新華人壽保險股份有限公司
NEW CHINA LIFE INSURANCE CO., LTD.

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

Stock Code：01336

Annual Report 2020

NCI 新华保险

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IMPORTANT INFORMATION

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

2 The Annual Report 2020 of the Company was considered and approved at the 18th meeting of the seventh session of the Board of the Company on 24 March 2021, which 12 directors were required to attend and 12 of them attended in person.

3 Ernst & Young conducted the audit on the 2020 consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards and issued the standard unqualified audit report.

4 The Company plans to distribute an annual cash dividend of RMB1.39 (tax included) per share to all of H shareholders and A shareholders for 2020, approximately RMB4,336 million in total, representing approximately 30.3% of the net profit attributable to shareholders of the Company as contained in the 2020 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the Articles of Association. The above dividend distribution plan is subject to the approval of the shareholders' general meeting.

5 Mr. LI Quan, the chief executive officer and president of the Company, Mr. YANG Zheng, the chief financial officer and person in charge of finance of the Company, Mr. GONG Xingfeng, the chief actuary of the Company and Mr. ZHANG Tao, the officer in charge of accounting department of the Company, guarantee the correctness, accuracy and completeness of the financial report in the Annual Report 2020.

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

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

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

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

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DEFINITIONS

DEFINITIONS

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

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company
Xinhua Seniors Service	Xinhua Village Seniors Service (Beijing) Co., Ltd., a subsidiary of the Company
New China Pension	New China Pension Co., Ltd., a subsidiary of the Company
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	Hefei New China Life Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Foundation	New China Life Foundation
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
National Social Security Fund	National Council for Social Security Fund of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
Pt	Percentage points
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
Company Law	Company Law of the People's Republic of China
Insurance Law	Insurance Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Articles of Association	Articles of Association of New China Life Insurance Company Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions, Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

SECTION 2
CORPORATE INFORMATION

BASIC INFORMATION	
Legal Name in Chinese:	新華人壽保險股份有限公司(簡稱「新華保險」)
Legal Name in English:	NEW CHINA LIFE INSURANCE COMPANY LTD. (“NCI”)
Legal Representative:	LIU Haoling
Registered Office:	No. 16, East Hunan Road, Yanqing District, Beijing, P.R.C. (Zhongguancun Yanqing Park)
Postal Code:	102100
Place of Business:	NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Postal Code:	100022
Place of Business in Hong Kong:	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Website:	http://www.newchinalife.com
Email:	ir@newchinalife.com
Customer Service and Complaint Hotline:	95567
CONTACT INFORMATION	
Board Secretary/Joint Company Secretary:	GONG Xingfeng
Securities Representative:	XU Xiu
Telephone:	86-10-85213233
Fax:	86-10-85213219
Email:	ir@newchinalife.com
Address:	13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Joint Company Secretary:	LEE Kwok Fai Kenneth
Telephone:	852-28220158
Fax:	852-35898359
Email:	kenneth.lee@tmf-group.com
Address:	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
INFORMATION DISCLOSURE AND PLACE FOR OBTAINING THE REPORT	
Newspapers for Information Disclosure (A Share):	China Securities Journal, Shanghai Securities News
Website for Publishing Annual Report (A Share):	http://www.sse.com.cn
Website for Publishing Annual Report (H Share):	http://www.hkexnews.hk
Place where copies of Annual reports are kept:	Board of Directors Office of the Company

STOCK INFORMATION			
Stock Type	**Stock Exchange**	**Stock Name**	**Stock Code**
A Share	The Shanghai Stock Exchange	新華保險	601336
H Share	The Stock Exchange of Hong Kong Limited	NCI	01336

OTHER RELEVANT INFORMATION	
A Share Registrar:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address:	No. 188 Yanggao South Road, Pilot Free Trade Zone, Shanghai, China
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Address:	Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Domestic Auditor:	Ernst & Young Hua Ming LLP
Address:	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, P.R.C.
Signing Certified Public Accountants:	WU Zhiqiang and WANG Ziqing
International Auditor:	Ernst & Young
Address:	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Domestic Legal Advisor:	Commerce & Finance Law Offices
Address:	6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Hong Kong Legal Advisor:	Clifford Chance LLP
Address:	27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

SECTION 3
BUSINESS OVERVIEW

Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing. New China Life offers comprehensive life insurance products and services to more than 33,205 thousand individual customers and 88 thousand institutional customers through nationwide distributional networks and diversified marketing channel, manages and deploys insurance funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in 2011.

Our vision

To be China's best financial service group with comprehensive life insurance business as its core

"One body, two wings + technology empowerment", "1+2+1" strategy

Wealth management
Investment Asset management

Life insurance
Comprehensive protection and wealth management plan

Old-age care & Healthcare
Old-age care Healthcare

Investment supports life insurance

Technology empowerment

Old-age care and healthcare support life insurance

Unit: RMB in millions

1,004,376 Total assets	**101,667** Equity attributable to shareholders of the Company	**1.39** RMB per share [1] Dividend per share
206,538 Operating revenue	**14,294** Net profit attributable to shareholders of the Company	**5.5%** Total investment yield
240,604 Embedded value	**9,182** Value of one year's new business	**277.84%** Comprehensive solvency margin ratio

Note:

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

MAJOR INDICATORS

Unit: RMB in millions

As of 31 December

Indicator	Change	2020	2019
Total assets	14.3%	1,004,376	878,970
Equity attributable to shareholders of the Company	20.4%	101,667	84,451
Embedded value	17.3%	240,604	205,043

For the 12 months ended 31 December

Indicator	Change	2020	2019
Operating revenue	18.3%	206,538	174,566
Net profit attributable to shareholders of the Company	-1.8%	14,294	14,559
Value of one year's new business	-6.1%	9,182	9,779

Unit: RMB in millions

Key Operational Indicators	2020/As of 31 December 2020	2019/As of 31 December 2019	Change
Gross written premiums	**159,511**	138,131	15.5%
First year premiums from long-term insurance business	**39,022**	25,396	53.7%
Regular premiums	**20,924**	19,341	8.2%
Regular premiums with payment periods of ten years or more	**9,612**	10,726	-10.4%
Renewal premiums	**112,964**	105,821	6.8%
Number of total individual agents (in thousands)	**606**	507	19.5%
Investment assets	**965,653**	839,447	15.0%
Total investment yield (%)	**5.5**	4.9	0.6pt
Net investment yield (%)	**4.6**	4.8	-0.2pt
Value of one year's new business	**9,182**	9,779	-6.1%
New business margin (%)	**19.7**	30.3	-10.6pt
Embedded value	**240,604**	205,043	17.3%
Core solvency margin ratio (%)	**268.28**	283.64	-15.36pt
Comprehensive solvency margin ratio (%)	**277.84**	283.64	-5.80pt

HONORS AND AWARDS

Assessment Institution	Honors & Awards
Forbes	Ranking 330 in the World's 2000 Largest Public Companies in 2020
Fortune China	Ranking 62 in China's Fortune 500 in 2020
World Brand Lab	Ranking 235 in Top 500 Asian Brand in 2020
Brand Finance	Ranking 34 in the World's Top 100 Most Valuable Insurance Brands in 2020
WPP & Millward Brown	Ranking 78 in BrandZ™ Top 100 Most Valuable Chinese Brands in 2020
China Enterprise Confederation	Ranking 130 in Top 500 Chinese Enterprises in 2020
Securities Times	Ark Award for High-quality Development Insurance Company in 2020
China Business Journal	The Most Competitive Insurance Company in 2020
China Investment Network	Golden Jubilee Award· Outstanding Insurance Company and Outstanding Socially Responsible Enterprise of 2020
National Business Daily	Golden Tripod Award 2020 · Outstanding Life Insurance Company
The Economic Observer	Outstanding Chinese Life Insurance Company of 2019-2020
JRJ.com	Outstanding Life Insurance Company & Excellent Charity Award for Insurance Company of 2020

ANALYSIS OF CORE COMPETITIVENESS

Prominent brand value. New China Life has always been committed to forging "China's best financial service group with comprehensive life insurance business as its core" and deepening the "customer-centered" business philosophy. While sticking to compliance operation and sustainable development, the Company also serves people's livelihoods and undertakes social responsibilities. The total assets exceeded RMB1 trillion by the end of 2020. The Company has been listed in China's Fortune 500 and Top 500 Asian Brand by World Brand Lab for nine consecutive years.

Solid main business. The Company adheres to the essence of life insurance, explores the market demands, and establishes professional marketing channels and sales team covering the whole country. The Company provides customers with protection products and wealth management services covering the whole life circle through improved product system and the synergy development of assets and liabilities. Overcoming challenges brought by COVID-19 in 2020, the Company realized gross written premiums (the "GWP") of RMB159,511 million, up by 15.5% year on year. First year regular premiums from long-term insurance business reached RMB20,924 million, growing by 8.2% year on year. The market position remained stable.

Supportive industrial collaboration. With Asset Management Company as the main body, the Company has an integrated wealth management platform with total assets under management over RMB1 trillion. The investment remains prudent and forms excellent synergy with liabilities. Meanwhile, the Company participates in building national social security system and develops corporate annuity, occupational annuity and other businesses. In terms of old-age care and healthcare services, the Company has established diversified layout with the combination of urban and suburb areas, southern and northern areas such as Beijing Lianhuachi, Beijing Yanqing and Boao aged-care community projects. New China Excellence Rehabilitation Hospital and 19 health management centers were established to create a big closed loop in health industry.

Convenient and high-quality service. The Company possesses a nationwide service network as well as a broad customer base. Through the application of technology, the time for online underwriting, information updating, claim settlement and other service has been shortened. The value-added service has been continuously optimized and enriched, and the service process has been improved to bring customers efficient and convenient experience.

Professional and efficient management. After 24 years of development and accumulation, the Company has a management team with rich experience and keen market insight as well as a group of talents with high-quality and professional underwriting, actuarial, risk management skills. Management efficiency constantly improves.

SECTION 4
THE LETTER TO SHAREHOLDERS

Dear shareholders,

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

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

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

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

I. BE DETERMINED TO TAKE SOLID ACTION.

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

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

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

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

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

II. CHANGES BRING A BROADER ROAD.

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

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

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

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

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

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

III. EMBARK ON A NEW JOURNEY.

2021 is a year to embark on a new journey.

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

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

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

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

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

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

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

Chief Executive Officer & President
LI Quan
24 March 2021

SECTION 5

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. Major accounting data and financial indicators

Unit: RMB in millions

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

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

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

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

2. Other key financial and regulatory indicators

Unit: RMB in millions

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

Notes:

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

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

3. The reasons of the change of main financial indicators

Unit: RMB in millions

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

4. The discrepancy between the PRC GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year 2020 or the consolidated equity of the Company as at 31 December 2020 as stated in the financial statements prepared by the Company in accordance with the P.R.C. GAAP and the IFRS.

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

Unit: RMB in millions

Balance sheet	As at 31 December 2020	As at 31 December 2019	Change	Reason(s) for change
Financial assets at fair value through profit or loss	**32,298**	24,554	31.5%	Increase of allocation of stocks measured at fair value through profit or loss
Term deposits	**122,640**	64,040	91.5%	Increase of term deposits
Financial assets purchased under agreements to resell	**1,832**	5,685	-67.8%	The allocation of investment assets and the requirement of liquidity management
Other assets	**3,047**	5,836	-47.8%	Decrease in corporate income tax to be refunded and investment clearing account receivables
Borrowings	**10,000**	–	N/A	The issuance of capital supplementary bonds
Financial liabilities at fair value through profit or loss	**14,837**	501	2,861.5%	Increase of payables to the third party investors of controlled structured entities
Financial assets sold under agreements to repurchase	**41,888**	68,190	-38.6%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	**6,458**	4,181	54.5%	The impact of business development pace
Other liabilities	**12,920**	9,559	35.2%	Increase of investment clearing account payables
Deferred tax liabilities	**2,673**	298	797.0%	Increase of taxable temporary difference

Unit: RMB in millions

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

II. BUSINESS ANALYSIS

i. Insurance business

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

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

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

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

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

Unit: RMB in millions

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

Note: Numbers may not be additive due to rounding.

1. *Analysis by distribution channels*

Unit: RMB in millions

For the 12 months ended 31 December	2020	2019	Change
Individual insurance channel			
First year premiums from long-term insurance business	**15,919**	15,196	4.8%
Regular premiums	**15,252**	15,175	0.5%
Single premiums	**667**	21	3,076.2%
Renewal premiums	**96,330**	88,775	8.5%
Premiums from short-term insurance business	**5,150**	4,479	15.0%
Total	**117,399**	108,450	8.3%
Bancassurance channel			
First year premiums from long-term insurance business	**23,027**	10,194	125.9%
Regular premiums	**5,667**	4,166	36.0%
Single premiums	**17,360**	6,028	188.0%
Renewal premiums	**16,623**	17,036	-2.4%
Premiums from short-term insurance business	**79**	56	41.1%
Total	**39,729**	27,286	45.6%
Group insurance			
First year premiums from long-term insurance business	**76**	6	1,166.7%
Renewal premiums	**11**	10	10.0%
Premiums from short-term insurance business	**2,296**	2,379	-3.5%
Total	**2,383**	2,395	-0.5%
GWP	**159,511**	138,131	15.5%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

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

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

Notes:

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

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

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

② Bancassurance channel

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

(2) Group insurance

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

2. *Analysis by insurance products*

Unit: RMB in millions

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

Notes:

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

2. "–" means less than RMB500,000.

In 2020, the Company realized first year premiums from long-term participating insurance of RMB17,963 million, increasing by 174.5% year on year. First year premiums from long-term health insurance reached RMB10,350 million, decreasing by 11.1% year on year. First year premiums from long-term traditional insurance amounted to RMB10,709 million, increasing by 48.4% year on year.

3. *Analysis by branches*

Unit: RMB in millions

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

As of the end of 2020, the Company has established 35 branches across the country. In 2020, around 57.7% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Henan and Beijing.

4. *The top 5 insurance products in terms of premium income*

Unit: RMB in millions

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

Unit: RMB in millions

Rank	Product name	First year premiums
1	Wendeying endownment insurance (Participating) 穩得盈兩全保險(分紅型)	17,809
2	Huitianfu annuity insurance 惠添富年金保險	6,502
3	Multiple Protection Type A1 critical illness insurance 多倍保障重大疾病保險(A1款)	2,620
4	Jiankangwuyou critical illness insurance (Family Version) 健康無憂重大疾病保險(宜家版)	1,603
5	Ronghuashijia Whole Life insurance 榮華世家終身壽險	1,553

5. *Business quality*

For the 12 months ended 31 December	2020	2019	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio(1)	**89.9%**	90.3%	-0.4pt
25-month persistency ratio(2)	**84.9%**	86.2%	-1.3pt

Notes:

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

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

6. *Analysis on claims and interests of policyholders*

Unit: RMB in millions

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

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

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

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

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

Note:

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

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

7. *Analysis on commission and brokerage expense*

Unit: RMB in millions

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

Notes:

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

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

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

8. *Analysis on insurance contract liabilities*

Unit: RMB in millions

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

Notes:

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

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

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

ii. Asset management business

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

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

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

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

1. *Investment portfolio*

Unit: RMB in millions

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

Notes:

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

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

3. Others include perpetual bonds, asset management products and wealth management products, etc.

4. Stocks include common stocks and preferred stocks.

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

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

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

8. Numbers may not be additive due to rounding.

2. *Investment income*

Unit: RMB in millions

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

Notes:

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

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

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

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

3. *Investment in non-standard assets*

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

(1) Ratings

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

Ratings of Financial Products

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

(2) Investment portfolio

Unit: RMB in millions

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

(3) Major management institutions

Unit: RMB in millions

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

III. ANALYSIS BY COMPONENT

i. Solvency

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

Unit: RMB in millions

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

Note:

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

ii. Liquidity

1. *Gearing Ratio*

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

Note: Gearing ratio = total liabilities/total assets.

2. *Liquidity*

Unit: RMB in millions

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

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

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

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

The net inflow from financing activities decreased by 95.7% year on year, mainly due to the increase of cash paid for financial assets sold under agreements to repurchase.

3. *Source and use of liquidity*

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

The cash and bank deposits of the Company provided liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB12,993 million. The term deposits amounted to RMB122,640 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. Moreover, the investment portfolio of the Company also provided liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB567,171 million, and the book value of equity financial assets amounted to RMB206,290 million.

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

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

iii. Reinsurance

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

1. *Premiums ceded out for reinsurers*

Unit: RMB in millions

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

Note:

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

2. *Premiums ceded out by insurance products*

Unit: RMB in millions

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

IV. FUTURE PROSPECT

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

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

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

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

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

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

SECTION 6
EMBEDDED VALUE

WILLIS TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCI") has prepared embedded value results for the financial year ended 31 December 2020 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by NCI to review its EV Results as of 31 December 2020. This report is addressed solely to NCI in accordance with the terms of our engagement letter and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

SCOPE OF WORK

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2020, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;

- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's new business as at 31 December 2020; and

- A review of the results of NCI's calculation of the EV Results, comprising:

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

  – the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2020; and

  – the analysis of change of the embedded value from 31 December 2019 to 31 December 2020.

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

OPINION

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

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

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

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

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

WTW confirms that the results shown in the Embedded Value section of NCI's 2020 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

Lingde Hong, FSA, CCA **Stanley Lu, FSA**

24 March 2021

SECTION 6
EMBEDDED VALUE

1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2020 and have disclosed the relevant information in this section.

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

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

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

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

2. DEFINITIONS OF EMBEDDED VALUE

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

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

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

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

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

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

3. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year's new business as at 31 December 2020, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of one year's new business is 11.0% p.a.

(2) Investment Returns

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

	2021	2022	2023	2024+
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	6.00%	6.00%	6.00%	6.00%
New non-participating	6.00%	6.00%	6.00%	6.00%
Specific participating	6.00%	6.00%	6.00%	6.00%
Specific non-participating	5.25%	5.25%	5.25%	5.25%

Notes:

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

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

(3) Mortality

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

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience, and taking into consideration future morbidity deterioration trend. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2020)".

(5) Discontinuance Rates

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

(6) Expenses

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

(7) Commission and Handling Fees

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

(8) Policyholder Bonuses and Dividends

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

(9) Tax

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

(10) Cost of Required Capital

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

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

(11) Other Assumptions

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

Our current reinsurance arrangements have been assumed to remain unaltered.

4. EMBEDDED VALUE RESULTS

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

Embedded Value — Unit: RMB in millions

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

Notes:

1. Numbers may not be additive due to rounding.

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

Value of One Year's New Business — Unit: RMB in millions

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

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2020 and 31 December 2019 were RMB46,657 million and RMB32,300 million respectively.

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

Value of One Year's New Business by Channel

Unit: RMB in millions

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

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2020 and 31 December 2019 were RMB46,657 million and RMB32,300 million respectively.

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

5. ANALYSIS OF CHANGE

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

Unit: RMB in millions

Analysis of Change in EV from 31 December 2019 to 31 December 2020		
1.	**EV at the beginning of period**	205,043
2.	Impact of Value of New Business	9,182
3.	Expected Return	18,074
4.	Operating Experience Variances	3,847
5.	Economic Experience Variances	8,841
6.	Operating Assumption Changes	(3,494)
7.	Economic Assumption Changes	(1,350)
8.	Change of Risk Discount Rate	3,764
9.	Capital Injection/Shareholder Dividend Payment	(4,399)
10.	Others	146
11.	Value Change Other Than Life Insurance Business	950
12.	**EV at the end of period**	240,604

Note: Numbers may not be additive due to rounding.

