中國太平洋保險（集團）股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(**Stock Code: 02601**)

Announcement of Audited Annual Results

for the year ended 31 December 2019

Chairman's statement

Dear shareholders:

The year 2019 was special in many ways. It marked the 70th anniversary of the founding of the People's Republic of China, represented a critical period in China's effort to build itself into an all-around moderately prosperous society, and marked **the 3rd fiscal year of the 8th Board of Directors of CPIC**. In the past 3 years, the board demonstrated the resolve to pursue transformation, the readiness to embrace changes and the focus on delivery. Under its leadership, and with the hard work of all our employees, CPIC embarked on a new journey of development.

We focused on transformation and have never slackened in our steps.

In the past 3 years, we adhered to high-quality development, vigorously pursued transformation and delivered steady growth of business results. We were listed on the Fortune Global 500 for the 9th consecutive year, ranking 199th. CPIC Life and CPIC P/C won the top AA rating for the 3rd successive year in the regulatory evaluation of customer service.

- Group gross written premiums (GWPs) increased from RMB234.018 billion in 2016 to RMB347.517 billion.
- Group net profits[note 1] amounted to RMB27.741 billion, a sharp increase of 54.0% from 2018 and doubling the level 3 years ago.
- Group total assets grew by 14.4% on an annual compound basis in the past 3 years, amounting to RMB1,528.333 billion.
- Group embedded value reached RMB395.987 billion, with embedded value per share rising from RMB27.14 three years ago to RMB43.70 in 2019.
- Group comprehensive solvency margin ratio stood at 295%, maintaining a strong capital position.
- Number of Group customers climbed to 139 million, adding over 10 million annually for the 4th year on end.

We pressed ahead with change and have never felt complacent.

The new model of "products + services" achieved breakthroughs. We pushed forward the model to help drive the development of individual customer business of CPIC Life. "CPIC Home", the high-end retirement communities, was gaining traction, with locations in Chengdu, Dali, Hangzhou, Shanghai, Nanjing and Xiamen, evenly distributed across the country. "CPIC Blue Passport", a program at the core of our health management service system, gradually expanded into health counselling, green channel for critical illnesses, on-line diagnosis and high-end medical service.

Property and casualty business[note 2] delivered high-quality development. While improving the combined ratio in the last 3 years, the business segment achieved a top-line growth higher than the industry, with GWPs increasing to RMB134.650 billion in 2019 from less than RMB100 billion 3 years ago. Automobile insurance enhanced customer retention, and renewed business has become the key growth driver. Emerging business lines such as agricultural insurance, guarantee insurance and liability insurance maintained rapid development, with the share of non-auto business increasing considerably to 30.7%.

Asset management stayed focused on serving the insurance business. We persisted in prudent, value and long-term investing. Based on profiles of liabilities, we continuously optimized asset allocation, seized market opportunities and reported solid investment performance. In 2019, the growth rate of Group investments' net asset value reached 7.3%, up 2.2pt. Group assets under management (AuM) continued to grow, with faster growth of third-party AuM, pointing to increased market competitiveness.

Digital empowerment improved responsiveness. The cloud-based core business systems considerably enhanced insurance policy issuance capacity, supporting response to up to hundreds of millions of customers. The data center in Luojing, Shanghai went into operation, marking the establishment of a technological support system underpinned by "3 centers in 2 locations". The "CPIC App", the integrated customer interface, achieved initial success in smart operation, supporting personalized recommendation of services, products and programs, binding over 30 million users. The "Jiayuan" individual customer account cumulatively responded real-time to over 100 million inquiries.

The concept of "Collaborative Development" resonated throughout the organization. Better governance framework and work mechanisms greatly enhanced our capability in collaboration. The share of automobile premiums from cross-sell by life insurance agents reached double digits for the first time; health premiums from cross-sell by life insurance agents grew by 105.5%, much higher than expected; we have signed agreements with 77 strategic clients, while entering into strategic partnerships with 63.8% of China's provinces, municipalities and autonomous regions, capable of providing one-stop integrated services; Changjiang Pension, with the support of CPIC Life and CPIC P/C, successfully qualified as manager of occupational annuity of all the 30 provinces/municipalities which started the bidding.

Served the needs of national strategies and China's real economy. We signed a strategic cooperation agreement with the Ministry of Industry and Information Technology to serve the high-end manufacturing industry, provided a total of over RMB500 billion in sum assured of comprehensive insurance coverage for the 2nd CIIE, supported the national initiatives of "Integration of the Yangtze River Delta Region" and "New Area of Shanghai Free Trade Zone", and participated in the private placement of Shanghai Lingang. Our employees donated over RMB20 million for the afforestation effort in Sanjiangyuan, the origin of China's main rivers. In the face of the coronavirus outbreak, we developed customized insurance solutions to help with resumption of business of medical supply manufacturers and pharmaceutical companies.

Deepened long-term mechanism for targeted poverty reduction. In 2019, our poverty reduction programs covered around 5.133 million impoverished people on the dossier and provided RMB2.32 trillion in sum assured to the poverty-stricken areas. We dispatched 255 staff members to 180 designated villages in 27 provinces of China to help with poverty reduction. CPIC P/C's innovative "Fang Pin Bao" anti-poverty program provided a total of RMB2.77 trillion in protection to vulnerable people in 160 counties of 16 provinces, and won the Award in Organizational Innovations of the 2019 National Poverty Alleviation Awards, the top prize of its kind. We were also the only insurance company winning the award.

We continue to explore and plan for the future.

In 2020, Transformation 2.0 will enter an all-around overdrive before its accomplishment. CPIC, under the leadership of the Board of Directors, will unswervingly follow the path of high-quality development. On the one hand, we will **adhere to the basics**, i.e., fulfilling annual business objectives and stabilizing the fundamentals; on the other hand, we **will continue with reform**, namely, seeking new progress of transformation in key areas.

Re-balance value growth drivers. China's life insurance market has entered a new stage of development. The traditional model of growth driven largely by agent headcount is no longer sustainable. How to foster new growth drivers is a compelling question for us. We have come to the conclusion that high-quality development is the only way forward. To be specific, we will continue to focus on the 3 segments of the agency force, i.e., the core manpower, ultra-high performing agents and new generations, and enhance differentiated management to promote the transformation of the sales force. At the same time, we will step up on-line and off-line integration, and improve the "products + services" model to strengthen our customer-oriented capabilities. **Improve underwriting profitability.** The property and casualty insurance business will persist in bench-marking against industry's best, continue to enhance risk selection and product innovation capabilities of automobile insurance, and accelerate the development of non-auto business. **Strengthen investment capabilities in the face of lower long-term interest rates.** We will integrate Group-wise investment research capability, continue to optimize asset allocation, and improve professionalism. **Increase digital empowerment.** We will continue to explore using the "data factory" to translate market needs into solutions, optimize the agile response mechanism, and empower front-line departments, so that technology can effectively support the company's high-quality development. **Deepen collaborative development based on our huge customer base.** We will enhance all-around capabilities in customer acquisition and retention for the full life-cycle of individual customers, continue to improve the model of integrated solutions based on intra-Group collaboration for corporate clients and government agencies, so that collaboration can play an even more important role in value creation.

We are now half-way through Transformation 2.0. We will not waver in our determination, or relent in our effort. We will work even harder **towards the vision of "industry leadership for healthy and steady development", and the objective of being the "best in customer experience, business quality and risk control capabilities".**

Notes:

1. Attributable to equity holders of the parent.

2. Including CPIC P/C, Anxin Agricultural and CPIC HK.

Review and analysis of operating results

Business overview

I. Key businesses

We are a leading integrated insurance group in China, and provide, through our subsidiaries and along the insurance value chain, a broad range of risk protection solutions, financial planning and wealth management services.

In particular, we provide life/health insurance products & services through CPIC Life, property and casualty insurance products & services through CPIC P/C and Anxin Agricultural, and specialized health insurance products & services through CPIC Allianz Health. We manage insurance funds, including third-party assets, through our investment arm, CPIC AMC. We conduct pension business and other related asset management business via Changjiang Pension. We also engage in mutual fund management business through CPIC Fund.

In 2019, China's insurance market realized a premium income of RMB4.26 trillion, up 12.2% from 2018. Of this, premium from life/health insurance companies amounted to RMB2,962.842 billion, a growth of 12.8%, and that from property and casualty insurance companies RMB1,301.633 billion, up 10.7%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

II. Core competitiveness

We are a leading integrated insurance group in China, ranking 199th among Fortune Global 500 released in 2019. On the back of vigorous effort in transformation and competitive insurance expertise, we can capitalize on the great growth potential of China's insurance market.

Focus

We persist in the focus on insurance, and have obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management. With balanced development of business segments along the insurance value chain, we have fostered core competitiveness in the insurance business. Our life/health insurance business, with the agency channel as the core driver of both volume and value growth, centers on protection, pursues product innovation and strives to drive sustainable value growth. The property and casualty insurance persists in business quality control, promotes the shift of growth drivers, with continuous improvement in underwriting profitability. As for investment, we put in place the system of asset liability management (ALM), adhere to prudent investing, value investing and long-term investing, and enhance mechanisms to curb cost of liabilities, with sustained improvement in liability-based Strategic Asset Allocation (SAA) capabilities.

Prudence

We are committed to protection as the central insurance value proposition, and pursue a path of high-quality development with a business philosophy centering on prudence and sustainability. We boast a professional and competent board of directors, an experienced management team and a group-centralized platform of management, with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. We established an industry leading system for risk management and internal control, which ensures healthy and sustainable development of the Company.

Vitality

We persist in customer orientation and forge ahead with transformation in a bid to foster capabilities for sustainable development. In response to trends and dynamics of the industry, we pro-actively invest in emerging business segments such as health care and elderly care, with progress in the new "products + services" model. We use technology to empower the insurance business, seeking to enhance customer experience, operational efficiency and risk management, and facilitate transformation. We boost synergy across various business segments based on customer data mining, so as to boost value creation.

Responsibility

Committed to the responsibility to society, customers and shareholders, we vigorously participate in national initiatives, serve the needs of the real economy, promote the brand image of "CPIC Service" as one being responsible, smart and caring, contributing to a better life for Chinese people. At the same time, we strive to generate sound returns and give back to our shareholders so that they can share in the growth of the Company.

Performance overview

We pursued high-quality development, persisted in customer orientation, focused on the core business of insurance, gave priority to business quality and delivered solid business results and sustained increase in overall strength for the reporting period.

I. Performance highlights

During the reporting period, Group operating revenues[note 1] amounted to RMB385.489 billion, of which, GWPs reached RMB347.517 billion, a growth of 8.0%. Group net profits[note 2] reached RMB27.741 billion, up 54.0%, with net operating profits[notes 2, 3] (OPAT) of RMB27.878 billion, a growth of 13.1%. Group embedded value amounted to RMB395.987 billion, an increase of 17.8% from the end of 2018. Of this, value of in-force business[note 4] reached RMB187.585 billion, up 12.5%. Life business delivered RMB24.597 billion in new business value (NBV), down by 9.3%, with an NBV margin of 43.3%, down by 0.4pt. Property and casualty business[note 5] recorded a combined ratio of 98.4%, the same as that for 2018. Growth rate of Group investments' net asset value rose 2.2pt to 7.3%. As of the end of the reporting period, Group total customers amounted to 138.56 million, an increase of 12.14 million from the end of 2018.

Life insurance business maintained a stable NBV margin, with steady growth of residual margin.

- CPIC Life realized RMB24.597 billion in NBV, down by 9.3%, due to the impact of new business sales decline. The NBV margin stood at 43.3%, down by 0.4pt from 2018.
- The residual margin of life insurance amounted to RMB329.559 billion, a growth of 15.5% from the end of 2018. Life insurance OPAT reached RMB22.176 billion, a growth of 14.7%.
- CPIC Life reported renewed premium growth of 11.5%, driving a GWP growth of 5.0% for 2019, reaching RMB212.514 billion.

Property and casualty business[note 5] maintained a stable combined ratio, with rapid top-line growth.

- Property and casualty business intensified control of expenses, and recorded a combined ratio of 98.4%, the same as that for 2018. Of this, loss ratio stood at 60.4%, up 4.1pt, and expense ratio 38.0%, down by 4.1pt.
- GWPs amounted to RMB134.650 billion, an increase of 12.9%. Of this, non-auto business grew by 32.6% and accounted for 30.7% of total property and casualty GWPs, up 4.5pt.
- Automobile insurance saw improved customer loyalty and in turn a shift of growth drivers. Emerging business lines such as agricultural and guarantee insurance maintained rapid development. Of this, agricultural business realized RMB6.778 billion in direct business premiums[note 6], with a fast increase in market share.

Persisted in asset allocation based on profiles of liabilities, with solid investment results.

- The share of fixed income investments stood at 80.4%, down by 2.7pt from the end of 2018; that of equity investments 15.7%, up 3.2pt, and of this, core equity investments[note 7] accounted for 8.3% of total investment assets, up 2.7pt.

- Group growth rate of investments' net asset value reached 7.3%, up 2.2pt. Total investment yield was 5.4%, an increase of 0.8pt from 2018, with net investment yield of 4.9%, staying stable.
- Group AuM[note 8] amounted to RMB2,043.078 billion, an increase of 22.7% from the end of 2018. Of this, third-party AuM[note 8] amounted to RMB623.815 billion, an increase of 44.3%.

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.
3. OPAT is based on net profits on the financial statements, while excluding certain P/L items with short-term volatility and material one-off items which management does not consider to be part of the Company's day-to-day business operation.
4. Based on the Group's share of CPIC Life's value of in-force business after solvency.
5. Businesses of CPIC P/C, Anxin Agricultural and CPIC HK included.
6. Based on direct business premiums, excluding premium income ceded-in, with consolidation of CPIC P/C and Anxin Agricultural.
7. Equity securities and equity funds included.
8. Numbers as of the end of last year were restated.

II. Key performance indicators

unit: RMB million

Indicators	As at 31 Dec. 2019/for the period between Jan. and Dec. in 2019	As at 31 Dec. 2018/for the period between Jan. and Dec. in 2018	Changes (%)
Key value indicators			
Group embedded value	395,987	336,141	17.8
Value of in-force business[note 1]	187,585	166,816	12.5
Group net assets[note 2]	178,427	149,576	19.3
NBV of CPIC Life	24,597	27,120	(9.3)
NBV margin of CPIC Life (%)	43.3	43.7	(0.4pt)
Combined ratio of CPIC P/C (%)	98.3	98.4	(0.1pt)
Growth rate of investments' net asset value (%)	7.3	5.1	2.2pt
Key operating indicators			
GWPs	347,517	321,895	8.0
CPIC Life	212,514	202,414	5.0
CPIC P/C	132,979	117,808	12.9
Number of Group customers ('000)[note 3]	138,558	126,419	9.6
Average number of insurance policies per customer	1.95	1.83	6.6
Monthly average agent number ('000)	790	847	(6.7)
Monthly average first-year commission per agent (RMB)	941	1,058	(11.1)
Surrender rate of CPIC Life (%)	1.1	1.4	(0.3pt)
Total investment yield (%)	5.4	4.6	0.8pt
Net investment yield (%)	4.9	4.9	-

Third-party AuM[note 4]	623,815	432,419	44.3
CPIC AMC	194,766	177,891	9.5
Changjiang Pension[note 4]	395,277	233,962	68.9
Key financial indicators			
Net profit attributable to equity holders of the parent	27,741	18,019	54.0
CPIC Life	20,530	13,992	46.7
CPIC P/C	5,910	3,484	69.6
Basic earnings per share (RMB)[note 2]	3.06	1.99	54.0
Net assets per share (RMB)[note 2]	19.69	16.51	19.3
Comprehensive solvency margin ratio (%)			
CPIC Group	295	301	(6pt)
CPIC Life	257	261	(4pt)
CPIC P/C	293	306	(13pt)

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Attributable to equity holders of the parent.
3. The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.
4. Numbers for the same period last year were restated.

Life/health insurance business

China's life/health insurance industry has entered a new cycle of development, characterized by the diminishing of traditional growth drivers and the slowdown of NBV growth. CPIC Life stayed focused on business quality, maintained a stable NBV margin, and made great progress in the "products + services" model. It will continue to improve agency force mix, step up digital empowerment, in a bid to achieve a re-balancing of growth drivers. CPIC Allianz Health delivered rapid business growth, and recorded profits for the first time since its inception. It promoted product and service innovations, and increased their penetration of Group customers.

I. CPIC Life

(I) Business analysis

In 2019, driven by renewed premium growth, CPIC Life reported RMB212.514 billion in GWPs, a growth of 5.0%. Due to the impact of new business premiums decline, the NBV fell by 9.3% to RMB24.597 billion, with the NBV margin at 43.3%, down by 0.4pt.

1. Analysis by channels

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Individual customers	**204,521**	**195,418**	**4.7**
Agency channel	**195,166**	**182,693**	**6.8**
New policies	39,594	46,704	(15.2)
Regular premium business	33,000	42,515	(22.4)
Renewed policies	155,572	135,989	14.4
Other channels[note]	**9,355**	**12,725**	**(26.5)**
Group clients	**7,993**	**6,996**	**14.3**
Total GWPs	**212,514**	**202,414**	**5.0**

Note: Other channels include bancassurance and telemarketing & internet sales.

(1) Business from individual customers

For the reporting period, we realized RMB204.521 billion in GWPs from individual customers, up 4.7%. Of this, new policies from the agency channel amounted to RMB39.594 billion, down by 15.2%, and renewed business RMB155.572 billion, an increase of 14.4%. GWPs from the agency channel accounted for 91.8%, rising 1.5pt compared with the share in 2018.

To address market challenges, we took a host of measures to promote the upgrading of the agency force, such as improving agent recruitment, enhancing training of skills, and increasing technological applications, while vigorously exploring the new model of “products + health management” and “products + elderly care” to stabilize business growth. During the reporting period, monthly average number of agents reached 790,000, a decrease of 6.7% from 2018. Of this, monthly average number of active and high-performing agents reached 257,000 and 130,000, accounting for 32.5% and 16.5% respectively of the total number of agents. First year premium (FYP) per agent (on monthly average basis) per month amounted to RMB4,212, a decrease of 9.0%.

Next, we will persist in customer orientation, and continue to focus on high-quality development and sustainable value growth while promoting the upgrading of the agency force via service and digital empowerment. To be more specific, we will step up the transformation of the sales force which centers on the key manpower, ultra-high performing agents and new generation agents; vigorously push forward the model of “products + services” as part of the effort to foster the brand name of “CPIC Service”; step up digital empowerment and the on-line and off-line integration to strengthen capabilities in customer acquisition and up-sell.

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Monthly average agent number (’000)	790	847	(6.7)
Monthly average FYP per agent	4,212	4,631	(9.0)
Monthly average first-year commission per agent (RMB)	941	1,058	(11.1)
Average number of new long-term life insurance policies per agent per month	1.51	1.64	(7.9)

(2) Business from group clients

In 2019, we focused on 2 customer segments, namely, governments and companies, and further increased the coverage of insurance programs relating to people's well-being through managed care and investment in health management capabilities. The business segment realized RMB7.993 billion in GWPs, up 14.3%. We vigorously contributed to China's social security system by engaging in critical illness programs, third-party administration of social medical insurance, long-term care and supplementary medical insurance, which, during the reporting period, covered over 100 million people, cumulatively served nearly 12 million customers, and paid out a total of RMB14 billion in claims. As of the end of 2019, there were cumulatively 32 managed care programs, covering 30 million people under the social security system in 25 municipalities/ prefectures of 8 provinces.

2. Analysis by product types

We focus on risk protection and long-term savings products. For the reporting period, traditional business generated RMB83.689 billion in GWPs, up 19.2%. Of this, long-term health insurance contributed RMB43.900 billion, up 33.0%. Participating business delivered RMB111.521 billion in GWPs, down by 5.5%, due to change of star products.

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
GWPs	**212,514**	**202,414**	**5.0**
Traditional	83,689	70,230	19.2
Long-term health	43,900	33,010	33.0
Participating	111,521	117,952	(5.5)
Universal	104	94	10.6
Tax-deferred pension	75	37	102.7
Short-term accident and health	17,125	14,101	21.4

Information of the top five products in 2019

unit: RMB million

For 12 months ended 31 Dec.

Ranking	Name	Type	GWPs	Sales channel
1	Jin You Ren Sheng Whole Life A (2014) 金佑人生終身壽險(分紅型)A 款(2014 版)	Participating	17,341	Individual customer business
2	Jin Nuo Ren Sheng Critical Illness (2018) 金諾人生重大疾病保險(2018 版)	Traditional	9,570	Individual customer business
3	Jin You Ren Sheng Whole Life A (2017) 金佑人生終身壽險(分紅型)A 款(2017 版)	Participating	7,256	Individual customer business
4	Dongfanghong/Mantanghong Annuity 東方紅·滿堂紅年金保險(分紅型)	Participating	5,726	Individual customer business
5	Li Ying Nian Nian Annuity (2018) 利贏年年年金保險(分紅型)(2018 版)	Participating	5,292	Individual customer business

3. Policy persistency ratio

For 12 months ended 31 Dec.	2019	2018	Changes
Individual life insurance customer 13-month persistency ratio (%)[note 1]	90.3	92.9	(2.6pt)

Individual life insurance customer 25-month persistency ratio (%)[note 2]	89.2	90.4	(1.2pt)

Notes:
1. 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.
2. 25-month persistency ratio: premiums from in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

The company's policy persistency maintained an overall healthy level, with 13-month and 25-month persistency ratios at 90.3% and 89.2% respectively.

4. Top 10 regions for GWPs

The company's GWPs mainly came from economically developed regions or populous areas.

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
GWPs	**212,514**	**202,414**	**5.0**
Henan	24,702	22,662	9.0
Jiangsu	21,649	20,801	4.1
Shandong	17,509	16,624	5.3
Zhejiang	15,365	14,961	2.7
Hebei	13,318	12,029	10.7
Guangdong	12,212	11,878	2.8
Hubei	9,170	8,728	5.1
Shanxi	9,026	9,126	(1.1)
Heilongjiang	9,001	8,288	8.6
Sichuan	7,034	6,284	11.9
Subtotal	138,986	131,381	5.8
Others	73,528	71,033	3.5

(II) Financial analysis

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Net premiums earned	204,340	197,897	3.3
Investment income[note]	58,259	43,127	35.1
Other operating income	2,405	3,010	(20.1)
Total income	**265,004**	**244,034**	**8.6**
Net policyholders' benefits and claims	(195,864)	(169,575)	15.5
Finance costs	(2,569)	(2,080)	23.5
Interest credited to investment contracts	(3,005)	(2,531)	18.7
Other operating and administrative expenses	(44,283)	(49,702)	(10.9)
Total benefits, claims and expenses	**(245,721)**	**(223,888)**	**9.8**
Profit before tax	19,283	20,146	(4.3)
Income tax	1,247	(6,154)	(120.3)
Net profit	**20,530**	**13,992**	**46.7**

Note: Investment income includes investment income on financial statements and share of profit/(loss) in equity accounted investees.

Investment income for the reporting period was RMB58.259 billion, up 35.1%, mainly because of increase in interest income on bond investments, and fair value change and increased trading gains on stocks during the equity market rally.

Net policyholders' benefits and claims amounted to RMB195.864 billion, up 15.5%, largely due to fast growth of payment of death and other benefits on life insurance.

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Net policyholders' benefits and claims	**195,864**	**169,575**	**15.5**
Life insurance death and other benefits paid	58,419	46,198	26.5
Claims incurred	8,388	7,502	11.8
Changes in long-term insurance contract liabilities	118,280	104,612	13.1
Policyholder dividends	10,777	11,263	(4.3)

Other operating and administrative expenses for the reporting period amounted to RMB44.283 billion, down by 10.9%.

