. These regulatory measures include restriction on business scope, dividend distributions, investment strategy; order to transfer business or place reinsurance; removal of senior executives of the insurance companies.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.1 Capital management *(continued)*

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

43.2 Risk management

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk. This section summarises these risks.

(a) Insurance risk

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the costs of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of a policyholder's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful risk selection and implementation of underwriting strategy and guidelines.

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters, they may result in earlier or more claims than expected; when the underwriting risks principally are longevity risks, continued improvement in medical science and social conditions that would improve longevity, they may result in losses to annuity or similar contracts. For contracts with discretionary participation features, a significant portion of these insurance risks is shared with the insured parties.

Insurance risk of life insurance contracts is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resulting insurance risk is subject to policyholders' behaviour and decisions.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

Gross and net premiums written to certain extent represent the risk of the Group before and after reinsurance and the information is presented in note 5 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) ***Insurance risk*** *(continued)*

(2) Insurance risk concentration

Non-life claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC (including Hong Kong).

The Group's concentration of non-life insurance risk before and after reinsurance, measured by geographical turnover and net written premiums of non-life insurance, is as follows:

	2020		2019	
	Gross	**Net**	Gross	Net
Coastal and developed provinces/cities (including Hong Kong)	**188,562**	**171,696**	197,529	183,312
North-eastern China	**26,295**	**22,842**	25,583	22,476
Northern China	**59,431**	**55,127**	54,823	51,987
Central China	**70,627**	**65,913**	68,588	64,677
Western China	**90,245**	**81,677**	88,188	81,215
Total premiums written from non-life insurance contracts	**435,160**	**397,255**	434,711	403,667

For life and health insurance contracts, their insurance risks usually do not vary significantly in relation to the geographical locations of the insured and therefore geographical concentration by locations is not presented.

The concentration of insurance risk for life and health insurance contracts is reflected by the major lines of business. Prior to August 2013, traditional long-term life insurance products sold by the Group was priced at a valuation interest rate of 2.5% per annum. Subsequently, this pricing assumption was relaxed for traditional products in 2013 and then for participating products in 2015. Among the gross long-term liabilities of RMB348,652 million as at 31 December 2020 (31 December 2019: RMB302,025 million), RMB154,525 million (31 December 2019: RMB138,680 million) was reserved for products priced/guaranteed at 2.5%, while RMB59,537 million (31 December 2019: RMB62,169 million) was reserved for products priced/guaranteed at 4.025%. If the actual investment returns generated by premiums of long term life insurance products were less than those assumed in the pricing, the Group may incur losses on these insurance contracts.

Participating insurance products are very common in the PRC insurance market. Long term life insurance liabilities in relation to participating insurance products were RMB179,214 million as at 31 December 2020 (31 December 2019: RMB151,850 million), which constitutes around 51% (31 December 2019: 50%) of the total long term life insurance liabilities of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) ***Insurance risk*** *(continued)*

(3) Reinsurance

The Group limits its exposure to losses within non-life and short-term health insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis or the surplus line basis with retention limits varying by product lines. There are profit commission, sliding, scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's non-life premiums ceded to the top three reinsurance companies amounted to RMB14,708 million in total (2019: RMB12,875 million) and thus a credit exposure exists with respect to the businesses ceded, to the extent that these reinsurers are unable to meet their obligations assumed under such reinsurance agreements.

The claim reserves were projected with the loss triangle data on gross and net of the reinsurance basis and actuarial valuation methodologies. The reinsurances' share of claim reserves equal to gross minus net claim reserves, which is the amount expected to be reimbursed from reinsurers.

(4) Key assumptions and sensitivity analysis

Long-term life insurance contracts

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the pre-tax impact on profit and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reasons for the asymmetry of sensitivities. The impacts to future dividend distributions to policyholders are considered in determining the impact of changes in individual assumptions.

Long-term life and health insurance contracts held by PICC Life:

	Change in assumptions	Pre-tax impact on profit and equity	
		2020	2019
Discount rate	+50bps	**16,034**	12,074
Discount rate	-50bps	**(19,407)**	(14,838)
Mortality/morbidity	+10%	**(4,047)**	(2,547)
Mortality/morbidity	-10%	**4,201**	2,644
Lapse and surrenders rate	+25%	**1,981**	1,240
Lapse and surrenders rate	-25%	**(2,170)**	(1,290)
Expenses	+10%	**(763)**	(658)
Expenses	-10%	**762**	666

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk *(continued)*

(4) Key assumptions and sensitivity analysis (continued)

Long-term life insurance contracts *(continued)*

Sensitivity analysis (continued)

Long-term life and health insurance contracts held by PICC Health:

	Change in assumptions	Pre-tax impact on profit and equity 2020	2019
Discount rate	+25bps	**655**	395
Discount rate	-25bps	**(702)**	(371)
Mortality/morbidity	+10%	**(4,613)**	(2,247)
Mortality/morbidity	-10%	**3,798**	1,533
Lapse and surrenders rate	+10%	**493**	234
Lapse and surrenders rate	-10%	**(535)**	(296)
Expenses	+10%	**(278)**	(706)
Expenses	-10%	**272**	524

The above analyses do not take into account the mitigating effect from asset-liability management and possible actions taken by management in view of these changes. Any change in discount rate is assumed to be a parallel shift in yield curve.