Items 2 to 11 are explained below:

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

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

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

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

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

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

8. Reflects the change of risk discount rate from 11.5% to 11.0%.

9. Capital injection and other dividend payment to shareholders.

10. Other miscellaneous items.

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

6. SENSITIVITY TESTS

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

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2020	VIF after `Cost of Required Capital Held	the Value of One Year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	93,313	9,182
Risk Discount Rate at 11.5%	89,022	8,705
Risk Discount Rate at 10.5%	97,896	9,690
Investment Return 50bps higher	112,050	10,844
Investment Return 50bps lower	74,494	7,512
Expenses 10% higher (110% of Base)	91,588	8,016
Expenses 10% lower (90% of Base)	95,038	10,348
Discontinuance Rates 10% higher (110% of Base)	92,361	8,692
Discontinuance Rates 10% lower (90% of Base)	94,254	9,679
Mortality 10% higher (110% of Base)	92,459	9,104
Mortality 10% lower (90% of Base)	94,170	9,260
Morbidity and Loss Ratio 10% higher (110% of Base)	89,047	8,313
Morbidity and Loss Ratio 10% lower (90% of Base)	97,586	10,052
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	88,177	9,099

SECTION 7
SIGNIFICANT EVENTS

I. MAJOR EQUITY INVESTMENT

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

II. MAJOR NON-EQUITY INVESTMENT

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

III. MAJOR ASSET AND EQUITY SALES

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

IV. MAJOR CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

According to the Hong Kong Listing Rules, the transaction between the Company and the Company's connected person (as stipulated in Hong Kong Listing Rules) constituted the connected transaction of the Company during the reporting period. The Company monitored and managed such transactions in strict accordance with the Hong Kong Listing Rules and abided by relevant rules and regulations of Hong Kong Listing Rules. Details of the related party transactions are set out in Note 36 to Consolidated Financial Statements of this report. Among which, certain related party transactions fell under the definition of connected transactions or continuing connected transactions in Chapter 14A of Hong Kong Listing Rules and such transactions were complied with relevant requirements of Hong Kong Listing Rules.

V. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCE

(I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit. Nor there were loans or financial assistance to be disclosed.

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

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

In 2020, the Company made provisions for asset depreciation for such entrusted assets and recognized asset impairment losses of RMB2,703 million.

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

VI. APPOINTMENT OF ACCOUNTING FIRMS

The Annual General Meeting of 2019 of the Company held on 23 June 2020 considered and approved the *Proposal on the Appointment of Accounting Firms for the Year 2020*, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the international auditor of the Company for the year 2020. For details, please refer to the *Announcement on the Voting Results of the Annual General Meeting of 2019* published by the Company on 23 June 2020. The Audit and Related Party Transaction Control Committee of the Company has no dissenting opinion regarding appointment of accounting firm. The Company has changed its auditors in 2014, please refer to the *Announcement of Proposed Appointment of Auditors* published by the Company on 22 January 2014. Ernst & Young Hua Ming LLP and Ernst & Young have been offering auditing services for the Company for seven consecutive years.

During the previous three years, the Company did not change its auditors.

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

Unit: RMB10,000

	2020	2019
Auditing service fees for financial statements – auditing, reviewing and executing agreed-upon procedures	**1,666.50**	1,647.50
Internal control and auditing services	**160.00**	160.00
Other attestation services	**32.00**	20.00
Total	**1,858.50**	1,827.50

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

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the *Overseas Regulatory Announcement – Announcement on the Conditions of Unfulfilled Commitments of the Company's Shareholders, Related Parties and the Company* published on 13 February 2014 by the Company.

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

VIII. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

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

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

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

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

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

X. SIGNIFICANT LITIGATION, ARBITRATION EVENTS AND GENERAL MEDIA INCREDULITY

During the reporting period, the Company had no significant litigation, arbitration events or general media incredulity.

XI. CONTRIBUTION SCHEME

Employees of the Company participate in the workforce social-security system established and managed by the government, including endowment insurance, medical care insurance, housing provident fund and other social security schemes. The Company contributes social insurance premiums and welfare for employees based on a certain percentage of their salary and within the upper limit prescribed by the government and pays them to the human resources and social security agency. Such expenditure is included in current costs or expenses. The abovementioned social – security system is a defined contribution plan. Contributions to basic social endowment insurance system cannot be forfeited for that all contributions are fully vesting in employees at the time of payment.

In addition to the above basic social endowment insurance, the Company established an enterprise annuity fund in January 2014, and paid monthly to the enterprise annuity fund according to the agreed payment base and percentage. During the accounting period when the employees participating in the enterprise annuity plan provide services, the amount calculated and paid by the Company according to the enterprise annuity plan is recognized as liabilities and included in the income statement or related asset costs. The fund is a defined contribution scheme. Contribution not attributed to the resigned employee in the enterprise annuity fund shall not offset the existing contribution, instead it will be transferred into a public account of the enterprise annuity fund and distributed to other members of the enterprise annuity fund after performing the stipulated approval procedures.

XII. OTHER SIGNIFICANT EVENTS

The Company received the Approval by CBIRC of the Issuance of Capital Supplementary Bonds by New China Life Insurance Company Ltd. (Yin Bao Jian Fu [2020] No. 30) and Decision of the People's Bank of China on Approval of Administrative License (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 41) during the reporting period. The Company has completed the issuance of capital supplementary bonds with the amount of RMB10,000 million on 13 May 2020. For details, please refer to the *Announcement on Completion of Issuance of the Capital Supplementary Bonds* published by the Company on the website of Hong Kong Stock Exchange (www.hkexnews.hk) on the same day.

XIII. FULFILLING THE SOCIAL RESPONSIBILITY OF POVERTY ALLEVIATION

(I) Targeted Poverty Alleviation Program

The year 2020 was a crucial year for the fight against poverty. The Company actively implemented the vision of the 19th CPC National Congress, responded to the call of poverty alleviation by CPC Central Committee, conducted on-site investigation to understand local needs, leveraged the advantages of insurance industry, carried out targeted poverty alleviation projects to help fight against poverty.

(II) Annual Targeted Poverty Alleviation Overview

In 2020, the Company continued to launch "The Road to Prosperity in All Respects • New China Life Accompanying You" targeted poverty alleviation public welfare activity through the Foundation, and launched assistance programs on former revolutionary base areas, areas inhabited by minorities, remote, border and poor areas, especially in the impoverished areas like the "three regions and three prefectures".

(III) Targeted Poverty Alleviation Results

In 2020, the Company, through the Foundation, carried out targeted poverty alleviation projects in 6 provinces or autonomous regions including Gansu, Yunnan, Xinjiang, including 2 poverty alleviation projects through insurance, 1 poverty alleviation project through industry development and 3 poverty alleviation projects through education as well as 1 poverty alleviation cadres condolence project, benefiting more than 19,000 poor households with registered cards and files. The total donated sum assured was over RMB1,800 million. In 2020, the Company put over RMB8.45 million to help Shibing county in Guizhou province precisely. The Company continued to help Huangyangcheng town, Chayouzhong banner, Wulanchabu City, Inner Mongolia Autonomous Region and donated RMB1.2 million to assist local industrial projects, and gave RMB1million to the village lightening project, made insurance donations to 2,874 people with the total sum assured of RMB430 million and premiums of RMB391,600.

(IV) Follow-up Targeted Poverty Alleviation Program

In 2021, the Company will continue to implement the vision made by CPC Central Committee, make efforts to eliminate poverty, improve people's wellbeing and gradually push forward common prosperity. The Company will consolidate the poverty alleviation achievement and make sure such achievements benefit rural revitalization. The Company will better fulfill its social responsibility and mission to contribute to build a modern socialist country in all respects.

Please refer to *Corporate Social Responsibility Report 2020* published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) on 24 March 2021 for the details of fulfilling social responsibility of poverty alleviation of the Company.

SECTION 8

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. CHANGES IN SHARE CAPITAL

The share capital of the Company as of 31 December 2020 remained unchanged.

Unit: share

	31 December 2019		Increase or decrease during the reporting period (+, -)					31 December 2020	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	–	–	–	–	–	–	–	–	–
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	2,085,439,340	66.85%	–	–	–	–	–	2,085,439,340	66.85%
(2) Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	–	–	–	–	–	1,034,107,260	33.15%
(4) Others	–	–	–	–	–	–	–	–	–
Total	3,119,546,600	100.00%	–	–	–	–	–	3,119,546,600	100.00%
3. Total number of shares	3,119,546,600	100.00%	–	–	–	–	–	3,119,546,600	100.00%

II. ISSUE AND LISTING OF SECURITIES

During the reporting period, the Company had no issue of listed securities.

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

III. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there were 84,524 shareholders of the Company, including 84,242 A shareholders and 282 H shareholders.

As of 28 February 2021, there were 94,721 shareholders of the Company, including 94,440 A share shareholders and 281 H share shareholders.

As of the end of the reporting period, details of the shares held by top ten shareholders were set out below:

Unit: share

Name of the shareholders	Total number of shares held	Percentage of the shareholding (%)	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions[1]	Shares pledged or frozen: Status	Shares pledged or frozen: Number of shares	Character of the shareholders	Types of shares
HKSCC Nominees Limited[2]	1,033,360,231	33.13	-461,005	–	Unknown	Unknown	Overseas legal person shares	H
Central Huijin Investment Ltd.	977,530,534	31.34	–	–	–	–	State-owned shares	A
China Baowu Steel Group Corporation Limited	377,162,581	12.09	–	–	–	–	State-owned legal person shares	A
China Securities Finance Corporation Limited	93,339,045	2.99	–	–	–	–	State-owned legal person shares	A
HKSCC[3]	33,009,509	1.06	+2,263,703	–	–	–	Overseas legal person shares	A
Central Huijin Asset Management Ltd.	28,249,200	0.91	–	–	–	–	State-owned legal person shares	A
Ping An Life Insurance Company of China-Equity Fund[4]	19,592,191	0.63		–	–	–	Domestic legal person shares	A
National Social Security Fund 110 Combination	19,156,296	0.61	+16,525,060	–	–	–	State-owned legal person shares	A
Beijing Taiji Huaqing Information System Co., Ltd.	17,500,000	0.56	-700,000	–	–	–	Domestic legal person shares	A
National Social Security Fund 114 Combination[4]	9,199,921	0.29		–	–	–	State-owned legal person shares	A
Description of related relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.							

Notes:

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

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

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

4. The number of shares held by Ping An Life Insurance Company of China-Equity Fund and National Social Security Fund 114 Combination failed to rank the top 100 shareholders list as at 31 December 2019. The increased holding during the reporting period made them rank the top 10 shareholders.

(II) Controlling shareholder and the actual controller

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

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

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited★☆	34.71%
2	Agricultural Bank of China Limited★☆	40.03%
3	Bank of China Limited★☆	64.02%
4	China Construction Bank Corporation★☆	57.11%
5	Shenwan Hongyuan Group Co., Ltd.★☆	20.05%
6	China Reinsurance (Group) Corporation☆	71.56%
7	New China Life Insurance Company Limited★☆	31.34%
8	China International Capital Corporation Limited★☆	44.11%
9	China Securities Co., Ltd.★☆	30.76%

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

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

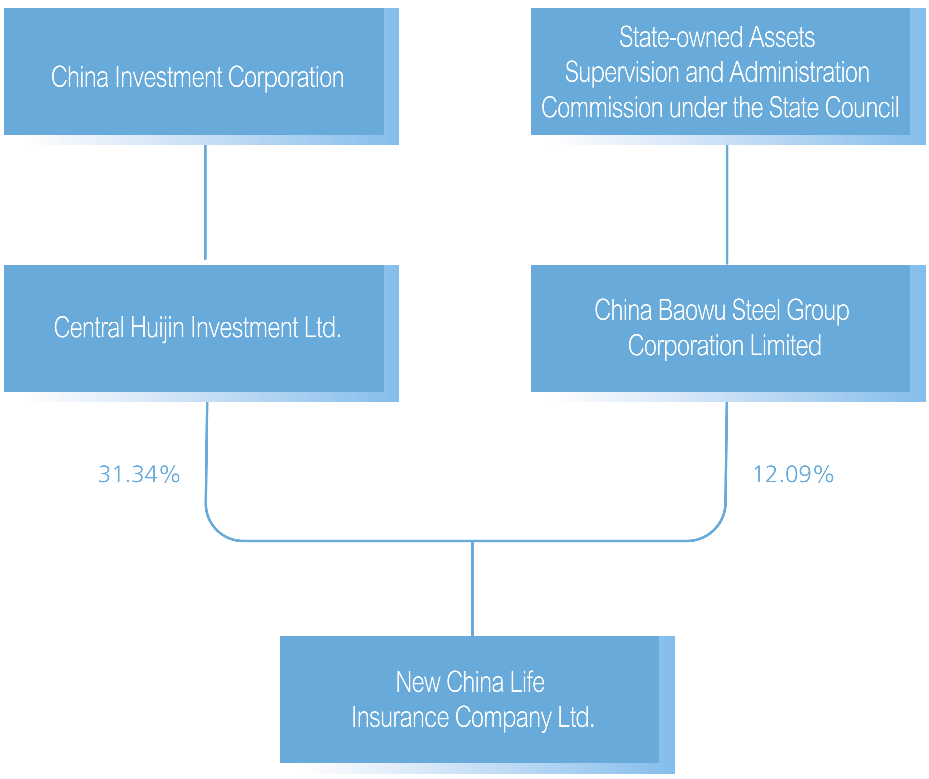
(III) Other corporate shareholders holding 10% or more of the shares in the Company

China Baowu

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

Saved as disclosed above, as at 31 December 2020, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% or more of shares in the Company as at 31 December 2020:



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

So far as the directors of the Company are reasonably aware of, as at 31 December 2020, China Baowu held 377,162,581 A shares of the Company, representing 12.09% of the total issued shares of the Company and 18.09% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as at 31 December 2020, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Unit: share

	Name of the Shareholder	Types of shares	Capacity	Number of shares	Percentage of the total shares issued %	Percentage of the A shares issued %	Percentage of the H shares issued %	Long Position/Short Position/Interest in a lending pool
1	Central Huijin Investment Ltd.	A Share	Beneficial owner	977,530,534	31.34	46.87	–	Long Position
			Interests of Controlled Corporation	28,249,200	0.91	1.35	–	Long Position
2	Swiss Re Ltd	H Share	Interests of Controlled Corporation	77,857,800 (3)	2.50	–	7.53	Long Position
3	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	176,799,500 (4)	5.67	–	17.10	Long Position
4	Fosun International Limited	H Share	Interests of Controlled Corporation	145,697,600	4.67	–	14.09	Long Position
			Beneficial owner	31,101,900 (4)	1.00	–	3.01	Long Position
5	Guo Guangchang	H Share	Interests of Controlled Corporation	176,799,500 (4)	5.67	–	17.10	Long Position
6	Fidelidade – Companhia de Seguros, S.A.	H Share	Beneficial owner	62,126,100 (4)	1.99	–	6.01	Long Position

Notes:

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

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

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

4. Mr. GUO Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited, Fidelidade – Companhia de Seguros, S.A. and other companies controlled or indirectly controlled by them.

Save as disclosed above, as of 31 December 2020, the Company was not aware of anyone (other than the directors, supervisors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which have been entered into the register maintained by the Company pursuant to Section 336 of the SFO.

IV. THE INTEREST AND SHORT POSITION OF DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES UNDER HONG KONG LAWS AND REGULATIONS

As of 31 December 2020, according to the information available to the Company and the information our directors are aware of, there were no interests and short positions (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in our shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

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

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LI Quan	Executive Director	In Office	Male	August 1963	Since November 2019	176.63	104.41	No
YANG Yi	Non-Executive Director	In Office	Male	February 1973	Since July 2018	–	–	Yes
GUO Ruixiang	Non-Executive Director	In Office	Male	August 1975	Since July 2019	–	–	Yes
HU Aimin	Non-Executive Director	In Office	Male	December 1973	Since June 2016	–	–	Yes
LI Qiqiang	Non-Executive Director	In Office	Male	November 1971	Since August 2019	–	–	Yes
PENG Yulong	Non-Executive Director	In Office	Male	October 1978	Since July 2017	–	–	Yes
Edouard SCHMID	Non-Executive Director	In Office	Male	June 1964	Since November 2019	–	–	Yes
LI Xianglu	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	26.72	5.28	No
ZHENG Wei	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	26.72	5.28	No
CHENG Lie	Independent Non-Executive Director	In Office	Male	September 1955	Since August 2016	22.68	4.32	No
GENG Jianxin	Independent Non-Executive Director	In Office	Male	March 1954	Since September 2017	26.72	5.28	No
MA Yiu Tim	Independent Non-Executive Director	In Office	Male	October 1954	Since December 2019	22.56	4.30	No
LIU Haoling(1)	Chairman Non-Executive Director	Resigned	Male	July 1971	Since September 2019 until January 2021	–	–	Yes
LI Zongjian(2)	Executive Director	Resigned	Male	July 1960	Since January 2017 until April 2020	46.80	28.75	No
XIONG Lianhua(3)	Non-Executive Director	Resigned	Female	August 1967	Since July 2017 until August 2020	–	–	Yes

Notes:

1. Mr. LIU Haoling resigned from the positions as the chairman, non-executive director and chairman of the Strategy Committee under the Board of the Company due to work-related reasons on 20 January 2021.

2. Mr. LI Zongjian resigned from the positions as an executive director, a member of the Strategy Committee and a member of the Investment Committee under the Board of the Company due to his age on 30 April 2020. Mr. LI Zongjian's remuneration was calculated according to his senior management position from January to May 2020.

3. Ms. XIONG Lianhua resigned from the positions as a non-executive director, a member of the Strategy Committee and a member of the Nomination and Remuneration Committee under the Board of the Company due to work-related reasons on 3 August 2020.

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

(II) Supervisors

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

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
WANG Chengran[1]	Shareholder Representative Supervisor and Chairman of the Board of Supervisors	In Office	Male	November 1959	Since July 2014	137.90	95.24	No
YU Jiannan	Shareholder Representative Supervisor	In Office	Male	March 1973	Since February 2018	–	–	Yes
LIU Chongsong	Employee Representative Supervisor	In Office	Male	October 1965	Since August 2019	227.08	117.48	No
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	137.27	48.44	No

Notes:

1. Mr. WANG Chengran resigned from his positions as the shareholder representative supervisor, the chairman of the board of supervisors and all other positions of the Company due to his age on 8 April 2021. Considering that the resignation of Mr. WANG Chengran would reduce the number of supervisors of the Company to be less than two-thirds of the total number of supervisors specified in the Articles of Association, according to relevant provisions of the Articles of Association, before the appointment of a new supervisor, Mr. WANG Chengran will continue to perform the duties as a supervisor in accordance with laws, regulations, regulatory documents and the Articles of Association.

2. The First Extraordinary General Meeting of 2019 held on 18 October 2019 elected Ms. GAO Lizhi as a shareholder representative supervisor of the seventh session of the board of supervisors of the Company. Ms. GAO Lizhi resigned as a proposed shareholder representative supervisor of the Company due to work-related reasons on 25 February 2021.

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

(III) Members of senior management

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

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LI Quan	Chief Executive Officer President	In Office	Male	August 1963	Since August 2019	176.63	104.41	No
YANG Zheng	Vice President Chief Financial Officer (Financial Principal)	In Office	Male	May 1970	Since December 2016 Since February 2017	135.81	85.85	No
LI Yuan	Vice President	In Office	Male	August 1962	Since November 2016	114.81	67.45	No
GONG Xingfeng	Vice President Chief Actuary Board Secretary	In Office	Male	October 1970	Since November 2016 Since September 2010 Since March 2017	114.75	67.44	No
YU Zhigang	Vice President	In Office	Male	December 1964	Since November 2016	114.81	67.45	No
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	111.84	64.93	No
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since August 2011	96.70	49.06	No
WANG Lianwen	Assistant to President	In Office	Male	April 1968	Since February 2017	98.07	47.69	No
LI Zongjian(1)	Vice President	Resigned	Male	July 1960	Since January 2017 until May 2020	46.80	28.75	No

Notes:

1. Mr. LI Zongjian tendered his resignation to the Company on 11 May 2020. He resigned as the vice president of the Company.

2. The date that senior management takes office is identical to the approval date by the CBIRC.

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

4 The performance bonus for the senior management in 2020 is not finalized yet. Relevant details will be separately disclosed later.