Income tax for the reporting period was RMB-1.247 billion, down by 120.3%, mainly due to adjustment of tax deductible policies. Under Announcement on the Pre-tax Deduction Policy for the Commissions and Brokerage Expenses of Insurance Enterprises by the Ministry of Finance and State Administration of Taxation, spending on commissions and brokerage expenses incurred by insurance companies relating to business activities can be deducted from taxable income up to 18% (included) of toal premiums minus surrenders. The portion in excess of the upper limit can be deferred as tax deductibles for later years. The new rules applied to the 2018 annual income tax filing for insurance companies. Therefore, the income tax expense booked for 2018 that was in excess was deducted from that of 2019.

As a result, CPIC Life recorded a net profit of RMB20.530 billion for 2019, up 46.7%.

II. CPIC Allianz Health

In 2019, the subsidiary seized business opportunities in China's health care sector, implemented Group strategies to boost intra-Group collaboration, stepped up digital empowerment, increased the export of its capabilities in health management services, and continued to foster the 3 platforms of product development, operation & risk control and health management. For the reporting period, it realized RMB4.717 billion in GWPs and health management fee income, a growth of 71.9%, and net profits of RMB7 million, turning profits for the first time since its inception 5 years ago.

The company offers short-term health insurance products and health management services, which helped CPIC Life to acquire customers. Its value-added services such as payment of hospitalization expenses to be reimbursed and care after discharge from hospitals were bundled with pillar products of CPIC Life. It also provided critical illness green channel service as part of "CPIC Blue Passport" Program, set up health check centers. The short-term health insurance products have covered 11.3% of the individual customers of long-term insurance policies of CPIC Life, up 4.3pt. At the same time, through product development and innovations of sales models, it also helped CPIC P/C realize rapid individual health insurance growth, at 111.5%.

The company will continue to deepen its presence in health care big data, health management services and health care eco-systems, and promote product and service innovations, in a bid to contribute even more to fulfilling the Group's ambitions in health-related areas.

Property and casualty insurance

In 2019, CPIC P/C[note] persisted in business quality control, reported continued improvement in underwriting profitability and rapid premium growth. As for automobile insurance, it enhanced expense control, and improved capability in customer acquisition and retention to promote the shift of growth drivers. Non-auto business maintained rapid development of emerging business lines, with increased share of total property and casualty premiums.

Note: References to CPIC P/C in this report do not include Anxin Agricultural.

I. CPIC P/C

(I) Business analysis

During the reporting period, CPIC P/C adhered to compliance in its business operation, continuously deepened risk management, further improved business quality, enhanced customer acquisition and retention to promote a shift of growth drivers, stayed committed to serving the needs of national strategies, improving people's well-being and enhancing customer service in an all-around way, and achieved initial success in high-quality development. It reported GWPs of RMB132.979 billion, up 12.9%, with a combined ratio of 98.3%, a decrease of 0.1pt from 2018. Of this, the loss ratio stood at 60.2%, up 4.0pt, and the expense ratio 38.1%, down by 4.1pt.

1. Analysis by lines of business

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes(%)
GWPs	**132,979**	**117,808**	**12.9**
Automobile insurance	93,218	87,976	6.0
Compulsory automobile insurance	21,938	20,017	9.6
Commercial automobile insurance	71,280	67,959	4.9
Non-automobile insurance	39,761	29,832	33.3
Commercial property insurance	6,128	5,234	17.1
Liability insurance	6,097	5,288	15.3
Agricultural insurance	5,975	4,243	40.8
Guarantee insurance	5,616	3,509	60.0

Others	15,945	11,558	38.0

(1) Automobile insurance

In 2019, with the deepening of the reform of commercial automobile insurance, we proactively adapted to challenges such as the slow-down of new vehicle sales, persisted in business quality control, enhanced customer acquisition and retention to promote a shift of growth drivers, and achieved high-quality development.

For the reporting period, we reported GWPs of RMB93.218 billion from automobile business, a growth of 6.0%, with a combined ratio of 97.9%, down by 0.4pt from 2018. Of this, the loss ratio stood at 60.8%, up 4.0pt while the expense ratio decreased by 4.4pt to 37.1%.

Looking forward, the company will continue to ensure compliance in its business operation, enhance capabilities in customer acquisition and retention; improve risk selection capabilities and persist in business quality control; accelerate innovations and transformation and boost digital empowerment; refine operational processes of claims management and strengthen claims cost control; deepen collaboration of distribution channels, in a bid to drive high-quality development of automobile business.

(2) Non-automobile insurance

For the reporting period, CPIC P/C made great efforts to support China's national strategies, the real economy and people's well-being. It accelerated the development of emerging business lines, continued to enhance business quality control, and recorded GWPs of RMB39.761 billion, up 33.3%, with a combined ratio of 99.9%, up 0.7pt, due to the impact of Typhoon Lekima and the African swine fever. Of the major business lines, commercial property insurance reported further improvement in the combined ratio, and liability insurance maintained healthy underwriting profitability. Emerging lines such as agricultural, liability and accident & health insurance continued to grow rapidly.

Of this, liability insurance expanded its coverage of areas relating to social administration and people's well-being, with rapid development of mandatory business such as environmental pollution and work-place safety. The business line realized GWPs of RMB6.097 billion, a growth of 15.3%, and a combined ratio of 90.7%, maintaining sound business quality.

Agricultural insurance, underpinned by innovations in products, technology, mechanisms and research, leveraged the Tai An Institute of Agricultural Insurance, a think tank for agricultural insurance, continuously enhanced its service standards and capabilities, which helped to promote a brand image of innovation and boosted high-quality development. In 2019, it delivered RMB5.975 billion in GWPs, up 40.8%.

Guarantee insurance focused on personal lines business and business of using guarantee insurance as a substitute for security deposit, continued to enhance the risk control systems and anti-fraud and credit risk management capabilities, and realized rapid growth. During the reporting period, the business line reported RMB5.616 billion in GWPs, up 60.0%, with the combined ratio at 95.5%, a healthy level.

Next, we will press ahead with Transformation 2.0, enhance the foundation for the development of emerging business lines, step up the fostering of professional expertise, accelerate product and service innovations, and push for all-around upgrading of the customer-oriented business model. At the same time, we will strengthen business quality control, establish risk control systems for emerging business, increase digital empowerment, improve risk management capabilities based on smart risk control and digital operational platforms, so as to drive healthy and rapid development of the business.

(3) Key financials of major business lines

unit: RMB million

For 12 months ended 31 Dec. 2019

Name of insurance	GWPs	Amounts insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	93,218	27,372,994	51,073	61,650	1,701	97.9
Commercial property insurance	6,128	15,674,959	2,856	4,557	125	96.0
Liability insurance	6,097	20,523,273	2,515	5,075	398	90.7
Agricultural insurance	5,975	238,369	4,185	2,219	6	99.8
Guarantee insurance	5,616	111,957	1,108	6,727	125	95.5

2. Top 10 regions for GWPs

We rely on our nationwide distribution network and implement differentiated regional development strategies based on factors like market potential and business profitability.

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
GWPs	**132,979**	**117,808**	**12.9**
Guangdong	15,540	13,933	11.5
Jiangsu	14,348	12,884	11.4
Zhejiang	12,992	11,587	12.1
Shanghai	10,067	8,871	13.5
Shandong	7,449	6,632	12.3
Beijing	6,811	6,151	10.7
Hubei	4,832	3,809	26.9
Hebei	4,734	4,156	13.9
Hunan	4,650	3,808	22.1
Henan	4,578	3,846	19.0
Subtotal	86,001	75,677	13.6
Others	46,978	42,131	11.5

(II) Financial analysis

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Net premiums earned	104,587	98,606	6.1
Investment income[note]	4,986	5,364	(7.0)

Other operating income	378	510	(25.9)
Total income	**109,951**	**104,480**	**5.2**
Claims incurred	(63,026)	(55,409)	13.7
Finance costs	(728)	(788)	(7.6)
Other operating and administrative expenses	(40,072)	(41,799)	(4.1)
Total benefits, claims and expenses	**(103,826)**	**(97,996)**	**5.9**
Profit before tax	6,125	6,484	(5.5)
Income tax	(215)	(3,000)	(92.8)
Net profit	**5,910**	**3,484**	**69.6**

Note: Investment income includes investment income on the financial statements and share of profit/(loss) in equity accounted investees.

Investment income for the reporting period amounted to RMB4.986 billion, down by 7.0%, mainly attributable to decrease in dividend income from funds.

Other operating and administrative expenses amounted to RMB40.072 billion, down by 4.1%. This, coupled with the impact of adjustment of deductibles for corporate income tax, resulted in a net profit of RMB5.910 billion, an increase of 69.6% from 2018.

II. Anxin Agricultural

In 2019, committed to national initiatives such as Invigoration of Rural Areas and Integrated Green Development of the Yangtze River Delta, the subsidiary focused on agricultural insurance, and achieved steady business growth. It delivered RMB1.431 billion in GWPs, up 14.6%. Of this, agricultural insurance reported GWPs of RMB920 million, a growth of 13.2%, with a combined ratio of 99.8%, up 5.6pt, due to the impact of Typhoon Lekima and the African swine fever, and net profits of RMB104 million, down by 24.1%.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2019, its total assets stood at RMB1.225 billion, with net assets of RMB557 million. GWPs for the reporting period amounted to RMB397 million, with a combined ratio of 94.3%, and a net profit of RMB35 million.

Asset management

We persist in long-term, value and prudent investing. Within the SAA framework, we extended the duration of assets, improved the procedures of Tactical Asset Allocation (TAA), seized market opportunities and delivered solid investment performance. Group AuM maintained steady increase, with continued enhancement of market competitiveness over the years.

I. Group AuM

As of the end of 2019, Group AuM totaled RMB2,043.078 billion, rising 22.7% from the end of 2018. Of this, Group in-house investment assets amounted to RMB1,419.263 billion, a growth of 15.1%, and third-party AuM RMB623.815 billion, up 44.3%, with a fee income of RMB1.625 billion, up 40.7%.

unit: RMB million

	31 Dec. 2019	31 Dec. 2018	Changes (%)
Group AuM[note]	**2,043,078**	**1,665,641**	**22.7**
Group in-house investment assets	1,419,263	1,233,222	15.1
Third-party AuM[note]	623,815	432,419	44.3
CPIC AMC	194,766	177,891	9.5
Changjiang Pension[note]	395,277	233,962	68.9

Note: Figures as of the end of last year were restated.

II. Group in-house investment assets

During the reporting period, against the backdrop of Sino-US trade frictions, China increased counter-cyclical macro-economic regulation, adopted an expansive fiscal policy and a steady monetary policy, lowered taxes and administrative fees in an all-around way, and introduced both universal and targeted required reserve rate (RRR) cuts, all of which helped to ease the pressure of an economic slow-down. In terms of capital market conditions, treasury bond yields went down by varying degrees, with yields on short term bonds dropping more than those on long term ones. Credit spread narrowed, and more so for bonds of low credit ratings. The stock market overall saw a substantial rally.

With the guidance of SAA, we proactively increased allocation in equity assets, improved the TAA procedures, seized market opportunities and delivered solid investment results. In a low interest environment, we focused on long-duration T-bonds and corporate/enterprise bonds with high credit ratings, and also increased investments in high-quality non-public financing instruments to the extent that the liquidity risk is under control. Given possible deterioration of defaults on the fixed income market, we maintained prudence in credit risk exposure.

(I) Consolidated investment portfolios

unit: RMB million

	31 Dec. 2019	Share (%)	Share change from the end of 2018 (pt)	Change (%)
Group investment assets (total)	1,419,263	100.0	-	15.1
By investment category				
Fixed income investments	1,141,767	80.4	(2.7)	11.4
- Debt securities	605,147	42.6	(3.7)	6.0
- Term deposits	147,756	10.4	-	15.1

- Debt investment plans	151,449	10.7	(0.2)	13.0
- Wealth management products[note 1]	141,327	9.9	1.5	36.3
- Preferred shares	32,000	2.3	(0.3)	-
- Other fixed income investments[note 2]	64,088	4.5	-	14.6
Equity investments	222,135	15.7	3.2	43.8
- Equity funds	26,409	1.9	0.4	40.8
- Bond funds	18,175	1.3	0.1	26.4
- Equity securities	90,610	6.4	2.3	77.7
- Wealth management products[note 1]	729	0.1	(0.5)	(89.9)
- Preferred shares	13,621	1.0	0.4	75.4
- Other equity investments[note 3]	72,591	5.0	0.5	31.1
Investment properties	8,283	0.6	(0.1)	(3.0)
Cash, cash equivalents and others	47,078	3.3	(0.4)	3.7
By investment purpose				
Financial assets at fair value through profit or loss	4,931	0.3	(0.7)	(58.3)
AFS financial assets	511,822	36.1	2.4	23.1
HTM financial assets	295,247	20.8	(2.3)	3.7
Interests in associates	10,563	0.7	0.1	39.2
Investment in joint ventures	9,879	0.7	(0.1)	-
Loans and other investments[note 4]	586,821	41.4	0.6	16.6

Notes:
1. Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.
2. Other fixed income investments include restricted statutory deposits and policy loans, etc.
3. Other equity investments include unlisted equities, etc.
4. Loans and other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits, investments classified as loans and receivables, and investment properties, etc.

1. By investment category

As of the end of the reporting period, the share of debt securities was 42.6%, a drop of 3.7pt from the end of 2018. Of this, the share of treasury bonds, local government bonds and financial bonds issued by government-sponsored institutions reached 37.9%, up 3.6pt from the end of 2018, with an average duration of 15.2 years. Moreover, 99.7% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-1 or above. Of this, the share of AAA reached 90.6%. We have set up an independent internal credit-rating team and a credit risk management system responsible for credit risk management covering the entire bond securities investment process, namely, before, during and after the investment. In the selection of new securities, we looked at the internal credit-rating of both the debt and debt issuer, identified the credit risk based on our internal credit-rating system and the input from in-house credit analysts, while considering other factors such as macro-economic conditions, market environment and external credit-ratings in order to make a well-informed investment decision. At the same time, to effectively manage the credit risk of existing bond holdings, we followed a uniform and standardized set of regulations and procedures, combining both regular and unscheduled follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors with good diversification effect; the debt issuers all boasted sound financial strength, with the overall credit risk under control.

The share of equity investments stood at 15.7%, up 3.2pt from the end of 2018. Of this, equity securities and equity funds accounted for 8.3%, up 2.7pt.

As of the end of the reporting period, non-public financing instruments (NPFIs) totaled RMB297.215 billion, accounting for 20.9% of total Group in-house investment assets, rising 0.7pt from the end of 2018. For such investments, we adhered to the principle of serving the needs of China's real economy. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects. The underlying projects spread across sectors like infrastructure, non-bank financial institutions, communications & transport and real estate, and were geographically concentrated in China's prosperous areas such as Beijing, Shanghai, Guangdong and Jiangsu.

Overall, the credit risk of our NPFI holdings is in the comfort zone. Up to 98.4% of NPFIs had an external credit-rating, and of these, the share of AAA reached 94.4%, and that of AA+ and above 99.9%. The share of NPFIs exempt from a debt issuer external credit-rating was 51.6%, with the rest boasting credit-enhancing measures such as guarantee or pledge of collateral.

Mix and distribution of yields of non-public financing instruments

Sectors	**Share of investments (%)**	**Nominal yield (%)**	**Average duration (year)**	**Average remaining duration (year)**
Infrastructural projects	27.2	5.7	7.0	5.0
Non-bank financial institutions	23.9	5.2	4.5	2.0
Communications & transport	15.2	5.7	5.9	4.0
Real estate	14.6	5.5	9.0	5.9
Energy and manufacturing	10.0	5.7	5.7	3.4
Others	9.1	5.8	7.8	6.4
Total	100.0	5.6	6.5	4.2

Note: Non-public financing instruments include wealth management products issued by commercial banks, debt investment schemes, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc., the same as "non-standard assets", a term used in previous reports.

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss decreased by 58.3% from the end of 2018, mainly because of lower allocation in financial products and equity securities. AFS financial assets increased by 23.1%, mainly as a result of increased investments in equity securities and enterprise bonds.

(II) Group consolidated investment income

For the reporting period, net investment income totaled RMB61.275 billion, up 13.3%. This stemmed mainly from increased interest income from fixed income investments. Net investment yield reached 4.9%, staying stable compared with 2018.

Total investment income amounted to RMB66.978 billion, up 31.1%, mainly attributable to increased gains from securities trading and fair value change as a result of equity market rallies, with total investment yield at 5.4%, up 0.8pt.

The growth rate of investments' net asset value rose by 2.2pt to 7.3%, as a result of movement of unrealized gains on equity securities.

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Interest income from fixed income investments	54,857	47,797	14.8
Dividend income from equity investments	5,664	5,566	1.8
Rental income from investment properties	754	739	2.0
Net investment income	**61,275**	**54,102**	**13.3**
Realized gains/(losses)	6,174	(770)	(901.8)
Unrealized gains/(losses)	801	(2,168)	(136.9)
Charge of impairment losses on investment assets	(2,339)	(975)	139.9
Other income[note 1]	1,067	884	20.7
Total investment income	**66,978**	**51,073**	**31.1**
Net investment yield (%)[note 2]	4.9	4.9	-
Total investment yield(%)[note 2]	5.4	4.6	0.8pt
Growth rate of investments' net asset value (%)[notes 2,3]	7.3	5.1	2.2pt

Notes:

1. Other income includes interest income on cash and short-term time deposits, securities purchased under agreements to resell, share of profit/(loss) in equity accounted investees and investment income through the step acquisition of a subsidiary, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets as the denominator in the calculation of net/total investment yield and growth rate of investments' net asset value are computed based on the Modified Dietz method.
3. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive income/(loss)/average investment assets.

(III) Total investment yield on a consolidated basis

unit: %

For 12 months ended 31 Dec.	2019	2018	Changes
Total investment yield	**5.4**	**4.6**	**0.8pt**
Fixed income investments[note]	5.1	5.2	(0.1pt)
Equity investments[note]	6.3	1.1	5.2pt
Investment properties[note]	9.3	9.0	0.3pt
Cash, cash equivalents and others[note]	1.7	1.9	(0.2pt)

Note: The impact of securities sold under agreements to repurchase was not considered.

III. Third-party AuM

(I) CPIC AMC

In 2019, CPIC AMC adapted to increasing uncertainties on the market, faithfully implemented new rules on asset management, gave priority to quality in the development of the third-party business, and rigorously controlled risks of products and projects. As of the end of the reporting period, its third-party AuM amounted RMB194.766 billion, an increase of 9.5% from the end of 2018.

In alternative investments, seizing opportunities arising from China's expansive fiscal policy and the endeavor to close gaps in infrastructure, the company increased investments in infrastructure projects with high credit ratings. It also stepped up co-operation with large SOEs under the central and local governments to help reduce their leverage, which successfully delivered breakthroughs in a number of major projects, such as the listing of the Beijing and Shanghai High-speed Railway Equity Plan which has a duration of 12 years and an investment amount of RMB4 billion, and the "CPIC Guofengtou Plan", the largest pure equity product ever registered in insurance asset management which, in 2019, completed its first round of contribution of over RMB6 billion. In 2019, with a total of 28 alternative products involving an amount of RMB 48.76 billion, the company maintained its industry leadership in the number of alternative projects registered and size of funds raised.

As for asset management products, the company improved its customer service systems, and in particular the business operation processes which integrated investment managers, product managers and customer relationship managers; strived to provide high-quality services and create long-term value for customers, and in particular stepped up communication with key customers; focused on meeting the needs of long-term investors and banks' wealth management funds. Overall, it realized a virtuous cycle of the scale of AuM and product yields. As of the end of the reporting period, the subsidiary reported RMB128.1 billion in third-party asset management products and AuM combined, an increase by RMB17.7 billion from the end of 2018, up 16.0%.

(II) Changjiang Pension

In 2019, Changjiang Pension, under the guidance of Transformation 2.0, focused on capabilities in trustee service and investment management, continued to improve mechanisms of internal and external collaboration, pro-actively increased investments in human resources and technology, enhanced risk control capabilities in an all-around way, delivered sustained breakthroughs in the occupational annuity business and achieved high-quality development. As of the end of 2019, its third-party assets under trustee management amounted to RMB148.442 billion, up 63.5% from the end of 2018; third-party assets under investment management reached RMB395.277 billion, an increase of 68.9%.

In the first pillar, it continued with steady management of China's social security pension fund and was entrusted with additional funds in the year, with the investment performance of corporate/enterprise bonds leading among comparable portfolios. As for the second pillar, the company leveraged the extensive networks of CPIC Life and CPIC P/C, focused on the development of occupational annuity business, and qualified as manager of occupational annuity of all the 30 provinces and municipalities which started the schemes. It independently developed an integrated business platform for occupational annuity, which won 21 schemes and the Shanghai Financial Innovations Award for 2018. The company continued to deepen its presence in traditional enterprise annuity business, and acquired business from a number of large SOEs under the central government, as part of its effort to establish a "major account eco-system". It also maintained its leading position in group retirement plans to serve the needs of SOE reform. In the third pillar, Changjiang Pension delivered solid investment performance for the tax-deferred pension schemes; improved product mix of individual retirement plans and launched its first target date product and net asset value product; launched quantitative investment while continuously improving the system of active insurance asset management products; leveraged the advantage of pension funds as long-term investors and completed the first investment in the real economy by occupational annuity; pursued a transition of alternative business towards active management, and launched an asset-backed plan dedicated to farmers and small enterprises to contribute to poverty reduction. As of the end of the reporting period, the cumulative registered amounts of alternative investment products of the company exceeded RMB160 billion.

Analysis of specific items

I. Key consolidated results

unit: RMB million

	31 Dec. 2019/Year 2019	31 Dec. 2018/Year 2018	Changes (%)	Main Reasons
Total assets	1,528,333	1,335,959	14.4	Business expansion
Total liabilities	1,345,013	1,181,911	13.8	Business expansion
Total equity	183,320	154,048	19.0	Profit for the period, fair value change on AFS financial assets
Net profit attributable to equity holders of the parent	27,741	18,019	54.0	Increase in investment income and adjustment of taxation policy

II. Liquidity analysis

(I) Cash flow statement

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
Net cash inflow from operating activities	111,795	89,449	25.0
Net cash outflow from investing activities	(96,855)	(91,748)	5.6
Net cash (outflow)/inflow from financing activities	(10,544)	11,554	(191.3)

(II) Gearing ratio

	31 Dec. 2019	31 Dec. 2018	Changes
Gearing ratio (%)	88.3	88.8	(0.5pt)

Note: Gearing ratio = (total liabilities + non-controlling interests)/total assets.

(III) Liquidity analysis

We centralize liquidity management including that of our subsidiaries at the Group level. As the parent company, our cash flows mainly stem from dividends from our subsidiaries and gains from our own investment activities.

Our liquidity mainly comes from premiums, net investment income, sales or maturity of financial assets and cash from financing activities. The demand for liquidity primarily arises from surrenders, withdrawals or other forms of earlier termination of insurance contracts, insurance claims or benefit pay-outs, payment of dividends to shareholders and cash required for daily operation.

We normally record net cash inflows from our operating activities due to growing premium income. Meanwhile, adhering to ALM, and in line with our SAA, we would maintain an appropriate level of allocation in highly liquid assets to meet liquidity requirement.

Financing abilities also form a major part of our liquidity management. We have access to additional liquidity through securities repurchase arrangement and other financing arrangements.

We believe that our current liquidity level is sufficient for our needs in the foreseeable future.

III. Items concerning fair value accounting

unit: RMB million

	31 Dec. 2019	31 Dec. 2018	Changes	Impact of fair value changes on profits[note]
Financial assets at fair value through profit or loss	4,931	11,835	(6,904)	801
AFS financial assets	511,822	415,868	95,954	(2,095)
Total	**516,753**	**427,703**	**89,050**	**(1,294)**

Note: Impact on profits of change of fair value for AFS financial assets refers to charges for impairment losses.