When the sensitivity analysis was performed for these actuarial assumptions, reasonably possible changes in discount rates and lapse and surrender rates were determined to be 25 basis points and 10% for PICC Health, compared with 50 basis points and 25% for PICC Life. It is because the size of operations of PICC Health was smaller than that of PICC Life and the duration of liabilities was shorter for former.

Non-life insurance and short-term health insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The range of reasonable estimates of claim reserve, projected using different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

It is not possible to quantify the sensitivity of certain variables such as legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve is not quantifiable with certainty at the end of 2020 and 2019.

If the average cost per claim or the number of claims changes, the claim reserves will change proportionately. When the other assumptions remain unchanged, if the future average cost per claim increases by 5%, the net claim reserves of the Group will increase by approximately RMB7,233 million as at 31 December 2020 (31 December 2019: RMB6,885 million).

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(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(a) Insurance risk** (continued)*

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts *(continued)*

Key assumptions (continued)

As the claims of life insurance are usually settled within one year, an analysis of the development of claims was not reflected in the table below.

The following analysis shows the development of non-life claims over a period of time on a gross basis:

	Accident year – gross					
	Year ended 31 December					
	2016	2017	2018	2019	2020	Total
Estimated cumulative claims:						
At the end of current year	192,057	211,625	236,506	271,509	**281,822**	
One year later	192,699	213,191	238,602	273,949		
Two years later	191,858	209,399	238,703			
Three years later	189,616	208,468				
Four years later	189,065					
Estimated cumulative claims	189,065	208,468	238,703	273,949	**281,822**	1,192,007
Cumulative claims paid	(185,939)	(200,091)	(228,509)	(248,506)	**(185,586)**	(1,048,631)
Subtotal as at 31 December 2020						143,376
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						12,566
Non-life unpaid claim reserves, gross						155,942

The following analysis shows the development of non-life claims over a period of time on a net basis:

	Accident year – net					
	Year ended 31 December					
	2016	2017	2018	2019	2020	Total
Estimated cumulative claims:						
At the end of current year	171,062	193,909	217,295	247,760	**256,770**	
One year later	171,105	193,793	218,973	249,735		
Two years later	171,077	190,333	219,000			
Three years later	169,066	189,489				
Four years later	168,576					
Estimated cumulative claims	168,576	189,489	219,000	249,735	**256,770**	1,083,570
Cumulative claims paid	(165,910)	(182,091)	(210,668)	(228,275)	**(171,809)**	(958,753)
Subtotal as at 31 December 2020						124,817
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						12,689
Non-life unpaid claim reserves, net						137,506

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, debt investment schemes, interests receivable, other receivables, debt securities, trust schemes and insurance receivables. The Group holds a diversified portfolio of debt instruments and does not have concentration risk except for treasury bonds issued by the Chinese Government. The total amounts of Chinese Government issued debt securities was RMB123,476 million as at 31 December 2020 (31 December 2019: RMB45,328 million).

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above. The Group's management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

Credit exposure

The carrying amounts of financial assets included on the consolidated statement of financial position best represent the maximum credit risk exposure at the reporting date without taking account of any collaterals held or other credit enhancements.

Included in cash and cash equivalents are certain securities purchased under resale agreements, and the relevant collaterals are certain bonds.

Included in investments classified as loans and receivables are debt investment schemes which are guaranteed by banks or other corporates. Their carrying values are disclosed in note 23.

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(1) Credit risk (continued)

Aging analysis of financial assets

	As at 31 December 2020						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	78,209	–	–	–	–	–	78,209
Debt securities	401,766	–	–	–	–	26	401,792
Insurance receivables	37,403	3,732	2,284	3,286	9,302	9,203	55,908
Reinsurance assets	35,178	–	–	–	–	–	35,178
Term deposits	89,016	–	–	–	–	–	89,016
Restricted statutory deposits	12,994	–	–	–	–	–	12,994
Investments classified as loans and receivables	171,352	–	–	–	–	888	172,240
Other financial assets	23,656	743	401	1,272	2,416	1,761	27,833
Total	849,574	4,475	2,685	4,558	11,718	11,878	873,170
Less: Impairment losses	(808)	–	–	–	–	(5,255)	(6,063)
Net	848,766	4,475	2,685	4,558	11,718	6,623	867,107