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Directors

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

Mr. LI Quan, Chinese

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

Mr. YANG Yi, Chinese

Mr. YANG Yi has been the non-executive director of the Company since July 2018 and director of Asset Management Company since December 2020. Mr. Yang is currently employed by Huijin. He successively served as project manager of insurance department and manager of insurance department/comprehensive department in Sinochem Group Co., Ltd., manager of investment management department, assistant to general manager and manager of investment management department, deputy general manager and member of the Party Committee in Sinochem Finance Co., Ltd. from March 2001 to June 2018, during which Mr. Yang was also the director of Manulife-Sinochem Life Insurance Co., Ltd. and Jiangtai Insurance Brokers Co., Ltd. Mr. Yang is a fellow member of China Association of Actuaries and a fellow member of the Life Office Management Association of the United States. Mr. Yang obtained his bachelor's degree in engineering from Tianjin University in 1995, a master's degree in economics from Nankai University in 1998 and a master's degree in economics from Hong Kong University of Science and Technology in 2000.

Mr. GUO Ruixiang, Chinese

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

Mr. HU Aimin, Chinese

Mr. HU Aimin has been the non-executive director of the Company since June 2016. Mr. Hu is currently the general manager of Industrial Financial Development Center of China Baowu, chairman of the board of directors and secretary of the Party Committee of Hwabao Investment Co., Ltd., chairman of the board of directors of Hwabao Securities Co., Ltd., director of Hwabao Trust Co., Ltd., as well as supervisor of Xinjiang Tianshan Iron & Steel Co., Ltd. (新疆天山鋼鐵聯合有限公司). Before that, Mr. Hu successively served as the secretary of the Party Committee, director, senior vice president and deputy general manager of Shanghai Baosteel Packaging Co.,Ltd., general manager of investment management department in Industrial Financial Development Center of China Baowu, deputy general manager of capital operation department of Hwabao Investment Co., Ltd. (capital operation department of Baosteel Group), a senior manager of asset management department in Baosteel Group. Mr. Hu obtained his bachelor's degree in economics from Jiangxi University of Finance and Economics in 1995.

Mr. LI Qiqiang, Chinese

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

Mr. PENG Yulong, Chinese

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

Mr. Edouard SCHMID, Swiss

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

Mr. LI Xianglu, Chinese

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

Mr. ZHENG Wei, Chinese

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

Mr. CHENG Lie, Chinese

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

Mr. GENG Jianxin, Chinese

Mr. GENG Jianxin has been the independent non-executive director of the Company since September 2017. Mr. Geng enjoys the special allowance from the State Council. Mr. Geng also works as an independent director of Capitalonline Data Service Co., Ltd. (a company listed on the SZSE, stock code: 300846) and an independent supervisor of Zhuzhou CRRC Times Electric Co., Ltd. (a company listed on the HKSE, stock code: 03898). Mr. Geng was a level-2 responsible professor at the accounting department of school of business in Renmin University of China, associate professor, professor, doctoral supervisor, standing deputy director of department, secretary of the Party Committee, chairman of the academic committee of school of business in Renmin University of China, vice president of China Audit Society and deputy director of the Academic Committee. Mr. Geng served as an independent director of Jangho Group Company Limited (a company listed on the SSE, stock code: 601886) and Shenzhen Tatfook Technology Co., Ltd. (a company listed on the SZSE, stock code: 300134). Mr. Geng graduated from the accounting department of Zhejiang College of Metallurgical Economics in 1981 and obtained a master's degree in economics from Zhongnan University of Finance and Economics in 1988 and a PhD in management from Renmin University of China in 1993.

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

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

(II) Supervisors

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

Mr. WANG Chengran, Chinese

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

Mr. YU Jiannan, Chinese

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

Mr. LIU Chongsong, Chinese

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

Mr. WANG Zhongzhu, Chinese

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

(III) Senior management

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

Mr. LI Quan, See "II. Biographies of Directors, Supervisors and Senior Management– (I) Directors" in this section.

Mr. YANG Zheng, Chinese

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

Mr. LI Yuan, Chinese

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

Mr. GONG Xingfeng, Chinese

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

Mr. YU Zhigang, Chinese

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

Mr. YUE Ran, Chinese

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

Mr. YUAN Chaojun, Chinese

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

Mr. WANG Lianwen, Chinese

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

III. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT DURING THE REPORTING PERIOD

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

(I) Positions in corporate shareholders

Name	Name of shareholders	Position	Term
YANG Yi	Central Huijin Investment Ltd.	Employee	Since October 2018
GUO Ruixiang	Central Huijin Investment Ltd.	Employee	Since November 2010
HU Aimin	Industrial Financial Development Center of China Baowu	General Manager	Since July 2019
PENG Yulong	Shanghai Fosun Hi-tech (Group) Co., Ltd	Senior Assistant to President	Since January 2019
		Co-president of Insurance Division	Since January 2019
Edouard SCHMID	Swiss Re	Group Underwriting Consultant	Since July 2017

(II) Major positions in other entities

Name	Name of other entities	Position	Term
LI Quan	PetroChina Pipelines Co., Ltd	Chairman of Board of Supervisors	Since February 2016
GUO Ruixiang	Hengfeng Bank Co., Ltd.	Director	Since September 2020
HU Aimin	Hwabao Securities Co., Ltd.	Chairman	Since December 2019
	Hwabao Trust Co., Ltd.	Director	Since November 2019
	Baowu Group Zhongnan Iron & Steel Co., Ltd. (寶武集團中南鋼鐵有限公司)	Director	Since September 2019
	Hwabao Investment Co., Ltd.	Chairman	Since December 2019
	China Bohai Bank Co., Ltd.	Director	Since September 2018
	Chinese Capital Ride Equity Investment and Management Co., Limited, Shanghai	Director	Since January 2016
	Xinjiang Tianshan Iron & Steel Co., Ltd. (新疆天山鋼鐵聯合有限公司)	Supervisor	Since March 2020
LI Qiqiang	Hwabao Trust Co., Ltd.	Chairman	Since November 2020
	Hwabao Duding (Shanghai) Financial Leasing Co., Ltd.	Chairman	Since December 2018
	Siyuanhe Equity Investment Management Co., Ltd.	Director	Since September 2018
	Hwabao Metallurgical Asset Management Co., Ltd.	Director	Since September 2018
PENG Yulong	Yadong Xingheng Information Technology Company Limited	Executive Director and General Manager	Since September 2018
	Pramerica Fosun Life Insurance Co., Ltd.	Chairman of Board of Supervisors	Since October 2017
	Yong An Property Insurance Company Limited	Director	Since March 2017
	Xingheng Insurance Agency	Executive Director	Since September 2016
ZHENG Wei	Donghai Marine Insurance Co., Ltd.	Independent Director	Since June 2016
	Shanghai Nanyan Information Technology Co., Limited	Director	Since November 2018
	PICC Reinsurance Company Limited	Independent Director	Since May 2017
	China CITIC Bank Co., Ltd.	Supervisor	Since May 2015
GENG Jianxin	Capitalonline Data Service Co., Ltd.	Independent Director	Since September 2018
	Zhuzhou CRRC Times Electric Co., Ltd.	Independent Supervisor	Since June 2011
YU Jiannan	China Investment Corporation	Deputy Director of Organization Department of Party Committee	Since January 2013
		Deputy Director of Human Resources Department	Since April 2011
		Managing Director	Since July 2014
LIU Haoling (Resigned)	China Investment Corporation	Deputy General Manager and Chief Risk Officer	Since December 2020

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

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

During the reporting period, the aggregate amount of after-tax remuneration that directors, supervisors and members of senior management received from the Company was RMB18.613 million and the total amount of individual income tax paid was RMB10.0181 million. For detailed remuneration of each individual, please refer to "I. Directors, Supervisors and Members of Senior Management" in this section of this annual report.

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

V. CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

Name	Position	Changes
LIU Haoling	Chairman and Non-Executive Director	Resigned
LI Zongjian	Executive Director and Vice President	Resigned
XIONG Lianhua	Non-Executive Director	Resigned

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

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

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

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

Please refer to Section 8 "Changes in Share Capital and Shareholders' Profile" of this report.

VII. EMPLOYEES

As of 31 December 2020, there were a total of 36,309 employees who entered into employment contracts with the Company (life insurance headquarters, 35 branches and major subsidiaries[(1)]). Their expertise and education background are set out below:

(I) Expertise

Expertise	Number	Proportion
Management	1,835	5.05%
Professional	4,019	11.07%
Marketing and marketing management	21,632	59.58%
Of which: Contractual field sales personnel	11,310	31.15%
Other	8,823	24.30%
Total	36,309	100.00%

(II) Education background

Education background	Number	Proportion
Master's degree	1,859	5.12%
Bachelor's degree	23,481	64.67%
Lower than bachelor's degree	10,969	30.21%
Total	36,309	100.00%

Note:

1. Major subsidiaries refer to subsidiaries whose 50% or more of the shares are being held by the Company.

(III) Remuneration policies and training plan for employees

In accordance with characteristics of the business and demands of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. Insisting on the remuneration philosophy of paying according to the ability, position and performance, the Company encourages employees to steadily achieve and exceed the ability required by the positions through self-improving to gain corresponding remuneration. As required by the PRC government, the Company provides employees with various social security and housing provident fund. At the same time, the Company established a variety of benefit plans for its employees, including enterprise annuity fund to meet the diverse needs of employees.

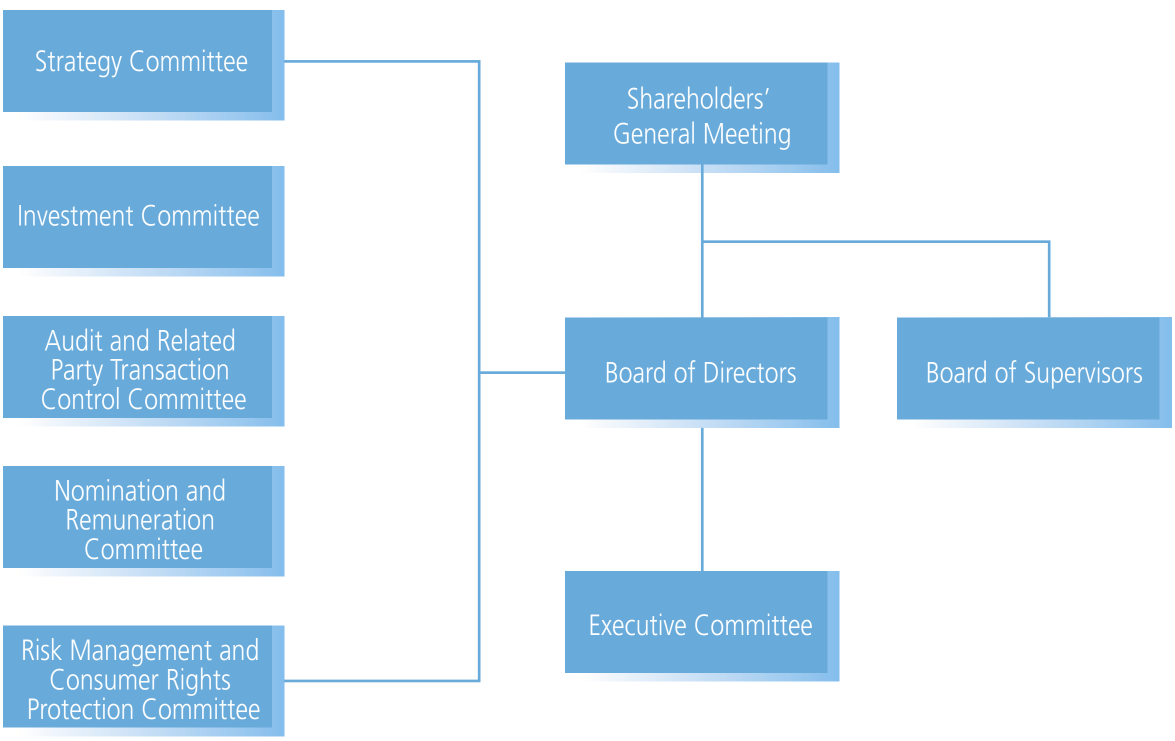
In 2020, the staff training of the Company adhered to the Party building as the guidance, served the Company's strategy, helped build the talent team and improved staff ability and quality. 22,459 staff completed online development training. 44,000 participants attended in 9 NCI lectures. The average training hours per capita exceeded 90 hours with the complete coverage of the internal staff. Focusing on individual insurance channel, the Company emphasized training results for sales team. In 2020, 53,987 training courses were offered for 3,409,172 participants and the cumulative learning hours per capita reached 140 hours.

SECTION 10
CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

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

Corporate governance structure



(I) Shareholders and Shareholders' General Meeting

Shareholders' rights

According to the Articles of Association, the general meeting of shareholders is the supreme authority of the Company and shall exercise the following functions and powers: to decide on the business objective, development strategy and investment plan of the Company; to elect and replace directors and supervisors who are representatives of shareholders and to decide the remuneration of directors and supervisors; to consider and approve annual financial budget and final accounts of the Company; to consider and approve the profit distribution plan and loss recovery plan of the Company; to resolve on the increase or decrease in the registered capital of the Company; and to review and amend the Articles of Association, etc.

Shareholder(s) shall have the right to propose convening an extraordinary general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding 10% or more of the total voting shares of the Company for at least 90 consecutive days (the "Proposing Shareholders") shall have the right to propose to the Board to convene an extraordinary general meeting. Where Proposing Shareholders propose convening an extraordinary general meeting, they shall submit topics and proposals with complete contents in writing to the Board and make sure that the aforesaid proposals do not violate laws, regulations, regulatory documents and the Articles of Association. Shareholders shall comply with the provisions and procedures regarding the convening of extraordinary general meeting as set out in the Articles of Association.

Shareholder(s) shall have the right to make extraordinary proposals to the general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding 3% or more of the Company's shares shall make extraordinary proposals 10 days prior to the convening of general meeting and submit proposals to the convener in writing.

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

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

Shareholders' general meetings

During the reporting period, the Company held 1 general meeting in total as follows:

Session	Date of Meeting	Place of Meeting	Media where resolutions were published	Date of Publication of Resolutions
Annual General Meeting of 2019	2020-6-23	Beijing	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2020-6-23

The Annual General Meeting of 2019 considered and approved *the proposal on the profit distribution plan for the year 2019* and *the proposal on amendment to the Articles of Association*. Details are set out in the announcements published on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company on 23 June 2020.

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

Attendance of the general meetings of directors

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

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

Note:

1. As of the date of this report, for the details of the Company's newly appointment and resignation of directors, please refer to Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

(II) Directors and the Board

As of the end of the reporting period, the Board consisted of 13 directors, including 1 executive director, 7 non-executive directors and 5 independent non-executive directors. Directors serve a term of three years and are eligible for re-election, but the consecutive term of independent non-executive directors shall not exceed 6 years. The number of directors and composition of the Board are in compliance with applicable laws and regulatory requirements and the Articles of Association. For details of the composition of the Board, please refer to Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

Members of the Board, directors, supervisors and senior management do not have any financial, business, family or other material relations with other directors, supervisors or senior management.

Corporate governance function

The Board of the Company is responsible for exercising corporate governance function and has fulfilled its duties and responsibilities as set out in Article D.3.1 of Corporate Governance Code. During the reporting period, the Board of the Company has reviewed the compliance with laws, regulatory requirements and Corporate Governance Code and the disclosure in Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, and improved the Company's corporate governance policies and practices. Details of the corporate governance function of the Board are as follows:

Developing and reviewing the Company's policies and practices on corporate governance;

Formulating the Company's overall strategy, objectives and approaches, business plans and investment proposals;

Formulating the Company's annual budgets, financial statements and monitoring the Company's business performance;

Performing the corporate governance function, monitoring, evaluating and ensuring the effectiveness of the internal control system and compliance with relevant laws and regulations of the Company;

Reviewing the Company's compliance with Corporate Governance Code and the disclosure in Corporate Governance Report.

Responsibilities, functions and types of decisions delegated to the senior management include:

Implementing the Company's overall strategy, objectives and approaches, business plans and investment proposals as determined by the Board; managing the Company's daily business.

Duties of the Board and senior management

In accordance with the Articles of Association, the Board shall exercise the following powers: to convene the shareholders' general meeting and report its work to the shareholders' general meeting; to implement the resolutions passed at the shareholders' general meeting; to determine the operation plan and investment scheme of the Company, to control and monitor the financial conditions and usage of funds of the Company; to formulate the development strategy; to formulate the annual financial budget and final accounts of the Company; to formulate the profit distribution plan and loss recovery plan of the Company; to appoint or remove the senior management, and to decide and implement the annual performance evaluation, annual remuneration, rewards and punishments scheme of senior management of the Company, etc.

According to the Articles of Association, the Company establishes the Executive Committee. The Executive Committee is comprised of senior management of the Company, and its major duties include: to transmit the instructions of the meetings of the Board, and to implement the specific tasks and measures of the resolutions of the Board; to implement the plans in connection with material mergers and acquisitions, equity and real estate investments and financings, and assets disposals, subject to the authorization by the Board or in accordance with resolutions of the Board; to study on the material decisions of the Company on its operations and provide advice to the Board; to monitor the material daily operations and activities of the Company; to organize and implement solvency risk management; and to review and evaluate the corporate governance structure of the Company.

Attendance of Board meetings of directors

During the reporting period, the Board held 4 regular Board meetings and 6 ad hoc Board meetings. The attendance was as follows:

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Attendance rate in person	Failing to attend the meeting in person for two consecutive times
Executive Director					
LI Quan	10	10	0	100%	No
Non-Executive Directors					
YANG Yi	10	10	0	100%	No
GUO Ruixiang	10	10	0	100%	No
HU Aimin	10	9	1	90%	No
LI Qiqiang	10	10	0	100%	No
PENG Yulong	10	10	0	100%	No
Edouard SCHMID	10	9	1	90%	No
Independent Non-Executive Directors					
LI Xianglu	10	10	0	100%	No
ZHENG Wei	10	10	0	100%	No
CHENG Lie	10	10	0	100%	No
GENG Jianxin	10	10	0	100%	No
MA Yiu Tim	10	9	1	90%	No
Resigned Chairman, Non-Executive Director					
LIU Haoling	10	9	1	90%	No
Resigned Executive Director					
LI Zongjian	4	4	0	100%	No
Resigned Non-executive Director					
XIONG Lianhua	7	7	0	100%	No

(III) Committees under the Board

The Board of the Company establishes 5 committees which are Strategy Committee, Investment Committee, Audit and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Risk Management and Consumer Rights Protection Committee. The committees are accountable to the Board and perform their duties by giving professional opinions to the Board.

Strategy Committee

As of the end of the reporting period, Strategy Committee consisted of 1 executive director LI Quan, 3 non-executive directors LIU Haoling, HU Aimin, Edouard SCHMID and 1 independent non-executive director CHENG Lie, and LIU Haoling served as the chairman.

1. Duties of Strategy Committee

   The Strategy Committee performs the following duties and responsibilities: to review the Company's development strategy and annual operation plan, increase or decrease in the registered capital, the dividend distribution and loss recovery plan; amendment to the Articles of Association, etc., and make recommendations to the Board.

2. Meetings and attendance

   During the reporting period, Strategy Committee held 4 meetings and the attendance was as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LIU Haoling (resigned)	4	3	1
LI Quan	4	4	0
HU Aimin	4	4	0
Edouard SCHMID	4	3	1
CHENG Lie	4	4	0

3. Performance of duties of Strategy Committee

   During the reporting period, Strategy Committee, in accordance with the requirements of the Articles of Association and Terms of Reference of Strategy Committee, reviewed matters on the operation plan of the Company, the comprehensive assessment report of development plan, adjustment of Shanggu Real Estate into Pension Operation Management Company, and amendments to the Articles of Association, Rules of Procedure of the General Meeting, Rules of Procedure of the Board Meeting, etc., and submitted professional opinions to the Board.

Investment Committee

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

1. Duties of Investment Committee

   The Investment Committee performs the following duties and responsibilities: to consider the overall objective and strategy of asset liability management of the Company, the rules and policies of asset liability management and asset allocation, the usage of insurance funds and asset management rules and guidelines, management of the usage of insurance funds, etc., and make recommendations to the Board.