IV. Solvency

We calculate and disclose our core capital, actual capital, minimum required capital and solvency margin ratio in accordance with requirements by CBIRC. The solvency margin ratio of domestic insurance companies in the People's Republic of China (PRC) shall meet certain prescribed levels as stipulated by CBIRC.

unit: RMB million

	31 Dec. 2019	31 Dec. 2018	Reasons of change
CPIC Group			
Core capital	453,838	381,723	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	463,838	392,523	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	157,481	130,560	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	288	292	
Comprehensive solvency margin ratio (%)	295	301	
CPIC Life			
Core capital	357,883	298,654	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	357,883	298,654	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	139,354	114,526	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	257	261	
Comprehensive solvency margin ratio (%)	257	261	
CPIC P/C			
Core capital	38,900	34,831	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	48,900	45,631	Profit for the period, profit distribution to shareholders, maturity of sub-debt and change of fair value of investment assets
Minimum required capital	16,713	14,915	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	233	234	
Comprehensive solvency margin ratio (%)	293	306	
CPIC Allianz Health			
Core capital	1,084	1,057	Profit for the period and change of fair value of investment assets
Actual capital	1,084	1,057	Profit for the period and change of fair value of investment assets
Minimum required capital	702	489	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	155	216	
Comprehensive solvency margin ratio (%)	155	216	
Anxin Agricultural			
Core capital	1,684	1,578	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	1,684	1,578	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	557	527	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	303	300	

Comprehensive solvency margin ratio (%)	303	300

Please refer to the summaries of solvency reports published on the websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Company (www.cpic.com.cn) for information on the solvency of CPIC Group and its major subsidiaries.

V. Price sensitivity analysis

Sensitivity analysis of price risk

The following table shows the sensitivity analysis of price risk, i.e. the impact[note 1] of fair value changes of all equity assets[note 2] in the case of a 10% change in stock prices as at the end of the reporting period on our total profits and shareholders' equity (assuming the fair value of equity assets[note 2] moves in proportion to stock prices), other variables being equal.

unit: RMB million

	Year 2019 / 31 Dec. 2019	
Market value	**Impact on profit before tax**	**Impact on equity**
+10%	22	6,754
-10%	(22)	(6,754)

Notes:
1. After policyholder participation.
2. Equity assets do not include bond funds, money market funds, wealth management products, preferred shares or other equity investments.

VI. Insurance contract liabilities

Insurance contract liabilities include unearned premium reserve, claim reserve and long-term life insurance contract liabilities. All three are applicable in life insurance business, while only the first two are applicable in property and casualty insurance.

As at 31 December 2019, insurance contract liabilities of CPIC Life amounted to RMB972.512 billion, representing an increase of 16.0% from the end of 2018. Those of CPIC P/C amounted to RMB93.669 billion, up 18.0% from the end of 2018. The rise in insurance contract liabilities was mainly caused by business growth and accumulation of insurance liabilities.

We have performed liability adequacy tests based on information currently available as at the balance sheet date. Additional insurance contract liabilities should be made and recognized in the income statement if any deficiency exists. Otherwise, no additional insurance contract liabilities will be required.

unit: RMB million

	31 Dec. 2019	31 Dec. 2018	Changes (%)
CPIC Life			
Unearned premium reserve	4,500	3,727	20.7
Claim reserve	4,472	3,644	22.7
Long-term life insurance contract liabilities	963,540	831,337	15.9
CPIC P/C			
Unearned premium reserve	56,643	45,036	25.8

Claim reserve	37,026	34,318	7.9

VII. Investment contract liabilities

Investment contract liabilities mainly cover the non-insurance portion of insurance contracts, and those contracts which fail to pass the testing of significant insurance risk.

unit: RMB million

	31 Dec. 2018	Increase for the period			Decrease for the period		31 Dec. 2019
		Deposits received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	62,255	17,028	3,005	1,500	(8,058)	(224)	75,506

VIII. Reinsurance business

In 2019, premiums ceded to reinsurers are shown below:

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
CPIC Life	**7,771**	**4,202**	**84.9**
Traditional insurance	3,694	1,982	86.4
Long-term health insurance	2,832	1,294	118.9
Participating insurance	441	242	82.2
Universal insurance	62	51	21.6
Tax-deferred pension insurance	-	-	/
Short-term accident and health insurance	3,574	1,927	85.5
CPIC P/C	**17,228**	**15,475**	**11.3**
Automobile insurance	6,249	6,621	(5.6)
Non-automobile insurance	10,979	8,854	24.0

In 2019, premiums ceded inwardly are set out below:

unit: RMB million

For 12 months ended 31 Dec.	2019	2018	Changes (%)
CPIC Life	**150**	**1,071**	**(86.0)**
Traditional insurance	150	1,071	(86.0)
Long-term health insurance	-	-	/
Participating insurance	-	-	/
Universal insurance	-	-	/
Tax-deferred pension insurance	-	-	/
Short-term accident and health insurance	-	-	/
CPIC P/C	**747**	**429**	**74.1**
Automobile insurance	-	9	(100.0)
Non-automobile insurance	747	420	77.9

As at the end of 2019, assets under reinsurance are set out below:

unit: RMB million

	31 Dec. 2019	31 Dec. 2018	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			

Unearned premium reserve	1,067	698	52.9
Claim reserve	246	125	96.8
Long-term life insurance contract liabilities	12,340	11,668	5.8
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premium reserve	6,283	5,840	7.6
Claim reserve	6,117	5,801	5.4

We determine retained insured amounts and reinsurance ratio according to insurance regulations and our business development needs. To lower the concentration risk of reinsurance, we also entered into reinsurance agreements with various leading international reinsurance companies. The criteria for the selection of reinsurance companies include their financial strength, service level, insurance clauses, claims settlement efficiency and price. Generally speaking, only domestic reinsurance companies with proven records or international reinsurance companies of ratings of A- or above would qualify as our reinsurance partners. Apart from China Reinsurance (Group) Corporation and its subsidiaries, i.e, China Life Reinsurance Company Ltd., and China Property & Casualty Reinsurance Company Ltd., our reinsurance partners also include international giants like Swiss Reinsurance Company (瑞士再保險公司) and Munich Reinsurance Company (慕尼黑再保險公司).

IX. Main subsidiaries & associates and equity participation

unit: RMB million

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property insurance; liability insurance; credit and guarantee insurance; short-term health insurance and casualty insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,470	98.5%	165,750	39,885	5,910
China Pacific Life Insurance Co., Ltd.	Life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies;	8,420	98.3%	1,287,914	85,071	20,530

	reinsurance of the above said insurance; statutory life/health insurance; establishment of agency and business relationships with domestic and overseas insurers and organizations, loss adjustment, claims and other business entrusted from overseas insurance organizations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulation; international insurance activities as approved; other business as approved by CBIRC.					
Changjiang Pension Insurance Co., Ltd.	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension fund management products; consulting business in relation to asset management; other business pertaining to insurance fund management as allowed by PRC laws and regulations; other	3,000	61.1%	4,818	3,410	303

	business as approved by CBIRC.					
Pacific Asset Management Co., Ltd.	Management of capital and insurance funds, outsourced asset management, consulting services relating to asset management, and other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	3,984	3,388	392
CPIC Allianz Health Insurance Co., Ltd.	Health insurance, accident insurance denominated in RMB or foreign currencies and health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related agency and consulting business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	1,700	77.1%	7,318	1,176	7
Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short term health insurance and casualty insurance; rural and farmer related property insurance; reinsurance of the above said insurance; insurance agency	700	51.3%	3,655	1,505	104

	business.					
CPIC Fund Management Co., Ltd.	Fund management business; launch of funds and other business as approved by competent authorities of the PRC.	150	50.8%	602	514	21

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or other invested entities, please refer to Review and Analysis of Operating Results, and Scope of Consolidation, Interests in Associates and Investment in Joint Ventures as notes to Financial Statements of this report.
2. Figures for Group shareholding include direct and indirect shareholdings.

X. Top five customers

During the reporting period, the top 5 customers accounted for approximately 0.4% of the Company's GWPs.

Given its business nature, the Company does not have any supplier that is directly related to its business.

XI. Environmental policies, employee engagement and customer relations

For information of environmental policies and employee engagement of the Company, please refer to the section "Report of the Board of Directors and significant events" of the annual report of the Company.

In 2019, the Company persisted in customer orientation and valued and maintained good customer relations.

XII. Seizure, attachment, and freeze of major assets or their pledge as collateral

The Company's assets are mainly financial assets. As of the end of the reporting period，no abnormality was detected for bond repurchases which forms part of the Company's day-to-day securities investment activities.

Outlook

I. Market environment and business plan

In 2020, though China's economy faced mounting downward pressures and in particular the short-term disruptions caused by the coronavirus outbreak, its fundamentals remains solid. Rising per capita income, population ageing, urbanization, upgrading of economic mix, shift of government roles and the cut of tax and administrative fees will continue to drive sustainable development of China's insurance industry. The coronavirus epidemic promises to further raise public awareness of and stimulate demand for insurance, and China remains one of the most dynamic and fastest-growing insurance markets of the world.

Going forward, with a vision of "achieving leadership in healthy and stable development of the insurance industry", and the targets of "being the best in customer experience, business mix and risk control capabilities", the Company will deepen Transformation 2.0 to foster core competitiveness for the future, promote the branding of "CPIC Service", serve the real economy, improve the well-being of the Chinese people, ensure the prevention of major risks, and achieve more success in high-quality development.

II. Major risks and mitigating measures

First, the world economy is experiencing a slow-down, amid re-balancing of economic growth drivers, changes to international balance of power, and an overhaul of global governance systems, with far more hot spots for risks and turmoil. China's economy is in a transition towards high-quality development, which has a profound impact on China's macro-economic variables, industry mix and business cycles. Interest rate risk will be a key concern of the insurance industry given the downward cycle of long term interest rate curves and economic slow-down. The coronavirus outbreak will stimulate digital transformation of the industry, reshape its business model, posing challenge to traditional insurance companies.

Second, China's insurance market is also slowing down, coupled with a shift of the development model, and accumulation of risks over the years which have begun to surface. The regulator will continue to intensify its efforts to mitigate risks, tackle irregularities and tighten overall regulation. The roll-out of regulatory requirement for audio and video recording in the sales of life insurance products, the launch of comprehensive reform of commercial automobile insurance will compel the industry to enhance capacity-building and professionalism.

Third is the traditional risk of large claims arising from severe natural catastrophes and artificial accidents, with emerging risks starting to have an increasing impact on the stability of the insurance business performance.

Fourth, given mounting downward economic pressures, credit risk and liquidity risk may deteriorate, which may materially impact insurance and asset management business.

To cope with these risks, we will persist in compliance, stay focused on the core business of insurance, press ahead with Transformation 2.0 to fulfill its vision and objectives. In particular, we will step up research into and analysis of macro-economic trends, accelerate digital empowerment to improve on-line capabilities, enhance capabilities in risk assessment and product pricing; improve ALM, counter-party credit risk management, investment research capabilities and the matching of assets and liabilities; continuously optimize mechanisms for risk identification, assessment, early warning and mitigation, as well as programs of cumulative risk control and reinsurance so as to forestall major risks, ensure a stable business operation and healthy solvency levels.

Change in accounting estimates

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the balance sheet date.

As at 31 December 2019, the Group used information currently available to determine the above assumptions (mainly due to change of the morbidity assumptions of certain products) and the impact of change in assumptions charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2019 by approximately RMB8.077 billion and a decrease in profit before tax for 2019 by approximately RMB8.077 billion.

Embedded Value

Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2019, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2019 at a risk discount rate of 11%.

unit: RMB million

Valuation Date	31 December 2019	31 December 2018
Group Adjusted Net Worth	**208,402**	**169,325**
Adjusted Net Worth of CPIC Life	114,677	88,714
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	203,392	181,631
Cost of Required Capital Held for CPIC Life	(12,548)	(11,917)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	190,844	169,714
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	**187,585**	**166,816**
Group Embedded Value	**395,987**	**336,141**
CPIC Life Embedded Value	305,521	258,428

Valuation Date	31 December 2019	31 December 2018
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	28,533	31,806
Cost of Required Capital Held	(3,936)	(4,686)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**24,597**	**27,120**

Notes:

1. Figures may not be additive due to rounding

2. Results in column "31 December 2018" are those reported in the 2018 annual report

The Group Adjusted Net Worth represents the shareholder net equity of the Company based on the China Accounting Standards, inclusive of adjustments of the value of certain assets to market value and adjusted for the relevant differences, such as difference between China Accounting Standards reserves and policy liabilities valued under "Appraisal of Embedded Value" standard published by the CAA. It should be noted that the Group Adjusted Net Worth incorporates the shareholder net equity of the Company as a whole (including CPIC Life and other operations of the Company), and the value of in force business and the value of one year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

New Business Volumes and Value of One Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of one year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2019.

unit: RMB million

	First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Required Capital Held	
	2019	2018	2019	2018
Total	**56,773**	**62,116**	**24,597**	**27,120**
Of which: Traditional	26,620	23,139	20,741	18,146
Participating	9,205	22,713	2,228	8,656

Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2018 to 31 December 2019.

unit: RMB million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2018**	**258,428**	
2	Expected Return on Embedded	23,924	Expected returns on the 2018 embedded value of

	Value		CPIC Life and the value of one year's sales of CPIC Life in 2019
3	Value of One Year's Sales	24,597	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2019
4	Investment Experience Variance	5,042	Reflects the difference between actual and assumed investment return in 2019
5	Operating Experience Variance	3,815	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(505)	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	2,602	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	215	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(12,630)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	34	
11	**Embedded Value of the life business at 31 December 2019**	**305,521**	
12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2018**	**85,427**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	22,473	
14	Shareholder dividends	(9,062)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	300	Reflects the change in value of assets not valued on a market value basis
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2019**	**99,138**	
17	Minority interests relating to equity and market value adjustments	(8,672)	Minority interests on Embedded Value as at 31 December 2019
18	**Group Embedded Value as at 31 December 2019**	**395,987**	
19	**Embedded Value as at 31 December 2019 per share (RMB)**	**43.70**	

Note: Figures may not be additive due to rounding.

Compliance with Corporate Governance Code

During the reporting period, save as disclosed below, the Company was in compliance with all code provisions and the majority of the recommended best practices of Corporate Governance Code.

- Code Provision A.2.1 of the Corporate Governance Code provides that the roles of the chairman and chief executive shall be separate and should not be performed by the same individual. A resolution in relation to the appointment of Mr. FU Fan as the president of the Company has been considered and approved at the 22nd session of the 8th Board dated 9 November 2019. However, as the appointment qualification is pending approval by CBIRC, the Board has designated Mr. KONG Qingwei, Chairman of the Board, as the temporary person-in-charge to act on behalf of the president prior to the tenure of office of Mr. FU Fan. After considering the principles under Code Provision A.2.1 of the Corporate Governance Code and examining the Company's management structure, the Board is of the view that such temporary arrangement is able to provide the Company with effective management and, at the same time, protect the shareholders' rights to the greatest extent.
- Code Provision E.1.2 of the Corporate Governance Code provides that the chairman of the board should attend the annual general meeting. Due to other business arrangements, Mr. KONG Qingwei, Chairman of the Board, was unable to attend the 2018 annual general meeting of the Company, and the meeting was chaired by Mr. HE Qing, an executive Director of the Company.

Purchase, redemption or sale of the Company's listed securities

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Proposed final dividend

On 20 March 2020, the Board recommended a final dividend of RMB1.20 per share (tax included) for the year ended 31 December 2019, amounting to approximately RMB10.874 billion in aggregate. The proposed final dividend is subject to the approval of shareholders at the 2019 annual general meeting of the Company ("AGM"). If approved, it is expected that the payment of the final dividend will be made on or about Tuesday, 16 June 2020 to the shareholders.

Withholding of dividend income tax

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (PRC) and its implementation rules enacted in 2008, the Company is required to withhold and pay 10% of corporate income tax when it distributes the final dividend to H Share shareholders eligible for the proposed final dividend.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC and its implementation rules and confirmed by the relevant tax authorities in the PRC after consulting with them by the Company, the Company will withhold and pay individual income tax at the tax rate of 10% when it distributes the final dividend to H Share shareholders eligible for the proposed final dividend. However, if it is otherwise stated in the tax regulations and relevant tax treaties, the Company will withhold and pay individual income tax in accordance with the required tax rate and procedures set out in the relevant regulations and treaties. If the applicable dividend tax rate is less than 10%, the individual H Share shareholders are entitled to apply for refund of the over-deducted amount on their own or appoint an agent to act on their behalf according to the tax treaty entered into between their countries of domicile and the PRC and the regulations of the relevant PRC tax authorities.

The Company will withhold and pay the enterprise income tax as well as the individual income tax as required by law. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes over the withholding and payment mechanism or arrangements.

Withholding of Income Tax for Holders of H Shares via the Hong Kong Stock Connect

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81 號)) promulgated on 17 November 2014:

- In respect of the dividends received by Mainland individual investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by Mainland securities investment funds that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;

- In respect of the dividends received by Mainland corporate investors that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the Mainland corporate investors shall file the tax returns on their own.

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Interconnected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) implemented on 5 December 2016:

- In respect of the dividends received by mainland individual investors who invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by mainland securities investment funds that invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;
- In respect of the dividends received by mainland corporate investors that invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the mainland corporate investors shall file the tax returns on their own.

Withholding of Income Tax for Holders of A Shares via the Shanghai Stock Connect

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on SSE (the “Shanghai Stock Connect”), the dividends received by them will be distributed in RMB by the Company through the Shanghai Branch of

China Securities Depository and Clearing Corporation Limited as the nominee account holding such A shares. Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81 號)), the Company will withhold income tax at the rate of 10% on behalf of those investors and will undertake the reporting procedures on the tax withholding and payment with the tax authorities, and the after-tax cash dividend will be RMB1.08 per share. For investors of Shanghai Stock Connect who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

All investors should read this announcement carefully. Shareholders are recommended to consult their tax advisors on the PRC, Hong Kong and other tax effects regarding their holding and disposing of H shares of the Company.

The eligibility for attending the AGM and eligibility for proposed final dividend and closure of H share register of members

The Company will announce further details in relation to the eligibility for attending the AGM, the eligibility for the proposed final dividend and the closure of register of member for H Shares after the arrangement of AGM is finalized.

The Company will announce details on A Share shareholders' qualification for attending the annual general meeting and the payment of the final dividend for the year 2019 to A Share shareholder on SSE.

Review of accounts

The audit committee of the Company has reviewed the principal accounting policies of the Group and the audited financial statements for the year ended 31 December 2019 in the presence of internal and external auditors.

Publication of results on the websites of the SEHK and the Company

The annual report of the Company for the year ended 31 December 2019 will be dispatched to shareholders in due course and will be published on the websites of SEHK (www.hkexnews.hk) and of the Company (www.cpic.com.cn).

Definitions

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC P/C"	China Pacific Property Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC AMC"	Pacific Asset Management Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Anxin Agricultural"	Anxin Agricultural Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Fund"	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Allianz Health"	CPIC Allianz Health Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CBIRC"	China Banking and Insurance Regulatory Commission
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi Yuan
"pt"	Percentage point

By Order of the Board

China Pacific Insurance (Group) Co., Ltd.

KONG Qingwei

Chairman

Hong Kong, 22 March 2020

As at the date of this announcement, the Executive Director of the Company is Mr. KONG Qingwei; the Non-executive Directors of the Company are Mr. WANG Tayu, Mr. KONG Xiangqing, Ms. SUN Xiaoning, Mr. LI Qiqiang, Mr. WU Junhao, Mr. CHEN Xuanmin and Mr. HUANG Dinan; and the Independent Non-executive Directors of the Company are Mr. LEE Ka Sze, Carmelo, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. JIANG Xuping and Mr. GAO Shanwen.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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Independent Auditor's Report

To the Shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 135, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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 identified in our audit are summarised as follows:

- Valuation of life insurance contract liabilities
- Valuation of non-life insurance contract liabilities
- Valuation of level 3 investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of life insurance contract liabilities Refer to note 2.2(23) Summary of principal accounting policies – Insurance contract liabilities and note 39 Insurance contract liabilities to the consolidated financial statements. Refer to note 3.2(1) Estimation uncertainty-Valuation of insurance contract liabilities to the consolidated financial statements. The Group had significant long-term life insurance contract liabilities stated at RMB 964 billion as at 31 December 2019, representing 72% of the Group's total liabilities. The valuation of long-term life insurance contract liabilities involves complex models and a high degree of judgement by management in setting assumptions. Key assumptions used in measuring long-term life insurance contract liabilities include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expenses and policy dividend, etc. We focused on this area due to the significant quantum amount of long-term life insurance contract liabilities to the consolidated financial statements and because the relevant key assumptions applied in valuation involved significant judgements and estimates.	With the assistance of our actuarial experts, we performed the following audit procedures: • We evaluated and tested the internal controls over the actuarial process including management's determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change. • We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types, distribution channels, and lines of business; and we checked the best estimate liabilities, risk margin and residual margin respectively at the point of policy issuance and evaluation. • We evaluated key actuarial assumptions such as discount rates, mortality, morbidity, surrender rates, expense assumptions and policy dividend assumptions considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of the long-term life insurance contract liabilities by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results. Based on our audit work, we found methodologies applied appropriate and key assumptions adopted supportable by the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of non-life insurance contract liabilities Refer to note 2.2(23) Summary of principal accounting policies – Insurance contract liabilities and note 39 Insurance contract liabilities to the consolidated financial statements. Refer to note 3.2(1) Estimation uncertainty-Valuation of insurance contract liabilities to the consolidated financial statements. The Group had claim reserves which was included in non-life insurance contract liabilities stated at RMB 43 billion as at 31 December 2019, representing 3% of the Group's total liabilities. We focused on this area because the valuation of claim reserves involved a high degree of judgement by management in selecting the models and setting the assumptions including the development of paid and incurred losses and ultimate loss ratios.	With the assistance of our actuarial experts, we performed the following audit procedures: We evaluated and tested the internal controls over data collection and analysis, and management's assumptions setting processes. We performed independent modelling analysis for claim reserves by performing below procedures. • For the underlying data used in actuarial models, we compared the data with source systems, such as earned premiums to accounting records and reported claims to the claims system. • We set up independent actuarial assumptions including claims development, loss ratio, etc., by considering both the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of the Group's claim reserves by comparing management's result to the results from our independent modelling analysis. Based on our audit work, we found management judgements in the valuation of claim reserves supportable by the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of level 3 investments Refer to note 3.2(2) Estimation uncertainty – Fair values of financial assets and derivative financial instruments determined using valuation techniques and note 48 Fair Value Measurement to the consolidated financial statements. The Group's investment measured at fair value that were classified in level 3 stated at RMB 65 billion as at 31 December 2019, representing 4% of the Group's total assets. We focused on this area because level 3 investments were valued based on models and inputs/assumptions that are not observable by third parties. The valuation involved significant audit effort and management judgement.	We evaluated and tested the internal controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuations provided by data vendors. With the assistance of our valuation experts, our audit work over the measurement of level 3 investments included: • We assessed valuation model methodologies against industry practice and valuation guidelines. • We performed independent checks by using unobservable inputs from external sources where available for illiquid investments. • We compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields. Based on our audit work, we found that the valuation methodologies applied were consistent with industry practice and that the inputs and assumptions used were supportable by the evidence we gathered.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 HKFRSs issued by the HKICPA 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 this independent auditor's report is CHAN KWONG TAK.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2020