	As at 31 December 2019						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	76,984	–	–	–	–	–	76,984
Debt securities	333,587	–	–	–	–	26	333,613
Insurance receivables	41,505	3,830	2,797	3,665	10,292	7,399	59,196
Reinsurance assets	29,509	–	–	–	–	–	29,509
Term deposits	87,009	–	–	–	–	–	87,009
Restricted statutory deposits	12,994	–	–	–	–	–	12,994
Investments classified as loans and receivables	182,858	–	–	–	–	–	182,858
Other financial assets	20,537	753	373	1,600	2,726	1,352	24,615
Total	784,983	4,583	3,170	5,265	13,018	8,777	806,778
Less: Impairment losses	–	–	–	–	–	(4,189)	(4,189)
Net	784,983	4,583	3,170	5,265	13,018	4,588	802,589

For receivables arising from direct insurance business, the Group assesses any impairment on a collective basis according to default history of similar lines of business and aging. For financial assets other than receivables arising from direct insurance companies, the Group considers, on an individual basis, any default on amounts due, financial strength and repayment histories of the relevant counterparties when arriving at the amount of impairment.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(1) Credit risk (continued)

Credit quality

The Group's debt securities investment mainly includes government bonds, financial bonds and corporate bonds. As at 31 December 2020, 99.98% (31 December 2019: 100%) of the corporate bonds held by the Group had credit rating of AA/A-2 or above. The bond's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance and updated at each reporting date.

As at 31 December 2020, 98.66% (as at 31 December 2019: 99.68%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited ("CSDCC") in the PRC. The Group believes these commercial banks and CSDCC have a high credit quality.

The credit risk associated with securities purchased under agreements to resell will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collaterals held and maturity term of no more than three months as at 31 December 2020 and 2019.

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance that permit surrender, withdrawal or other forms of early termination. As disclosed in note 23, the Group holds certain financial instruments that are classified as loans and receivables as active markets do not exist for these instruments. The Group also classified certain debt securities as held-to-maturity financial assets and is only allowed to dispose of these financial assets prior to maturities in limited situation without tainting other held-to-maturity financial assets. Therefore, the Group's ability to manage liquidity risks by disposing of these financial assets will be limited by these factors. Moreover, quoted financial assets held by the Group are mainly traded on the stock exchanges or in inter-bank markets in the Mainland China. Any significant decrease in liquidity in these markets will impair the Group's ability to manage its liquidity risk.

The Group manages the liquidity risks of its major operating subsidiaries by requiring them to perform cash flow forecasts on a quarterly basis under different scenarios and establish contingency plans for any expected shortfall of liquidity.

The Group held cash and cash equivalents which accounted for 6.23% of total assets as at 31 December 2020 (31 December 2019: 6.79%).

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks *(continued)*

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities

The table below summarises maturity profiles of financial assets and financial liabilities of the Group. Maturity profiles of financial assets and financial liabilities are prepared, using the contractual collection or repayment dates.

All amounts are based on undiscounted contractual cash flows.

	As at 31 December 2020						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	22,505	55,729	–	–	–	–	78,234
Debt securities	–	9,432	31,685	160,888	414,699	–	616,704
Equity securities, mutual funds and trust schemes	–	–	–	–	–	192,414	192,414
Insurance receivables, net	13,638	15,371	15,090	7,967	339	–	52,405
Term deposits	–	1,044	3,432	83,096	10,401	–	97,973
Restricted statutory deposits	–	72	2,351	12,343	–	–	14,766
Investments classified as loans and receivables	888	10,682	18,910	113,901	67,930	–	212,311
Other financial assets	5,435	10,683	9,482	811	121	–	26,532
Total financial assets	42,466	103,013	80,950	379,006	493,490	192,414	1,291,339
Financial liabilities:							
Securities sold under agreements to repurchase	30	85,852	–	–	–	–	85,882
Payables to reinsurers	2,402	13,007	5,108	733	46	–	21,296
Bonds payable	–	–	1,289	10,572	66,645	–	78,506
Investment contract liabilities for policyholders	1,920	14	311	740	3,584	32,102	38,671
Policyholder dividends payable	4,225	–	–	–	–	–	4,225
Lease liability	–	277	724	1,680	205	–	2,886
Other financial liabilities	14,812	21,263	3,503	2,638	619	–	42,835
Total financial liabilities	23,389	120,413	10,935	16,363	71,099	32,102	274,301
Net liquidity gap	19,077	(17,400)	70,015	362,643	422,391	160,312	1,017,038

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities (continued)