2. Meetings and attendance

   During the reporting period, Investment Committee held 7 meetings. The attendance was as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
YANG Yi	7	6	1
LI Quan	7	7	0
GUO Ruixiang	7	7	0
HU Aimin	7	7	0
PENG Yulong	7	7	0
CHENG Lie	7	7	0

3. Performance of duties of Investment Committee

   During the reporting period, Investment Committee, in accordance with the requirements of the Articles of Association and Terms of Reference of Investment Committee, carefully reviewed matters on the asset allocation plan for the Company in three years, application for investment in financial derivatives, investment overview of Guangzhou New China Life Tower building project, amendments to the Plan on Authorization to the Board Granted by the General Meeting, amendments to the Plan on Authorization to the Operation Management Granted by the Board, etc., and submitted professional opinions to the Board.

Audit and Related Party Transaction Control Committee

As of the end of the reporting period, Audit and Related Party Transaction Control Committee consisted of 3 non-executive directors GUO Ruixiang, LI Qiqiang and PENG Yulong, 4 independent non-executive directors GENG Jianxin, LI Xianglu, ZHENG Wei, CHENG Lie, and GENG Jianxin served as the chairman.

1. Duties of Audit and Related Party Transaction Control Committee

   The Audit and Related Party Transaction Control Committee performs the following duties and responsibilities: to assess the effectiveness of risk management and internal control, guide internal auditing, review the financial information and disclosure of the Company, manage, review, approve and control risks of related party transactions, coordinate and manage the identification and maintenance of related parties, the information disclosure of related party transactions, etc., and make recommendations to the Board.

2. Meetings and attendance

   During the reporting period, Audit and Related Party Transaction Control Committee held 8 meetings in total. The attendance was as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
GENG Jianxin	8	8	0
GUO Ruixiang	8	8	0
LI Qiqiang	8	8	0
PENG Yulong	8	8	0
LI Xianglu	8	8	0
ZHENG Wei	8	8	0
CHENG Lie	8	8	0

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

   During the reporting period, Audit and Related Party Transaction Control Committee, in accordance with the requirements of the Articles of Association and Terms of Reference of Audit and Related Party Transaction Control Committee, carefully reviewed matters on the regular reports, final accounts, solvency, internal control and internal auditing, related party transactions, special auditing report on anti-money laundering and special auditing report on anti-insurance fraud, and submitted professional opinions to the Board.

   The Audit and Related Party Transaction Control Committee, in accordance with the requirements for the preparation of annual report of the Company and relevant rules of procedure, kept sufficient and timely communication with external auditors; reviewed the financial statements and offered written comments; offered professional opinions on the Annual Report 2019 and agreed to the submission to the Board for its consideration at the sixth meeting of Audit and Related Party Transaction Control Committee of the seventh session of the Board in 2020.

   The Audit and Related Party Transaction Control Committee paid special attention to the internal control of the Company. Relevant departments of the Company reported work to the Audit and Related Party Transaction Control Committee regularly or irregularly, so that the Audit and Related Party Transaction Control Committee promptly understood material problems encountered in the internal control management of the Company.

Nomination and Remuneration Committee

As of the end of the reporting period, Nomination and Remuneration Committee consisted of 2 non-executive directors LI Qiqiang, Edouard SCHMID and 4 independent non-executive directors ZHENG Wei, LI Xianglu, GENG Jianxin, MA Yiu Tim, and ZHENG Wei served as the chairman.

1. Duties of Nomination and Remuneration Committee

   The Nomination and Remuneration Committee performs the following duties and responsibilities: to formulate the criteria and plan for selecting directors and members of senior management, to conduct preliminary review of the candidates for directors and senior management, and the chairman of board of directors, the chairman of board of supervisors and president of important subsidiaries (as decided by the Board via regular or irregular consideration), to formulate evaluation plans and remuneration schemes for directors and members of senior management, to review the overall human resources and remuneration strategies and basic policies (including those regarding the senior management), and make recommendations to the Board.

2. Election of Directors

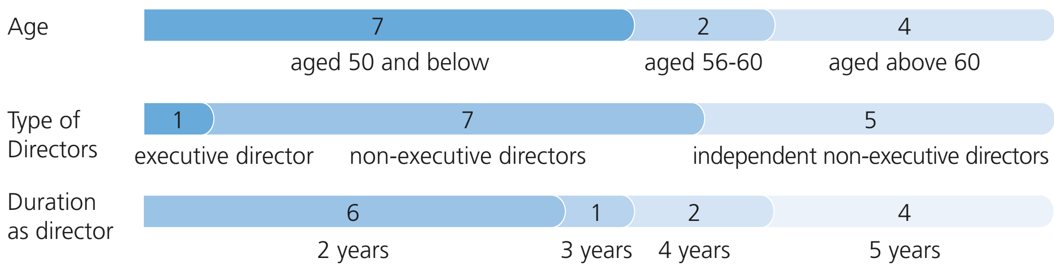
   Shareholders that individually or jointly hold 5% or more of the total voting shares of the Company, or Nomination and Remuneration Committee under the Board, shall have the right to nominate candidates for directors. The number of candidates for directors that a nominator proposes to nominate shall not exceed the number of directors proposed to be appointed. Shareholders who individually or jointly hold 3% or more of the shares of the Company, Nomination and Remuneration Committee and the board of supervisors may nominate candidates for independent non-executive directors. Shareholders holding more than one third of shares of the Company and their related shareholders and persons acting in concert shall not nominate independent non-executive directors. The Nomination and Remuneration Committee under the Board and the board of supervisors shall nominate independent non-executive directors by meeting resolutions. The Nomination and Remuneration Committee under the Board shall review the candidates for directors pursuant to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and submit its opinions to the Board. Directors are elected by the shareholders' general meeting with a term of office for 3 years. Each director shall be reelected upon expiration of his or her term of office.

3. Board Diversity Policy

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

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

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



Professional background: insurance, actuarial, accounting, law, economics, engineering, finance, politics, etc.

4. Meetings and Attendance

During the reporting period, Nomination and Remuneration Committee held 6 meetings in total. The attendance was as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHENG Wei	6	6	0
LI Qiqiang	6	6	0
Edouard SCHMID	6	4	2
LI Xianglu	6	6	0
GENG Jianxin	6	6	0
MA Yiu Tim	6	5	1

5. Performance of duties of Nomination and Remuneration Committee

During the reporting period, Nomination and Remuneration Committee, in accordance with the Articles of Association and Terms of Reference of Nomination and Remuneration Committee, reviewed the matters on assessment results of directors' performance, the assessment results of senior management performance for the year 2019, the approval and payment of performance bonus of senior management for the year 2019, the performance evaluation scheme of senior management for the year 2020, and submitted professional opinions to the Board. It also reviewed the qualifications of candidates for directors of the seventh session of the Board.

Risk Management and Consumer Rights Protection Committee

As of the end of the reporting period, Risk Management and Consumer Rights Protection Committee consisted of 1 executive director LI Quan, 3 non-executive directors YANG Yi, GUO Ruixiang, LI Qiqiang and 3 independent non-executive directors LI Xianglu, ZHENG Wei, MA Yiu Tim, and LI Xianglu served as the chairman.

1. Duties of Risk Management and Consumer Rights Protection Committee

   The Risk Management and Consumer Rights Protection Committee performs the following duties and responsibilities: to review the overall objective, fundamental policy and work system of risk management and internal control, to review risk preference and tolerance, the structure and duties of the risk management organization of the Company, to assess the operational effectiveness of solvency risk management system of the Company, to review risk assessment of major decisions and solutions of major risks of the Company, to study major issues and important policies regarding the protection of consumers' rights and interests, to guide and urge the establishment and improvement of consumer rights protection management system, and make recommendations to the Board.

2. Meetings and attendance

   During the reporting period, Risk Management and Consumer Rights Protection Committee held 7 meetings in total. The attendance was as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LI Xianglu	7	7	0
LI Quan	7	7	0
YANG Yi	7	6	1
GUO Ruixiang	7	7	0
LI Qiqiang	7	7	0
ZHENG Wei	7	7	0
MA Yiu Tim	7	6	1

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

   During the reporting period, Risk Management and Consumer Rights Protection Committee, in accordance with the requirements of Articles of Association and Terms of Reference of Risk Management and Consumer Rights Protection Committee, reviewed matters on compliance report, report of anti-fraud risk management, comprehensive risk management report, annual report of asset liability management, the independent assessment report of asset liability management ability, amendments to the Administrative Measures for the Anti-Money Laundering and Administrative Measures for the Anti-Fraud, etc., and submitted professional opinions to the Board.

(IV) Supervisors and board of supervisors

The performance of duties of supervisors and board of supervisors is set out in Section 13 "Report of the Board of Supervisors" of this report.

(V) Chairman and chief executive officer

During the reporting period, Mr. LIU Haoling worked as the chairman and Mr. LI Quan worked as the chief executive officer of the Company. The chairman shall be responsible for presiding over the shareholders' general meeting, convening and presiding over the Board meeting and exercise other powers granted by the Board. The chief executive officer shall be accountable to the Board and in charge of the business operation of the Company. Responsibilities of chairman and chief executive officer are set out expressly in the Articles of Association.

(VI) Company secretary

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

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

(VII) Training and research of directors

During the reporting period, each director received reports and materials on the latest regulatory rules and updates, industry information as well as the operation and management of the Company prepared on a regular basis to enable them to continuously develop and update their knowledge and skills in relation to work performance, so as to ensure that they have access to comprehensive and appropriate information in need to contribute to the Board.

In addition, the Company has arranged directors to participate in trainings on insurance policies, regulations and professional knowledge, study the latest laws and regulations issued by regulatory authorities. During the reporting period, chairman LIU Haoling, directors LI Quan, XIONG Lianhua, YANG Yi, GUO Ruixiang, HU Aimin, LI Qiqiang, Edouard SCHMID, and independent non-executive director CHENG Lie participated in the special training for directors and supervisors organized by the Listed Companies Association of Beijing. Chairman LIU Haoling and director LI Quan participated in the special training on Securities Law organized by the Listed Companies Association of Beijing and the online training for chairman and general manager organized by the China Association for Public Companies. Independent non-executive directors ZHENG Wei, CHENG Lie, GENG Jianxin and MA Yiu Tim participated in the follow-up training for independent non-executive directors organized by Shanghai Stock Exchange. The Company organized all directors to participate in the training of rules of related party transactions, the training on Environmental, Social and Governance and the training on new Securities Law organized by the Beijing Securities Regulatory Bureau.

In 2020, directors of the Company carried out researches on fintech and management of subsidiaries at peer companies and branches, completed two research reports, namely the *Construction of Information Technology System Propels Technology Empowering Strategy* (《關於加快信息科技系統建設　推進科技賦能戰略》) and *Standardize Management of Subsidiaries to Improve Comprehensive Operation Ability* (《規範子公司管理　提升綜合化經營能力》), and put forward valuable advices and suggestions on the current and future development of the Company.

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

On 23 June 2020, the Annual General Meeting of 2019 of the Company considered and approved the *proposal on amendment to the articles of association, the proposal on amendment to the rules of procedures of general meeting, the proposal on amendment to the rules of procedures of the Board* and *the proposal on amendment to the rules of procedures of the board of supervisors.* The amended Articles of Association obtained approval of the CBIRC on 6 September 2020.

(IX) Information disclosure and investor relations

During the reporting period, the Company strictly observed various regulatory rules of the listing places, effectively implemented the information disclosure policies the Company has made, and proactively managed information disclosure to ensure that domestic and overseas investors obtained true, accurate and complete information timely. There was no violation of requirements of information disclosure.

During the reporting period, the Company enriched and innovated the content and form of investor relations through online and offline approaches, conducted results announcements and domestic and overseas roadshows, received investors and analysts visits, held corporate day and other activities, to ensure the smooth communication with domestic and overseas investors, provided sufficient information on its operation and development to the capital market timely. Besides, the Company had active communication with minority investors by answering hotlines and replying to messages on its investor relations emails and the E-interactive platform of the SSE, so as to safeguard their rights to be informed.

II. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

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

The Company has obtained written confirmation of each independent non-executive director on his/her independence from the Company. The Company confirmed that all independent non-executive directors were independent from the Company during the year ended 31 December 2020.

III. THE INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN RESPECT OF ASSETS, PERSONNEL, FINANCE, INSTITUTION AND BUSINESS

The Company is independent from the controlling shareholder in assets, personnel, finance, institution and business, etc., and is an independent legal person responsible for its own profits and losses, runs independent and complete business and is capable of independent business operation. The business of the Company is independent from the controlling shareholder and other enterprises controlled by it and the Company has no horizontal competition with the controlling shareholder or any unfair related party transaction with the controlling shareholder and other enterprises controlled by it.

IV. APPRAISAL AND INCENTIVE FOR SENIOR MANAGEMENT

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

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

V. COMPLIANCE WITH MODEL CODE

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

VI. REMUNERATION OF AUDITORS

Please refer to Section 7 "Significant Events – VI. Appointment of Accounting Firms" of this report for remuneration of auditors.

VII. RESPONSIBILITIES OF DIRECTORS TOWARDS FINANCIAL STATEMENTS

Directors confirmed that they were obliged to prepare financial statements and to truly and fairly report the Company's situation. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in Appendix *2020 Audited Financial Statements* of this report. To the knowledge of the directors, there were no issues or conditions occurred in the reporting period that might have significant adverse effects on the Company's sustained operation. After making appropriate enquiries, the directors considered that the Company had enough resources for sustained operation in the future, therefore the financial statements should be prepared on a going concern basis.

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

The Board of the Company is responsible for fulfilling corporate governance responsibilities as set out in the terms of reference of Article D.3.1 of Corporate Governance Code. During the reporting period, the Board of the Company held a meeting to review the Company's compliance with Corporate Governance Code and the disclosures in the Corporate Governance Report. Directors of the Company were not aware of any information that would reasonably indicate that the Company had not complied with the applicable code provisions as set out in Corporate Governance Code at any time during the period from 1 January 2020 to 31 December 2020.

IX. INTERNAL CONTROL

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

The Board is responsible for establishing, improving and implementing internal control, as well as evaluating its effectiveness. The Audit and Related Party Transaction Control Committee under the Board is responsible for supervising the effective implementation and self-assessment of internal control, appointing and coordinating with external auditors. The board of supervisors is responsible for overseeing the establishment and implementation of internal control by the Board. The Risk Management Committee under the Executive Committee is responsible for organizing daily operation of internal control. The risk management department is responsible for organizing and promoting the internal control of the Company. Each of the functional departments and business units are implemented the provisions and requirements of internal control. The audit department is in charge of overseeing the internal control.

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

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

The Company continued to identify risks associated with the business, finance and use of funds and determined key risk areas through qualitative and quantitative methods, thereby fully identifying the defects and loopholes in internal control and improving the deficiency rectification and management system. The Company put emphasis on the practical effects of rectification, unified and coordinated management and control mechanism with precautionary measures, process control and post-supervision and guaranteed the efficiency and results of operating activities. In 2020, the Company thoroughly carried out crackdown on violations in insurance market, special inspection on short-term health insurance and accident insurance, special inspection on risks in illegal fundraising and fund cases, comprehensive risk investigation and other internal control and risk inspection and rectification activities, strengthening monitoring and on-site inspection, and steadily facilitating the optimization and implementation of internal control system. Basic ability of risk control was further improved.

The Company, focusing on transformation and development, continued to strengthen the internal control management foundation and steadily pushed forward internal control in various business areas. In respect of marketing control, the Company improved the marketing management structure, established complete systems and procedures to manage business and sales agents, continued to strengthen business management of intermediary channels and the systems and procedures to manage sales agents, training and quality, and strictly regulated promotion and marketing activities, continued to focus on improving business quality, strengthen marketing and risk monitoring, implemented thoroughly quality management and accountability, to prevent the risk of misleading marketing. In respect of operation control, the Company optimized the operation and management system, and the operation management and control processes of new policies, underwriting, updating information, claim settlement, customer service, reinsurance and others to implement the regulatory requirements for the traceability of marketing process of internet insurance. The Company improved customer information management system, and improved the integrated risk management of operation. In respect of accounting and financial control, the Company established a comprehensive and standardized accounting and financial management structure and system, enhanced various management systems, including budget management, accounting calculation, tax management, funds payment and receivable management, expense management, etc. Besides, the Company also optimized information system management and control, identified, managed and controlled accounting and financial risks effectively, improved efficiency of finance service and information quality to ensure the truthfulness, completeness, accuracy and timeliness of financial statements and relevant information. In respect of the control in utilization of funds, the Company formulated a standardized funds management system, defined the process of funds allocation, tightened the business authorization and approval system to ensure the safety of the Company's funds; formulated administrative measures on entrusted investment, administrative measures on real estate investment, administrative measures on the risk classification of investment assets and other relevant systems, prepared guidelines on the usage of insurance funds annually, strictly complied with the regulatory requirements of the CBIRC and the relevant regulatory authorities on the usage of funds, controlled risks and standardized utilization of insurance funds to effectively prevent the risks. In respect of information technology control, the Company set up the information security management system, strengthened overall planning and basic management of information system through the formulation of the system, preparation of process, implementation of specific operation and safety publicity training, strengthened the design, development, operation, maintenance, security management, confidentiality management, disaster relief management, outsourcing service management, and continued to improve information technology and security management and control.

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

The Company has established a relatively independent internal auditing system with centralized management. The audit department is in charge of the arrangement and implementation or offering guidance, in a uniform manner, of internal auditing and has been exercising the internal control supervision function. The Company has continued to improve the standardized guidelines for auditing, strengthen the supervision of regular audit, economic responsibility audit and specific audit, diversified its audit methods, enhanced information application and auditing quality. By expanding the scope and coverage of auditing, the Company also strengthened the audit and supervision ability, and enhanced the management value of internal audit.

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

The Board of the Company is responsible for the risk management and internal control and supervising their effectiveness. Meanwhile, the specialized organ for risk management and internal control of the Company is designed to manage rather than eliminate the risk of failing to achieve objectives. The Company provides reasonable and not absolute assurance for non-existence of material false statements or loss. The Company carried out the construction and self-assessment of solvency risk management in 2020 in accordance with the regulatory requirements of C-ROSS. Through a comprehensive benchmarking analysis, the Company identified its own problems, carried out targeted rectification and improved the ability of risk management.

On the basis of the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), and the Hong Kong Listing Rules, the Board of the Company conducted annual self-assessment on internal control in a comprehensive way, the scope of which covered the marketing management, financial management, operational management, funds utilization, compliance management and risk management of headquarters, branches and subsidiaries. The time interval of the 2020 assessment is from 1 January 2020 to 31 December 2020. After the assessment, the Board is of the view that the Company's internal control and risk management system is effective and adequate and the accountant has issued a standard unqualified internal control audit report.

For details of the Company's internal control assessment, please refer to the 2020 Internal Control Assessment Report separately published by the Company and the internal control audit report issued by the accountant.

I. RISK MANAGEMENT SYSTEM – OVERALL STRATEGIES

The Company has established a risk management system spanning all major business areas which the Board is ultimately held accountable for, and which is under the direct leadership of Executive Committee, coordinated by risk management department, closely assisted by relevant functional departments and branches, and independently audited by audit department. In 2020, according to the regulatory requirements of solvency risk management and its own management needs, the Company further improved the risk management organizational structure, adjusted the composition of members of Risk Management Committee under Executive Committee and established independent risk management department.

Pursuing value and on the basis of internal control, the Company enhanced the comprehensive risk management system via both quantitative and qualitative methods to realize the professional operation of risk management and meet relevant requirements of solvency risk management and assets and liability management required by the CBIRC, making risk management the important basis for the decision-making of the Board and Executive Committee. Considering the general operational strategy and expectations of all stakeholders, the Company formulated risk strategy aiming at striking a balance among capital, value, profit and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, and safeguarding the Company's reputation and brand image so as to achieve sustainable and sound development.