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2019	2018
Gross written premiums	6(a)	347,517	321,895
Less: Premiums ceded to reinsurers	6(b)	(22,358)	(17,563)
Net written premiums	6(c)	325,159	304,332
Net change in unearned premium reserves		(11,913)	(4,608)
Net premiums earned		313,246	299,724
Investment income	7	65,730	49,999
Other operating income		3,706	3,380
Other income		69,436	53,379
Total income		382,682	353,103
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(58,437)	(46,214)
Claims incurred	8	(73,163)	(64,326)
Changes in long-term life insurance contract liabilities	8	(118,473)	(104,641)
Policyholder dividends	8	(10,777)	(11,263)
Finance costs	9	(3,511)	(2,959)
Interest credited to investment contracts		(3,005)	(2,531)
Other operating and administrative expenses		(87,844)	(93,496)
Total benefits, claims and expenses		(355,210)	(325,430)
Share of profit in equity accounted investees		494	335
Profit before tax	10	27,966	28,008
Income tax	14	388	(9,574)
Net profit for the year		28,354	18,434
Attributable to:			
Equity holders of the parent		27,741	18,019
Non-controlling interests		613	415
		28,354	18,434
Basic earnings per share	15	RMB3.06	RMB1.99
Diluted earnings per share	15	RMB3.06	RMB1.99

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	**Notes**	**2019**	**2018**
Net profit for the year		28,354	18,434
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations	16	13	25
Available-for-sale financial assets	16	13,716	1,686
Income tax relating to available-for-sale financial assets	16	(3,383)	(429)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		10,346	1,282
Other comprehensive income for the year	16	10,346	1,282
Total comprehensive income for the year		38,700	19,716
Attributable to:			
Equity holders of the parent		37,898	19,306
Non-controlling interests		802	410
		38,700	19,716

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED BALANCE SHEET
31 December 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	**Notes**	**31 December 2019**	**31 December 2018**
ASSETS			
Goodwill	17	1,357	1,357
Property and equipment	18	19,365	19,301
Right-of-use assets	19	4,810	-
Investment properties	20	8,283	8,542
Other intangible assets	21	2,972	2,542
Prepaid land lease payments		-	344
Interests in associates	22	10,563	7,591
Investment in joint ventures	23	9,879	9,881
Held-to-maturity financial assets	24	295,247	284,744
Investments classified as loans and receivables	25	324,013	272,015
Restricted statutory deposits	26	6,658	6,738
Term deposits	27	147,756	128,396
Available-for-sale financial assets	28	511,822	415,868
Financial assets at fair value through profit or loss	29	4,931	11,835
Securities purchased under agreements to resell	30	28,045	23,095
Policy loans		57,194	49,194
Interest receivables	31	19,493	19,282
Reinsurance assets	32	25,560	23,467
Deferred income tax assets	33	860	2,379
Insurance receivables	34	23,256	19,012
Other assets	35	11,397	15,053
Cash and short-term time deposits	36	14,872	15,323
Total assets		1,528,333	1,335,959

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

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2019	31 December 2018
EQUITY AND LIABILITIES			
Equity			
Issued capital	37	9,062	9,062
Reserves	38	98,763	85,904
Retained profits	38	70,602	54,610
Equity attributable to equity holders of the parent		178,427	149,576
Non-controlling interests		4,893	4,472
Total equity		183,320	154,048
Liabilities			
Insurance contract liabilities	39	1,068,021	919,671
Investment contract liabilities	40	75,506	62,255
Policyholders' deposits		70	70
Bonds payable	41	9,988	13,985
Securities sold under agreements to repurchase	42	78,366	75,075
Lease liabilities		3,668	-
Deferred income tax liabilities	33	2,911	1,168
Income tax payable		549	7,331
Premium received in advance		21,000	16,384
Policyholder dividend payable		25,447	26,501
Payables to reinsurers		4,543	6,233
Other liabilities	43	54,944	53,238
Total liabilities		1,345,013	1,181,911
Total equity and liabilities		1,528,333	1,335,959

KONG Qingwei
Director

HUANG Dinan
Director

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

(All amounts expressed in RMB million unless otherwise specified)

Group

	2019									
	Attributable to equity holders of the parent									
		Reserves								
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2019	9,062	66,635	4,835	11,642	2,808	(16)	54,610	149,576	4,472	154,048
Total comprehensive income	-	-	-	-	10,144	13	27,741	37,898	802	38,700
Dividend declared [1]	-	-	-	-	-	-	(9,062)	(9,062)	-	(9,062)
Share of other changes in equity of investees accounted for using the equity method	-	15	-	-	-	-	-	15	-	15
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(381)	(381)
Appropriations to general reserves	-	-	-	2,687	-	-	(2,687)	-	-	-
At 31 December 2019	9,062	66,650	4,835	14,329	12,952	(3)	70,602	178,427	4,893	183,320

[1] Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2018, amounting to RMB9,062 million (RMB1.00 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB million unless otherwise specified)

Group

	2018									
	Attributable to equity holders of the parent									
		Reserves								
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2018	9,062	66,613	4,835	9,761	1,546	(41)	45,722	137,498	3,621	141,119
Total comprehensive income	-	-	-	-	1,262	25	18,019	19,306	410	19,716
Dividend declared [1]	-	-	-	-	-	-	(7,250)	(7,250)	-	(7,250)
Non-controlling interests on acquisition of subsidiaries	-	-	-	109	-	-	(109)	-	505	505
Changes in ownership interests in subsidiaries without change of control	-	15	-	-	-	-	-	15	161	176
Share of other changes in equity of investees accounted for using the equity method	-	7	-	-	-	-	-	7	-	7
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(225)	(225)
Appropriations to general reserves	-	-	-	1,772	-	-	(1,772)	-	-	-
At 31 December 2018	9,062	66,635	4,835	11,642	2,808	(16)	54,610	149,576	4,472	154,048

[1] Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2017, amounting to RMB7,250million (RMB0.80 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	**Notes**	**2019**	**2018**
OPERATING ACTIVITIES			
Cash generated from operating activities	49	118,310	97,564
Income tax paid		(6,515)	(8,115)
Net cash inflow from operating activities		111,795	89,449
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(3,475)	(4,177)
Proceeds from disposal of property and equipment, intangible assets and other assets		61	59
Purchases of investments, net		(151,236)	(127,800)
Acquisition of a subsidiary and other business entities, net,		(2,943)	(12,887)
Proceeds from disposal of a subsidiary and other business entities, net		3	-
Interest received		55,948	47,154
Dividends received from investments		5,741	5,682
Other cash received related to investing activities		-	226
Other cash payment related to investing activities		(954)	(5)
Net cash outflow from investing activities		(96,855)	(91,748)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		3,215	8,595
Proceeds from the issue of asset-backed securities		4,540	2,750
Capital injection to subsidiaries by NCI		229	-
Repayment of borrowings		(6,750)	(910)
Proceeds from the issue of bonds		-	9,980
Interest paid		(2,768)	(2,069)
Dividends paid		(9,443)	(7,475)
Principal elements of lease payments		(1,542)	-
Proceeds from NCI of consolidated structured entities		1,975	683
Net cash (outflow)/inflow from financing activities		(10,544)	11,554
Effects of exchange rate changes on cash and cash equivalents		29	80
Net increase in cash and cash equivalents		4,425	9,335
Cash and cash equivalents at the beginning of year		38,121	28,786
Cash and cash equivalents at the end of year		42,546	38,121
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		13,159	13,681
Time deposits with original maturity of no more than three months		358	262
Other monetary assets		984	1,083
Investments with original maturity of no more than three months		28,045	23,095
Cash and cash equivalents at the end of year		42,546	38,121

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

(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was established in Shanghai, the People's Republic of China (the "PRC") in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the former China Insurance Regulatory Commission (the "CIRC"), the Company was restructured as a joint stock limited company in October 2001 with an issued capital of RMB2,006.39 million. The Company increased its issued capital to RMB6,700 million through issuing new shares to its then existing shareholders and new shareholders in 2002 and 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares in the PRC. Upon the completion of the A share offering, the issued capital was increased to RMB7,700 million. The Company's A shares are listed on the Shanghai Stock Exchange and trading of its A shares commenced on 25 December 2007.

In December 2009, the Company conducted a global offering of overseas listed foreign shares ("H shares"). Upon the completion of the H share offering, the issued capital was increased to RMB8,600 million. The Company's H shares are listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB9,062 million, which was approved by the CIRC in December 2012.

The authorised business scope of the Company includes investing in insurance enterprises, supervising and managing domestic and overseas reinsurance businesses of subsidiaries and utilizing funds, participating in global insurance activities upon approval. The principal activities of the Company and its subsidiaries (the "Group") are property and casualty insurance businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that have been measured primarily based on actuarial methods. These consolidated financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC 23)	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

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

HKFRS 16, ‘Lease’.The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. On 1 January 2019, the Group recognised the right-of-use assets of RMB3,773 million and the lease liabilities of RMB3,365 million.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC 4)-Int 4 Determining whether an arrangement contains a lease.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17. The only exceptions are short-term and low-value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The Group shall apply HKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the Standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.98%.

The difference between the operating lease commitments disclosed as at 31 December 2018 discounted using the lessee’s incremental borrowing rate of at the date of initial application and the lease liabilities as at 1 January 2019 is not material.

(2) New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was illuminated in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 17	Insurance Contracts[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[2]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2022

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

None of these HKFRS is expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group will not adopt the HKFRS 9 until 1 January 2021 and the Group makes additional disclosures as below:

The Group is defined as an insurer with its activities predominantly connected with insurance, with the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities greater than 90 percent.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

Financial assets meet SPPI are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

Additional disclosures of financial assets listed in financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables are as follows:

	As at 31 December 2019 Fair value	2019 Change in the fair value
Financial assets held for trading(A)	4,045	832
Financial assets managed and whose performance evaluated on a fair value basis (B)	886	(31)
Financial assets other than A or B		
——Financial assets meet SPPI(C)	919,837	2,230
——Financial assets not meet SPPI	233,406	22,550
Total	1,158,174	25,581

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

Credit risk rating grades of financial assets meet SPPI(C)	As at 31 December 2019 Carrying amounts
Domestic	
Exempt from rating[Note]	263,954
AAA	584,105
A-1	409
AA+	45,222
AA	1,780
No rating	1,346
Overseas	
A-(inclusive) or above	420
BBB+	330
BBB	69
BBB-	15
BB+(inclusive) or below	127
Total	897,777

Note:"Exempt from rating", the domestic rating grade, is to describe a rating grade above "AAA". It mainly includes government bonds and policy financial bonds.

	As at 31 December 2019	
Financial assets not have low credit risk	Carrying amounts	Fair value
Domestic	3,126	3,126
Overseas	127	129
Total	3,253	3,255

Except for the above assets, other financial assets other than cash held by the Group, including securities purchased under agreements to resell, policy loans, term deposits, restricted statutory deposits, etc., are financial assets which meet the SPPI conditions. The carrying amounts are close to their fair value.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. On 17 March 2020, the International Accounting Standards Board ("IASB") completed its discussions on the amendments to IFRS 17 and tentatively decided that the effective date of the IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. The Board had also tentatively proposed to extend to 2023 the temporary exemption for insurers to apply the financial instruments standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The HKICPA has not yet made any announcements related to IASB proposed deferral for IFRS 17. The impact is expected to be significant. The Group is in the process of assessing the impact of adoption of HKFRS 17.

There are no other HKFRSs or Amendments to HKFRSs that are not yet effective that would be expected to have a material impact on the group.

2.2 Summary of principal accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these consolidated financial statements is set out below.

(1) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2019. The financial statements of the subsidiaries for the purpose of preparing the consolidated financial statements are prepared for the same reporting period, using consistent accounting policies. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. However, when non-controlling interests arise through the non-controlling interest in consolidated structured entities, they are recognised as a liability reflecting the net assets of the consolidated entity. Losses within a subsidiary are attributed to the non-controlling interests even if this results in a deficit balance.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(1) Basis of consolidation (continued)

The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

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 described in the accounting policy for subsidiaries below. The changes in the Company's ownership interest in a subsidiary that do not result in the change of control are accounted for as equity transactions (i.e., transactions between owners acting in their capacity as owners), whereby the carrying amounts of the non-controlling interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognised directly in equity (as capital reserves). If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

(2) Foreign currency translation

These consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement or other comprehensive income.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(2) Foreign currency translation (continued)

The functional currencies of certain overseas operations are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these overseas operations are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences arising on the retranslation are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas operations are translated into RMB at the weighted average exchange rates for the period.

(3) Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

Structured entities include trust products, debt investment schemes, equity investment plans, asset backed plans and wealth management products, etc. Trust products, equity investment plans and asset backed plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Wealth management products are managed by affiliated or unaffiliated asset managers and invest in negotiation deposits and public investment funds. Debt investment schemes are managed by affiliated or unaffiliated asset managers and their major investment objectives are infrastructure and real estate funding projects. Trust products, debt investment schemes, equity investment plans, asset backed plans and wealth management products finance their operations by signing contracts and entitle the holders to a proportional stake in the respective trust products', debt investment schemes', equity investment plans', asset backed plans' and wealth management products' income. The Group holds contracts in each of its trust products, debt investment schemes, equity investment plans, asset backed plans and wealth management products.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(4) Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it reassesses all assets and liabilities acquired to determine their classification or designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. However, no reclassification of leases and insurance contracts is required for business combination unless the contractual terms are modified at the acquisition date.

If the business combination is achieved in stages, the acquirer’s previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any related amount that was previously recognised in other comprehensive income shall be reclassified to profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised as measurement period adjustments if new information is obtained about facts and circumstances that existed as of the acquisition date. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (groups of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (groups of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (groups of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

(6) 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 its parent.

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 (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (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);
  - (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);

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(7) Property and equipment and depreciation

Property and equipment, 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.39% to 4.04%
Motor vehicles	12.13% to 32.33%
Office furniture and equipment	10% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each year end.

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.

An item of property and equipment 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.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

(8) Investment properties

The Group’s investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(8) Investment properties (continued)

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment properties is 30 to 70 years.

The residual value, the useful life and the depreciation method are reviewed at least at each year end to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

(9) 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 as 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 amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each year end. Intangible assets are amortised over their estimated useful lives of three to ten years.

The period for which the franchise license can bring economic benefits to the Group is not certain, so it is recognised as intangible asset with indefinite useful lives. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(10) Leases

A contract is, or contains, a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration.

As the lessee, the Group shall recognise right-of-use assets and lease liabilities at the commencement date. The only exceptions are short-term leases and leases of low-value assets. Right-of-use assets are the assets that represent the Group’s rights to use an underlying asset for the lease term. The commencement date is the date on which a lessor makes an underlying asset available for use by the Group.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(10) Leases (continued)

The right-of-use assets of the Group are initially measured at cost. The cost of right-of-use asset shall comprise:

(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, 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.

The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group measures the lease liabilities at the present value of the lease payments that are not paid at the commencement date. Lease payments includes fixed payments and the payments for terminating the lease with an option to terminate the lease, etc. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group use the incremental borrowing rate. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability, and is recognised in profit or loss.

Payments related to short-term leases and low-value asset leases are recognised in profit or loss on a straight-line basis over each lease term. Short-term lease is the lease that, at the commencement date, has a lease term of 12 months or less. Lease of low-value asset is the lease for which the individual underlying asset is of low value when it is new.

As the lessor, the income from operating lease is recognised as rental income on a straight-line basis over each lease period.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(11) Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require receipt or delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. 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 also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise different kinds of account receivables, policy loans, term deposits, investments classified as loans and receivables, restricted statutory deposits and securities purchased under agreements to resell. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate 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 rate. Gains and losses are recognised in the income statement as “Investment income” when the loans and receivables are derecognised or impaired, as well as through the amortization process.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(11) Investments and other financial assets (continued)

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement as “Investment income” when the investments are derecognised or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. 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 investment revaluation reserves until the investments are derecognised or until the investments are determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment revaluation reserves. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Investment income”.

(12) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(13) 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors’ best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(13) Fair value measurement (continued)

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

(14) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, 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 (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(14) Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) 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. The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group usually considers a significant decline to be one in which the fair value is below the weighted average cost by more than 50% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;
- Adverse changes relative to the investee’s technology, market, customer base, macroeconomic indicators relative to the business, and significant legal or regulatory matters.

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. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(15) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(16) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(17) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(18) Impairment of non-financial assets other than deferred tax assets and goodwill

Where an indication of impairment exists, or when impairment testing for an asset is required at least at each year end (other than deferred tax assets, 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 to sell, 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.

An assessment is made at the end of each period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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/amortization), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(19) Reinsurance (continued)

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. Premiums and claims on assumed reinsurance are recognised as income 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. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(20) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(21) Insurance contracts

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. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

(b) If the insurance risk portion and other risk portion are not distinct, or if they are distinct but cannot be separately measurable, the Group would test the significance of insurance risk at the initial recognition of such contracts. The whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(22) Significant insurance risk test

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: whether the contract transfers insurance risk; whether the contract has commercial substance; whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognises them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance contracts are greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance contracts obviously transfer significant insurance risk, the Group directly recognises them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group’s product characters and actual claim payments.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves.

When measuring long-term life insurance contract reserves, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group mainly considers product characteristics, effective year and risk profile of contracts in this regard.

When measuring property and casualty and short-term life insurance contract liabilities, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group's property and casualty and short-term life insurance contracts are classified into certain measurement units by type of insurance.

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, that is, expected future net cash flow Including:

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits or claims under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and claims payments, etc.; (b) non-guaranteed benefits under the insurance contracts in respect of constructive obligations, including policyholder dividends, etc.; (c) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margin is considered and separately measured when determining insurance contract reserves as at the balance sheet date. Margins are released to profit or loss over the coverage period using systematic and reasonable approach. Initial recognition of an insurance contract issued should not result in the recognition of a Day-One gain. However, a Day-One loss should be recorded in profit or loss at inception when it occurs.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Margins for long-term life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortised over the life of the contract in a systematic manner For non-life insurance contracts, the Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortises the residual margin on the basis of the sums insured, sums at risk or other appropriate carriers during the whole insurance coverage period. Upon initial recognition, the residual margin is separately measured from expected future cash outflows and the risk adjustment, and will not be adjusted for future changes in assumptions.

The risk adjustment for property and casualty and short-term life insurance contract liabilities is determined by reference to the industry benchmark and the Group's experience.

When measuring insurance contract liabilities as at the balance sheet date, time value of money is considered. The related future cash flows should be discounted when the impact of time value of money is significant. The discount rate used in the measurement of time value of money should be determined with reference to information currently available as at the balance sheet date.

The Group uses information currently available as at the balance sheet date to derive the following assumptions used for measuring related reserves:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the underlying investment portfolios.
- The Group reasonably estimates the insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

When measuring related reserves, expected future net cash flows should cover the entire insurance period.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Unearned premium reserves for property and casualty and short-term life insurance contracts are also measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus relevant acquisition costs. After initial recognition, the reserve is released over the term of the contract using the 365ths method, risk distribution method, etc.

Claim reserves include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method, average claim per case method, etc., to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses chain ladder method, average claim per case method, loss ratio method, Bornhuetter-Ferguson method, etc., to measure IBNR claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor, and after considering the nature and distribution of insurance risk, claims developments, experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group measures claim expense reserves based on a reasonable estimate of necessary claim expenses in the future. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

When evaluating insurance contract liabilities, the Group performs liability adequacy tests based on information currently available as at the balance sheet date. Additional insurance contract liabilities should be made and recognised in the income statement if any deficiency exists.

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in profit or loss, but the residual margin is calibrated to offset the impacts of the relevant acquisition costs incurred.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(24) Discretionary participation features ("DPF") in long-term life insurance contracts and investment contract

DPF are contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, 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. A shadow adjustment is applied to recognise the unrealised gains or losses on available-for-sale financial assets that are attributable to policyholders in OCI. The surplus owed to policyholders is recognised as the long-term life insurance contract reserves and investment contract liabilities as long as it has not been declared and paid. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group.

(25) Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognised in the statement of income. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortised cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognised as transaction costs in the initial amount of the liabilities.

(26) Financial liabilities

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities at amortised cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate 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 as finance costs.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortization process.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(26) Financial liabilities (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 sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading 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 interest charged on these financial liabilities.

(27) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(28) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortised cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the balance sheet.

(29) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(29) Provisions (continued)

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognised for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

(30) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(30) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(31) Revenue recognition

(a) Gross premiums

Premium income and reinsurance premium income is recognised when all of the following criteria are met:

- The insurance contracts are issued;
- The 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.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(31) Revenue recognition (continued)

(a) Gross premiums (continued)

Premiums from direct 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 based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognised as revenue in the period in which they are collected unless they relate to services to be provided in future periods which would be deferred and recognised as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortised cost and are mainly recognised through an adjustment to the effective yield.

Income from investment contracts is included in other operating income.

(c) Investment income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Dividends are recognised when the shareholders' right to receive payment is established.

(32) Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organised by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. Certain employees also participate in enterprise annuity plans. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(32) Employee benefits (continued)

(a) Pension schemes (continued)

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

(b) Housing benefits

The employees of the Company and its subsidiaries which operate in the PRC are entitled to participate in various government-sponsored housing funds. The Company and these subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(d) Deferred bonus plans

The Group also operates deferred bonus plans for senior management and some of the key employees. The employee benefits under the deferred bonus plans are accrued during the periods when employees provide services and are paid gradually.

(33) Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

(34) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires directors to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Significant judgements

In the process of applying the Group's accounting policies, the directors have made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(1) Classification of financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the directors. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of HKAS 39 and their implications to the presentation in the financial statements.

(2) Unbundling and classification of hybrid contracts

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgement affects the unbundling of insurance contracts.

In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgement affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(3) Measurement unit for insurance contracts

The Group shall make judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement results of insurance contract liabilities.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.1 Significant judgements (continued)

(4) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement of directors. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

(5) Determination of control over structured entities

When determining whether the Group controls the structured entities in which it acts as an asset manager, the Group considers all relevant facts and circumstances in assessing whether it is acting as agent or principal to make decisions. If the Group is acting as principal, it controls the structured entities. In assessing whether the Group is acting as principal, the Group considers factors such as scope of the asset manager's decision-making authority in structured entities; substantial rights held by other parties; remuneration to which it is entitled; and exposure to variability of returns by helding interest in structured entities. Once the factors change because of the changes of relevant facts and circumstances, the Group will reassess.

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are detailed below.

(1) Valuation of insurance contract liabilities

As at the balance sheet date, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and certain risk margin is considered.

Unearned premium and long-term life insurance contract reserves

The main assumptions used in measuring unearned premium reserves and long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense assumptions and policy dividend assumptions, etc.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and long-term life insurance contract reserves (continued)

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2018 and 2019 were from 3.41% to 4.80% and from 3.43% to 4.80%, respectively.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. The ranges of discount rates used as at 31 December 2018 and 2019 were both 5.00%.

The discount rate assumption is affected by uncertain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors. The Group, determines discount rate assumption based on the information available as at the balance sheet date.

(b) Mortality and morbidity

Mortality assumption is determined based on the Group’s historical mortality experiences as well as current and expected future development trends, etc. The Group presents its mortality assumptions using appropriate percentages of China Life Insurance Mortality Table (2010-2013).

Morbidity assumption is determined based on the industry’s morbidity or the Group’s products pricing assumption, analysis of historical morbidity experience and expectations of current and future developments.

Mortality and morbidity assumptions are uncertain as they are affected by uncertain factors, such as national lifestyle changes in the future, future development of medical technologies, continuing advancements in social conditions and other factors. The risk margin is considered in the Group’s mortality and morbidity assumptions.

(c) Loss ratios

The Group determines a reasonable estimate as its loss ratio assumption based on analysis of its historical claim experience and future development trends.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and long-term life insurance contract reserves (continued)

(d) Surrender rates

Surrender rate assumptions are determined based on product types, the Group's historical experiences, and estimates on current and future expectations, and vary by interest rate, product type and sale channel.

The surrender rate assumption is affected by uncertain factors, such as future macro-economy and market competition. The Group determines surrender rate assumption based on the information available as at the balance sheet date and risk margin is considered.