	As at 31 December 2019						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	23,652	53,356	–	–	–	–	77,008
Debt securities	–	12,715	37,443	136,212	274,326	–	460,696
Equity securities, mutual funds and trust schemes	–	31	–	4,714	257	149,588	154,590
Insurance receivables, net	12,784	16,172	15,547	11,090	216	–	55,809
Term deposits	–	12,659	13,437	70,801	1,914	–	98,811
Restricted statutory deposits	–	3,279	1,980	8,975	–	–	14,234
Investments classified as loans and receivables	–	8,891	22,839	114,739	81,144	–	227,613
Other financial assets	3,419	10,334	8,316	974	220	–	23,263
Total financial assets	39,855	117,437	99,562	347,505	358,077	149,588	1,112,024
Financial liabilities:							
Securities sold under agreements to repurchase	–	58,288	–	–	–	–	58,288
Payables to reinsurers	2,288	11,469	4,636	623	30	–	19,046
Bonds payable	–	229	3,423	22,023	45,256	–	70,931
Investment contract liabilities for policyholders	1,908	1,014	38	131	3,839	35,270	42,200
Policyholder dividends payable	3,909	–	–	–	–	–	3,909
Lease liability	11	173	824	1,900	233	–	3,141
Other financial liabilities	16,315	18,323	1,883	1,586	190	–	38,297
Total financial liabilities	24,431	89,496	10,804	26,263	49,548	35,270	235,812
Net liquidity gap	15,424	27,941	88,758	321,242	308,529	114,318	876,212

Maturity profiles of reinsurance assets and insurance liabilities

For reinsurance assets and insurance liabilities, the liquidity analysis presented below is prepared on the basis of expected timing of settlements of claims or benefits. These expected timing is made on various assumptions, including settlement speed of non-life claims, surrenders of certain life insurance policies, and longevity of retired former employees. Therefore, actual timing may deviate from the analysis presented below.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(2) Liquidity risk (continued)

Maturity profiles of reinsurance assets and insurance liabilities (continued)

The table below summarises maturity profiles of reinsurance assets and insurance liabilities of the Group.

All amounts are based on undiscounted contractual cash flows.

	As at 31 December 2020				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	4,335	15,737	11,143	5,149	36,364
Insurance contract liabilities	39,266	192,504	161,543	824,198	1,217,511

	As at 31 December 2019				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	2,910	14,871	8,537	3,666	29,984
Insurance contract liabilities	68,891	191,411	132,162	686,073	1,078,537

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) or market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

Foreign currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal operations and transactions are conducted in RMB, and is also exposed to foreign exchange risk in respect of United States Dollars ("USD") because certain non-life insurance contracts are denominated in USD. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(3) Market risk (continued)

Foreign currency risk (continued)

The table below summarises the Group's assets and liabilities by major currency, expressed in RMB equivalent:

31 December 2020

	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	72,782	2,422	2,802	203	78,209
Debt securities	398,890	411	2,229	–	401,530
Equity securities, mutual funds and trust schemes	183,556	6,435	2,423	–	192,414
Insurance receivables, net	46,645	274	5,070	416	52,405
Reinsurance assets	33,021	390	1,656	111	35,178
Term deposits	87,383	27	1,606	–	89,016
Restricted statutory deposits	12,994	–	–	–	12,994
Investments classified as loans and receivables	171,307	–	–	–	171,307
Other financial assets	25,574	98	785	11	26,468
Total financial assets	1,032,152	10,057	16,571	741	1,059,521
Securities sold under agreements to repurchase	85,826	–	–	–	85,826
Payables to reinsurers	18,189	241	2,676	190	21,296
Bonds payable	56,960	–	–	–	56,960
Insurance contract liabilities	669,324	691	3,815	442	674,272
Investment contract liabilities for policyholders	38,671	–	–	–	38,671
Policyholder dividends payable	4,225	–	–	–	4,225
Other financial liabilities	40,949	57	1,563	134	42,703
Total financial liabilities	914,144	989	8,054	766	923,953
Net exposure	118,008	9,068	8,517	(25)	135,568

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(3) Market risk (continued)

Foreign currency risk (continued)

31 December 2019

	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	72,273	1,598	3,007	106	76,984
Debt securities	331,822	77	1,688	–	333,587
Equity securities, mutual funds and trust schemes	138,102	8,677	3,965	–	150,744
Insurance receivables, net	48,682	301	6,359	467	55,809
Reinsurance assets	27,042	766	1,667	34	29,509
Term deposits	84,774	9	2,220	6	87,009
Restricted statutory deposits	12,994	–	–	–	12,994
Investments classified as loans and receivables	182,858	–	–	–	182,858
Other financial assets	22,565	66	620	12	23,263
Total financial assets	921,112	11,494	19,526	625	952,757
Securities sold under agreements to repurchase	58,263	–	–	–	58,263
Payables to reinsurers	15,727	244	2,864	211	19,046
Bonds payable	48,780	–	–	–	48,780
Insurance contract liabilities	613,271	1,715	3,583	390	618,959
Investment contract liabilities for policyholders	40,030	–	–	–	40,030
Policyholder dividends payable	3,909	–	–	–	3,909
Other financial liabilities	37,690	154	438	15	38,297
Total financial liabilities	817,670	2,113	6,885	616	827,284
Net exposure	103,442	9,381	12,641	9	125,473

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	31 December 2020	
Exchange rate of foreign currencies	**Pre-tax impact on equity**	**Pre-tax impact on profit**
+5%	**303**	**878**
-5%	**(303)**	**(878)**

	31 December 2019	
Exchange rate of foreign currencies	Pre-tax impact on equity	Pre-tax impact on profit
+5%	408	1,102
-5%	(408)	(1,102)

The method used for deriving sensitivity information and significant variables has not changed from the previous year.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks *(continued)*

(3) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of 10 trading days at a confidence level of 99% for bond investments measured at fair value. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2020	2019
Interest rate VaR	**1,500**	**630**

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks *(continued)*

(3) Market risk (continued)

Price risk (continued)

The Group holds a diversified portfolio of equity instruments and therefore does not have significant concentration risk in any particular individual instrument. However, the Group principally invests in the stock markets of Hong Kong and Mainland China and is subject to price risk arising from volatilities of these two markets.