The Company made steady progress in the risk management system and procedure, continued to improve the risk management system and optimize the management process. In 2020, the Company continued to improve the risk management system, pushed forward the construction of comprehensive risk management system, amended Policies on Comprehensive Risk Management (《全面風險管理政策》), Administrative Measures on Risk Preference (《風險偏好管理辦法》); carried out evaluation and inspection on annual risk preference system, updated Statement of Risk Preference for 2020 (《2020年度風險偏好陳述書》); improved the special risk management system, amended Insurance Risk Management System (《保險風險管理制度》), Market Risk Management System (《市場風險管理制度》), Credit Risk Management System (《信用風險管理制度》), Operational Risk Management System (《操作風險管理制度》), Reputation Risk Management System (《聲譽風險管理制度》), Liquidity Risk Management System (《流動性風險管理制度》) and other special risk management systems; improved emergency management system and amended Administrative Measures for Management of Emergencies (《突發事件應急管理辦法》); improved the management system for asset liability management and asset allocation, amended Administrative Measures for Asset Liability Management (《資產負債管理辦法》) and Administrative Measures for Asset Allocation (《資產配置管理辦法》); improved anti-money laundering management system and amended Administrative Measures for Anti-money Laundering (《反洗錢管理辦法》); improved the investment risk management system and amended Administrative Measures on the Risk Classification of Investment Assets (《投資資產風險分類管理辦法》). In 2020, the Company further strengthened the construction of risk management process, improved the process management of information delivery for comprehensive risk assessment, and amended Guidelines for the Management of Data Preparation for the Solvency Risk Comprehensive Rating (Classified Supervision) (《償付能力風險綜合評級(分類監管)報送管理工作指引》); standardized evaluation process for solvency risk management and formulated Evaluation Guidelines for Solvency Risk Management (《償付能力風險管理能力評估工作指引》); improved the internal control management process and amended the Practice Manual for Internal Control (《內部控制實務手冊》).

The Company improved its own risk management capability in consideration of the requirements of the C-ROSS. Through conducting self-assessment of the solvency risk control ability and comprehensive benchmarking analysis, the Company identified problems and made specific rectification to effectively enhance risk management.

In 2020, the Company optimized its risk monitoring and reporting mechanism, set up early warning intervals for monthly monitoring and analysis of the key indicators for seven major risks under the comprehensive risk management system, including market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk. Meanwhile, the Company focused on the progress of asset allocation and its risk control to provide the headquarters and branches with risk warning and reminder of related risks.

In 2020, the Company constantly optimized its risk control and compliance management system. The risk management subsystem was able to collect and process data, monitor key risk indicators and give early warning, and manage risk statement, to timely identify risks and give warnings by monitoring data and indicators during the operation with modern information technology, and to accurately and effectively mitigate and dispose risks. The internal control subsystem covered the whole internal control management modules such as internal control evaluation, defect rectification, operational risk event management and risk investigation, which advanced the basic risk control management. The compliance management subsystem was able to monitor and give early warning for marketing misleading indicator, monitor key compliance assessment indicators, report important compliance information, achieved the efficient application of information technology in compliance management and enhanced the overall efficiency of compliance monitoring and compliance management of branches.

II. RISK IDENTIFICATION AND CONTROL

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

(I) Market Risk

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

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

In order to handle market risks, the Company primarily adopted the following risk control measures in 2020: 1. placing emphasis on macro-economic studies and carefully projecting domestic and international market trends; 2. analyzing historical risks and returns of major assets on a regular basis; 3. proactively managing the positions of equity assets and conducting regular stress tests to measure their impact on investment return and solvency margin ratio to keep risk exposures under control; 4. making prudent investment and insisting on asset liability matching management; 5. sticking to value-oriented investment, selecting assets with potential value appreciation, and pursuing middle to long term investment earnings; 6. centering on value while paying attention to the overall liquidity of assets and gradually adjusting our investment portfolio by adding new assets, so as to match the risk and return characteristics of the overall investment portfolio with the value and risk management requirements of the Company; and 7. enhancing risk monitoring and early warning to strengthen emergency management.

(II) Credit Risk

Credit risks refer to the risks that expose the Company to unexpected losses due to non-performance or delay in the performance of contractual obligations by counterparties, or adverse movements in their credit. The credit risks that the Company is exposed to mainly relate to investment deposits, bonds, non-standard financial products and reinsurance arrangements, etc.

1. *Credit Risk of Investment Business*

The Company primarily monitored the credit rating and concentration of investment targets and counterparties to ensure that the overall credit risk exposure is within control by limiting the proportion of investments with low credit rating. More than 95% of investment deposits and bonds of the Company have a credit rating of AAA and credit ratings of major counterparties are AAA with low credit default risk. The non-standard financial products held by the Company have good credit enhancement arrangements. According to the results of monitoring, the indicators relating to credit risk of investment business fluctuated at the reasonable range within risk preference constraint.

To address the credit risks of investment business, the Company primarily adopted the following measures in 2020: 1. implementing a strict internal credit and credit rating system for counterparties and stringently check on the categories of credit investment products; 2. implementing subject credit to non-standard financial products to prevent credit risks; 3. reinforcing credit enhancement arrangements with respect to non-standard financial products; and 4. regularly tracking down and monitoring the credit risk of investment portfolios, analyzing and assessing the possibility and impact of credit default events.

2. *Reinsurance Credit Risk*

The Company assessed the credit ratings of reinsurance counterparties to mitigate reinsurance credit risk.

In 2020, there were 15 reinsurance companies under contractual arrangements with the Company, and all of their credit ratings were above A. Twelve of them obtained Standard & Poor's rating: one company had AA+, three companies had AA-, six companies had A+, two companies had A. The other three companies obtained A.M. Best's ratings: one company had A+, one company had A and one had A-. The Company had good credit distribution within the reinsurance ceding business.

(III) Insurance Risk

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

The Company assessed and monitored insurance risks through regular review of experience and data, sensitivity analysis of main assumptions and other techniques, with focus on the impact of surrender rate, mortality rate and morbidity rate on the Company's operating results. According to the results of monitoring, the indicators relating to insurance risk fluctuated at the reasonable range within risk preference constraint.

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

(IV) Operational risk

Operational risks refer to the risks that expose the Company to direct or indirect losses due to inappropriate internal operational processes, personnel, internal or external events, including legal and regulatory risks. The major operational risks facing the Company include the risk on maturity and surrender, misleading sales, insurance litigations as well as illegal marketing of non-insurance financial products.

1. *Risk of maturity and surrender*

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

In respect of maturity, as the policies accumulated at prior marketing peak gradually came to maturity, the maturity payment for 2020 posed higher pressure. Certain products may incur complaints and disputes as the yield may be lower than customer's expectation. In respect of surrender, as the peak season of 3-year and 5-year participating insurance products sold by the bancassurance channel in the prior period has passed, and the Company proactively reduced the marketing of middle and short term products, the surrender of the Company was at a low level in 2020.

To effectively address the risk of maturity and surrender, the Company primarily adopted the following measures in 2020: 1. attaching great importance to the risk and promoting counter measures comprehensively. first, the headquarters and branches of the Company attach great importance and deploy work in advance; second, make the monitoring and early warning on a regular basis, improve risk identification and response capacity; 2. strengthening control and improve business quality. first, implement management system, strengthen supervision and consolidate the risk control foundation; second, conduct special risk screening, strict control and prevention; third, strengthen training and basic management, and improve the quality of sales team; 3. optimizing the process and offering good service. first, optimize the process of information updating and improve service efficiency; second, unblock complaint pipeline and optimize the handling process; third, strengthen the control of indicators to prevent policy discontinuance; 4. strengthening and enhancing the emergency management. first, improve emergency management measures to provide strong guidance; second, strengthen training and practice to improve emergency response.

2. *Risk of misleading sales*

Risks of misleading sales refer to various misleading acts such as deceit and fraudulent inducement in the marketing caused by sales team and insurance agencies, which results in customer complaints, negative media coverage, regulatory penalties and collective complaint events, and thus may bring the economic loss, reputation damage or other adverse impacts to the Company. Comprehensive rectification of misleading sales based on regulatory requirements and the Company's strategy is a major task of the Company.

To effectively address the risk of misleading sales, the Company mainly adopted the following measures in 2020: 1. further improving appraisal indicators, focusing on the misleading sales rectification, and urging its rectification through regular tracking; 2. strengthening daily risk monitoring and early warning, providing risk reminders to branches with high risk on misleading sales according to the daily monitoring results, urging them to take measures to prevent and defuse potential risks; 3. strengthening review on promotional materials of products, paying close attention to regulations and enhancing the marketing management of branches; 4. strengthening compliance training, summarizing misleading sales problems, and initiating trainings about risk prevention in the Company.

3. *Risk of criminal cases and illegal sales of non-insurance financial products*

Risks of criminal cases and illegally selling non-insurance financial products refer to risks arising from infringement, misappropriation, fraud, commercial bribery, illegal fund-raising, pyramid selling and illegally selling non-insurance financial products of the insurer that result in economic losses, reputation damage or other adverse impacts for the Company. In 2020, the Company had 6 criminal cases, decreased compared with the previous year, with the amount involved increased. No criminal cases involving in illegal fund-raising were found. And the risk of illegal sales of non-insurance financial products decreased.

To effectively address risks of criminal cases and curb illegal sales of non-insurance financial products, the Company mainly adopted the following measures in 2020: 1. improving the prevention and control system and mechanism, formulating Administrative Measures for the Prevention of Financial Illegal Crimes by Employees of the Company (Trial) (公司預防從業人員金融違法犯罪工作管理辦法(試行)), Interim Measures for the Management of Criminal Cases of the Company (《公司涉刑案件管理暫行辦法》), Notice on Strengthening the Responsibility of the Main Body and Risk Prevention and Control of Cases (《關於強化主體責任、加強案件風險防控工作的通知》), which require branches at all levels and all channels to shoulder accountability for prevention and control of cases, strengthen the personnel management, workplace management, expense and cost management, license management and other basic management, remind customers of risks during underwriting, visits, information updating and claim settlement; 2. continuing to carry out risk monitoring, including regular indicator monitoring, complaint monitoring, urging and guiding branches to conduct risk screening to timely identify and deal with risks; 3. proactively carrying out risk screening, and three risk screening being carried out by the Company throughout the year. First is special investigation on illegal fund-raising and case risks, and conducting investigations on employees using insurance business for illegal fund-raising, illegal sale of non-insurance financial products, fraud and embezzlement of funds of customers and the Company. Second is risk investigations on financial funds and business expenses, the scope of investigation including financial management, system license management, authenticity of claims, complaint handling and procurement management, so as to screen the hidden risks of cases. Third is special investigation on agents' private loans, participation in third parties' wealth management products, illegal deposit-taking and illegal fund-raising, and rectifying problems in time; 4. carrying out publicity and education, and conducting regular warning education and training internally to ensure compliance; carrying out publicity activities to prevent risks of illegal fund-raising externally, raising the public's rational concepts of insurance, investment and wealth management, and enhancing customers' awareness of risk prevention; 5 strengthening disposal and reporting of cases. Once any insurance criminal case occurs, the Company urged relevant body to conduct timely investigation, set up an emergency response team and plan, preserved evidence, and reported to the regulatory authorities as required timely.

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

(V) Reputation risk

Reputation risks refer to the risk that expose the Company to losses due to the negative comments to the Company because of operation and management of the Company or external events. Generally speaking, in 2020, the coverage of the Company by external media was primarily positive and objective. According to the results of monitoring, the indicators relating to reputation risk fluctuated at the reasonable range within risk preference constraint.

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

(VI) Strategic risk

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

In 2020, suffering from the impacts of COVID-19, the Company continued to maintain its strategic focus and gave into full play the advantages of assets liabilities synergy, proactively promoted the synergy between healthcare and old-age care industry, thus met the customers' diversified requirements of risk prevention and wealth planning, realizing steady increase of gross written premiums.

To address the strategic risk, the Company mainly adopted the following measures: 1. analyzing the macro economic situation, the trend of the pandemic and the development of the industry, seeking development opportunities in market. In view of the actual situation of operation, the Company study strategic layout and identify the development path; 2. closely following the decisions and deployment of the CPC Central Committee, studying the vision of the Fifth Plenary Session, the 14th Five-Year Plan (Draft) and Central Economic Work Conference, and proactively studying the direction of optimization and adjustment for the Company's future strategy; 3. adhering to both pandemic prevention and business growth, capturing the operating philosophy of "strategic guidance, high quality development, benchmark surpassing, improving weakness", implementing practical measures, strengthening business drivers and improving core indicators; 4. implementing the operation measures, promoting the guidance and management of strategies for the completion of the operational plans, thus ensuring that the strategic plans of the Company could be thoroughly implemented at all levels; 5. tracking the assessment, establishing a tracking and assessment system on strategies by making assessment indicators and regularly tracking their implementation; 6. strengthening communication and coordination between the strategy management department and related function departments to form a coordination and feedback system on strategy planning and adjusting the strategic objectives timely according to the changes of internal and external circumstances.

(VII) Liquidity risk

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

In 2020, the liquidity of the Company's assets portfolio was adequate, and there was a significant increase in cash flow from traditional protection business.

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

Also, the outbreak of COVID-19 in 2020 has greatly impacted the development of China's economy and life insurance industry, as well as the Company's business, threatening expansion and retention of the agents and first year premiums. Besides, domestic and foreign stock and bond markets fluctuated, and investment business was under allocation pressure because of the pandemic. The Company proactively responded to and mitigated the impact of the pandemic via innovative development modes, multiple drivers and risk management measures. On the one hand, despite regular prevention and control of domestic pandemic and the continuous recovery of domestic economy, uncertain overseas pandemic control and repeated health incidents in some areas will have adverse impacts on the marketing of protection products. On the other hand, the decline in asset prices and operating difficulty caused by previous economic downturn may induce the default of financial products, thus leading to the impairment of assets and increasing the risk of external credit risk transmission to the industry. The Company will persist in the essence of insurance, constantly improve risk management, gradually build long-term competitive advantages, turn crises into opportunities, and actively respond to the complex and severe external environment.

REPORT OF THE BOARD OF DIRECTORS

I. MAIN BUSINESSES

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

II. BUSINESS REVIEW

(I) Annual business and business results analysis

Analysis on the business results and key financial indicators of the Company during the reporting period is set out in Section 5 "Management Discussion and Analysis" of this report.

(II) Major risks and uncertain factors

Please refer to Section 11 "Risk Management" of this report for details of the major risks and uncertain factors of the Company.

(III) Environment policy

The Company is not a key pollutant discharge unit according to the environmental protection department. For details of environmental protection, please refer to the Corporate Social Responsibility Report 2020 disclosed by the Company on the website of Hong Kong Stock Exchange (www.hkexnews.hk) on 24 March 2021.

(IV) Principal employees and customers

Details of the senior management and employees of the Company are set out in Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

During the reporting period, the premium income contributed by any single customer was less than 30% of the Company's annual premium income. The total premium income from the top five customers was also less than 30% of the Company's annual premium income. In view of the nature of the Company's business, the Company has no suppliers directly related to the business.

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

(V) Compliance of relevant laws and regulations

During the reporting period, the Company strictly abided by the laws and regulations which significantly affected the Company's operation.

(VI) Company's relations with employees and customers

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

Centering on customers, the Company focused on customers' demands, innovated and upgraded products in product offerings. In terms of service quality, the Company stayed committed to offering "quick claim settlement and excellent service", integrated intelligent and digital services, launched multi-functional artificial intelligence consulting, outbound call services, and pioneered the smart notification service in the industry, promoted the integration of online and offline, manual and intelligent services, and formed an all-around and smart customer service system. The Company continued to enrich and upgrade customer service, promoted "LOVE CREDIT ACCUMULATION" and other customer activities.

(VII) Prospects

Please refer to Section 5"Management Discussion and Analysis – IV. "Future Prospect" of this report for details of the prospects on future business of the Company.

(VIII) Post-balance sheet events

Please refer to Note 41 to the Consolidated Financial Statements of this report for any material event that occurs after the reporting period and has significant impact on the Company.

III. DIVIDEND DISTRIBUTION

(I) Dividend distribution policies

According to Article 289 of Articles of Association, the major dividend distribution policies are set out below:

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

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

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

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

The decision-making process and mechanism of the Company's profit distribution plan are complete, the dividend standard and proportion are clear, which are in line with Articles of Association and relevant review procedures, fully protect the legitimate rights and interests of minority investors, and have been approved by all the independent non-executive directors of the Company.

(II) Distributable reserve

Net profit attributable to shareholders of the Company reached RMB14,294 million and net profit attributable to the parent company totaled RMB13,359 million in 2020. As of 31 December 2020, the accumulative profit for the parent company reached RMB32,585 million. And there is no deficit to be covered. According to the Articles of Association, the distributable net profit for 2020 of the Company totaled RMB13,359 million.

(III) Profit distribution plan of 2020

According to the profit distribution plan of 2020 considered and approved by the 18th meeting of the seventh session of the Board on 24 March 2021, the Company planned to distribute an annual cash dividend of RMB1.39 (including tax) per share to all A shareholders and H shareholders of 2020, totaling approximately RMB4,336 million, representing approximately 30.3% of the net profit attributable to shareholders of the Company as contained in the 2020 financial statements of the Company. The remaining retained profits shall be carried forward to 2021 and distributed in future. The Company will not implement transfer of capital reserve to share capital in 2020.

The aforementioned proposal will be submitted to the shareholders for consideration and approval at the Annual General Meeting of 2020. The Company expects that 2020 annual dividend will be distributed on Friday, 6 August 2021 to all the H shareholders.

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

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations, Individual Income Tax Law of the People's Republic of China and its implementation regulations, the Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents taxpayers under Tax Treaties (Guo Shui Fa [2019] No. 35) (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》(國稅發[2019]35號)), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws and regulations and regulatory requirements, the Company shall, as a withholding agent, withhold and pay dividend income tax for the H shareholders in respect of the dividend to be distributed to them, including individual income tax for individual foreign shareholders and enterprise income tax for non-resident enterprise shareholders. For details regarding withholding and payment of dividend income tax for the H shareholders and materials that H shareholders need for tax deduction, please refer to announcements to be published by the Company in due course.

(IV) Dividend distribution in recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements
2020	1.39	4,336	14,294	30.3%
2019	1.41	4,399	14,559	30.2%
2018	0.77	2,402	7,922	30.3%

IV. CHANGES IN ACCOUNTING ESTIMATES

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

The Company determined the above assumptions on 31 December 2020 according to the information available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in the statement of comprehensive income. The aforementioned change in assumptions resulted in an increase of RMB2,979 million in the life insurance liability reserves, an increase of RMB8,665 million in the long term health insurance liability reserves as at 31 December 2020, and a decrease of RMB11,644 million in profit before income tax for the year 2020.

V. MAJOR ACQUISITION AND DISPOSAL

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

VI. MAJOR INVESTMENT

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

VII. USE OF PROCEEDS

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

VIII. RESERVES

Please refer to Note 25 to the Consolidated Financial Statements of this report for details of reserves (including distributable reserves) of the Company during the reporting period.

IX. PROPERTY, PLANT AND EQUIPMENT

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

X. INVESTMENT PROPERTY

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

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

XI. SHARE CAPITAL

Please refer to Section 8 "Changes in Share Capital and Shareholders' Profile" of this report for details of changes in share capital of the Company during the reporting period.

XII. ISSUE OF BONDS

To supplement the Company's capital and improve the solvency, the Company issued the capital supplementary bonds in the national inter-bank bond market with the amount of RMB10,000 million on 11 May 2020 and completed the issuance on 13 May 2020. For more details, please refer to the *Announcement on Completion of Issuance of the Capital Supplementary Bonds* published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) on 13 May 2020 by the Company.

During the reporting period, the existing issued capital supplementary bonds totaled RMB10,000 million.

XIII. BANK LOANS

During the reporting period, the Company had no bank loans other than the issued capital supplementary bonds and the assets sold under agreements to repurchase involved in the investment business of the Company.

XIV. PLEDGE OF ASSETS

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

XV. EXCHANGE RATE RISK AND HEDGING

Please refer to Note 4 to the Consolidated Financial Statements of this report for the details of exchange rate risk of the Company during the reporting period.