(e) Expenses

The Group develops its expense assumption based on its expense analysis and future expectation, including assumptions of acquisition costs, maintenance expenses and claim expenses.

The Group's expense assumption is affected by uncertain factors, such as inflation, and market competition. The Group uses information currently available as at the balance sheet date to determine expense assumption and a risk adjustment is considered.

(f) Policy dividend

Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's dividend policy, reasonable expectations of policyholders, etc.

The Group's policy dividend assumption is affected by the above factors. The Group uses information available as at the balance sheet date to determine policy dividend assumption and risk margin is considered.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Claim reserves

The main assumption in measuring claim reserves is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period, but can also be further analysed by geographical area, as well as by significant business line and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss claim specialists estimated or separately projected in order to reflect their future development. In most cases, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, judicial decisions and legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures). And a reasonable estimate on the ultimate cost of claims will be made after considering all uncertainties involved.

(2) Fair values of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as reference to prices used in most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to other financial instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are the best estimations made based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.3 Change in accounting estimates

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the balance sheet date.

As at 31 December 2019, the Group used information currently available to determine the above assumptions (mainly due to change of the morbidity assumption of certain products) and the impact of change in assumptions was charged to profit or loss. Such changes in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2019 by approximately RMB8,077 million and an decrease in profit before tax for 2019 by approximately RMB8,077 million.

4. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life insurance segment (including China Pacific Life Insuracne Co.,Ltd. ("CPIC Life") and CPIC Allianz Health Insurance Co.,Ltd. ("CPIC Allianz Health")) offers a wide range of RMB life insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment mainly provides corporation management and assets management services.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's assets are located in the PRC.

In 2019, gross written premiums from transactions with the top five external customers amounted to 0.42% (2018: 0.92%) of the Group's total gross written premiums.

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2019

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Gross written premiums	213,663	134,402	397	(149)	134,650	-	(796)	347,517
Less: Premiums ceded to reinsurers	(5,653)	(17,463)	(173)	135	(17,501)	-	796	(22,358)
Net written premiums	208,010	116,939	224	(14)	117,149	-	-	325,159
Net change in unearned premium reserves	(743)	(11,192)	30	-	(11,162)	-	(8)	(11,913)
Net premiums earned	207,267	105,747	254	(14)	105,987	-	(8)	313,246
Investment income	57,909	5,062	36	-	5,098	19,212	(16,489)	65,730
Other operating income	2,447	395	3	-	398	4,778	(3,917)	3,706
Other income	60,356	5,457	39	-	5,496	23,990	(20,406)	69,436
Segment income	267,623	111,204	293	(14)	111,483	23,990	(20,414)	382,682
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(58,437)	-	-	-	-	-	-	(58,437)
Claims incurred	(9,379)	(63,866)	(153)	-	(64,019)	-	235	(73,163)
Changes in long-term life insurance contract liabilities	(118,266)	-	-	-	-	-	(207)	(118,473)
Policyholder dividends	(10,777)	-	-	-	-	-	-	(10,777)
Finance costs	(2,570)	(729)	-	-	(729)	(81)	(131)	(3,511)
Interest credited to investment contracts	(3,005)	-	-	-	-	-	-	(3,005)
Other operating and administrative expenses	(45,826)	(40,413)	(99)	-	(40,512)	(5,367)	3,861	(87,844)
Segment benefits, claims and expenses	(248,260)	(105,008)	(252)	-	(105,260)	(5,448)	3,758	(355,210)
Segment results	19,363	6,196	41	(14)	6,223	18,542	(16,656)	27,472
Share of profit in equity accounted investees	515	12	-	-	12	(25)	(8)	494
Profit before tax	19,878	6,208	41	(14)	6,235	18,517	(16,664)	27,966
Income tax	1,254	(223)	(6)	-	(229)	(390)	(247)	388
Net profit for the year	21,132	5,985	35	(14)	6,006	18,127	(16,911)	28,354

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2019

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Investment in associates	9,489	577	-	-	577	497	-	10,563
Investment in joint ventures	9,841	39	-	-	39	13	(14)	9,879
Financial assets *	985,155	86,366	403	-	86,769	64,089	-	1,136,013
Term deposits	121,649	23,232	-	-	23,232	2,875	-	147,756
Others	146,727	58,543	822	(161)	59,204	35,332	(17,141)	224,122
Segment assets	1,272,861	168,757	1,225	(161)	169,821	102,806	(17,155)	1,528,333
Insurance contract liabilities	973,514	94,945	429	(90)	95,284	-	(777)	1,068,021
Investment contract liabilities	75,506	-	-	-	-	-	-	75,506
Policyholders' deposits	7	63	-	-	63	-	-	70
Bonds payable	-	9,988	-	-	9,988	-	-	9,988
Securities sold under agreements to repurchase	75,839	95	-	-	95	2,432	-	78,366
Others	81,139	22,938	239	(55)	23,122	14,539	(5,738)	113,062
Segment liabilities	1,206,005	128,029	668	(145)	128,552	16,971	(6,515)	1,345,013

* Financial assets comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.

Other segment information for the year ended 31 December 2019

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Depreciation and amortization	1,035	871	-	-	871	2,059	-	3,965
Capital expenditure	1,265	1,155	-	-	1,155	934	-	3,354
Impairment loss charges	1,632	758	-	-	758	64	-	2,454
Interest income	47,618	5,108	35	-	5,143	2,612	(31)	55,342
Unrealised gains from financial assets at fair value through profit or loss	823	2	-	-	2	(24)	-	801

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2018

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Gross written premiums	203,202	119,053	588	(423)	119,218	-	(525)	321,895
Less: Premiums ceded to reinsurers	(2,684)	(15,589)	(250)	435	(15,404)	-	525	(17,563)
Net written premiums	200,518	103,464	338	12	103,814	-	-	304,332
Net change in unearned premium reserves	(777)	(3,817)	(3)	-	(3,820)	-	(11)	(4,608)
Net premiums earned	199,741	99,647	335	12	99,994	-	(11)	299,724
Investment income	42,880	5,443	40	-	5,483	13,798	(12,162)	49,999
Other operating income	3,037	523	-	-	523	4,040	(4,220)	3,380
Other income	45,917	5,966	40	-	6,006	17,838	(16,382)	53,379
Segment income	245,658	105,613	375	12	106,000	17,838	(16,393)	353,103
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(46,214)	-	-	-	-	-	-	(46,214)
Claims incurred	(8,131)	(56,064)	(175)	-	(56,239)	-	44	(64,326)
Changes in long-term life insurance contract liabilities	(104,609)	-	-	-	-	-	(32)	(104,641)
Policyholder dividends	(11,263)	-	-	-	-	-	-	(11,263)
Finance costs	(2,080)	(789)	-	-	(789)	(98)	8	(2,959)
Interest credited to investment contracts	(2,531)	-	-	-	-	-	-	(2,531)
Other operating and administrative expenses	(50,850)	(42,137)	(142)	-	(42,279)	(4,501)	4,134	(93,496)
Segment benefits, claims and expenses	(225,678)	(98,990)	(317)	-	(99,307)	(4,599)	4,154	(325,430)
Segment results	19,980	6,623	58	12	6,693	13,239	(12,239)	27,673
Share of profit in equity accounted investees	337	(14)	-	-	(14)	(2)	14	335
Profit before tax	20,317	6,609	58	12	6,679	13,237	(12,225)	28,008
Income tax	(6,119)	(3,017)	(9)	-	(3,026)	(310)	(119)	(9,574)
Net profit for the year	14,198	3,592	49	12	3,653	12,927	(12,344)	18,434

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2018

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Investment in associates	6,892	590	-	-	590	109	-	7,591
Investment in joint ventures	9,839	30	-	-	30	12	-	9,881
Financial assets *	848,148	82,060	448	-	82,508	53,806	-	984,462
Term deposits	98,779	27,881	-	-	27,881	1,736	-	128,396
Others	125,009	52,928	946	(545)	53,329	31,747	(4,456)	205,629
Segment assets	1,088,667	163,489	1,394	(545)	164,338	87,410	(4,456)	1,335,959
Insurance contract liabilities	839,368	80,569	432	(217)	80,784	-	(481)	919,671
Investment contract liabilities	62,255	-	-	-	-	-	-	62,255
Policyholders' deposits	7	63	-	-	63	-	-	70
Bonds payable	-	13,985	-	-	13,985	-	-	13,985
Securities sold under agreements to repurchase	65,814	6,220	-	-	6,220	3,041	-	75,075
Others	79,179	26,395	463	(327)	26,531	10,173	(5,028)	110,855
Segment liabilities	1,046,623	127,232	895	(544)	127,583	13,214	(5,509)	1,181,911

* Financial assets comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.

Other segment information for the year ended 31 December 2018

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Depreciation and amortization	930	800	2	-	802	647	-	2,379
Capital expenditure	1,719	1,636	3	-	1,639	889	-	4,247
Impairment loss charges	737	241	-	-	241	124	-	1,102
Interest income	41,661	4,780	38	-	4,818	1,926	(162)	48,243
Unrealised gains from financial assets at fair value through profit or loss	(2,195)	-	-	-	-	27	-	(2,168)

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Limited company	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Limited company	Property and casualty insurance	Hong Kong	Hong Kong	HK$ 250,000 thousand	HK$ 250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Limited company	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Ningbo Fenghua Xikou Garden Hotel Co., Ltd. ("Xikou Garden Hotel")	Limited company	Hotel operations	Zhejiang	Zhejiang	27,277	27,277	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Limited company	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited company	Investment management	Hong Kong	Hong Kong	HK$ 50,000 thousand	HK$ 50,000 thousand	49.00	50.83	100.00	
City Island Developments Limited ("City Island")	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	-	98.29	100.00	

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
Great Winwick Limited*	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited*	Limited company	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Newscott Investments Limited*	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited*	Limited company	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd.*	Limited company	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd.*	Limited company	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited company	Pension business investment, etc.	Shanghai	Shanghai	3,000,000	3,000,000	-	98.29	100.00	
CPIC Allianz Health	Limited company	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	-	77.05	

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
Anxin Agricultural Insurance Co., Ltd. ("Anxin")	Limited company	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	-	51.35	52.13	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited company	Medical consulting services, etc.	Shanghai	Shanghai	500,000	500,000	-	98.29	100.00	(1)
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited company	Pension business investment, real estate	Chengdu	Chengdu	1,000,000	510,000	-	98.29	100.00	(2)
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited company	Pension business investment, real estate	Hangzhou	Hangzhou	1,200,000	350,000	-	98.29	100.00	(3)
Taiji (Shanghai) InformationTechnology Co., Ltd.(the "Taiji Information Technology")	Limited company	Technology development and consulting	Shanghai	Shanghai	15,000	4,600	-	100.00	100.00	(4)

* Subsidiaries of City Island

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows (continued):

(1) Pacific Medical & Healthcare

Pursuant to the resolution of the 4th meeting of the CPIC Life's 6th term of board of directors held in 2018. CPIC Life signed a capital injection contract with Pacific Medical & Healthcare, the Group's wholly-owned subsidiary, to inject capital to Pacific Medical & Healthcare by RMB400 million. The CBIRC issued the 'Approval of CPIC Life's equity investment in Pacific Medical & Healthcare' (Yin Bao Jian Fu [2019] No.246) on 1 March 2019, Pacific Medical & Healthcare completed the modification of its business license on 7 May 2019.

(2) Chengdu Project Company

Chengdu Project Company, a wholly-owned subsidiary set up by CPIC Life, has obtained the business license of legal entity with the unified social credit code of 91510115MA6B4BEJ4P on 24 December 2018. The registered capital is RMB1,000 million, CPIC Life made the capital contribution of RMB400 million and RMB110 million in 2018 and 2019, respectively. CPIC Life has made the capital contribution of RMB510 million as at 31 December 2019.

(3) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary set up by CPIC Life, has obtained the business license of legal entity with the unified social credit code of 91330185MA2GMQ5J3E on 31 May 2019. The registered capital is RMB1,200 million and CPIC Life has made the capital contribution of RMB350 million as at 31 December 2019.

(4) Taiji Information Technology

On 14 March 2019, CPIC Online Services entered into a share transfer agreement with Zhonghe Xintai Investment (Fujian) Co., Ltd. to acquire 60% of the equity interests in Taiji Information Technology shares held by the latter with RMB1.14 million. After this transaction, CPIC Online Services has shareholdings of 100% in Taiji Information Technology, and the Group has shareholdings of 100% of Taiji Information Technology through CPIC Online Services indirectly. Taiji Information Technology has modified its business license as at 31 December 2019.

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(b) As at 31 December 2019, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in thousand)	Principal activities
CPIC Zengfu Annually Open Pure Type Launching Securities Investment Fund	100.00%	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds,enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper , super short-term commercial paper ,SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits(including agreement deposits, time deposits and other bank deposits), NCDs, money market instrument, treasury futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund	100.00%	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds,enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper , super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits(including agreement deposits, time deposits and other bank deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-China Nonferrous Metal Mining(Group) Co.,Ltd. (“CNMC”) Debt Investment Plan （Phase I)	53.91%	2,430,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.
Pacific Excellent Wealth Focus Dividend &Value Equity	98.08%	908,712	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hongkong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, time deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.).

Note: CPIC Asset Management, CPIC Funds and Changjiang Pension are the asset managers of the consolidated structured entities.

(All amounts expressed in RMB million unless otherwise specified)

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2019	2018
Long-term life insurance premiums	195,394	188,325
Short-term life insurance premiums	17,473	14,352
Property and casualty insurance premiums	134,650	119,218
	347,517	321,895

(b) Premiums ceded to reinsurers

	2019	2018
Long-term life insurance premiums ceded to reinsurers	(4,196)	(2,281)
Short-term life insurance premiums ceded to reinsurers	(1,456)	(404)
Property and casualty insurance premiums ceded to reinsurers	(16,706)	(14,878)
	(22,358)	(17,563)

(c) Net written premiums

	2019	2018
Net written premiums	325,159	304,332

7. INVESTMENT INCOME

	2019	2018
Interest and dividend income (a)	61,094	53,912
Realised gains/ (losses) (b)	6,174	(770)
Unrealised gains/ (losses) (c)	801	(2,168)
Charge of impairment losses on financial assets, net	(2,339)	(975)
	65,730	49,999

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2019	2018
Financial assets at fair value through profit or loss		
- Fixed maturity investments	86	97
- Investment funds	14	44
- Equity securities	21	124
- Other equity investments	30	56
	151	321
Held-to-maturity financial assets		
- Fixed maturity investments	13,893	14,113
Loans and receivables		
- Fixed maturity investments	28,551	22,768
Available-for-sale financial assets		
- Fixed maturity investments	12,812	11,265
- Investment funds	1,199	1,674
- Equity securities	2,267	1,374
- Other equity investments	2,221	2,397
	18,499	16,710
	61,094	53,912

(b) Realised gains/(losses)

	2019	2018
Financial assets at fair value through profit or loss		
- Fixed maturity investments	127	5
- Investment funds	164	(17)
- Equity securities	(20)	(532)
- Other equity investments	(125)	10
- Derivative instruments	(2)	-
	144	(534)
Available-for-sale financial assets		
- Fixed maturity investments	155	134
- Investment funds	759	(103)
- Equity securities	5,075	(316)
- Other equity investments	41	49
	6,030	(236)
	6,174	(770)

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(c) Unrealised gains/(losses)

	2019	**2018**
Financial assets at fair value through profit or loss		
- Fixed maturity investments	167	2
- Investment funds	273	(400)
- Equity securities	391	(1,790)
- Wealth management product and other equity investments	(29)	19
- Derivative instruments	(1)	1
	801	(2,168)

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	2019		
	Gross	Ceded	Net
Life insurance death and other benefits paid	60,430	(1,993)	58,437
Claims incurred			
- Short-term life insurance	9,569	(725)	8,844
- Property and casualty insurance	73,282	(8,963)	64,319
Changes in long-term life insurance contract liabilities	119,139	(666)	118,473
Policyholder dividends	10,777	-	10,777
	273,197	(12,347)	260,850

	2018		
	Gross	Ceded	Net
Life insurance death and other benefits paid	47,725	(1,511)	46,214
Claims incurred			
- Short-term life insurance	8,159	(358)	7,801
- Property and casualty insurance	63,421	(6,896)	56,525
Changes in long-term life insurance contract liabilities	105,630	(989)	104,641
Policyholder dividends	11,263	-	11,263
	236,198	(9,754)	226,444

(All amounts expressed in RMB million unless otherwise specified)

9. FINANCE COSTS

	2019	2018
Current liabilities		
- Interest expense on securities sold under agreements to repurchase	1,922	1,804
- Interest expense on policyholder dividends	657	596
- Lease liabilities	8	-
	2,587	2,400
Non-current liabilities		
- Interest expense on bonds payable	551	543
- Interest expense on asset-backed securities	238	13
- Lease liabilities	132	-
- Funds from banks and other financial institutions	2	2
- Long-term borrowings	1	1
	924	559
	3,511	2,959

10. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	2019	2018
Employee benefit expense (including directors’ and supervisors’ emoluments) (note 11)	24,084	21,733
Auditors’ remuneration	31	27
Short-term and low-value leases payments	269	-
Operating lease payments in respect of land and buildings	-	1,333
Depreciation of property and equipment (note 18)	1,708	1,481
Depreciation of investment properties (note 20)	334	328
Depreciation of right-of-use assets (note 19)	1,311	-
Amortization of other intangible assets (note 21)	597	541
Amortization of prepaid land lease payments	-	1
Amortization of other assets	15	28
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(15)	(18)
Charge of impairment loss on insurance receivables	115	127
Charge of impairment loss on financial assets (note 7)	2,339	975
Foreign exchange gain, net	(56)	(53)

(All amounts expressed in RMB million unless otherwise specified)

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	2019	2018
Salaries, allowances and other short-term benefits	19,695	17,760
Contributions to defined contribution plans (1)	4,219	3,872
Early retirement benefit obligation	170	101
	24,084	21,733

(1) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

(in RMB thousand)	**2019**	**2018**
Fees	1,379	1,400
Other remuneration		
- Salaries, allowances and other short-term benefits	6,036	5,167
- Contributions to defined contribution plans	786	525
- Deferred bonus (1)	780	1,040
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
	7,602	6,732
	8,981	8,132

(1) In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

Included in the fees is an amount of RMB1,379 thousand paid to independent non-executive directors for the year ended 31 December 2019 (2018: RMB1,400 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2019.

(in RMB thousand)	**2019**					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LIN Tingyi[1]	146	-	-	-	-	146
CHEN Jizhong[1]	-	-	-	-	-	-
JIANG Xuping[2]	100	-	-	-	-	100
LIN Zhiquan[3]	179					179
ZHOU Zhonghui[3]	179					179
BAI Wei[4]	175					175
GAO Shanwen	325	-	-	-	-	325
LI Jiashi	275	-	-	-	-	275
	1,379	-	-	-	-	1,379

[1] Independent non-executive director since July 2019.
[2] Independent non-executive director since August 2019.
[3] Resigned from independent non-executive director in July 2019.
[4] Resigned from independent non-executive director in August 2019.

(in RMB thousand)	**2018**					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LIN Zhiquan	300	-	-	-	-	300
ZHOU Zhonghui	300	-	-	-	-	300
BAI Wei	250	-	-	-	-	250
GAO Shanwen	300	-	-	-	-	300
LI Jiashi	250	-	-	-	-	250
	1,400	-	-	-	-	1,400

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

(in RMB thousand)	2019				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei[1]	-	1,483	217	-	1,700
HE Qing[2]	780	1,170	160	-	2,110
Non-executive directors:					
HUANG Dinan[3]	-	-	-	-	-
SUN Xiaoning	-	-	-	-	-
WU Junhao	-	-	-	-	-
WANG Tayu	-	275	-	-	275
KONG Xiangqing	-	275	-	-	275
LI Qiqiang[4]	-	100	-	-	100
CHEN Xuanmin	-	-	-	-	-
	780	3,303	377	-	4,460

[1] The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
[2] Resigned from executive director in September 2019.
[3] Non-executive director since June 2019.
[4] Non-executive director since August 2019.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

(in RMB thousand)	2018				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei	-	1,483	196	-	1,679
HE Qing	1,040	1,560	196	-	2,796
Non-executive directors:					
SUN Xiaoning	-	-	-	-	-
WU Junhao	-	-	-	-	-
WANG Tayu	-	250	-	-	250
KONG Xiangqing	-	250	-	-	250
ZHU Kebing	-	208	-	-	208
CHEN Xuanmin	-	63	-	-	63
WANG Jian	-	-	-	-	-
	1,040	3,814	392	-	5,246

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Ms. SUN Xiaoning, Mr. WU Junhao and Mr. CHEN Xuanmin, the non-executive director, waived remuneration during 2019 (2018：SUN Xiaoning, WU Junhao and WANG Jian), Mr.CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2019. Except for Mr. HUANG Dinan, Ms. SUN Xiaoning, Mr. WU Junhao, Mr. CHEN Xuanmin, the non-executive director, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2019.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

(in RMB thousand)	2019				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	-
LU Ning	-	-	-	-	-
JIN Zaiming	-	1,460	210	-	1,670
ZHANG Xinmei	-	62	-	-	62
JI Zhengrong[1]	-	1,001	167	-	1,168
YUAN Songwen[2]	-	210	32	-	242
	-	2,733	409	-	3,142

[1] Supervisor since April 2019. The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
[2] Resigned from supervisor in February 2019.

(in RMB thousand)	2018				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LIN Lichun	-	104	-	-	104
ZHOU Zhuping	-	104	-	-	104
ZHU Yonghong	-	-	-	-	-
LU Ning	-	-	-	-	-
JIN Zaiming	-	895	133	-	1,028
ZHANG Xinmei	-	250	-	-	250
	-	1,353	133	-	1,486

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB300,000 (before tax) per year. Ms. ZHANG Xinmei, the supervisor, had waived remuneration since April 2019. Except for MR. ZHU Yonghong, MR. LU Ning and Ms. ZHANG Xinmei, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2019 (2018: ZHU Yonghong and LU Ning).

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(d) Directors' retirement benefits

There was no retirement benefits paid to the directors during 2019 and 2018.

(e) Directors' termination benefits

There was no termination benefits paid to directors during 2019 and 2018.

(f) Consideration provided to third parties for making available directors' services

There was no payment to third parties for making available directors' services during 2019 and 2018.

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There was no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2019 and 2018.

(h) Directors' material interests in transactions, arrangements or contracts

There was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(All amounts expressed in RMB million unless otherwise specified)

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration was the highest for the year ended 31 December 2019 in the Group include XX (2018: no director) whose emoluments were reflected in the analysis presented in note 12.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	2019	2018
Nil to RMB1,000,000	-	-
RMB1,000,001 to RMB2,000,000	-	-
RMB2,000,001 to RMB3,000,000	-	-
RMB3,000,001 to RMB4,000,000	-	-
RMB4,000,001 to RMB5,000,000	1	2
RMB5,000,001 to RMB6,000,000	2	1
RMB6,000,001 to RMB7,000,000	1	2
RMB7,000,001 to RMB8,000,000	1	-
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	**2019**	**2018**
Salaries, allowances and other short-term benefits	27,700	25,538
Contributions to defined contribution plans	1,105	1,365
	28,805	26,903
The number of non-director individuals for the above remuneration	5	5

(All amounts expressed in RMB million unless otherwise specified)

14. INCOME TAX

(a) Income tax

	2019	2018
Current income tax	(267)	10,512
Deferred income tax (note 33)	(121)	(938)
	(388)	9,574

(b) Tax recorded in other comprehensive income

	2019	2018
Deferred income tax (note 33)	3,383	429

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising in the PRC. Taxes on profits assessable elsewhere have been 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.