The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and mutual fund investments measured at fair value (other than those measured at level 3 fair value) over a holding period of 10 trading days at a confidence level of 99%. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2020	2019
Equity price VaR	**8,303**	4,497

(Amounts in millions of Renminbi, unless otherwise stated)

44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and trust schemes, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, and investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	31 December 2020		31 December 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	**78,209**	**78,209**	76,984	76,984
At fair value through profit or loss				
– Equity securities, mutual funds and trust schemes	**11,497**	**11,497**	9,831	9,831
– Debt securities	**21,936**	**21,936**	17,201	17,201
Available-for-sale				
– Equity securities, mutual funds and trust schemes	**180,824**	**180,824**	140,792	140,792
– Debt securities	**198,395**	**198,395**	175,988	175,988
Held-to-maturity investment				
– Debt securities	**181,199**	**187,006**	140,398	147,628
Loans and receivables				
– Insurance receivables, net	**52,405**	**52,405**	55,809	55,809
– Term deposits	**89,016**	**89,016**	87,009	87,009
– Restricted statutory deposits	**12,994**	**12,994**	12,994	12,994
– Investments classified as loans and receivables	**171,307**	**181,812**	182,858	194,559
– Other financial assets	**26,468**	**26,468**	23,263	23,263
Total financial assets	**1,024,250**	**1,040,562**	923,127	942,058
Financial liabilities				
Other financial liabilities – measured at amortised cost				
– Securities sold under agreements to repurchase	**85,826**	**85,826**	58,263	58,263
– Payables to reinsurers	**21,296**	**21,296**	19,046	19,046
– Bonds payable	**56,960**	**58,711**	48,780	51,461
– Investment contract liabilities for policyholders	**38,671**	**38,671**	40,030	40,030
– Policyholder dividends payable	**4,225**	**4,225**	3,909	3,909
– Other financial liabilities	**42,703**	**42,703**	38,297	38,297
Total financial liabilities	**249,681**	**251,432**	208,325	211,006

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Items	Fair value 31 December 2020	Fair value 31 December 2019	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss equity securities and mutual funds	**9,380**	9,424	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities and mutual funds	**2,117**	407	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
At fair value through profit or loss debt securities	**11,193**	4,758	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	**10,743**	12,443	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	**16,756**	13,251	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	**181,639**	162,737	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	**126,871**	86,970	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and trust schemes and others	**30,616**	30,645	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend yield, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	**15,969**	15,144	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	**3,623**	4,112	Level 3	Relative value that are assessed based on average price-to-earnings ratio from comparable companies and earnings per share of target company.
Available-for-sale equity securities and mutual funds	**3,745**	3,921	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models

As at 31 December 2020, the Group transferred certain debt securities with a carrying amount of RMB17,654 million (2019: RMB5,596 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB7,432 million (2019: RMB4,148 million) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(b) Fair value of financial assets and liabilities not carried at fair value

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The levels of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

	Fair value hierarchy at 31 December 2020		
	Level 1	**Level 2**	**Total**
Financial assets			
Held-to-maturity financial assets	**13,083**	**173,923**	**187,006**
Investments classified as loans and receivables	**–**	**181,812**	**181,812**
Financial liabilities			
Bonds payable	**–**	**58,711**	**58,711**

	Fair value hierarchy at 31 December 2019		
	Level 1	Level 2	Total
Financial assets			
Held-to-maturity financial assets	2,068	145,560	147,628
Investments classified as loans and receivables	–	194,559	194,559
Financial liabilities			
Bonds payable	–	51,461	51,461

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 category above have been determined with generally accepted pricing models for such debt instruments based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties or the Group.

(c) Reconciliation of Level 3 fair value measurements

	2020	2019
Unlisted financial assets		
At beginning of the year	**23,584**	21,050
Unrealised gains recognised in other comprehensive income	**1,157**	126
Additions	**3,820**	2,408
Disposals	**(842)**	–
Losses recognised in profit or loss	**(2,265)**	–
At end of the year	**25,454**	23,584

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements is presented in note 26 to these consolidated financial statements.