XVI. CHARITABLE DONATIONS AND OTHER DONATIONS

In 2020, the charitable donations and other donations made by the Company totaled RMB20.7871 million. Please refer to Corporate Social Responsibility Report 2020 published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) for the details of fulfilling social responsibility of the Company.

XVII. MANAGEMENT CONTRACTS

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

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

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

XIX. PRE-EMPTIVE RIGHT

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

XX. DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of directors, supervisors and senior management are set out in Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

XXI. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETITIVE BUSINESSES

During the reporting period, Mr. PENG Yulong, the non-executive director of the Company, also served as chairman of board of supervisors of Pramerical Fosun Life Insurance Co., Ltd (the "Pramerical Fosun"). Pramerical Fosun is a comprehensive life insurance company, thus constitutes one of the Company's major competitors in the life insurance market of China. Strictly complying with relevant P.R.C. laws and regulations and Articles of Association in performing his duties as a director, Mr. Peng attended to his fiduciary duties and managed to avoid actual and potential conflicts in interest and post.

XXII. SERVICE CONTRACT AND REMUNERATION OF DIRECTORS AND SUPERVISORS

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

For details of remuneration of directors, supervisors and members of senior management of the Company, please refer to Note 40 to the Consolidated Financial Statements of this report.

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

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

XXIV. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES

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

XXV. STATEMENT OF THE BOARD ON INTERNAL CONTROL RESPONSIBILITY

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2020 by the Board in compliance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No. 11), the Board is of the view that the operation of internal control system was effective as a whole.

XXVI. PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2020, there were no and had been no permitted indemnity provision benefiting the directors of the Company or the affiliates of the Company. The Company has purchased proper director liabilities insurance for directors to indemnify the legal responsibility incurred by directors' fulfilling their duty. The governing law of such policy is P.R.C. law.

XXVII. SUFFICIENT PUBLIC FLOAT

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

XXVIII. EQUITY-LINKED AGREEMENTS

As of 31 December 2020, the Company had not entered into any equity-linked agreement.

XXIX. AUDIT AND RELATED PARTY TRANSACTION CONTROL COMMITTEE

The Audit and Related Party Transaction Control Committee has reviewed the audited financial statements for this year. Please refer to Section 10 "Corporate Governance Report" for the composition, role as well as the work of the Audit and Related Party Transaction Control Committee.

By Order of the Board
LI Quan
Executive Director

SECTION 13

REPORT OF THE BOARD OF SUPERVISORS

I. SUPERVISORS AND THE BOARD OF SUPERVISORS

As of the end of the reporting period, the board of supervisors of the Company was comprised of 4 members, including 2 shareholder representative supervisors and 2 employee representative supervisors. For details of the composition of the board of supervisors of the Company, please refer to Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

The board of supervisors performs the following duties: to examine the Company's financial activities; to supervise directors and senior management in their performance of duties, and propose the removal of directors and senior management who have contravened any laws, regulations, regulatory documents, the Articles of Association or resolutions of shareholders' general meetings; to nominate independent non-executive directors; to supervise the formulation, implementation and assessment of the development plan of the Company.

In 2020, the board of supervisors held 8 meetings in total. The attendance is as follows:

Name of supervisor	Number of scheduled attendance	Number of actual attendance	Number of authorization	Attendance rate
Shareholder representative supervisors				
WANG Chengran	8	8	0	100%
YU Jiannan	8	8	0	100%
Employee representative supervisors				
LIU Chongsong	8	8	0	100%
WANG Zhongzhu	8	8	0	100%

II. PERFORMANCE OF DUTIES OF THE BOARD OF SUPERVISORS

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

During the reporting period, Mr. WANG Chengran, the chairman of the board of supervisors, attended the online trainings for the chairman of the board of supervisors by China Association for Public Companies. Mr. YU Jianan, Mr. LIU Chongsong and Mr. WANG Zhongzhu received special training by The Listed Companies Association of Beijing. All supervisors received the trainings on related party transactions, the training on Environmental, Social and Governance and the trainings on new Securities Law by CSRC Beijing Bureau.

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

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

1. The Legal Operation of the Company

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

2. The Truthfulness of Financial Statements

Ernst & Young conducted the audit on the 2020 Consolidated Financial Statements of the Company prepared in accordance with the IFRS and issued the standard unqualified audit report. The board of supervisors believed that the Company's consolidated financial statements were true, objective and accurate reflection of the Company's financial situation and operating results.

3. Acquisition and Disposal of Assets

During the reporting period, the Company had no major acquisition and disposal of assets. Neither insider trading, damage to shareholders' rights and interests nor the loss of the Company's assets were found.

4. Related Party Transaction

During the reporting period, the board of supervisors reviewed the related party transactions and the special audit report on related party transactions. The board of supervisors believed that the related party transactions of the Company were fair and reasonable and found no damage to the interests of shareholders and the Company.

5. Review on Internal Control Report

During the reporting period, the board of supervisors reviewed the internal control evaluation report and internal control appraisal report and believed that the Company established a relatively complete, reasonable and effective internal control system, which greatly improved the internal control.

6. Implementation of Resolutions of the Shareholders' Meeting

During the reporting period, members of the board of supervisors attended the annual general meeting and the on-site meetings of the Board. They had no objection to the content of the proposals submitted by the Board to the shareholders' general meeting of the Company.

During the reporting period, the board of supervisors supervised the implementation of resolutions of the shareholders' general meeting and believed that the Board could earnestly implement resolutions of the shareholders' general meeting of the Company.

7. Information Disclosure Supervision

During the reporting period, the board of supervisors supervised the information disclosure of the Company, reviewed the regular reports and thereby gave written review opinions, and no illegal and non-compliance issues on information disclosure of the Company were found throughout the year.

In 2021, the board of supervisors will continue to fulfill its duties and improve its work. In accordance with relevant regulatory requirements and the internal policy of the Company, the board of supervisors will continue to perform the supervision and inspection functions in an honest and diligent manner to better prevent risks in operation and management, protect the interests of the Company and shareholders and promote compliance management and sound development of the Company.

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 300, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
The Group has significant insurance contract liabilities amounting to RMB754.41 billion as at 31 December 2020, representing 84% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. Assumptions used in the valuation of insurance contract liabilities, such as investment return, discount rate, mortality, morbidity, expense, lapse also require the use of significant judgments and estimates. The Group's disclosures about valuation of insurance contract liabilities are included in Note 2 (12), Note 3 Estimation Uncertainty (1), Note 3 Estimation Uncertainty (9) and Note 15 (1), which specifically explains the uncertainties surrounding key assumptions applied in the valuation. Please refer to Note 4 (1) (c) to understand the sensitivities of changes in these assumptions on the Group's operating results.	In our audit, we tested the underlying data used in the valuation of these liabilities to source documentation. Based on our industry knowledge and experience, we compared the methodology, models and assumptions used against recognized actuarial practices. With the assistance of our internal actuarial specialists, we performed the following procedures in this area, which included among others: – Assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for assumptions used, actuarial analyses including estimated versus actual results and experience studies; – Assessed the assumptions with reference to historical experience, business expectations of the Group, and industry practices; – Independently established models to test the valuation of liabilities for selected insurance products; – Assessed the impact of changes in assumptions adopted by the Group.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of available-for-sale financial assets	
As at 31 December 2020, the Group held RMB426.70 billion of available-for-sale financial assets. The Group carries out impairment tests on available-for-sale financial assets at the end of each reporting period, and impairment losses are recognized accordingly. The Group determines whether there is impairment on debt financial assets after evaluating objective impairment indicators such as significant adverse financial condition of the issuer or debtor, default in repayment or a breach of debt covenants, etc. For equity financial assets, objective evidence of impairment includes a significant or prolonged decline in the fair value of an investment below its cost. What is considered significant or prolonged involves significant judgment. In addition to other objective evidences, if the market price of the available-for-sale equity financial assets is equal or more than 50% (including 50%) below its cost at the end of the reporting dates, or the market price of the available-for-sale equity financial assets was below its cost for a period of more than one year, the Group management determines that the available-for-sale equity financial assets are impaired. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. It involves significant judgment when the Group management is evaluating whether impairment evidence exists on available-for-sale financial assets. Note 2 (10) (h) and Note 3 Estimation Uncertainty (3) discloses the impairment test policy, and Note 27 discloses the impairment loss recognized in the current period.	In our audit, we assessed and tested the design and operating effectiveness of the controls over impairment tests process. We assessed the significant judgment and rationale used by the Group management in evaluating the impairment evidence for impaired available-for-sale financial assets and determining the amount of impairment loss, and independent tests were performed to evaluate objective evidence for available-for-sale financial assets that were potentially impaired.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of financial assets with no quoted prices in an active market	
As at 31 December 2020 the Group holds RMB426.70 billion available-for-sale financial assets. About RMB132.94 billion of these financial assets are trust products, wealth investment products, etc., which do not have a quoted price in an active market. These investments are classified as level 3 in the fair value hierarchy, as their fairs values are measured using valuation techniques applying unobservable significant inputs. Fair value measurement is a subjective area and more so for financial assets reliant on model based valuation or with weak liquidity and price discovery. Valuation techniques for these financial assets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different valuation results of fair value. Note 3 Estimation Uncertainty (2) explains the uncertainty surrounding assumptions applied in the valuation, Note 4 (3) discloses the valuation techniques and significant unobservable inputs used in measurement of the fair values for these investments and the related fair value hierarchy information.	In our audit, we assessed and tested the design and operating effectiveness of the controls over valuation on financial assets which do not have a quoted price in an active market held by the Group, including price verification and model approval. With the assistance of our internal valuation specialists, we performed the following procedures, including independently assessing the valuation technique against industry practice and acceptable valuation methods, comparing assumptions used against appropriate benchmarks, analyzing the reason of significant differences and performing our own independent valuations.

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2021

Consolidated Statement of Financial Position

As at 31 December 2020 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December 2020	2019
ASSETS			
Property, plant and equipment	6	**15,692**	14,335
Investment properties	7	**8,857**	9,051
Right-of-use assets	8	**1,243**	1,152
Intangible assets	9	**3,753**	3,726
Investments in associates and joint ventures	10	**4,967**	4,917
Debt financial assets		**567,171**	550,539
– Held-to-maturity	11 (1)	**273,076**	246,212
– Available-for-sale	11 (2)	**238,957**	244,931
– At fair value through profit or loss	11 (3)	**13,754**	9,962
– Loans and receivables	11 (4)	**41,384**	49,434
Equity financial assets		**206,290**	156,957
– Available-for-sale	11 (2)	**187,746**	142,365
– At fair value through profit or loss	11 (3)	**18,544**	14,592
Term deposits	11 (5)	**122,640**	64,040
Statutory deposits	11 (6)	**1,715**	1,715
Policy loans		**37,732**	35,148
Financial assets purchased under agreements to resell		**1,832**	5,685
Accrued investment income	11 (7)	**10,313**	8,681
Premiums receivable	12	**2,312**	2,233
Deferred tax assets	23	**153**	162
Reinsurance assets	13	**3,666**	3,028
Other assets	14	**3,047**	5,836
Cash and cash equivalents		**12,993**	11,765
Total assets		**1,004,376**	878,970

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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December 2020	2019
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*15*	**750,258**	654,478
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*15*	**1,802**	1,611
– Unearned premiums liabilities	*15*	**2,349**	2,102
Investment contracts	*16*	**51,672**	46,518
Policyholder dividends payable		**3**	–
Borrowings	*17*	**10,000**	–
Lease liabilities	*8*	**1,064**	961
Financial liabilities at fair value through profit or loss	*18*	**14,837**	501
Financial assets sold under agreements to repurchase	*19*	**41,888**	68,190
Benefits, claims and surrenders payable		**6,445**	5,704
Premiums received in advance		**6,458**	4,181
Reinsurance liabilities	*20*	**297**	220
Provisions	*21*	**–**	29
Other liabilities	*22*	**12,920**	9,559
Current income tax liabilities		**30**	157
Deferred tax liabilities	*23*	**2,673**	298
Total liabilities		**902,696**	794,509
Shareholders' equity			
Share capital	*24*	**3,120**	3,120
Reserves	*25*	**52,604**	41,254
Retained earnings	*25*	**45,943**	40,077
Equity attributable to owners of the parent		**101,667**	84,451
Non-controlling interests		**13**	10
Total equity		**101,680**	84,461
Total liabilities and equity		**1,004,376**	878,970

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December 2020	2019
REVENUES			
Gross written premiums and policy fees	26	**159,556**	138,171
Less: premiums ceded out		**(2,898)**	(2,427)
Net written premiums and policy fees		**156,658**	135,744
Net change in unearned premiums liabilities		**(215)**	(301)
Net premiums earned and policy fees		**156,443**	135,443
Investment income	27	**46,400**	35,842
Other income	28	**1,015**	818
Total revenues		**203,858**	172,103
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	29	**(2,875)**	(3,440)
Life insurance death and other benefits	29	**(63,937)**	(69,672)
Increase in long-term insurance contract liabilities	29	**(86,499)**	(52,816)
Policyholder dividends resulting from participating in profits		**(577)**	(42)
Investment contracts benefits		**(2,042)**	(1,736)
Commission and brokerage expenses		**(17,827)**	(16,872)
Administrative expenses	30	**(12,395)**	(13,037)
Other expenses	31	**(1,129)**	(727)
Total benefits, claims and expenses		**(187,281)**	(158,342)
Share of profits and losses of associates and joint ventures		**264**	502
Finance costs	32	**(1,350)**	(1,042)
Profit before income tax		**15,491**	13,221
Income tax credit/(expense)	23	**(1,194)**	1,339
Net profit for the year		**14,297**	14,560
Net profit for the year attributable to:			
– Owners of the parent	33	**14,294**	14,559
– Non-controlling interests		**3**	1
Earnings per share (RMB)			
Basic	34	**4.58**	4.67
Diluted	34	**4.58**	4.67

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

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2020	2019
Net profit for the year	**14,297**	14,560
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	**7,290**	6,751
Available-for-sale financial assets		
Changes in fair value	**24,650**	16,357
(Gains)/losses transferred to profit or loss from other comprehensive income	**(8,971)**	338
Impairment transferred to profit or loss from other comprehensive income	**2,703**	2,032
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**(8,818)**	(9,608)
Currency translation differences	**(20)**	6
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**188**	(60)
Others	**–**	(48)
Income tax relating to components of other comprehensive income	**(2,442)**	(2,266)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	–
Total other comprehensive income for the year, net of tax	**7,290**	6,751
Total comprehensive income for the year	**21,587**	21,311
Total comprehensive income for the year attributable to:		
– Owners of the parent	**21,584**	21,310
– Non-controlling interests	**3**	1

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	Reserves (Note 25)	Retained Earnings (Note 25)	Total	Non–controlling interests	Total equity
For the year ended 31 December 2019						
As at 1 January 2019	3,120	31,056	31,411	65,587	9	65,596
Net profit for the year	–	–	14,559	14,559	1	14,560
Other comprehensive income	–	6,751	–	6,751	–	6,751
Total comprehensive income	–	6,751	14,559	21,310	1	21,311
Others	–	(44)	–	(44)	–	(44)
Dividends paid	–	–	(2,402)	(2,402)	–	(2,402)
Appropriation to reserves	–	3,491	(3,491)	–	–	–
Total transactions with owners	–	3,491	(5,893)	(2,402)	–	(2,402)
As at 31 December 2019	3,120	41,254	40,077	84,451	10	84,461
For the year ended 31 December 2020						
As at 1 January 2020	**3,120**	**41,254**	**40,077**	**84,451**	**10**	**84,461**
Net profit for the year	**–**	**–**	**14,294**	**14,294**	**3**	**14,297**
Other comprehensive income	**–**	**7,290**	**–**	**7,290**	**–**	**7,290**
Total comprehensive income	**–**	**7,290**	**14,294**	**21,584**	**3**	**21,587**
Others	**–**	**31**	**–**	**31**	**–**	**31**
Dividends paid (Note 35)	**–**	**–**	**(4,399)**	**(4,399)**	**–**	**(4,399)**
Appropriation to reserves	**–**	**4,029**	**(4,029)**	**–**	**–**	**–**
Total transactions with owners	**–**	**4,029**	**(8,428)**	**(4,399)**	**–**	**(4,399)**
As at 31 December 2020	**3,120**	**52,604**	**45,943**	**101,667**	**13**	**101,680**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

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

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

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

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

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

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

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

As at 31 December 2020, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 39 (5). The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the "Group".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

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

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2020

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

IFRS 3 Amendments – Definition of a Business

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2020 (Continued)

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

Amendments to IFRS 7, IFRS 9 and IAS 39 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

IAS 1 and IAS 8 Amendments – Definition of Material

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

IFRS 16 Amendments – COVID-19-Related Rent Concessions

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

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

IFRS 9 – Financial Instruments

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

Classification and measurement

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 – Financial Instruments (Continued)

Classification and measurement (Continued)

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

Impairment

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

Hedge accounting

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2023. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

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

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 – Financial Instruments (Continued)

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

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

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2020 and 31 December 2019:

	Fair value as at 31 December 2020	Fair value as at 31 December 2019
Held for trading financial assets (A)	**32,298**	23,180
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**–**	1,374
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**494,584**	455,930
– Financial assets with contractual terms that do not meet SPPI terms (D)	**269,227**	246,302
Total	**796,109**	726,786

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 – Financial Instruments (Continued)

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

(i) Fair value of financial assets (Continued)

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 – Financial Instruments (Continued)

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

(ii) Credit risk exposure

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

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2020**	Carrying amount as at 31 December 2019
AAA	**488,783**	435,321
AA+	**2,619**	3,872
AA	**2,100**	2,100
A	**205**	–
Total	**493,707**	441,293

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

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2020**	Carrying amount as at 31 December 2019
Baa1	**22**	16
Baa2	**730**	763
Baa3	**125**	106
Total	**877**	885

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 – Financial Instruments (Continued)

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

(ii) Credit risk exposure (Continued)

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9 Amendments – Prepayment Features with Negative Compensation

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

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

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

Note 2: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

Annual Improvements to IFRSs 2018-2020

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

IFRS 17 and IFRS 17 Amendments – Insurance Contracts

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group contains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(a) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group in return for the subsidiary. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated on consolidation unless they indicate impairment of the asset transferred.

The investments in subsidiaries are accounted for only in the Company's statement of financial position at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(b) Transactions with non-controlling shareholders

The Group treats transactions with non-controlling shareholders as transactions with shareholders of the Group. For purchases from non-controlling shareholders, the difference between the consideration paid and the carrying value of share of the net assets of the subsidiary acquired is recorded in shareholders' equity. Gains or losses on disposal to non-controlling shareholders are also recorded in shareholders' equity.

When the Group ceases to have control or significant influence, any retained interests in the entity is re-measured at its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a long term interest between 20% and 50% of the equity voting rights. Significant influence is the power of participate in the financial and operating policy decisions of the investee.

Joint ventures are the type of joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost in both the Group's consolidated financial statements and the Company's separate financial statements. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(c) Associates and joint ventures (Continued)

The Group's share of its associates and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or the joint venture, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture. Investments in associates and joint ventures are assessed for impairment (Note 2 (9)).

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates and joint ventures are recognized in the consolidated statement of comprehensive income.

(d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(d) Structured entities (Continued)

It depends on management judgment whether the Group, as the asset manager, is an agent or a responsible organization for a structured entity. As an agent, the Group's mainly protects the interests of stakeholders and does not control the structural entity; on the contrary, as a responsible organization, the Group mainly protects its interests of the Group and controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans, asset management products and asset funding plans, except for those that are controlled, are investments in unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by trust companies or asset managers who invest the funds in loans or equities in other companies. Debt investment plans are managed by asset managers and their major investment objectives are infrastructure and real estate funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holder to a proportional stake in income of the respective investment products.

The Group holds beneficiary certificates in each of its trust products, debt investment plans, equity investment plans and asset funding plans.

(3) Segment reporting

The Group's segments information is presented in a manner consistent with the internal operating segments, the Group decides operating segments according to internal organization structure, management requirements, and internal management reporting policy.