A reconciliation of the tax expense applicable to profit before tax using the PRC statutory income tax rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	2019	2018
Profit before tax	27,966	28,008
Tax computed at the statutory tax rate	6,992	7,002
Adjustments to income tax in respect of previous periods	(4,900)	28
Income not subject to tax	(3,038)	(2,786)
Expenses not deductible for tax	447	5,178
Others	111	152
Tax expense at the Group's effective rate	(388)	9,574

Pursuant to the Announcement on the Pre-tax Deduction Policy for the Commission and Brokerage Expenses of Insurance Enterprises issued by the Ministry of Finance and the State Administration of Taxation in May 2019 (Notice of the Ministry of Finance and the State Administration of Taxation No.72, 2019), the deductible commissions rate is increased to 18%, with allowing any excess amount to be carried forward to future years. The commission rate is calculated as insurance business related commission and brokerage expenses over the current year total premium income less surrenders. This announcement is first effective for the 2018 annual income tax filing for insurance companies.

(All amounts expressed in RMB million unless otherwise specified)

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	2019	2018
Consolidated net profit for the year attributable to equity holders of the parent	27,741	18,019
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	RMB3.06	RMB1.99
Diluted earnings per share	RMB3.06	RMB1.99

The Company had no dilutive potential ordinary shares as at 31 December 2019 and 2018.

16. OTHER COMPREHENSIVE INCOME

	2019	2018
Exchange differences on translation of foreign operations	13	25
Available-for-sale financial assets		
Gains arising during the year	27,439	4,069
Reclassification adjustments for (losses)/gains included in profit or loss	(6,030)	236
Fair value change on available-for-sale financial assets attributable to policyholders	(9,788)	(3,594)
Impairment charges reclassified to the income statement	2,095	975
	13,716	1,686
Income taxes relating to available-for-sale financial assets	(3,383)	(429)
Other comprehensive income	10,346	1,282

17. GOODWILL

	As at 31 December 2019			
	Beginning of year	Additions	Disposals	End of year
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
	1,357	-	-	1,357
Less: Impairment provision	-	-	-	-
	1,357	-	-	1,357

	As at 31 December 2018			
	Beginning of year	Additions	Disposals	End of year
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	-	395	-	395
	962	395	-	1,357
Less: Impairment provision	-	-	-	-
	962	395	-	1,357

(All amounts expressed in RMB million unless otherwise specified)

17. GOODWILL(continued)

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 31 December, the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is greater than its carrying amount, no impairment loss is recognised.

18. PROPERTY AND EQUIPMENT

	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2018	14,011	4,176	1,103	5,374	2,625	27,289
Additions	237	1,450	100	864	360	3,011
Transfer	2,169	(2,241)	-	47	1	(24)
Transfer to investment properties, net (note 20)	(179)	-	-	-	-	(179)
Acquisition of subsidiaries	-	1	2	15	-	18
Disposals	(20)	-	(53)	(897)	-	(970)
At 31 December 2018	16,218	3,386	1,152	5,403	2,986	29,145
Additions	82	605	64	712	450	1,913
Transfer	1,921	(2,004)	-	-	49	(34)
Transfer to investment properties, net (note 20)	(35)	-	-	-	-	(35)
Disposals	(43)	-	(69)	(483)	-	(595)
At 31 December 2019	18,143	1,987	1,147	5,632	3,485	30,394
Accumulated depreciation and impairment						
At 1 January 2018	(3,155)	-	(708)	(3,639)	(1,837)	(9,339)
Depreciation charge	(478)	-	(113)	(598)	(292)	(1,481)
Transfer to investment properties, net (note 20)	36	-	-	-	-	36
Acquisition of subsidiaries	-	-	-	(7)	-	(7)
Disposals	3	-	51	893	-	947
At 31 December 2018	(3,594)	-	(770)	(3,351)	(2,129)	(9,844)
Depreciation charge	(549)	-	(104)	(699)	(356)	(1,708)
Transfer from investment properties, net (note 20)	(29)	-	-	-	-	(29)
Disposals	15	-	64	473	-	552
At 31 December 2019	(4,157)	-	(810)	(3,577)	(2,485)	(11,029)
Net book value						
At 31 December 2018	12,624	3,386	382	2,052	857	19,301
At 31 December 2019	13,986	1,987	337	2,055	1,000	19,365

(All amounts expressed in RMB million unless otherwise specified)

19. RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Prepaid land lease payment	Other equipment	Total
Cost:					
31 December 2018	-	-	-	-	-
Changes in accounting policies (refer to note 2.1)	3,769	1	355	3	4,128
1 January 2019	3,769	1	355	3	4,128
Additions	1,753	3	350	14	2,120
Disposals	(136)	-	-	-	(136)
31 December 2019	5,386	4	705	17	6,112
Accumulated depreciation:					
31 December 2018	-	-	-	-	-
Changes in accounting policies (refer to note 2.1)	-	-	(11)	-	(11)
1 January 2019	-	-	(11)	-	(11)
Depreciation charge	(1,293)	(1)	(14)	(3)	(1,311)
Disposals	20	-	-	-	20
31 December 2019	(1,273)	(1)	(25)	(3)	(1,302)
Carrying amount:					
31 December 2018	-	-	-	-	-
31 December 2019	4,113	3	680	14	4,810

There was no such case as the recoverable amount was lower than the carrying amount of the right-of-use assets at the end of the year, thus no provision for impairment of right-of-use assets was required.

(All amounts expressed in RMB million unless otherwise specified)

20. INVESTMENT PROPERTIES

Cost	
At 1 January 2018	10,413
Transfer from property and equipment, net	179
At 31 December 2018	10,592
Additions	11
Transfer from property and equipment, net	35
At 31 December 2019	10,638
Accumulated depreciation	
At 1 January 2018	(1,686)
Depreciation charge	(328)
Transfer from property and equipment, net	(36)
At 31 December 2018	(2,050)
Depreciation charge	(334)
Transfer to property and equipment, net	29
At 31 December 2019	(2,355)
Carrying amount	
At 31 December 2018	8,542
At 31 December 2019	8,283

The fair values of investment properties of the Group as at 31 December 2019 amounted to RMB11,887 million (31 December 2018: RMB12,017 million), respectively, which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Allianz Health charges rentals based on the areas occupied by the respective entities. These properties are categorised as property and equipment of the Group in the consolidated balance sheet.

(All amounts expressed in RMB million unless otherwise specified)

21. OTHER INTANGIBLE ASSETS

	Software	Franchise License	Total
Cost			
At 1 January 2018	4,273	-	4,273
Additions	918	-	918
Transfer	24	-	24
Acquisition of a subsidiary	35	646	681
Disposals	(23)	-	(23)
At 31 December 2018	5,227	646	5,873
Additions	994	-	994
Transfer	34	-	34
Disposals	(1)	-	(1)
At 31 December 2019	6,254	646	6,900
Accumulated amortization			
At 1 January 2018	(2,783)	-	(2,783)
Amortization	(541)	-	(541)
Acquisition of subsidiaries	(21)	-	(21)
Disposals	14	-	14
At 31 December 2018	(3,331)	-	(3,331)
Amortization	(597)	-	(597)
At 31 December 2019	(3,928)	-	(3,928)
Carrying amount			
At 31 December 2018	1,896	646	2,542
At 31 December 2019	2,326	646	2,972

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES

			31 December 2019					
	Historical Cost	At 1 January 2019	Additions	Share of profit	Other equity movement	Dividend declared	Transfer out due to business combination	At 31 December 2019
Taiji (Shanghai) InformationTechnology Co., Ltd. (the "Taiji")	2	1	-	1	-	-	(2)	-
Shanghai Juche Information Technology Co., Ltd. (the "Juche")	3	8	-	1	-	-	-	9
Zhongdao Automobile Rescue Industry Co., Ltd. (the "Zhongdao")	17	21	-	2	11	-	-	34
Shanghai Proton and Heavy Ion Hospital (the "Zhizhong")	100	63	-	3	-	-	-	66
Shanghai Dedao Co., Ltd. (the "Dedao")	5	1	-	-	-	-	-	1
Shanghai Xingongying Information Technology Co., Ltd. (the "Xingongying")	81	63	-	(9)	4	-	-	58
Shanghai Heji Business Management LP. (the"Heji")	500	496	-	8	-	(27)	-	477
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Scheme (the "CHEMCHINA Debt Investment Scheme")	2,160	2,164	-	116	-	(116)	-	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Scheme (the "Sichuan Railway Investment Scheme")	250	250	-	14	-	(14)	-	250
Ningbo Zhilin Investment Management LLP. (the "Ningbo Zhilin")	2,416	2,475	-	159	-	(120)	-	2,514
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Scheme (the "Yunnan Energy Investment Scheme")	3,610	2,049	1,565	213	-	(210)	-	3,617
Beijing More Health Technology Group Co., Ltd.(the "Beijing Miaoyijia")	413	-	413	(26)	-	-	-	387
Jiaxing Yishang Equity Investment LLP. (the "Jiaxing Yishang")	474	-	474	12	-	-	-	486
Lianren Digital Health Technology Co., Ltd. (the "Lianren Digital Health")	500	-	500	-	-	-	-	500
Total	10,531	7,591	2,952	494	15	(487)	(2)	10,563

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

On 25 September 2015, CPIC Property and CPIC Online Services entered into a share transfer agreement with Shanghai Bochen Business Information Consulting Firm, Shanghai Shiji Investment Management LLP, and Jun Fan, among other natural person shareholders, to acquire a combined total of 33.6% of the equity interests in Zhongdao held by the latter. After this transfer, CPIC Property and CPIC Online Services had shareholdings of 25.6% and 8% in Zhongdao respectively. In 2019, Shanghai Sudao Management Consulting Center LLP., Hangzhou Yuanningruixin Investment Management LLP and Ningbo Meishan Bonded Area Youning Investment LLP became shareholders of Zhongdao, and the total registered capital increased to RMB63 million. CPIC Property's shareholding in Zhongdao became 20.32%, and CPIC Online Services' shareholding in Zhongdao became 6.35% respectively.

On 18 September 2015, CPIC Property and Xingongying entered into a business partnership agreement for RMB40 million, and at the same time, entered into a share transfer agreement with Xingongying and its individual shareholder Wenjian Zhang to acquire 6.63% of the equity interests of Xingongying. On 31 December 2016, CPIC Online Services entered into a capital increase agreement with Xingongying and two other companies to make an additional contribution of RMB0.73 million. After this capital injection, CPIC Online Services held 1.62% of the equity interests in Xingongying. On 10 January 2017, CPIC Property entered into a capital increase agreement with Xingongying, seven other companies and six natural person shareholders to make an additional contribution of RMB40 million. In 2019, the shareholders of Xingongying changed, and the total registered capital increased to RMB3.106 million. CPIC Property's shareholding in Xingongying became 6.29%, and CPIC Online Services' shareholding in Xingongying became 0.67% respectively.

On 10 September 2015, CPIC Property, CPIC Online Services, Shanghai Huizhong Investment Management LLP, Shanghai Taihui Investment Management LLP, and Suzhou Industrial Area 825 New Media Investment Management LLP jointly set up Juche, which had an approved operating period of 20 years and a registered capital of RMB5 million, including a first capital contribution of RMB1.6 million from CPIC Property for a shareholding of 32% and a first capital contribution of RMB0.8 million from CPIC Online Services for a shareholding of 16%. In 2016, additional capital contributions from new shareholders, namely Ningbo Chunfeng Investment Co., Ltd., and Shanghai Huitian Car Services Limited, increased the registered capital of Juche to RMB5.88 million, while the shareholdings of CPIC Property and CPIC Online Services decreased to 27.2% and 13.6% respectively. In 2019, CPIC Property, CPIC Online Services entered into a share transfer contract with Shanghai Jingyang Business Informaiton Consulting Co., Ltd., CPIC Property transfered 2% and CPIC Online Services transfered 1% of the shares of Juche, with a total consideration of RMB3 million. After this transaction, CPIC Property held 25.2% shares of Juche, and CPIC Online Services held 12.6% shares of Juche, respectively.

CPIC Life, Shanghai Yizong Equity Investment Fund Management Co., Ltd., Shanxi Guantian Capital Management Limited and Shanghai Dongjin Industrial Co., Ltd. set up Jiaxing Yishang with operating period of 50 years and registered capital of RMB1,002 million. Among all, CPIC Life stands for 94.81% shares, its subscribed capital contribution reaches RMB950 million and it injected capital of RMB474.05 million in 2019.

Pacific Medical & Healthcare and CPIC Senior Living Investment, the Subsidiary of CPIC Life, signed a Series C capital injection contract with Shanghai Changxi Information Technology Consulting Co., Ltd. and some other investment companies. After this capital injection, Pacific Medical & Healthcare held 15.00% shares of Beijing Miaoyijia and CPIC Senior Living Investment held 5.00% shares of Beijing Miaoyijia. Pacific Medical & Healthcare's capital contribution reached RMB309.38 million and CPIC Senior Living Investment's capital contribution reached RMB103.13 million respectively in 2019.

On 7 November 2019, CPIC Life, together with seven other companies including China Mobile Capital Holding Co., Ltd. and Jinan International Medical Center Industry Development Co., Ltd. set up Lianren Digital Health. CPIC Life holds 25% of Lianren Digital Health's share with the subscribed capital of RMB500 million. CPIC Life paid up the subscribed capital in 2019.

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 31 December 2019

Name	Place of incorporation	Percentage of ownership interest: Direct	Percentage of ownership interest: Indirect	Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
Juche	Shanghai	-	37.42%	37.80%	5,882	5,882	Internet
Zhongdao	Shanghai	-	26.37%	26.67%	63,000	58,000	Automobile rescue services
Zhizhong	Shanghai	-	15.41%	20.00%	500,000	500,000	Oncology department and medical laboratory
Dedao	Shanghai	-	25.00%	25.00%	20,000	20,000	Information technology and automotive software
Xingongying[1]	Shanghai	-	6.87%	6.96%	3,106	3,106	Information technology development and consulting, etc.
Beijing Miaoyijia	Beijing	-	19.66%	20.00%	75,009	67,372	Information transmission, software and information technology services
Lianren Digital Health	Shanghai	-	24.57%	25.00%	2,000,000	2,000,000	Information technology services
Heji[2]	Shanghai	-	98.11%	N/A	N/A	502,000	Business management, industrial investment, investment management, assets management, consulting, etc.
CHEMCHINA Debt Investment Scheme[3]	N/A	-	70.55%	N/A	N/A	3,000,000	Debt investment scheme
Sichuan Railway Investment Scheme[4]	N/A	-	38.17%	N/A	N/A	600,000	Debt investment scheme
Ningbo Zhilin[5]	Ningbo	-	88.46%	N/A	N/A	2,684,798	Investment management, assets management
Yunnan Energy Investment Scheme[6]	N/A	-	92.94%	N/A	N/A	3,800,000	Debt investment scheme
Jiaxing Yishang [7]	Jiaxing	-	93.19%	N/A	N/A	500,000	Equity investment

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

Note:

(1) According to the articles of association of Xingongying, CPIC Property, has significant impact on Xingongying by accrediting a director to the company. Therefore, Xingongying is accounted under equity method.

(2) CPIC Property, holds over 50% shares of Heji. Since CPIC Group cannot direct the relevant activities of Heji according to the partnership agreement of Heji, Heji is accounted under equity method.

(3) CPIC Life and Changjiang Pension hold over 50% shares of CHEMCHINA Debt investment plan. Since CPIC Group cannot direct the relevant activities of CHEMCHINA Debt investment plan according to the Agreement of Investment Scheme, CHEMCHINA Debt investment plan is accounted under equity method.

(4) CPIC Life and Changjiang Pension hold shares of Sichuan Railway Investment Scheme. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Scheme. Since CPIC Group has significant impact on Sichuan Railway Investment Scheme, Sichuan Railway Investment Scheme is accounted under equity method.

(5) CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot direct the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.

(6) CPIC Life and Changjiang Pension hold over 50% shares of Yunnan Energy Investment Scheme. Since CPIC Group cannot direct the relevant activities of Yunnan Energy Investment Scheme according to the Agreement of Investment Scheme, Yunnan Energy Investment Scheme is accounted under equity method.

(7) CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot direct the relevant activities of Jiaxing Yishang according to the articles of association and the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method.

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

Summarised financial information for principal associates

	31 December 2019/2019			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit in current year
Ningbo Zhilin	2,920	17	211	197
CHEMCHINA Debt Investment Scheme	3,007	2	177	161
Yunnan Energy Investment Scheme	3,809	2	231	225

Summarised financial information for other associates

	2019	2018
Net loss for the year	(209)	(127)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(209)	(127)
Total comprehensive income attributable to the Group	6	3
Carrying amount of the Group's interest	2,268	903

(All amounts expressed in RMB million unless otherwise specified)

23. INVESTMENT IN JOINT VENTURES

	31 December 2019	**31 December 2018**
Share of net assets		
Shanghai Ruiyongjing Real Estate Development Co., Ltd. (the "Ruiyongjing Real Estate")	9,834	9,831
Others	45	50
	9,879	9,881

Particulars of the joint venture as at 31 December 2019 are as follow:

Name	Place of incorporation	Percentage of ownership interest Direct	Indirect	Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui")	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi (Shanghai) Information Technology Co., Ltd.	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Hangzhou Dayu Internet Technology Co., Ltd.	Hangzhou	-	20.25%	20.25%	13,333	13,333	Technical development, technical service and technical consulting.
Aizhu (Shanghai) Information Technology Co., Ltd.	Shanghai	-	35.00%	35.00%	10,000	6,950	Internet technology, etc.
Pacific Euler Hermes Insurance Sales Co., Ltd.	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales
Shanghai Dabaoguisheng Information Technology Co., Ltd. (the "Dabaogui-sheng")	Shanghai	-	33.42%	34.00%	100,000	22,200	Third party operation services of insurance industry
Ruiyongjing Real-estate (1)	Shanghai	-	68.80%	57.14%	14,050,000	14,050,000	Real estate
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. (the "Pacific Orpea") (2)	Shanghai	-	55.04%	60.00%	10,000	10,000	Senior living management, consulting, etc.

(All amounts expressed in RMB million unless otherwise specified)

23. INVESTMENT IN JOINT VENTURES (continued)

Note:

(1) CPIC Life holds over 50% of the ownership interest of Ruiyongjing Real estate. Since CPIC Group cannot direct the relevant activities of Ruiyongjing Real estate according to the Articles of Association of Ruiyongjing Real estate, Ruiyongjing Real estate is accounted under equity method.

(2) CPIC Senior Living Investment holds over 50% of the ownership interest of Pacific Orpea. Since CPIC Group cannot direct the relevant activities of Pacific Orpea according to the Articles of Association of Pacific Orpea, Pacific Orpea is accounted under equity method.

The main financial information of the Group's joint venture:

	2019 (RMB thousand)	**2018 (RMB thousand)**
The joint venture's net (losses)/income:	(12,523)	3,570

As at 31 December 2019, the Group's investment in joint ventures had no impairment.

Commitments related to investment in joint ventures are mentioned in note 51.

24. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are stated at amortised cost and comprise the following:

	31 December 2019	**31 December 2018**
Listed		
Debt investments		
- Government bonds	749	701
- Finance bonds	5,725	5,731
- Corporate bonds	9,308	10,695
Sub-total	15,782	17,127
Unlisted		
Debt investments		
- Government bonds	108,981	76,578
- Finance bonds	94,551	104,694
- Corporate bonds	75,980	86,345
Sub-total	279,512	267,617
Less: Impairment provisions	(47)	-
Total	295,247	284,744

(All amounts expressed in RMB million unless otherwise specified)

25. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2019	31 December 2018
Debt investments		
- Finance bonds	2,000	2,600
- Debt investment scheme	151,446	134,041
- Wealth management products	138,528	103,374
- Preferred Shares	32,000	32,000
- Loans	236	-
Sub-total	324,210	272,015
Less: Impairment provisions	(197)	-
Total	324,013	272,015

As at 31 December 2019, CPIC Asset Management, a subsidiary of the Company, had 81 existing debt investment plans issued by it with a total value of RMB117.469 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB54.941 billion were recognised on the Group's consolidated financial statement (As at 31 December 2018, CPIC Asset Management, a subsidiary of the Company, had 70 existing debt investment plans issued by it with a total value of RMB111.412 billion, and the existing amounts of investments classified as loans and receivables with a book value of approximately RMB47.993 billion were recognised on the Group's consolidated financial statement). As at 31 December 2019, Changjiang Pension, a subsidiary of the Company, had 57 existing debt investment plans issued by it with a total value of RMB101.912 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB34.816 billion were recognised on the Group's consolidated financial statement (As at 31 December 2018, Changjiang Pension, a subsidiary of the Company, had 47 existing debt investment plans issued by it with a total value of RMB87.740 billion, and the existing amounts of investments classified as loans and receivables with a book value of approximately RMB30.165 billion were recognised on the Group's consolidated financial statement). Meanwhile, the Group also had investments in debt investment plans classified as loans and receivables launched by other insurance asset management companies with a book value of approximately RMB61.689 billion (As of 31 December 2018: approximately RMB55.883 billion). The amount of debt investment plans guaranteed by a third party or by pledge for that invested by the Group is about RMB108.991 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure to loss in the debt investment schemes is limited to its carrying amounts.

26. RESTRICTED STATUTORY DEPOSITS

	31 December 2019	31 December 2018
At the beginning of the year	6,738	6,566
Movement	(80)	172
At the end of the year	6,658	6,738

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, Changjiang Pension, CPIC Allianz Health and Anxin should place 20% of its issued capital as restricted statutory deposits, respectively.