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2020					
	Securities sold under agreements to repurchase *(note 33)*	**Bonds payable** *(note 35)*	**Bank borrowings** *(note)*	**Interests payable** *(note 40)*	**Lease liabilities** *(note 36)*	**Total**
At 1 January 2020	**58,263**	**48,780**	**–**	**1,042**	**3,051**	**111,136**
Financing cash flows	**27,563**	**8,000**	**592**	**(3,588)**	**(1,302)**	**31,265**
Finance costs	**–**	**180**	**–**	**3,851**	**128**	**4,159**
New leases entered/lease modified	**–**	**–**	**–**	**–**	**915**	**915**
At 31 December 2020	**85,826**	**56,960**	**592**	**1,305**	**2,792**	**147,475**

Note: Bank borrowings were included in other liabilities and disclosed in note 40.

	2019				
	Securities sold under agreements to repurchase *(note 33)*	Bonds payable *(note 35)*	Interests payable *(note 40)*	Lease liabilities *(note 36)*	Total
At 1 January 2019	54,889	57,732	1,345	3,374	117,340
Financing cash flows	3,374	(8,800)	(4,485)	(1,205)	(11,116)
Finance costs	–	(152)	4,182	118	4,148
New leases entered/lease modified	–	–	–	764	764
At 31 December 2019	58,263	48,780	1,042	3,051	111,136

46. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

(b) Capital commitments

	31 December 2020	31 December 2019
Property and equipment commitments:		
Contracted, but not provided for	**1,469**	1,634

(Amounts in millions of Renminbi, unless otherwise stated)

47. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group leases its investment properties (note 26) under operating lease arrangements, with lease terms ranging from 1 to 23 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

Undiscounted lease payments receivable on leases are as follows:

	31 December 2020	31 December 2019
Within one year, inclusive	420	372
In the second year, inclusive	368	270
In the third year, inclusive	259	211
In the fourth year, inclusive	158	149
In the fifth year, inclusive	63	85
After five years	64	73
TOTAL	1,332	1,160

48. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is the MOF.

(b) During the year, the Group had the following significant related party transactions:

	2020	2019
Transactions with associates:		
Industrial Bank		
Gross written premiums	485	692
Investment income	1,032	989
Dividend	2,041	1,849
Claims and policyholders' benefits	557	641
Handling charges and commissions	31	66
Finance costs	–	24
Hua Xia Bank		
Gross written premiums	221	713
Investment income	34	367
Dividend	638	446
Claims and policyholders' benefits	1,089	1,079
Other associates		
Gross written premiums	18	19
Investment income	78	75
Dividend	365	399
Other income	9	5
Claims and policyholders' benefits	12	16
Purchase of spare parts	470	387
Other operating and administrative expense	26	–

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(c) Balances with related parties

Receivables from associates	31 December 2020	31 December 2019
Industrial Bank		
Cash and cash equivalents	**2,066**	1,566
Debt securities	**999**	1,509
Equity securities, mutual funds and trust schemes	**746**	728
Term deposits	**22,029**	21,266
Restricted statutory deposits	**1,022**	1,179
Other assets	**330**	351
Hua Xia Bank		
Cash and cash equivalents	**346**	69
Term deposits	**10**	6,010
Debt securities	**607**	616
Restricted statutory deposits	**–**	100
Other assets	**16**	35
Other associates		
Debt securities	**2,340**	2,222
Other assets	**96**	81
TOTAL	**30,607**	35,732
Payables to associates		
Other associates		
Other liabilities	**10**	12
TOTAL	**10**	12

(d) Compensation of key management personnel

Key management personnel of the Company include certain Directors, Supervisors and Senior Management. The summary of compensation of key management personnel for 2020 and 2019 is as follows:

	2020 (in RMB'000)	2019 (in RMB'000) (Restated)
Short-term employee benefits	**11,290**	11,944
Other long-term benefits	**4,916**	11,562
Retirement benefits	**1,976**	2,803
Total compensation paid to key management personnel	**18,182**	26,309

Further details of directors' and supervisors' remunerations are included in note 13 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(e) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment dominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the "government-related entities").

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

49. STRUCTURED ENTITIES

The Group invested in a variety of structured entities including asset management products sponsored by asset management companies, securities companies or insurance asset management companies, mutual funds sponsored by mutual fund management companies, trusts sponsored by trust companies and wealth management products sponsored by banks. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. In addition, the Group may be exposed to variability of returns as a result of holding interests in the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity.

(a) As at 31 December 2020, management determined that the Group has control of certain structured entities and consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (in RMB million)	Principal activities
PICC AMC Anxin Tonggang No.1 Assets Management	83.27%	2,108	Asset management products
PICC AMC Anxin Shengshi No.29 Assets Management	100.00%	1,996	Asset management products
PICC Capital Zhinong Financing Exclusive Assets Management	100.00%	1,629	Asset management products
PICC Health Care Fund LP	100.00%	1,089	Private equity fund
PICC AMC Qianhai FOF Equity Investment Schemes	100.00%	1,000	Equity investment schemes
PICC AMC Anxin Shanjian No.3 Investment Product	100.00%	1,000	Asset management products
PICC AMC Anxin Tonggang No.11 Assets Management	54.73%	612	Asset management products
PICC AMC Anxin Chuangying No.2 Assets Management	100.00%	600	Asset management products
PICC AMC Anwen Investment II (1)	100.00%	500	Asset management products
PICC AMC Anxin Chuangying No.1 Assets Management	100.00%	500	Asset management products
PICC AMC Anxin Shengshi No.32 Assets Management	100.00%	500	Asset management products
PICC AMC Anxin FOF No.3 Assets Management	100.00%	500	Asset management products
Others	40.12% – 100.00%	2,389	Asset management products, Equity investment schemes, Private equity funds and Mutual funds