Operating segment refers to the segment within the Group that satisfies the following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluates the operating results of the segment to make resource allocation decisions and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operation results, cash flows and other financial performance indicators. If more than two segments possess similar economic characters and meet certain conditions, they are combined into one segment for disclosure.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Foreign currency translation

Both the functional currency and the presentation currency are RMB. Transactions in foreign currency are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the spot exchange rate at the end of the reporting period. Gains or losses resulted from changes in exchange rates are recognized in profit or loss in the current period. Non-monetary assets or liabilities denominated in foreign currency measured at historical cost are translated using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the consolidated statement of cash flows.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

(5) Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciation and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of a major renovation is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be received by the Group.

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. For impaired property, plant and equipment, the related depreciation expense is prospectively determined based upon the adjusted carrying amounts over its remaining useful lives.

The estimated useful lives and the estimated residual values are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%
Office equipment	5-8 years	5%	11.88%-19.00%
Motor vehicles	5-12 years	5%	7.92%-19.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Property, plant and equipment (Continued)

The assets' estimated useful lives, residual values and depreciation method are reviewed by the Group at the end of each year and adjusted if appropriate. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount (Note 2 (9)).

Property, plant and equipment are derecognized when they are disposed of or put out of operation permanently, or no future economic benefits can be expected from operation or disposal. The gain or loss on sale, transfer, disposal or damage of property, plant and equipment is the proceeds less the carrying amount, adjusted for related taxes and expenses, and is included in profit or loss.

Construction in progress represents buildings and fixtures under construction and is recorded at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for use. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount (Note 2 (9)).

(6) Investment properties

Investment properties are properties that are held for rental income, capital appreciation, or both. Investment properties comprise buildings that are leased out. Investment properties are initially measured at cost. Cost of subsequent expenditures is included in the cost of investment properties if future economic benefits associated with such expenditures will probably flow to the Group and the relevant cost can be reliably measured. Other expenditures are expensed as incurred.

The Group's investment properties are subsequently measured using the cost method. Depreciation on investment properties is computed on a straight-line basis to write down the cost of the assets to their residual values over their estimated useful lives. The estimated useful lives and the estimated residual values expressed as a percentage of cost are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Investment properties (Continued)

When the purpose of investment properties changes to self-use, they are transferred to property, plant and equipment on the date of the change. When the purpose of self-use properties changes to rental income or capital appreciation, they are transferred to investment properties on the date of the change. The carrying value before transfer is the carrying value after transfer.

The Group reviews the estimated useful life, the estimated residual value, and the depreciation method at the end of every year, and makes appropriate adjustments if necessary. An impairment loss is recognized for the amount by which the investment property's carrying amount exceeds its recoverable amount (Note 2 (9)).

Investment properties are de-recognized if they are disposed of or are put out of operation permanently, and no future economic benefits can be expected from disposal. The gain or loss on sale, transfer, disposal, or damage of investment properties is the proceeds less the carrying amount of the investment properties, adjusted for related taxes and expenses, and is included in profit or loss.

(7) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

Buildings	1 to 10 years
Others	1 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of the lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its IBR at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value (i.e., original value of the asset is less than or equal to RMB40,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Intangible assets

Intangible assets are purchased computer software and land use rights, and are initially measured at actual costs. Computer software and land use rights are amortized over their estimated useful lives using the straight-line method. The estimated useful life and amortization method are reviewed annually and adjusted as necessary. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount (Note 2 (9)).

Useful lives of intangible assets are listed below:

	Useful lives
Land use rights	40 years
Computer software and others	3-5 years

(9) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets that have an indefinite useful life – for example goodwill, are not subject to amortization and are tested annually for impairment. Assets other than financial assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are reviewed individually. When review of individual asset is impractical, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: held-to-maturity investments, financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. Management determines the classification of the Group's financial assets at initial recognition based upon the purpose for which the financial assets are acquired.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable payments that the Group has the positive intention and ability to hold to maturity and do not meet the definition of loans and receivables nor designated as available-for-sale financial assets or financial assets at fair value through profit or loss.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are classified as held for trading if they meet one of the requirements: they are acquired for the purpose of sale in the near term; they are part of recognizable financial instrument combination which is under centralized management, and there is objective proof to show that entities make profits by trading this combination or they are derivatives, except for derivatives designated as hedging instruments in an effective hedge, derivatives that belong to financial guarantee contracts and derivatives that are linked to and need to be settled by trading an investment in equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably. Other financial assets may be designated at fair value through profit or loss at inception by the Group.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in either of the other categories.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(a) Classification (Continued)

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, other than those that the Group intends to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables in debt financial assets as presented in the consolidated statement of financial position.

(b) Recognition and measurement

Purchases and sales of financial assets are recognized on the date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets are recognized and derecognized at the trade date and they are traded using the ordinary method. An ordinary method means that financial assets are received or delivered within the statutory term or terms that are accepted practices, according to the terms in the contracts.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Investment gains and losses on sales of financial assets are determined principally by specific identification. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, and changes of available-for-sale debt financial assets' fair value due to foreign exchange impact on the amortized cost are included in the net profit in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the net profit as realized gains and losses on financial assets.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the consolidated statement of comprehensive income. The loss arising from impairment is recognized in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables and held-to-maturity investments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(b) Recognition and measurement (Continued)

Fair value of financial assets with an active market is based on the quoted price in the active market. If the market for a financial asset is not active, the Group establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis models. When using valuation techniques, the Group maximizes usage of market inputs and minimizes using the Group's specific inputs.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairment.

(c) Derecognition of financial assets

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

(i) the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(d) Term deposits

Term deposits primarily represent traditional bank deposits which have fixed maturity dates and are carried at amortized cost.

(e) Policy loans

Policy loans are carried at amortized cost less impairment.

(f) Financial assets purchased under agreements to resell

Financial assets purchased under agreements to resell are funds advanced through purchasing financial assets such as notes, securities, and loans, under agreements to resell at predetermined prices. These agreements, with terms of no more than six months, are carried at amortized cost using the effective interest method.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Impairment of financial assets other than financial assets at fair value through profit or loss

Financial assets other than those accounted for as at fair value through profit or loss are adjusted for impairments, where there are declines in value that are considered to be impairment.

In evaluating whether a decline in value is an impairment for financial assets, the Group considers several factors including, but not limited to: (1) Significant financial difficulty of the issuer or debtor; (2) A breach of contract, such as a default or delinquency in payments; (3) It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization; (4) The disappearance of an active market for that financial asset because of financial difficulties. In evaluating whether a decline in value is impairment for equity financial assets classified as available-for-sale, the Group also considers the extent or the duration of the decline, financial position of the issuer, and recent prospects.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(h) Impairment of financial assets other than financial assets at fair value through profit or loss (Continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The Group reviews whether a decline in value is impairment for available-for-sale equity financial assets separately at the end of the reporting period. If the market price of the equity financial assets was more than 50% below its cost (50% included) at the end of the reporting period, or the market price of the equity financial assets was below its cost for a period of more than one year (one year included), this indicates that the equity investment is impaired. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of equity investments classified as available-for-sale carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(h) Impairment of financial assets other than financial assets at fair value through profit or loss (Continued)

When the decline in value is considered impairment, held-to-maturity investments or loans and receivables are written down to their present value of estimated future cash flows discounted at the effective interest rates. The impairment loss is reversed through the net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the net profit. The carrying amount after reversal should not be more than the amortized cost of the financial asset at the reverse date if it has not been written down.

(11) Cash and cash equivalents

Cash comprises cash on hand and demand deposits held in banks. Cash equivalents are short-term and highly liquid investments with original maturity of 90 days (90 days included) or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(12) Insurance contracts and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment contacts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. Some insurance and investment contracts contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

Premiums from the sale of short duration accident and health insurance products are recorded when written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Claims and claim adjustment expenses are charged to the net profit as incurred. Liabilities for short duration insurance products consist of unearned premiums liabilities and outstanding claims liabilities.

Unearned premiums liabilities represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

Outstanding claims liabilities consist of the liabilities for reported and unreported claims and liabilities for claim expenses with respect to insured events. In developing these liabilities, the Group considers the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margin. Methodsused for reported and unreported claims include the chain ladder method, loss ratio method, Bornhuetter-Ferguson method, the average compensation method, etc.

Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance, annuity policies, and long-term health insurance contracts with significant insurance risk, such as mortality and morbidity risk. Premium are recognized as revenue when due from policyholders.

The Group uses the discounted cash flow method to estimate the liabilities for long-term insurance contracts. Liabilities for long-term insurance contracts consist of a reasonable estimate of liability, a risk margin and a residual margin. Long-term insurance contract liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption, and based on the following principles:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

The reasonable estimate of liabilities for long-term insurance contracts is the present value of reasonable estimates of future cash outflows less future cash inflows. The expected future cash inflows include cash inflows of future premiums arising from the undertaking of insurance obligations, with consideration of decrement mostly from death and surrenders. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, consisting of the following:

- The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.

- Additional non-guaranteed benefits, such as policyholder dividends.

- Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expense and claim settlement expense. Future administration expenses are included in the maintenance expense. Expenses are determined based on an expense analysis with consideration of estimate of future inflation and the likely impact of the Group's expense management.

On each reporting date, the Group reviews the assumptions for reasonable estimates of liabilities and risk margins, with consideration of all available information, and taking into account the Group's historical experience and expectation of future events. Changes in assumptions are recognized in the net profit.

Margins have been taken into consideration while computing the liabilities of insurance contracts, measured separately and recognized in the net profit in each period over the life of the contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

Margin comprises risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. The residual margin is the liabilities appropriated by the Group for not being recognized as "Day-one" gain at the inception of the contracts, and amortized over the life of the contracts, whereas on the other hand, "Day-one" loss is recognized as incurred. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimates of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

The Group has considered the impact of time value on the liability calculation for insurance contracts.

Universal life contracts and unit-linked contracts

Universal life contracts and unit-linked contracts are unbundled into the following components:

- Insurance components
- Non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts (Note 2 (12)(c)), which are stated in investment contract liabilities.

(ii) Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flows with available information at the end of each reporting period. If that assessment shows that the carrying amount of its insurance contract liabilities is inadequate, the insurance contract liabilities will be adjusted accordingly, and any changes of the insurance contract liabilities will be recognized in the net profit.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(iii) Reinsurance contracts held

Contracts with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts with reinsurers that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment as at the end of the reporting period. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the net profit.

(c) Investment contracts

Revenue from investment contracts with or without DPF is recognized as policy fee income, which consists of various charges (handling fees, management fees, etc.) during the period.

The liabilities with investment nature in investment contracts are recorded as liabilities of investment contracts. Except for unit-linked contracts, the liabilities of investment contracts are carried at amortized cost. Unit-linked contracts are measured at fair value by reference to the value of the underlying asset value at the end of each reporting period.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(d) DPF in long-term insurance contracts and investment contracts

DPF is contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. The Group is obligated to pay to policyholders of participating contracts as a group at 70% of accumulated surplus available or at the rate specified in the contracts when higher and it is fully classified as a liability. The accumulated surplus available mainly arises from investment income and gains and losses arising from the assets supporting these contracts. To the extent unrealized gains or losses from available-for-sale financial assets affect the surplus owed to policyholders, shadow adjustments are recognized in other comprehensive income. The surplus owed to policyholders is included in the long-term insurance contract liabilities when they are not declared. The amount and timing of distribution to policyholders of participating contracts are subject to future declarations by the Group.

(13) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities when they are initially recognized. The Group's financial liabilities include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowings. The relevant transaction costs of financial liabilities at fair value through profit or loss are recorded in profit or loss. The relevant transaction costs of other financial liabilities are recorded at their initial recognized value.

(a) Financial assets sold under agreements to repurchase

Financial assets sold under agreements to repurchase are funds financed through sale of notes, securities, loans, etc. under agreements to repurchase at predetermined prices, which are carried at amortized cost using the effective interest method.

(b) Liabilities of investment contracts

The accounting policy for investment contracts liabilities is stated in Note 2 (12) (c).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Financial liabilities (Continued)

(c) Borrowings

Borrowings are initially recorded as liabilities at the amount equal to original fund raised. The difference between fund raised and bonds' par value is booked as premium or discount, which is amortized using the effective interest method over the term of the bonds.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

(14) Derivative instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognized in the consolidated statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, taking into consideration recent market transactions or valuation techniques, including discounted cash flow models and option pricing models, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through profit or loss. The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded derivatives that are closely related to host insurance contracts including embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Employee benefits

Employee benefits represent all forms of returns or reimbursement that the Group pays employees for their services or for termination of labor relationship. The compensation includes salaries, bonuses, allowances and subsidies, staff welfare expenses, social insurance and housing accumulation funds, labor union fees and employee education fees, etc.

All employees of the Group participate in social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated on a regulated basis, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred. These social security plans are defined contribution plans. There are no forfeited contributions in social security plans, because all contributions are fully attributable to employees at the time of the payment.

In addition to the above social security plans, the Group set up an annuity fund in January 2014, whereby the Group is required to contribute to the annuity fund according to certain contribution bases and percentages monthly. Contribution amounts calculated in accordance with the annuity fund are recognized as liabilities and are recorded as expenses during the period of which service is provided by the employees participating in the scheme. The annuity fund is defined contribution plan. Forfeited contributions by those employees who leave the annuity fund prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recorded in the public account of the annuity fund to be attributed to the members of the annuity fund after fulfilling the approval procedures.

Other long-term employee benefits are all the other benefits besides short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, other long-term service benefits, long-term disability benefits, long-term profit-sharing plan and long-term bonus, etc. Other long-term employee benefits provided by the Group are long-term bonus plans. For the long-term bonus plans, which are recognized in liabilities and are recorded as expenses when incurred.

(16) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Revenue recognition

(a) Premium and policy fee

The recognition of premium and policy fee income is stated in Note 2 (12)(b)(i) and Note 2 (12)(c), respectively.

(b) Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt financial assets, financial assets purchased under agreements to resell, dividend income from equity financial assets, net fair value gains or losses on financial assets at fair value through profit or loss, and realized gains or losses on financial assets at fair value through profit or loss and available-for-sale financial assets less impairment loss or plus reversed impairment losses. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive dividend payment is established.

(c) Other income

Other income is comprised of revenue generated from other operation activities except for the revenue above, including service management fees received under investment contracts.

(18) Commission and brokerage expenses

Commission and brokerage expenses are recognized in profit or loss when incurred.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the net profit, except to the extent that it relates to goodwill generated from business combination and it relates to items recognized directly in other comprehensive income, where the tax is recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries or associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the end of the reporting period. Substantively enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be recognized.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(20) Government grants

Government grants are recognised by the Group when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (i) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; or (ii) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses. A government grant relating to an asset shall be recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

(21) Provisions

Provisions are recognized when there is a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Future operating losses should not be recognized as provisions. The initial measurement of provisions is based on the best estimate to the outflow of present obligation by considering relevant risks, uncertainty and time value of money, etc. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. The Group reviews the carrying amount of provisions at the end of the reporting period and makes appropriate adjustments in order to reflect the current best estimate.

(22) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized in the statement of financial position but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably measured, it will then be recognized as a provision.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(23) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the consolidated financial statements would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgments

(1) Unbundling and classification of hybrid contracts

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

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

(2) Testing the significance of insurance risk

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Significant judgments (Continued)

(2) *Testing the significance of insurance risk (Continued)*

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

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

(3) *Property lease classification – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(4) *Determination of control over investee*

The Group applies its judgement to determine whether the control indicators set out in Note 2 (2) indicate that the Group controls structured entities such as debt investment plans, trust products and asset management products.

The Group issues certain structured entities (e.g. asset management products and debt investment plans), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 31 December 2020, the Group has consolidated certain asset management products and debt investment plans issued and managed by the Company's subsidiary, New China Asset Management Co., Ltd. ("Asset Management Company"), certain trust products issued and managed by third parties in the consolidated financial statements. Please refer to Note 39 (5) for the details.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty

(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the risk margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses assumptions) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognized in the consolidated financial statements as insurance contracts benefits and insurance contract liabilities.

The impacts of the various assumptions are described in Note 3 (9).

(2) Fair value of financial instruments

The Group's principal investments are debt financial assets, equity financial assets and term deposits. The significant judgments and estimates are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(2) *Fair value of financial instruments (Continued)*

- Debt financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.

- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and funding companies or the net asset value of the last trading day of the year.

- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair value approximate their carrying amounts.

- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate their carrying amounts.

(3) *Impairment of available-for-sale financial assets*

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgments about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

(4) *Deferred income tax assets*

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(5) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Mr. GUAN Guoliang Irregularities as described in Note 3 (7) below; and pending lawsuits and disputes (Note 21). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

(6) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

(7) Former Chairman Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as Chairman from 1998 to 2006 (the “Former Chairman Mr. GUAN Guoliang”), was allegedly involved in the misuse of insurance funds and other violations of regulations (the “Former Chairman Mr. GUAN Guoliang Irregularities”) and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

The Former Chairman Mr. GUAN Guoliang, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

In 2015, the Company received RMB170 million plus additional interest accrued during settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of Former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. ("Shenzhen Huirun") and issued a plan. On 25 May 2016, the Company received RMB16 million. On 7 August 2018, Beijing No.2 Intermediate People's Court deducted RMB42 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun and issued a plan. According to the plan, the Company should receive RMB41 million. On 21 August 2018, the Company received RMB41 million.

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB874 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB874 million was made as at 31 December 2020 (as at 31 December 2019: RMB874 million).

(8) Taxation

The Group pays value added tax, corporate income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during the normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimates of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amounts, the difference will impact current tax and deferred tax.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(9) Change of significant accounting estimates

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, expenses assumption, policy dividend and lapse rates. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. For the year ended 31 December 2020, variations of related insurance contract reserves due to changes in these assumptions are recognized in the consolidated statement of comprehensive income. The abovementioned changes in accounting estimates resulted in an increase in long-term insurance contract liabilities increased by RMB11,644 million, and profit before income tax decreased by RMB11,644 million.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 24 March 2021.

4 RISK MANAGEMENT

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(1) Insurance risk

(a) Types of insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(a) Types of insurance risk (Continued)

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, and the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

The Group offers long-term life insurance, critical illness insurance, annuity, accident and short-term health insurance products. Social and economic development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence on the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover most of the products with risk responsibilities. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfill their responsibilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

Currently the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

	As at/for the year ended 31 December 2020					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Jixinggaozhao Type A endowment insurance (Participating) (i)	**46,462**	**6.19%**	**3,749**	**2.46%**	**669**	**1.03%**
Zunxiang Rensheng annuity insurance (Participating) (ii)	**42,581**	**5.68%**	**1,580**	**1.04%**	**2,228**	**3.43%**
Furudonghai Type A whole life insurance (Participating) (iii)	**40,749**	**5.43%**	**2,592**	**1.70%**	**447**	**0.69%**
Fuxiang Yisheng whole life annuity insurance (Participating) (iv)	**34,623**	**4.61%**	**6,849**	**4.50%**	**2,645**	**4.07%**
Jilixiangban Type A endowment insurance (Participating A) (v)	**25,562**	**3.41%**	**1,705**	**1.12%**	**346**	**0.53%**
Others	**560,281**	**74.68%**	**135,642**	**89.18%**	**58,706**	**90.25%**
Total	**750,258**	**100.00%**	**152,117**	**100.00%**	**65,041**	**100.00%**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

	As at/for the year ended 31 December 2019					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
Jixinggaozhao Type A endowment insurance (Participating) (i)	40,892	6.25%	3,821	2.91%	593	0.84%
Zunxiang Rensheng annuity insurance (Participating) (ii)	40,578	6.20%	2,016	1.54%	1,618	2.29%
Furudonghai Type A whole life insurance (Participating) (iii)	36,657	5.60%	2,772	2.11%	385	0.55%
Fuxiang Yisheng whole life annuity insurance (Participating) (iv)	28,481	4.35%	7,912	6.02%	2,398	3.40%
Jilixiangban Type A endowment insurance (Participating) (v)	22,771	3.48%	1,737	1.32%	340	0.48%
Others	485,099	74.12%	113,070	86.10%	65,259	92.44%
Total	654,478	100.00%	131,328	100.00%	70,593	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(i) Jixinggaozhao Type A endowment insurance (Participating)

Jixinggaozhao Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 2 types of periods: 15, 20 and 30 years for duration and age 50, 55, 60, 65 and 70 for age. For death due to illness and completely disability within the 1st year, benefit is calculated based on the following formula: benefit = base insured amount x10%+premium paid; for death due to illness and completely disability after the 1st year, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for death and completely disability due to accident, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for maturity, benefit is the total of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured or other condition which leads to the termination of contract.