(All amounts expressed in RMB million unless otherwise specified)

26. RESTRICTED STATUTORY DEPOSITS (continued)

	As at 31 December 2019		
	Amount	Storage	Period
CPIC Property			
China Minsheng Bank	1,162	Term deposit	5 years
China Zheshang Bank	1,100	Term deposit	5 years
Industrial Bank	440	Term deposit	5 years and 1 month
Bank of Communications	368	Term deposit	5 years
China Minsheng Bank	274	Term deposit	5 years and 1 month
Bank of Communications	250	Term deposit	5 years and 1 month
Bank of Shanghai	200	Term deposit	5 years
China CITIC Bank	100	Term deposit	5 years
Subtotal	3,894		
CPIC Life			
China Guangfa Bank	500	Term deposit	5 years
Agricultural Bank of China	320	Term deposit	3 years
Bank of Nanjing	260	Term deposit	5 years and 1 month
China Minsheng Bank	240	Term deposit	5 years and 1 month
Bank of Communications	200	Term deposit	3 years
China Construction Bank	164	Term deposit	5 years
Subtotal	1,684		
Changjiang Pension			
Bank of Hangzhou	300	Term deposit	5 years and 1 month
Bank of Communications	200	Term deposit	5 years and 1 month
China CITIC Bank	100	Term deposit	5 years and 1 month
Subtotal	600		
CPIC Allianz Health			
China Zheshang Bank	200	Term deposit	5 years
Bank of Communications	140	Term deposit	5 years
Subtotal	340		
Anxin			
China CITIC Bank	60	Term deposit	3 years
Agricultural Bank of China	60	Term deposit	3 years
Shanghai Pudong Development Bank	10	Term deposit	3 years
Bank of Communications	10	Term deposit	3 years
Subtotal	140		
Total	6,658		

(All amounts expressed in RMB million unless otherwise specified)

26. RESTRICTED STATUTORY DEPOSITS (continued)

	As at 31 December 2018		
	Amount	Storage	Period
CPIC Property			
China Minsheng Bank	568	Term deposit	5 years
Bank of Communications	500	Term deposit	3 years
China Zheshang Bank	500	Term deposit	5 years
Industrial Bank	440	Term deposit	5 years and 1 month
China Merchants Bank	368	Term deposit	3 years
Bank of China	294	Term deposit	5 years
China Minsheng Bank	274	Term deposit	5 years and 1 month
Bank of Communications	250	Term deposit	5 years and 1 month
HengFeng Bank	200	Term deposit	5 years
Bank of Shanghai	200	Term deposit	3 years
Shanghai Pudong Development Bank	200	Term deposit	3 years
China Minsheng Bank	100	Term deposit	3 years
Subtotal	3,894		
CPIC Life			
Bank of Communications	500	Term deposit	3 years
Agricultural Bank of China	320	Term deposit	3 years
Bank of Nanjing	260	Term deposit	5 years and 1 month
China Minsheng Bank	240	Term deposit	5 years and 1 month
China Construction Bank	200	Term deposit	3 years
China Construction Bank	164	Term deposit	5 years
Subtotal	1,684		
Changjiang Pension			
Bank of Hangzhou	300	Term deposit	5 years and 1 month
Bank of Communications	200	Term deposit	5 years and 1 month
China CITIC Bank	100	Term deposit	5 years and 1 month
Bank of China	80	Term deposit	5 years and 1 month
Subtotal	680		
CPIC Allianz Health			
Bank of Communications	170	Term deposit	5 years and 1day
Bank of Communications	140	Term deposit	5 years
China Construction Bank	30	Term deposit	5 years
Subtotal	340		
Anxin			
China CITIC Bank	60	Term deposit	3 years
Bank of Shanghai	40	Term deposit	3 years
Agricultural Bank of China	30	Term deposit	3 years
Bank of Communications	10	Term deposit	3 years
Subtotal	140		
Total	6,738		

(All amounts expressed in RMB million unless otherwise specified)

27. TERM DEPOSITS

Maturity Period	31 December 2019	31 December 2018
Within 3 months (including 3 months)	21,997	14,134
3 months to 1 year (including 1 year)	2,939	12,993
1 to 2 years (including 2 years)	15,800	23,589
2 to 3 years (including 3 years)	16,470	16,200
3 to 4 years (including 4 years)	41,080	16,400
4 to 5 years (including 5 years)	48,770	41,080
Over 5 years	700	4,000
	147,756	128,396

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	31 December 2019	31 December 2018
Listed		
Equity investments		
- Equity securities	90,373	48,913
- Investment funds	8,056	4,195
Debt investments		
- Government bonds	7,476	7,441
- Finance bonds	5,389	6,718
- Corporate bonds	64,302	54,728
	175,596	121,995
Unlisted		
Equity investments		
- Investment funds	40,369	33,873
- Wealth management products	452	3,281
- Other equity investments	51,554	37,330
- Preferred Shares	13,621	7,765
Debt investments		
- Government bonds	72,170	71,251
- Finance bonds	36,294	25,539
- Corporate bonds	118,781	114,530
- Wealth management products	2,985	304
	336,226	293,873
	511,822	415,868

(All amounts expressed in RMB million unless otherwise specified)

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Listed		
Equity investments		
- Equity securities	237	2,087
- Investment funds	88	105
Debt investments		
- Government bonds	11	173
- Finance bonds	253	90
- Corporate bonds	2,558	1,734
	3,147	4,189
Unlisted		
Equity investments		
- Investment funds	232	1,913
- Wealth management products	277	3,903
- Other equity investments	595	581
Debt investments		
- Finance bonds	-	31
- Corporate bonds	666	1,211
- Wealth management products	11	5
- Debt Investment scheme	3	2
	1,784	7,646
	4,931	11,835

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 RMB886 million (December 31 2018, RMB4,491 million). The rest are trading assets, with no material limitation in realization.

30. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2019	31 December 2018
Securities - bonds		
Inter-bank market	25,028	11,910
Stock exchange	3,017	11,185
	28,045	23,095

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

(All amounts expressed in RMB million unless otherwise specified)

31. INTEREST RECEIVABLES

	31 December 2019	31 December 2018
Interest receivables from debt investments	13,398	13,504
Interest receivables from deposits	4,675	4,648
Interest receivables from loans	1,453	1,137
Interest receivables from securities purchased under agreements to resell	6	20
Sub-total	19,532	19,309
Less: Bad debt provision	(39)	(27)
	19,493	19,282

32. REINSURANCE ASSETS

	31 December 2019	31 December 2018
Reinsurers' share of insurance contracts (note 39)	25,560	23,467

33. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	31 December 2019	31 December 2018
Net deferred income tax assets, at beginning of year	1,211	822
Acquisition of subsidiary	-	(120)
Recognised in profit or loss (note 14(a))	121	938
Recognised in other comprehensive income (note 14(b))	(3,383)	(429)
Net deferred income tax assets, at end of year	(2,051)	1,211

	31 December 2019	31 December 2018
Insurance contract liabilities	1,267	995
Impairment of assets	787	448
Commissions and handling fees	473	641
Net fair value adjustment on available-for-sale financial assets and financial assets carried at fair value through profit or loss	(4,216)	(604)
Fair value adjustments arising from acquisition of a subsidiary	(921)	(949)
Others	559	680
Net deferred income tax (liabilities)/assets	(2,051)	1,211
Represented by:		
Deferred tax assets	860	2,379
Deferred tax liabilities	(2,911)	(1,168)

(All amounts expressed in RMB million unless otherwise specified)

34. INSURANCE RECEIVABLES

	31 December 2019	31 December 2018
Insurance receivables	23,946	19,551
Provision for impairment of insurance receivables	(690)	(539)
	23,256	19,012

An aged analysis of the insurance receivables is as follows:

	31 December 2019	31 December 2018
Within 3 months (including 3 months)	11,599	10,838
Over 3 months and within 1 year (including 1 year)	8,680	6,360
Over 1 year	2,977	1,814
	23,256	19,012

Insurance receivables include premium receivables from policyholders or agents and receivables from reinsurers.

The credit terms for premium receivables from life insurance policyholders are 60 days. CPIC Property normally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums by CPIC Property are collected in installments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group and reinsurers normally settle receivables and payables on a quarterly basis.

The Group's insurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

The following insurance receivables are individually determined to be impaired mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

	31 December 2019	31 December 2018
Insurance receivables that are individually determined to be impaired	64	77
Related provision for impairment	(54)	(68)
	10	9

(All amounts expressed in RMB million unless otherwise specified)

35. OTHER ASSETS

	31 December 2019	**31 December 2018**
Receivable for securities	3,963	6,149
Due from a related-party (1)	1,614	1,555
Due from agents	276	887
Co-insurance receivable	123	148
Tax receivable other than income tax	4	7
Others	5,417	6,307
	11,397	15,053

(1) As at 31 December 2019, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,614 million (31 December 2018, RMB1,555 million).

36. CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2019	**31 December 2018**
Cash at banks and on hand	13,530	13,978
Time deposits with original maturity of no more than three months	358	262
Other monetary assets	984	1,083
	14,872	15,323

The Group's bank balances denominated in RMB amounted to RMB13,416 million as at 31 December 2019 (31 December 2018: RMB13,465 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

As at 31 December 2019 RMB959 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2018: RMB1,058 million).

As at 31 December 2019, the Group's use of restricted monetary funds for special-purpose funds and other reasons was RMB371 million (31 December 2018: RMB297 million).

(All amounts expressed in RMB million unless otherwise specified)

37. ISSUED CAPITAL

	31 December 2019	31 December 2018
Number of shares issued and fully paid at RMB1 each (million)	9,062	9,062

38. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the said interest in the same subsidiary by the Company in April 2007.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the Articles of Association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods ("PRC GAAP"), to the SSR until the balance reaches 50% of the respective registered capital.

The Company does not set aside SSR in 2019. The balance of SSR reached 50% of the respective registered capital. Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

Of the Group's retained profits, RMB12,576 million as at 31 December 2019 (31 December 2018: RMB9,942 million) represents the Company's share of its subsidiaries' surplus reserve fund. RMB2,634 million represents the Company's surplus reserve fund appropriated by subsidiaries in 2019 (2018: RMB2,418 million).

(All amounts expressed in RMB million unless otherwise specified)

38. RESERVES AND RETAINED PROFITS (continued)

(b) Surplus reserves (continued)

(ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

According to the resolution of the 6th meeting of the 6th Board of Directors of CPIC Property on 22 April 2019, CPIC Property proposed to appropriate RMB2 billion of DSR from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 24 May 2019.

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses, etc. The Company's insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. The Company's subsidiaries operating in fund management should make appropriation for such reserve based on asset management product management fees. Such reserve is not available for profit distribution or transfer as capital injection.

Of the Group's reserves, RMB14,329 million as at 31 December 2019 (31 December 2018: RMB11,642 million) represents the Company's share of its subsidiaries' general reserves.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs, or PRC GAAP where the overseas listing place permits. Pursuant to the resolution of the 24th meeting of the Company's 8th term of board of directors held on 20 March 2020, a final dividend of approximately RMB10,874 million (equivalent to RMB1.2 per share (including tax)) was proposed after the appropriation of surplus reserves and is subject to the approval of the forthcoming annual general meeting.

(All amounts expressed in RMB million unless otherwise specified)

39. INSURANCE CONTRACT LIABILITIES

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
Long-term life insurance contracts	963,542	(12,334)	951,208
Short-term life insurance contracts			
- Unearned premiums	4,608	(317)	4,291
- Claim reserves	4,587	(687)	3,900
	9,195	(1,004)	8,191
Property and casualty insurance contracts			
- Unearned premiums	57,367	(6,068)	51,299
- Claim reserves	37,917	(6,154)	31,763
	95,284	(12,222)	83,062
	1,068,021	(25,560)	1,042,461
Incurred but not reported claim reserves	9,276	(1,469)	7,807

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
Long-term life insurance contracts	831,352	(11,668)	819,684
Short-term life insurance contracts			
- Unearned premiums	3,803	(172)	3,631
- Claim reserves	3,733	(307)	3,426
	7,536	(479)	7,057
Property and casualty insurance contracts			
- Unearned premiums	45,652	(5,609)	40,043
- Claim reserves	35,131	(5,711)	29,420
	80,783	(11,320)	69,463
	919,671	(23,467)	896,204
Incurred but not reported claim reserves	8,102	(1,041)	7,061

(All amounts expressed in RMB million unless otherwise specified)

39. INSURANCE CONTRACT LIABILITIES (continued)

(a) Long-term life insurance contract liabilities

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2018	718,563	(10,679)	707,884
Increase	160,514	(2,500)	158,014
Decrease			
- Claims paid	(35,084)	1,511	(33,573)
- Surrender	(12,641)	-	(12,641)
At 31 December 2018	831,352	(11,668)	819,684
Increase	192,620	(2,659)	189,961
Decrease			
- Claims paid	(49,326)	1,993	(47,333)
- Surrender	(11,104)	-	(11,104)
At 31 December 2019	963,542	(12,334)	951,208

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2018	3,053	(88)	2,965
Premiums written	14,352	(404)	13,948
Premiums earned	(13,602)	320	(13,282)
At 31 December 2018	3,803	(172)	3,631
Premiums written	17,473	(1,456)	16,017
Premiums earned	(16,668)	1,311	(15,357)
At 31 December 2019	4,608	(317)	4,291

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2018	2,862	(111)	2,751
Claims incurred	8,159	(359)	7,800
Claims paid	(7,288)	163	(7,125)
At 31 December 2018	3,733	(307)	3,426
Claims incurred	9,569	(725)	8,844
Claims paid	(8,715)	345	(8,370)
At 31 December 2019	4,587	(687)	3,900

(All amounts expressed in RMB million unless otherwise specified)

39. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2018	41,194	(5,089)	36,105
Premiums written	119,218	(14,878)	104,340
Premiums earned	(114,760)	14,358	(100,402)
At 31 December 2018	45,652	(5,609)	40,043
Premiums written	134,650	(16,706)	117,944
Premiums earned	(122,935)	16,247	(106,688)
At 31 December 2019	57,367	(6,068)	51,299

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2018	36,567	(6,608)	29,959
Claims incurred	63,408	(6,863)	56,545
Claims paid	(64,844)	7,760	(57,084)
At 31 December 2018	35,131	(5,711)	29,420
Claims incurred	73,286	(8,963)	64,323
Claims paid	(70,500)	8,520	(61,980)
At 31 December 2019	37,917	(6,154)	31,763

40. INVESTMENT CONTRACT LIABILITIES

At 1 January 2018	56,268
Deposits received	11,819
Deposits withdrawn	(8,703)
Fees deducted	(148)
Interest credited	2,531
Others	488
At 31 December 2018	62,255
Deposits received	17,028
Deposits withdrawn	(8,058)
Fees deducted	(224)
Interest credited	3,005
Others	1,500
At 31 December 2019	75,506

(All amounts expressed in RMB million unless otherwise specified)

41. BONDS PAYABLE

On 7 March 2014, CPIC Property issued a 10-year subordinated debt with a total face value of RMB4 billion. CPIC Property has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.9% per annum, payable annually in arrears. If CPIC property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.9% and would remain unchanged for the remaining term. CPIC Property exercised the early redemption option for the subordinated debt in 2019.

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC Property has the option to redeem the bond conditionally at the end of the fifth year. The initial coupon rate of the capital replenishment bond is 5.10% per annum, payable annually in arrears. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%.

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC Property has the option to redeem the bond conditionally at the end of the fifth year. The initial coupon rate of the capital replenishment bond is 4.99% per annum, payable annually in arrears. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

	31 December 2018	Issuance	Premium Amortization, etc.	Redemption	31 December 2019
CPIC Property	13,985	-	3	(4,000)	9,988

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2019	**31 December 2018**
Bonds		
Inter-bank market	64,588	65,384
Stock exchange	13,778	9,691
	78,366	75,075

As at 31 December 2019, bond investments of approximately RMB83,246 million (31 December 2018: RMB76,180 million) were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

(All amounts expressed in RMB million unless otherwise specified)

43. OTHER LIABILITIES

	31 December 2019	31 December 2018
Annuity and other insurance payables	23,260	22,108
Salary and staff welfare payable	5,573	4,972
Payables for asset-backed securities	4,540	2,750
Commission and brokerage payable	4,364	4,520
Payables for securities purchased but not settled	3,488	5,721
Payables to non-controlling interests of consolidated structured entities	2,250	1,614
Accrued expenses	1,720	1,788
Tax payable other than income tax	1,617	1,915
Insurance guarantee fund	701	441
Co-insurance payable	393	365
Payables for construction and purchase of office buildings	260	356
Others	6,778	6,688
	54,944	53,238

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES

(a) Long-term life insurance contracts

Key assumptions

Judgements are required in the process of determining the liabilities and making the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Life insurance contract estimates are based on current assumptions or those made when signing contracts. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions.

(All amounts expressed in RMB million unless otherwise specified)

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities

The analysis below is performed to show the reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross long-term life insurance contract liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities; however, for the purpose of demonstrating the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	As at 31 December 2019			
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact on equity	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(21,281)	21,281	-2.24%
	-25 basis points	23,011	(23,011)	2.42%
Mortality rates	+10%	1,905	(1,905)	0.20%
	-10%	(1,889)	1,889	-0.20%
Morbidity rates	+10%	16,096	(16,096)	1.69%
	-10%	(16,543)	16,543	-1.74%
Surrender rates	+10%	(1,512)	1,512	-0.16%
	-10%	1,822	(1,822)	0.19%
Expenses	+10%	6,803	(6,803)	0.72%
	-10%	(6,803)	6,803	-0.72%
Policy dividend	+5%	16,858	(16,858)	1.77%

(All amounts expressed in RMB million unless otherwise specified)

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities (continued)

	As at 31 December 2018			
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact on equity	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(17,662)	17,662	-2.12%
	-25 basis points	19,057	(19,057)	2.29%
Mortality rates	+10%	2,133	(2,133)	0.26%
	-10%	(2,115)	2,115	-0.25%
Morbidity rates	+10%	11,790	(11,790)	1.42%
	-10%	(12,084)	12,084	-1.45%
Surrender rates	+10%	(1,145)	1,145	-0.14%
	-10%	1,423	(1,423)	0.17%
Expenses	+10%	6,211	(6,211)	0.75%
	-10%	(6,211)	6,211	-0.75%
Policy dividend	+5%	15,911	(15,911)	1.91%

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in an identical fashion.

(b) Property and casualty and short-term life insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claim development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident period. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

(All amounts expressed in RMB million unless otherwise specified)

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

To illustrate the sensitivities of ultimate claim costs, for example, a respective percentage change in average claim costs or the number of claims alone results in a similar percentage change in claim reserves. In other words, while other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short-term life insurance as at 31 December 2019 by RMB1,588 million and RMB195 million (31 December 2018: RMB1,471 million and RMB171 million), respectively.

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	58,926	57,960	59,974	64,450	71,637	
One year later	57,737	57,071	57,147	64,051		
Two years later	56,376	55,725	55,300			
Three years later	55,752	55,167				
Four years later	55,506					
Current estimate of cumulative claims	55,506	55,167	55,300	64,051	71,637	301,661
Cumulative payments to date	(54,835)	(53,799)	(52,356)	(56,884)	(47,661)	(265,535)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,791
Total gross claim reserves included in the consolidated balance sheet						37,917

(All amounts expressed in RMB million unless otherwise specified)

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	51,435	50,934	52,415	56,073	62,405	
One year later	50,423	50,251	50,539	55,809		
Two years later	49,470	49,406	48,720			
Three years later	49,077	48,841				
Four years later	48,860					
Current estimate of cumulative claims	48,860	48,841	48,720	55,809	62,405	264,635
Cumulative payments to date	(48,335)	(47,759)	(46,251)	(50,124)	(41,926)	(234,395)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,523
Total net claim reserves included in the consolidated balance sheet						31,763

Gross short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	2,072	2,496	3,301	4,112	4,628	
One year later	1,952	2,488	3,189	3,796		
Two years later	1,956	2,473	3,231			
Three years later	1,964	2,480				
Four years later	1,963					
Current estimate of cumulative claims	1,963	2,480	3,231	3,796	4,628	16,098
Cumulative payments to date	(1,963)	(2,473)	(3,204)	(3,600)	(2,924)	(14,164)
Risk adjustment and others						2,653
Total gross claim reserves included in the consolidated balance sheet						4,587

(All amounts expressed in RMB million unless otherwise specified)

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Net short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	2,050	2,438	3,068	3,355	3,058	
One year later	1,916	2,414	2,960	3,210		
Two years later	1,944	2,365	2,993			
Three years later	1,930	2,374				
Four years later	1,929					
Current estimate of cumulative claims	1,929	2,374	2,993	3,210	3,058	13,564
Cumulative payments to date	(1,928)	(2,368)	(2,933)	(2,995)	(2,074)	(12,298)
Risk adjustment and others						2,634
Total net claim reserves included in the consolidated balance sheet						3,900

45. RISK MANAGEMENT

(a) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk 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 cost of the events will differ from that expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across 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 selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

The businesses of the Group mainly comprise long-term life insurance contracts, short-term life insurance contracts and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

The Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claim provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by premium income in note 6.

(b) Financial risk

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 market prices. Market risk comprises three types of risk, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

- A Group-level market risk policy setting out the assessment and determination of what constitutes market risks for the Group. Compliance with the policy is monitored, and exposures and breaches are reported to the Group's risk management committee. The policy is reviewed by the management of the Group on a regular basis in light of the risk environment changes;
- Formulating asset allocation and investment portfolio limit set-up guidelines. This is to ensure that assets are sufficient for corresponding policyholder liabilities and that assets are held to deliver income and gains for policyholders which are in line with the expectations of the policyholders.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency insurance policies, bank deposits and securities denominated in United States dollar ("USD") or Hong Kong dollar ("HKD").

The following tables summarise the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorizing financial assets, financial liabilities, reinsurance assets and insurance contract liabilities by major currency.

	As at 31 December 2019			
	RMB	**USD (in RMB)**	**HKD (in RMB)**	**Total**
Held-to-maturity financial assets	294,997	250	-	295,247
Investments classified as loans and receivables	324,013	-	-	324,013
Term deposits	146,940	816	-	147,756
Available-for-sale financial assets	505,447	4,143	2,232	511,822
Financial assets at fair value through profit or loss	4,759	-	172	4,931
Reinsurance assets	25,336	-	224	25,560
Cash and short-term time deposits	13,416	879	577	14,872
Others	143,782	1,630	242	145,654
	1,458,690	7,718	3,447	1,469,855
Insurance contract liabilities	1,067,682	-	339	1,068,021
Investment contract liabilities	75,506	-	-	75,506
Policyholders' deposits	70	-	-	70
Bonds payable	9,988	-	-	9,988
Securities sold under agreements to repurchase	78,366	-	-	78,366
Lease liabilities	3,650	-	18	3,668
Others	72,873	590	223	73,686
	1,308,135	590	580	1,309,305

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

	As at 31 December 2018			
	RMB	**USD (in RMB)**	**HKD (in RMB)**	**Total**
Held-to-maturity financial assets	284,519	225	-	284,744
Investments classified as loans and receivables	272,015	-	-	272,015
Term deposits	127,536	860	-	128,396
Available-for-sale financial assets	413,850	1,947	71	415,868
Financial assets at fair value through profit or loss	11,646	-	189	11,835
Reinsurance assets	23,260	-	207	23,467
Cash and short-term time deposits	13,465	775	1,083	15,323
Others	129,323	1,162	432	130,917
	1,275,614	4,969	1,982	1,282,565
Insurance contract liabilities	919,456	-	215	919,671
Investment contract liabilities	62,255	-	-	62,255
Policyholders' deposits	70	-	-	70
Bonds payable	13,985	-	-	13,985
Securities sold under agreements to repurchase	75,075	-	-	75,075
Others	73,776	1,187	463	75,426
	1,144,617	1,187	678	1,146,482

The Group has no significant concentration of currency risk.

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD and HKD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Currency	**Changes in exchange rate**	**31 December 2019**	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	223	506
USD and HKD	- 5%	(223)	(506)

Currency	**Changes in exchange rate**	**31 December 2018**	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	174	255
USD and HKD	- 5%	(174)	(255)

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) 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.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced when benchmark interest rates change. Interest on other instruments is either fixed during its term or repriced at intervals of less than one year if the benchmark interest rates change.

The Group has no significant concentration of interest rate risk.

The tables below summarise the contractual or estimated repricing/maturity date of the Group's financial instruments. Other financial instruments not included in the following tables are interest-free and not exposed to interest rate risk.

	As at 31 December 2019					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Held-to-maturity financial assets	16,236	16,793	28,406	233,812	-	295,247
Investments classified as loans and receivables	55,478	61,527	73,504	131,504	2,000	324,013
Restricted statutory deposits	404	2,638	3,616	-	-	6,658
Term deposits	24,796	32,270	89,850	700	140	147,756
Available-for-sale financial assets	66,380	52,207	42,656	146,154	-	307,397
Financial assets at fair value through profit or loss	2,154	732	595	21	-	3,502
Securities purchased under agreements to resell	28,045	-	-	-	-	28,045
Policy loans	57,194	-	-	-	-	57,194
Deposits with original maturity of no more than three months	358	-	-	-	14,514	14,872
Financial liabilities:						
Investment contract liabilities	75,506	-	-	-	-	75,506
Policyholders' deposits	70	-	-	-	-	70
Bonds payable	-	-	-	9,988	-	9,988
Securities sold under agreements to repurchase	78,366	-	-	-	-	78,366

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	As at 31 December 2018					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Held-to-maturity financial assets	25,387	20,390	23,031	215,936	-	284,744
Investments classified as loans and receivables	34,502	66,378	59,552	104,754	6,829	272,015
Restricted statutory deposits	2,482	1,484	2,772	-	-	6,738
Term deposits	27,127	39,649	57,480	4,000	140	128,396
Available-for-sale financial assets	56,584	40,904	45,750	137,219	54	280,511
Financial assets at fair value through profit or loss	1,383	1,038	613	212	-	3,246
Securities purchased under agreements to resell	23,095	-	-	-	-	23,095
Policy loans	49,194	-	-	-	-	49,194
Deposits with original maturity of no more than three months	262	-	-	-	15,061	15,323
Financial liabilities:						
Investment contract liabilities	62,255	-	-	-	-	62,255
Policyholders' deposits	70	-	-	-	-	70
Bonds payable	4,000	-	-	9,985	-	13,985
Securities sold under agreements to repurchase	75,075	-	-	-	-	75,075

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivities (continued)

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

	31 December 2019	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	(24)	(5,619)
-50 basis points	22	5,732

	31 December 2018	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	(44)	(5,695)
-50 basis points	43	6,272

The above impact on equity represents adjustments to profit before tax and changes in fair value of available-for-sale financial assets.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact of change in interest rate on profit and equity due to change in interest income or expense arising from floating-rate financial instruments as at the balance sheet dates.