(Amounts in millions of Renminbi, unless otherwise stated)

49. STRUCTURED ENTITIES *(continued)*

(b) Investments in unconsolidated structured entities are disclosed in respective notes of "Debt Securities", "Equity Securities, Mutual Funds and Trust Schemes" and "Investments Classified as Loans and Receivables". The corresponding investment income is recorded in profit or loss as changes in fair values, realised gains/losses, dividend or interest income, and impairment losses. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. Assets management income earned by the asset management segment is disclosed in note 7 to these consolidated financial statements.

The Group does not control any of these structured entities and therefore does not consolidate these structured entities. The following table shows the Groups' interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur. The Group does not provide any financial support for these unconsolidated structured entities:

	31 December 2020		
	Funding provided by the Group and carrying amount of the investment	**The Group's maximum exposure**	**Interest held by the Group**
Products managed by the Group *(note 1)*	**100,481**	**100,481**	**Investment income and management fee**
Products managed by third parties *(note 2)*	**199,506**	**199,506**	**Investment income**
Total	**299,987**	**299,987**	

	31 December 2019		
	Funding provided by the Group and carrying amount of the investment	The Group's maximum exposure	Interest held by the Group
Products managed by the Group *(note 1)*	99,664	99,664	Investment income and management fee
Products managed by third parties *(note 2)*	196,569	196,569	Investment income
Total	296,233	296,233	

Note 1: As at 31 December 2020, the size of unconsolidated structured entities that the Group sponsored was RMB358,113 million (31 December 2019: RMB303,473 million). As at 31 December 2020, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB158,367 million (as at 31 December 2019: RMB115,086 million), which were mainly funds, asset management products and pension products, etc., sponsored by the Group to generate management service fee income. In 2020, the management service fee from these structured entities was RMB1,394 million (2019: RMB901 million), which was recorded as other income.

Note 2: The structured entities are sponsored by third party financial institutions and the information related to the size of these structured entities were not publicly available.

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to Amendments to IFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from IFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As disclosed in Note 25, the Group's material associate, Industrial Bank and Hua Xia Bank applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9), retrospectively from 1 January 2019, with the practical expedients permitted under the standard.

As permitted by Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank. Except for Industrial Bank and Hua Xia Bank, the Group has applied uniform accounting policies in accounting for its subsidiaries, other associates and joint venture in these consolidated financial statements.

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

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2020 and 2019 and fair value changes for the year ended 31 December 2020 and 2019:

	Fair value as at 31 December 2020 RMB million	**Fair value changes for the year ended 31 December 2020 RMB million**	Fair value as at 31 December 2019 RMB million	Fair value changes for the year ended 31 December 2019 RMB million
Held for trading financial assets (A)	**31,236**	**361**	26,308	391
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**2,197**	**37**	724	–
Financial assets other than A and B				
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**418,147**	**(1,044)**	448,296	11,268
– Financial assets with contractual terms that do not meet SPPI terms (D)	**329,983**	**21,993**	210,792	16,595
Total	**781,563**	**21,347**	686,120	28,254

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair values. Accordingly, they have not been included in the table above.

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure

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

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount as at 31 December 2020 ***(Note 1)***	Carrying amount as at 31 December 2019 *(Note 1)*
AAA	**267,478**	338,764
AA+	**2,043**	9,744
AA	**1,328**	1,643
AA–	**300**	–
A-1	**100**	–
A or below	**200**	30
Not rated*	**132,351**	81,130
TOTAL	**403,800**	431,311

* Included in the not rated category, there is an aggregate carrying amount of RMB131,357 million (31 December 2019 RMB75,326 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB994 million (31 December 2019: RMB5,804 million) without any credit rating do not have low credit risk.

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 31 December 2020 ***(Note 1)***	Carrying amount as at 31 December 2019 *(Note 1)*
Aaa	**182**	207
Aa (include Aa1, Aa2 and Aa3)	**50**	34
A (include A1, A2 and A3)	**655**	89
Baa (include Baa1, Baa2 and Baa3)	**266**	464
Not rated	**80**	–
TOTAL	**1,233**	794

	Carrying amount		**Fair value**	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) *(Note 2)*	**5,045**	17,221	**5,345**	17,838

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

(Amounts in millions of Renminbi, unless otherwise stated)

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2020	31 December 2019
ASSETS		
Cash and cash equivalents	769	3,003
Debt securities	2,731	3,046
Equity securities, mutual funds and trust schemes	10,135	8,528
Term deposits	4,462	4,068
Investments classified as loans and receivables	7,248	6,487
Investments in subsidiaries	85,310	84,495
Investments in associates	5,732	5,922
Investment properties	2,542	2,656
Property and equipment	2,790	2,900
Right-of-use assets	61	62
Intangible assets	24	21
Other assets	284	454
TOTAL ASSETS	122,088	121,642
LIABILITIES		
Securities sold under agreements to repurchase	30	63
Bonds payable	17,987	17,982
Pension benefit obligation	2,833	2,927
Other liabilities	1,803	2,191
TOTAL LIABILITIES	22,653	23,163
EQUITY		
Issued capital	44,224	44,224
Reserves	55,211	54,255
TOTAL EQUITY	99,435	98,479
TOTAL EQUITY AND LIABILITIES	122,088	121,642

52. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

2020	Issued capital	Share premium account	Available-for-sale investment revaluation reserve	Surplus reserve*	Share of other comprehensive income of associates	Properties transfer to nvestment properties	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Total
Balance at 1 January 2020	44,224	23,973	1,665	12,551	148	249	11,607	(1,152)	5,214	98,479
Profit for the year	–	–	–	–	–	–	–	–	7,682	7,682
Other comprehensive income/(expense)	–	–	51	–	2	–	–	(57)	–	(4)
Total comprehensive income/(expense)	–	–	51	–	2	–	–	(57)	7,682	7,678
Appropriations to surplus reserve	–	–	–	768	–	–	–	–	(768)	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	(6,722)	(6,722)
Balance at 31 December 2020	44,224	23,973	1,716	13,319	150	249	11,607	(1,209)	5,406	99,435

(Amounts in millions of Renminbi, unless otherwise stated)

52. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY *(continued)*

2019

	Issued capital	Share premium account	Available-for-sale investment revaluation reserve	Surplus reserve*	Share of other comprehensive income of associates	Properties transfer to nvestment properties	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Total
Balance at 1 January 2019	44,224	23,973	808	12,041	130	231	11,607	(1,071)	2,652	94,595
Profit for the year	–	–	–	–	–	–	–	–	5,093	5,093
Other comprehensive income/(expense)	–	–	857	–	18	18	–	(81)	–	812
Total comprehensive income/(expense)	–	–	857	–	18	18	–	(81)	5,093	5,905
Appropriations to surplus reserve	–	–	–	510	–	–	–	–	(510)	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	(2,021)	(2,021)
Balance at 31 December 2019	44,224	23,973	1,665	12,551	148	249	11,607	(1,152)	5,214	98,479

* This reserve contains both statutory and discretionary surplus reserves.

53. THE ASSESSMENT OF THE IMPACT OF CORONAVIRUS DISEASE 2019

The outbreak of COVID-19 had direct and indirect impact on the insurance. But with the order of social life being back to normal and the economic growth has been back to the positive territory, the Covid-19 impact on the Group's businesses has been minimized. The Group managed to maintain a positive growth in premium income for the current year of 2020 but at a slower pace compared with prior years. The Covid-19 impact on the investment business was limited and the Group has managed to achieve a positive growth in profit before tax for the whole year.

As a leading insurance group offering a wide range of products to the market, the Group has taken several measures to address the impact of Covid-19. The directors of the Company consider that the impact of Covid-19 is not significant to the Group's financial position as at 31 December 2020 nor to the results for the year. The Group will continue monitoring and assessing the impact of Covid-19 and actively takes measures to mitigate any future impact that might be caused by Covid-19.

54. EVENT AFTER THE REPORTING PERIOD

On 23 March 2021, the Board of Directors of the Company proposed a final dividend of RMB12 cents per ordinary share for the year ended 31 December 2020, amounting to a total of approximately RMB5,307 million. The above proposal is subject to the approval of shareholders' general meeting of the Company. In addition, PICC P&C, the Company's subsidiary, proposed an amount of RMB15,000 million 10-year capital supplementary bonds to be issued.

55. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Company on 23 March 2021.

Chinese name:	中國人民保險集團股份有限公司
Abbreviation of Chinese name:	中國人保集團
English name:	THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
Abbreviation of English name:	PICC Group
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Securities affairs representative:	Zeng Shangyou (proposed)
Company secretary:	Ng Sau Mei
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Website:	www.picc.com
Designated newspapers for the Company's announcement (A Shares):	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Designated website for the Company's A Share announcement:	www.sse.com.cn
Place for listing of A Shares:	Shanghai Stock Exchange
Short form for A Share:	PICC
A Share stock code:	601319
Place for listing of H Shares:	The Stock Exchange of Hong Kong Limited
Short form for H Share:	PICC Group
H Share stock code:	01339

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Registered Public Interest Entity Auditor

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Consulting Actuaries:
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Designated website for the Company's H Share announcement:
www.hkexnews.hk


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