	31 December 2019	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	76	76
-50 basis points	(76)	(76)

	31 December 2018	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	101	101
-50 basis points	(101)	(101)

The above impact on equity represents adjustments to profit before tax.

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(iii) Price risk

Equity price risk is the risk that the fair value 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 policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investment type.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment funds and equity securities. The Group uses the 5-day market price value-at-risk ("VAR") technique to estimate its risk exposure for listed equity securities and equity investment funds. The Group adopts 5 days as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VAR calculation is made based on the normal market condition and a 95% confidence level impact on equity for listed equity securities and equity investments funds with 5-day reasonable market fluctuation and with a 95% confidence level.

As at 31 December 2019, the estimated impact on equity for listed equity securities and equity investment funds, using the VAR technique and the assumptions above in the normal market was RMB3,183 million (31 December 2018: RMB2,106 million).

Credit risk

Credit risk is the risk that one party to a financial instrument (debt instrument) or reinsurance asset 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, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell, policy loans and investments classified as loans and receivables.

Majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, fixed deposits, debt investment schemes and credit asset support programs. Fixed deposits saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment schemes and credit asset support programs guaranteed by qualified institutions. Hence, the related credit risk of the investment business should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment business before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Credit risk (continued)

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. For premium receivables from life insurance, it mainly include renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 31 December 2019 and 31 December 2018. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges installment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

The Group mitigates credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

	As at 31 December 2019						
	Not due and not impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired		
Held-to-maturity financial assets	294,992	-	-	-	-	255	295,247
Investments classified as loans and receivables	323,746	-	-	-	-	267	324,013
Term deposits	147,756	-	-	-	-	-	147,756
Available-for-sale financial assets	305,424	-	-	-	-	1,973	307,397
Financial assets at fair value through profit or loss	3,502	-	-	-	-	-	3,502
Interest receivables	19,493	-	-	-	-	-	19,493
Reinsurance assets	25,560	-	-	-	-	-	25,560
Insurance receivables	21,133	-	-	-	-	2,123	23,256
Cash and short-term time deposits	14,872	-	-	-	-	-	14,872
Others	102,727	-	-	-	-	178	102,905
Total	1,259,205	-	-	-	-	4,796	1,264,001

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Credit risk (continued)

	As at 31 December 2018						
	Not due and not impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired		
Held-to-maturity financial assets	284,744	-	-	-	-	-	284,744
Investments classified as loans and receivables	272,015	-	-	-	-	-	272,015
Term deposits	128,396	-	-	-	-	-	128,396
Available-for-sale financial assets	280,511	-	-	-	-	-	280,511
Financial assets at fair value through profit or loss	3,246	-	-	-	-	-	3,246
Interest receivables	19,282	-	-	-	-	-	19,282
Reinsurance assets	23,467	-	-	-	-	-	23,467
Insurance receivables	16,358	-	-	-	-	2,654	19,012
Cash and short-term time deposits	15,323	-	-	-	-	-	15,323
Others	92,271	-	-	-	-	352	92,623
Total	1,135,613	-	-	-	-	3,006	1,138,619

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The Group is exposed to liquidity risk on insurance policies that permit surrenders, withdrawals or other forms of early termination. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance policies and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

The tables below summarise the maturity profiles of the financial assets, financial liabilities and insurance contract liabilities of the Group based on contractual and expected remaining undiscounted cash flows.

	As at 31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Held-to-maturity financial assets	-	29,029	96,981	404,187	-	530,197
Investments classified as loans and receivables	-	62,932	188,337	165,689	-	416,958
Restricted statutory deposits	-	807	7,030	-	-	7,837
Term deposits	-	35,021	137,314	700	-	173,035
Available-for-sale financial assets	263	33,753	167,461	284,590	183,261	669,328
Financial assets at fair value through profit or loss	63	231	2,452	1,621	879	5,246
Securities purchased under agreements to resell	-	28,061	-	-	-	28,061
Insurance receivables	4,194	11,236	7,867	649	-	23,946
Cash and short-term time deposits	14,514	358	-	-	-	14,872
Others	1,887	66,420	1,623	-	-	69,930
Total	20,921	267,848	609,065	857,436	184,140	1,939,410
Liabilities:						
Insurance contract liabilities	-	124,370	63,037	880,614	-	1,068,021
Investment contract liabilities	-	8,566	24,484	101,810	-	134,860
Policyholders' deposits	-	70	-	-	-	70
Bonds payable	-	505	2,176	12,064	-	14,745
Securities sold under agreements to repurchase	-	78,503	-	-	-	78,503
Lease liabilities	-	1,341	2,369	358	-	4,068
Others	49,483	21,612	1,964	111	-	73,170
Total	49,483	234,967	94,030	994,957	-	1,373,437

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	As at 31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Held-to-maturity financial assets	-	35,667	94,886	363,852	-	494,405
Investments classified as loans and receivables	-	39,514	173,263	135,678	-	348,455
Restricted statutory deposits	-	2,935	4,370	-	-	7,305
Term deposits	-	33,670	120,213	4,027	-	157,910
Available-for-sale financial assets	321	27,627	151,025	274,426	120,526	573,925
Financial assets at fair value through profit or loss	61	4,019	2,875	723	4,690	12,368
Securities purchased under agreements to resell	-	23,125	-	-	-	23,125
Insurance receivables	2,708	14,019	2,740	84	-	19,551
Cash and short-term time deposits	15,260	63	-	-	-	15,323
Others	1,085	61,583	1,568	-	-	64,236
Total	19,435	242,222	550,940	778,790	125,216	1,716,603
Liabilities:						
Insurance contract liabilities	-	99,612	82,905	737,154	-	919,671
Investment contract liabilities	63	723	3,500	57,969	-	62,255
Policyholders' deposits	-	70	-	-	-	70
Bonds payable	-	4,741	2,623	12,418	-	19,782
Securities sold under agreements to repurchase	-	75,238	-	-	-	75,238
Others	50,370	23,957	498	16	-	74,841
Total	50,433	204,341	89,526	807,557	-	1,151,857

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities.

	As at 31 December 2019		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	14,625	280,622	295,247
Investments classified as loans and receivables	46,434	277,579	324,013
Term deposits	24,936	122,820	147,756
Available-for-sale financial assets	203,542	308,280	511,822
Financial assets at fair value through profit or loss	1,033	3,898	4,931
Cash and short-term time deposits	14,872	-	14,872
Others	66,579	1,623	68,202
Sub-total	372,021	994,822	1,366,843
Liabilities:			
Insurance contract liabilities	124,370	943,651	1,068,021
Investment contract liabilities	1,155	74,351	75,506
Policyholders' deposits	70	-	70
Bonds payable	-	9,988	9,988
Securities sold under agreements to repurchase	78,366	-	78,366
Lease liabilities	1,270	2,398	3,668
Others	71,095	2,075	73,170
Sub-total	276,326	1,032,463	1,308,789

	As at 31 December 2018		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	21,435	263,309	284,744
Investments classified as loans and receivables	24,859	247,156	272,015
Term deposits	27,127	101,269	128,396
Available-for-sale financial assets	135,651	280,217	415,868
Financial assets at fair value through profit or loss	8,596	3,239	11,835
Cash and short-term time deposits	15,323	-	15,323
Others	61,222	1,568	62,790
Sub-total	294,213	896,758	1,190,971
Liabilities:			
Insurance contract liabilities	99,612	820,059	919,671
Investment contract liabilities	786	61,469	62,255
Policyholders' deposits	70	-	70
Bonds payable	4,000	9,985	13,985
Securities sold under agreements to repurchase	75,075	-	75,075
Others	74,327	514	74,841
Sub-total	253,870	892,027	1,145,897

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Company.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

(d) Mismatching risk of assets and liabilities

Assets and liabilities mismatching risk is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will lengthen the duration of its assets and increase the profile of securities with fixed investment returns to narrow the gap of duration and investment returns of the existing liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyzes the extent of assets and liabilities matching.

(e) Capital management risks

Capital inadequacy risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital inadequacy risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'.

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to the CBIRC's solvency rules.

Group	**31 December 2019**	**31 December 2018**
Core capital	453,838	381,723
Actual capital	463,838	392,523
Minimum required capital	157,481	130,560
Core solvency margin ratio	288%	292%
Comprehensive solvency margin ratio	295%	301%

CPIC Property	**31 December 2019**	**31 December 2018**
Core capital	38,900	34,831
Actual capital	48,900	45,631
Minimum required capital	16,713	14,915
Core solvency margin ratio	233%	234%
Comprehensive solvency margin ratio	293%	306%

CPIC Life	**31 December 2019**	**31 December 2018**
Core capital	357,883	298,654
Actual capital	357,883	298,654
Minimum required capital	139,354	114,526
Core solvency margin ratio	257%	261%
Comprehensive solvency margin ratio	257%	261%

(All amounts expressed in RMB million unless otherwise specified)

45. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

CPIC Allianz Health	**31 December 2019**	**31 December 2018**
Core capital	1,084	1,057
Actual capital	1,084	1,057
Minimum required capital	702	489
Core solvency margin ratio	155%	216%
Comprehensive solvency margin ratio	155%	216%

Anxin	**31 December 2019**	**31 December 2018**
Core capital	1,684	1,578
Actual capital	1,684	1,578
Minimum required capital	557	527
Core solvency margin ratio	303%	300%
Comprehensive solvency margin ratio	303%	300%

46. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note 2.2(3) for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

(All amounts expressed in RMB million unless otherwise specified)

46. STRUCTURED ENTITIES (continued)

As at 31 December 2019, the size of unconsolidated structured entities and Group's funding and maximum exposure are shown below:

		31 December 2019				
		Size	Funding provided by the Group	Group's maximum exposure	Carrying amount of Group's investment	Interest held by Group
Pension funds and endowment assurance products managed by affiliated parties		148,442	-	-	-	Management fee
Insurance asset management products managed by affiliated parties		253,128	101,384	101,513	101,049	Investment income and management fee
Securities Investment Fund managed by affiliated parties		37,526	7,082	7,122	7,122	Investment income and management fee
Insurance asset management products managed by third parties	Note 1		87,606	89,597	89,303	Investment income
Trust products managed by third parties	Note 1		129,561	129,765	129,364	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1		3,671	3,765	3,765	Investment income
Securities Investment Fund managed by third parties	Note 1		36,535	39,241	39,241	Investment income
Total			365,839	371,003	369,844	

Note 1: The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are disclosed in wealth management products funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products and other equity investments under available-for-sale financial assets, debt investment scheme and wealth management products under investments classified as loans and receivables, and investments in associates and joint ventures.

(All amounts expressed in RMB million unless otherwise specified)

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (note 3.2(2)).

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities, bonds payable, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity debt securities, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

	As at 31 December 2019	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	295,247	317,317
Investments classified as loans and receivables	324,013	324,104
Financial liabilities:		
Bonds payable	9,988	10,703

	As at 31 December 2018	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	284,744	305,804
Investments classified as loans and receivables	272,015	272,101
Financial liabilities:		
Bonds payable	13,985	14,966

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

(All amounts expressed in RMB million unless otherwise specified)

48. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”);
(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (“Level 2”); and
(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (“Level 3”).

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group’s valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

(All amounts expressed in RMB million unless otherwise specified)

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	196	41	-	237
- Investment funds	230	90	-	320
- Debt securities	2,572	916	-	3,488
- Others	-	277	609	886
	2,998	1,324	609	4,931
Available-for-sale financial assets				
- Equity securities	84,308	6,065	-	90,373
- Investment funds	31,104	17,321	-	48,425
- Debt securities	22,112	280,326	1,974	304,412
- Others	-	5,810	62,802	68,612
	137,524	309,522	64,776	511,822
Assets for which fair values are disclosed				
Investments classified as loans and receivables (note 47)	-	2,141	321,963	324,104
Held-to-maturity financial assets (note 47)	7,948	309,114	255	317,317
Investment properties(note 20)	-	-	11,887	11,887
Liabilities for which fair values are disclosed				
Bonds payable (note 47)	-	-	10,703	10,703

(All amounts expressed in RMB million unless otherwise specified)

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	1,777	310	-	2,087
- Investment funds	1,849	169	-	2,018
- Debt securities	1,626	1,613	-	3,239
- Others	-	3,903	588	4,491
	5,252	5,995	588	11,835
Available-for-sale financial assets				
- Equity securities	45,448	3,465	-	48,913
- Investment funds	25,029	13,039	-	38,068
- Debt securities	24,911	255,296	-	280,207
- Others	-	3,585	45,095	48,680
	95,388	275,385	45,095	415,868
Assets for which fair values are disclosed				
Investments classified as loans and receivables (note 47)	-	2,746	269,355	272,101
Held-to-maturity financial assets (note 47)	6,547	299,257	-	305,804
Investment properties(note 20)	-	-	12,017	12,017
Liabilities for which fair values are disclosed				
Bonds payable (note 47)	-	-	14,966	14,966

In 2019, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain debt securities between Level 1 and Level 2. As at 31 December 2019, the Group transferred the debt securities with a carrying amount of RMB7,113 million from Level 1 to Level 2 and RMB6,286 million from Level 2 to Level 1. As at 31 December 2018, the Group transferred the debt securities with a carrying amount of RMB9,667 million from Level 1 to Level 2 and RMB5,909 million from Level 2 to Level 1.

(All amounts expressed in RMB million unless otherwise specified)

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	As at 31 December 2019					
	Beginning of year	Increase	Transferred to Level 3	Net unrealised loss recognised in profit or loss	Net unrealised gain recognised in other comprehensive income	End of year
Financial assets at fair value through profit or loss						
- Wealth management product	5	6	-	-	-	11
- Debt Investment scheme	2	1	-	-	-	3
- Other equity investments	581	14	-	-	-	595
Available-for-sale financial assets						
- Preferred shares	7,765	5,725	-	-	131	13,621
- Other equity investments	37,330	9,057	-	(8)	2,802	49,181
- Finance Bonds	-	-	1,974	-	-	1,974

	As at 31 December 2018					
	Beginnig of year	Increase	Transferred from Level 3	Net unrealised loss recognised in profit or loss	Net unrealised gain recognised in other comprehensive income	End of year
Financial assets at fair value through profit or loss						
- Wealth management product	-	5	-	-	-	5
- Debt Investment scheme	-	2	-	-	-	2
- Other equity investments	500	81	-	-	-	581
Available-for-sale financial assets						
- Common shares	4	-	(4)	-	-	-
- Preferred shares	7,764	-	-	-	1	7,765
- Other equity investments	27,284	7,720	-	(33)	2,359	37,330

(All amounts expressed in RMB million unless otherwise specified)

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 3.53% to 6.54% etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square meters per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

49. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

	2019	**2018**
Profit before tax	27,966	28,008
Investment income	(65,730)	(49,999)
Foreign currency income	(56)	(53)
Finance costs	2,854	2,363
Charge of impairment losses on insurance receivables and other assets, net	115	127
Depreciation of right-of-use assets	1,311	-
Depreciation of property and equipment	1,708	1,481
Depreciation of investment properties	334	328
Amortization of other intangible assets	597	541
Amortization of prepaid land lease payments	-	1
Amortization of other assets	15	28
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(15)	(18)
	(30,901)	(17,193)
Increase in reinsurance assets	(2,093)	(892)
Increase in insurance receivables	(4,244)	(2,679)
Decrease/(Increase) in other assets	3,656	(2,975)
Increase in insurance contract liabilities	135,293	110,290
Increase in other operating liabilities	16,599	11,013
Cash generated from operating activities	118,310	97,564

(All amounts expressed in RMB million unless otherwise specified)

50. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	2019	2018
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	2	4

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

(b) Dividends paid

	2019	2018
Equity holders who individually own more than 5% of equity interests of the Company	3,749	2,487

(c) Capital injections to the Company's subsidiaries

	2019	2018
China BAOWU Steel Group Corporation Ltd.	-	118
Shenergy Group Co., Ltd.	-	27
Total capital injections to the Company's subsidiaries	-	145

(d) Compensation of key management personnel

	2019	2018
Salaries, allowances and other short-term benefits	35	28
Deferred bonus (1)	4	2
Total compensation of key management personnel	39	30

(1) This represents the amount under the Group's deferred bonus plans mentioned in note 12. This represents the amount under the Group's deferred bonus plans which in order to motivate senior management and certain key employees.

Further details of directors' emoluments are included in note 12.

(All amounts expressed in RMB million unless otherwise specified)

50. RELATED PARTY TRANSACTIONS (continued)

(e) The Group had the following major transactions with the joint venture:

	2019	2018
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction fees and etc.	59	237
Rental fees for leasing office buildings of Binjiang-Xiangrui	19	-
Total major transactions with the joint venture	78	237

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(f) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organizations (collectively “government-related entities”). The Company is also a government-related entity.

In 2018 and 2019, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

Management considers that those transactions with other 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 controlled, jointly controlled or significantly influenced 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.

(All amounts expressed in RMB million unless otherwise specified)

51. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

		31 December 2019	31 December 2018
Contracted, but not provided for	(1)(2)(3)(4)	3,485	355
Authorised, but not contracted for	(1)(2)(3)	3,115	6,256
		6,600	6,611

Major projects with capital commitments are as follows:

(1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2,000 million. As at 31 December 2019, the cumulative amount incurred by the Company amounted to RMB1,718 million. Of the balance, RMB23 million was disclosed as a capital commitment contracted but not provided for and RMB259 million was disclosed as a capital commitment authorised but not contracted for.

(2) In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB2,090 million. As at 31 December 2019, the cumulative amount incurred by the Company amounted to RMB1,626 million. Of the balance, RMB133 million was disclosed as a capital commitment contracted but not provided for and RMB331 million was disclosed as a capital commitment authorised but not contracted for.

(3) In July 2018, CPIC Life and a third party bid for the use right of the land located at Huangpu District, Shanghai. Both parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of the project is approximately RMB19,500 million. The registered capital of the joint venture is RMB14,050 million, of which CPIC Life shall make a contribution of RMB9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to the joint venture, which are estimated to be approximately RMB5,450 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB15,285 million. As at 31 December 2019, the cumulative amount incurred by the Company amounted to RMB10,071 million. Of the balance, RMB2,764 million was disclosed as a capital commitment contracted but not provided for and RMB2,450 million was disclosed as a capital commitment authorised but not contracted for.

(4) CPIC Life and a third party jointly established Jiaxing Yishang Equity investment Partnership (Limited Partnership). The Total investment of this project approximated RMB950 million. As at 31 December 2019, the cumulative amount incurred by the Company amounted to RMB474 million. Of the balance, RMB476 million was disclosed as a capital commitment contracted but not provided for.

(All amounts expressed in RMB million unless otherwise specified)

51. COMMITMENTS (continued)

(b) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2019	**31 December 2018**
Within 1 year (including 1 year)	886	796
1 to 2 years (including 2 years)	577	547
2 to 3 years (including 3 years)	385	320
3 to 5 years (including 5 years)	235	325
More than 5 years	86	134
	2,169	2,122

52. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 31 December 2019, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is extremely low.

(All amounts expressed in RMB million unless otherwise specified)

53. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Company	31 December 2019	31 December 2018
ASSETS		
Cash and short-term time deposits	83	93
Financial assets at fair value through profit or loss	10	38
Securities purchased under agreements to resell	108	320
Interest receivables	499	519
Term deposits	2,000	500
Available-for-sale financial assets	29,143	29,081
Held-to-maturity financial assets	300	800
Investments classified as loans and receivables	12,449	6,976
Long-term equity investments	64,979	64,279
Investment properties	3,331	3,472
Fixed assets	1,750	1,891
Right-of-use assets	11	-
Intangible assets	343	274
Deferred income tax assets	-	57
Other assets	1,191	366
Total assets	116,197	108,666
LIABILITIES AND EQUITY		
Liabilities		
Securities sold under agreements to repurchase	1,540	1,840
Commissions and brokerages payable	1	1
Salaries and welfare payable	247	200
Taxes payable	86	42
Interest payable	-	2
Deferred income tax liabilities	194	-
Lease liabilities	11	-
Other liabilities	828	1,007
Total liabilities	2,907	3,092
Equity		
Issued capital	9,062	9,062
Capital reserves	66,164	66,164
Other comprehensive income	867	56
Surplus reserves	4,531	4,531
Retained profits	32,666	25,761
Total equity	113,290	105,574
Total liabilities and equity	116,197	108,666

KONG Qingwei
Director

HUANG Dinan
Director

(All amounts expressed in RMB million unless otherwise specified)

53. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

The movements in reserves and retained profits of the Company are set out below:

Company	**2019**					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2019	9,062	66,164	56	4,531	25,761	105,574
Amount of change this year	-	-	811	-	6,905	7,716
Net profit	-	-	-	-	15,967	15,967
Other comprehensive income	-	-	811	-	-	811
Total comprehensive income	-	-	811	-	15,967	16,778
Profit Distribution	-	-	-	-	(9,062)	(9,062)
Dividend declared	-	-	-	-	(9,062)	(9,062)
At 31 December 2019	9,062	66,164	867	4,531	32,666	113,290

Company	**2018**					
	Issued capital	Capital reserves	Other comprehensive loss	Surplus reserves	Retained profits	Total equity
At 1 January 2018	9,062	66,164	(388)	4,531	21,400	100,769
Amount of change this year	-	-	444	-	4,361	4,805
Net profit	-	-	-	-	11,611	11,611
Other comprehensive loss	-	-	444	-	-	444
Total comprehensive income	-	-	444	-	11,611	12,055
Profit Distribution	-	-	-	-	(7,250)	(7,250)
Dividend declared	-	-	-	-	(7,250)	(7,250)
At 31 December 2018	9,062	66,164	56	4,531	25,761	105,574

The balance sheet and reserve movement of the Company disclosed in this note are prepared in accordance with PRC GAAP, the primary GAAP for the Company to determine the amount of retained profits available for distribution.

There is no material difference in recognition and measurement between PRC GAAP and the significant accounting policies as disclosed in note 2.2 in preparation of the above balance sheet and reserve movement of the Company, other than that the Company's investment in subsidiaries are stated at cost less any impairment losses and the results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

There is no difference between the consolidated financial statements prepared in accordance with HKFRS and PRC GAAP by the Group in the equity as at 31 December 2019 and 31 December 2018 and no difference in the net profit for the respective years then ended.

(All amounts expressed in RMB million unless otherwise specified)

54. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the 1st meeting of the CPIC Life's 6th term of board of directors held in 2020, CPIC Life intends to invest RMB1,487 million to set up the Pacific Care Home Development (Xiamen) Co., Ltd. (the "Xiamen Project Company"). The Xiamen Project Company is a wholly-owned subsidiary of CPIC Life with the registered capital of RMB900 million. In addition, CPIC Life will provide shareholder loans to the Xiamen Project Company, which estimated to be approximately RMB587 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB1,487 million in aggregate. CPIC Life has made the capital contribution of RMB270 million as at 20 March 2020.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the evaluation was still in progress.

The Group does not have other significant post balance sheet events.

55. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorised for issue by the Company's directors on 20 March 2020.