(ii) Zunxiang Rensheng annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires on the insurance effective date of the year when the insured is 80. If the insured stays alive on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured stays alive on every second anniversary of the policy date from the effective date of the insurance contract to the 60-year-old policy anniversary date, the survival benefit is 9% of the base insured amount at the effective date of the policy. If the insured stays alive on every effective date of the insurance policy from the 60-year-old policy anniversary date to the 80-year-old policy anniversary date, the survival benefit is 9% of the insured amount at the effective date of the policy. For death and completely disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For policy holders between 18 and 60 years old who encountered with death or completely disability, the insured would be exempt from the renewal of insurance premium from the date of death or completely disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(iii) Furudonghai Type A whole life insurance (Participating)

Furudonghai Type A whole life insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. For death due to illness within 1st year, the sum of 10% of the base insured amount and premium (interest excluded) is refunded. For death due to illness after the 1st year or death due to accident, benefit is the sum of base insured amount and dividend accumulation. For death or completely disability due to accident, benefit is the sum of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

(iv) Fuxiang Yisheng whole life annuity insurance (Participating)

Fuxiang Yisheng whole life annuity insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. If the insured stays alive on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the survival benefit is 20% of the sum of base insured amount and dividend accumulation. For death, benefit is the sum of premium paid and dividend accumulation. For policy holders between 18 and 61 years old who encountered with death or completely disability, the insured would be exempt from the renewal of insurance premium from the date of death or completely disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured or other condition which leads to the termination of contract.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(v) Jilixiangban Type A endowment insurance (Participating)

Jilixiangban Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. The regular premium payment is 10, 15, 20 or 30 years for duration. Its insured period extends from 0:00 of the effective date to 24:00 of the expiry date. If the insured stays alive the expiry date of the insurance policy, the survival benefit is the sum of base insured amount and dividend accumulation, and the contract will be terminated. For death or completely disability due to accident within 1st year, the survival benefit or completely disability benefit is the sum of 10% of the base insured amount and premium paid, and the contract will be terminated. For death or completely disability due to accident after 1st year, the death or completely disability benefit is 200% of the sum of base insured amount and dividend accumulation, and the contract will be terminated. Dividend is distributed by increasing the insured amount, and the method of dividend distribution include annual dividends and maturity dividend. Annual dividend is distributed by increasing the insured amount. Maturity dividend is refunded after the 1st anniversary of the effective date as the special dividend of contract to increase the due to death of completely disability of insured or other condition which leads to the termination of contract.

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including the discount rates, mortality rates, morbidity rates, lapse rates and expenses. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase/(decrease) on profit before income tax.

Change in discount rates	For the year ended 31 December	
	2020	2019
+50 basis points ("bps")	**33,987**	28,646
-50bps	**(39,179)**	(32,859)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(i) Sensitivity analysis of long-term insurance contracts (Continued)

Change in mortality and morbidity rates	For the year ended 31 December	
	2020	2019
+10%	**(8,720)**	(7,453)
-10%	**9,487**	8,238

Change in lapse rates	For the year ended 31 December	
	2020	2019
+10%	**(2,710)**	(3,225)
-10%	**2,590**	3,496

Change in expenses	For the year ended 31 December	
	2020	2019
+10%	**(4,194)**	(3,531)
-10%	**4,019**	3,765

Key assumptions are disclosed in Note 15.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(ii) Sensitivity analysis of short-term insurance contracts

The change of claims amount for short-term insurance contracts may cause the change of loss ratio assumptions and in turn affect insurance contract liabilities.

All other variables being constant, if the loss ratio increases or decreases by 100bps, estimated profit before income tax would decrease or increase by RMB17 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB17 million). Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 15.

(d) Claims development analysis of short-term insurance contracts

Claims development analysis of the Group's short term insurance contracts gross of reinsurance is as follows:

	Accident year					
Cumulative claims	2016	2017	2018	2019	**2020**	Total
End of current year	1,393	1,912	2,554	3,516	**3,604**	12,979
1 year later	1,401	1,920	2,603	3,069	**–**	8,993
2 years later	1,401	1,922	2,587	–	**–**	5,910
3 years later	1,401	1,922	–	–	**–**	3,323
4 years later	1,401	–	–	–	**–**	1,401
Estimated claims expenses	1,401	1,922	2,587	3,069	**3,604**	12,583
Less: cumulative claims paid	(1,401)	(1,922)	(2,587)	(2,934)	**(2,021)**	(10,865)
Subtotal	–	–	–	135	**1,583**	1,718
Add: claims handling expenses	–	–	–	7	**77**	84
Unpaid claims expenses	–	–	–	142	**1,660**	1,802

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(d) Claims development analysis of short-term insurance contracts (Continued)

Claims development analysis of the Group's short term insurance business net of reinsurance is as follows:

	Accident year					
Cumulative claims	2016	2017	2018	2019	**2020**	Total
End of current year	1,292	1,810	2,470	3,343	**3,330**	12,245
1 year later	1,301	1,818	2,512	2,900	**–**	8,531
2 years later	1,297	1,817	2,491	–	**–**	5,605
3 years later	1,297	1,817	–	–	**–**	3,114
4 years later	1,297	–	–	–	**–**	1,297
Estimated claims expenses	1,297	1,817	2,491	2,900	**3,330**	11,835
Less: cumulative claims paid	(1,297)	(1,817)	(2,491)	(2,768)	**(1,827)**	(10,200)
Subtotal	–	–	–	132	**1,503**	1,635
Add: claims handling expenses	–	–	–	7	**77**	84
Unpaid claims expenses	–	–	–	139	**1,580**	1,719

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department, accounting department and actuarial department are in close cooperation to identify, evaluate and avoid financial risk.

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 11.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, changes in interest rate and fair values).

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets impacted greatly by interest rate risk are principally comprised of term deposits and debt financial assets. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates by 50bps with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

Change in market interest rates	Impact on profit (before income tax) For the year ended 31 December 2020	2019
+50bps	**(154)**	(31)
-50bps	**158**	32

Change in market interest rates	Impact on reserves (before income tax) For the year ended 31 December 2020	2019
+50bps	**(2,455)**	(1,835)
-50bps	**2,649**	1,955

(ii) Price risk

Price risk arises mainly from the price volatility of equity financial assets held by the Group. Prices of equity financial assets are determined by market forces. Most of the equity financial assets of the Group are in Chinese capital markets. The Group is subject to increased price risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The analysis below is performed to show the impacts of changes in the prices of the Group's equity financial assets which have quoted prices in active markets by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in equity financial assets' prices	Impact on profit (before income tax) For the year ended 31 December	
	2020	2019
+10%	**1,535**	993
-10%	**(1,535)**	(993)

Change in equity financial assets' prices	Impact on reserves (before income tax) For the year ended 31 December	
	2020	2019
+10%	**11,616**	6,186
-10%	**(11,616)**	(6,186)

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar, Hong Kong dollar, or European dollar.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

For the identified currency risk, the Company took the following measures: (1) determine the risk level based on the analysis of internal and external information, so as to determine different preventive measures; (2) evaluate the possible frequency and degree of the loss of overseas investment in a certain period of time in the future and using currency risk exposure analysis and other methods to evaluate the impact of exchange rate changes on the assets, liabilities and equity of the Group. (3) evaluate the price risk of overseas investments comprehensively in accordance with the level and impact of currency risk, combined with the risk appetite, to select appropriate risk management tools to hedge risk.

The following table summarizes financial assets denominated in currencies other than RMB, expressed in RMB equivalent:

31 December 2020	**USD**	**HKD**	**EUR**	**Total**
Cash and cash equivalents	**1,821**	**1,441**	**–**	**3,262**
Accrued investment income	**9**	**–**	**–**	**9**
Held-to-maturity investments	**585**	**–**	**–**	**585**
Financial assets at fair value through profit or loss	**–**	**219**	**–**	**219**
Available-for-sale financial assets	**3,629**	**8,065**	**3,613**	**15,307**
Total	**6,044**	**9,725**	**3,613**	**19,382**

31 December 2019	USD	HKD	EUR	Total
Cash and cash equivalents	1,731	359	–	2,090
Accrued investment income	10	–	–	10
Held-to-maturity investments	625	–	–	625
Financial assets at fair value through profit or loss	751	–	–	751
Available-for-sale financial assets	3,010	8,887	3,519	15,416
Total	6,127	9,246	3,519	18,892

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity financial assets, mainly expose themselves to price risk. Considering other foreign currencies are pegged to USD, the Group combined the USD assets with the other monetary assets when conducting the currency risk analysis.

For the year ended 31 December 2020, if RMB had strengthened or weakened by 10% against USD dollar and other foreign currencies with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, profit before tax would have been decreased or increased by RMB390 million (for the year ended 31 December 2019: RMB295 million), other comprehensive income would have been decreased or increased by RMB1,299 million (for the year ended 31 December 2019: RMB1,349 million).

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, bank wealth investment products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2020: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. Therefore, the Group's overall exposure to credit risk is relatively low.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership if the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and asset management products and trust products are guaranteed by third parties, collateral, or use the budgeted financial income of the central government as the source of funding for repayment.

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products, wealth investment products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality (Continued)

Proportion	As at 31 December	
	2020	2019
Financial institution bonds issued by domestic non-policy bank having a credit rating of AA/A-2 or above	**100%**	100%
Corporate bonds having a credit rating of AA/A-2 or above held by the Group	**100%**	100%
Subordinated bonds/debts having a credit rating of AA/A-2 or above, or issued by national banks or insurance companies	**100%**	100%
Bank deposits with the four largest state-owned commercial banks and other commercial banks in the PRC	**99.99%**	99.99%

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated financial statements of the Group for they have collateral and the maturity is within one year.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 4 (2)(e)).

The following tables set forth the contractual or expected undiscounted cash flows for major financial assets, insurance assets, financial liabilities and insurance liabilities:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2020	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	567,171	–	93,940	170,344	108,724	476,170
Equity financial assets	206,290	206,290	–	–	–	–
Term deposits	122,640	–	20,710	91,530	20,488	5,450
Statutory deposits	1,715	–	109	1,002	860	–
Policy loans	37,732	–	37,732	–	–	–
Financial assets purchased under agreements to resell	1,832	–	1,833	–	–	–
Accrued investment income	10,313	–	10,093	220	–	–
Premiums receivable	2,312	–	2,312	–	–	–
Reinsurance assets	3,666	–	1,322	1,085	(117)	2,545
Cash and cash equivalents	12,993	–	12,993	–	–	–
Total financial and insurance assets	966,664	206,290	181,044	264,181	129,955	484,165
Financial and insurance liabilities						
Long-term insurance contracts	(750,258)	–	50,722	70,055	3,888	(1,926,654)
Short-term insurance contracts	(4,151)	–	(2,987)	–	–	–
Investment contracts	(51,672)	–	(13,561)	(16,206)	(14,134)	(101,571)
Financial liabilities at fair value through profit or loss	(14,837)	(14,837)	–	–	–	–
Borrowings	(10,000)	–	(330)	(660)	(10,660)	–
Financial assets sold under agreements to repurchase	(41,888)	–	(41,892)	–	–	–
Benefits, claims and surrenders payable	(6,445)	–	(6,445)	–	–	–
Reinsurance liabilities	(297)	–	(297)	–	–	–
Total financial and insurance liabilities	(879,548)	(14,837)	(14,790)	53,189	(20,906)	(2,028,225)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2019		Contractual or expected cash flows (undiscounted)				
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	550,539	–	101,155	180,506	81,829	430,291
Equity financial assets	156,957	156,957	–	–	–	–
Term deposits	64,040	–	5,733	35,429	29,827	1,502
Statutory deposits	1,715	–	156	907	988	–
Policy loans	35,148	–	35,148	–	–	–
Financial assets purchased under agreements to resell	5,685	–	5,696	–	–	–
Accrued investment income	8,681	–	8,659	22	–	–
Premiums receivable	2,233	–	2,233	–	–	–
Reinsurance assets	3,028	–	997	780	60	2,201
Cash and cash equivalents	11,765	–	11,765	–	–	–
Total financial and insurance assets	839,791	156,957	171,542	217,644	112,704	433,994
Financial and insurance liabilities						
Long-term insurance contracts	(654,478)	–	30,049	59,682	24,800	(1,714,648)
Short-term insurance contracts	(3,713)	–	(2,666)	–	–	–
Investment contracts	(46,518)	–	(8,222)	(9,304)	(5,370)	(143,620)
Financial liabilities at fair value through profit or loss	(501)	(501)	–	–	–	–
Financial assets sold under agreements to repurchase	(68,190)	–	(68,531)	–	–	–
Benefits, claims and surrenders payable	(5,704)	–	(5,704)	–	–	–
Reinsurance liabilities	(220)	–	(220)	–	–	–
Total financial and insurance liabilities	(779,324)	(501)	(55,294)	50,378	19,430	(1,858,268)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB51,670 million as at 31 December 2020, payable within one year (as at 31 December 2019: RMB46,517 million).

(d) Disclosures about interest in unconsolidated structured entities

The Group's interests in the unconsolidated structured entities are recorded as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees or provide finance to public and private infrastructure construction. Refer to Note3 Significant judgments (4) for the determined factors of control over investee of the Group.

These structured entities that the Group has interests in either guaranteed by third parties with higher credit ratings, by pledging, by the revenue within the finance budget as the payment source, or dealing with the borrowers which with higher credit ratings.

The Group has not provided any guarantee or financing support for the structured entities that the Group has interests in or sponsored.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

i) The unconsolidated structured entities that the Group has interests in

The Group believes that the maximum risk exposure approximates the carrying amount of interest in these unconsolidated structured entities. The size of the unconsolidated structured entities, the carrying amount of the related assets recognized in the financial statements and the maximum risk exposure are as below:

As at 31 December 2020	Unconsolidated structured entities			
	Size	Carrying amount of assets	Maximum exposure of risk	Interest held by the Group
Funds managed by affiliated entities	1,057	131	131	Investment income and service fee
Funds managed by third parties	Note1	55,727	55,727	Investment income
Trust products managed by third parties	Note1	99,831	99,831	Investment income
Debt investment plans managed by affiliated entities	27,792	13,940	13,940	Investment income and service fee
Debt investment plans managed by third parties	Note1	27,195	27,195	Investment income
Others managed by affiliated entities (Note2)	108,169	2,835	2,835	Investment income and service fee
Others managed by third parties (Note2)	Note1	84,152	84,152	Investment income

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

i) The unconsolidated structured entities that the Group has interests in (Continued)

As at 31 December 2019	Unconsolidated structured entities			
	Size	Carrying amount of assets	Maximum exposure of risk	Interest held by the Group
Funds managed by affiliated entities	497	63	63	Investment income and service fee
Funds managed by third parties	Note1	46,326	46,326	Investment income
Trust products managed by third parties	Note1	77,266	77,266	Investment income
Debt investment plans managed by affiliated entities	17,358	11,117	11,117	Investment income and service fee
Debt investment plans managed by third parties	Note1	27,817	27,817	Investment income
Others managed by affiliated entities (Note2)	14,200	5,866	5,866	Investment income and service fee
Others managed by third parties (Note2)	Note1	108,154	108,154	Investment income

Note1: Funds, trust products, debt investment plans and others managed by third parties are sponsored by third party financial institutions and the information related to size of these structured entities are not publicly available.

Note2: Others included wealth management products, asset management products, private equity, equity investment plans and unlisted equity, etc.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

ii) The unconsolidated structured entities that the Group has sponsored but does not have interests in

As at 31 December 2020, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB31,492 million (as at 31 December 2019: RMB5,425 million), which were mainly asset management products, debt investment plans, endowment annuity products, occupational annuity products and enterprise annuity products etc., sponsored by the Group for collecting management service fees. In 2020, the management service fees from these structured entities were RMB61 million (2019: RMB26 million), which were recorded as other income. The Group has not transferred any assets to these structured entities.

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method. The Group uses the above techniques, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated bonds and capital supplementary bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing a competitive cost structure.

(f) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the China Banking and Insurance Regulatory Commission (the ''CBIRC''), are to comply with the insurance capital requirements of the CBIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management (Continued)

The table below summarizes the solvency ratios, actual capital, and minimum capital of the Company:

	As at 31 December	
	2020	2019
Core capital	**280,817**	261,164
Actual capital	**290,817**	261,164
Minimum capital	**104,672**	92,077
Core solvency margin ratio	**268.28%**	283.64%
Comprehensive solvency margin ratio	**277.84%**	283.64%

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, CBIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

(i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;

(ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;

(iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;

(iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the fourth quarter of 2020 is A.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy

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

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

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation techniques using significant inputs, other than Level 1 quoted prices, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of financial assets classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs.

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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

As at 31 December 2020, financial assets measured at fair value and classified as level 3 in the fair value hierarchy are valued using unobservable significant inputs, such as discount rate, but the fair value is not significantly sensitive to the reasonable changes of the unobservable significant inputs.

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Equity financial assets					
Available-for-sale - Preferred stock	4,227	Discounted cash flow method	Discount rate	4.7% – 5.5%	The higher the discount rate, the lower the fair value
Debt financial assets					
Available-for-sale -Trust products	99,582	Discounted cash flow method	Discount rate	4.81% – 10%	The higher the discount rate, the lower the fair value.
Available-for-sale-Wealth investment products	29,050	Discounted cash flow method	Discount rate	2.8% – 5.4%	The higher the discount rate, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2020 and 2019:

As at 31 December 2020	Inputs to fair value measurement Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	**121,065**	**31,637**	**4,263**	**156,965**
– Debt financial assets	**134**	**105,146**	**128,677**	**233,957**
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	**11,548**	**6,996**	**–**	**18,544**
– Debt financial assets	**1,616**	**12,138**	**–**	**13,754**
Total	**134,363**	**155,917**	**132,940**	**423,220**
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**14,837**	**–**	**14,837**
Unit-linked contracts	**–**	**196**	**–**	**196**
Total	**–**	**15,033**	**–**	**15,033**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2020 and 2019: (Continued)

As at 31 December 2019	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	90,684	17,505	5,852	114,041
– Debt financial assets	639	100,749	138,543	239,931
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	6,771	6,447	–	13,218
– Debt financial assets	2,240	7,722	–	9,962
Designated as at fair value through profit or loss – derivatives				
– Equity financial assets	–	–	1,374	1,374
Total	100,334	132,423	145,769	378,526
Liabilities				
Financial liabilities at fair value through profit or loss	–	501	–	501
Unit-linked contracts	–	152	–	152
Total	–	653	–	653

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2019 and 2020.

For the year ended 31 December 2020	**Level 1**	**Level 2**
Available-for-sale financial assets		
Debt financial assets		
– Transfer in	**–**	**368**
– Transfer out	**(368)**	**–**

For the year ended 31 December 2019	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	920	–
– Transfer out	–	(920)
Debt financial assets		
– Transfer in	224	688
– Transfer out	(688)	(224)
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	41	214
– Transfer out	(214)	(41)

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets.

There were no transfers into or out of Level 3 for the years ended 31 December 2020 and 2019.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			At fair value through profit or loss	Total
	Equity financial assets	**Debt financial assets**	**Subtotal**	**Designated as at fair value through profit or loss**	
1 January 2019	616	130,580	131,196	–	131,196
Purchase	5,359	39,840	45,199	–	45,199
Recognised in profit or loss	–	–	–	1,374	1,374
Maturity	(123)	(31,877)	(32,000)	–	(32,000)
31 December 2019	5,852	138,543	144,395	1,374	145,769
1 January 2020	**5,852**	**138,543**	**144,395**	**1,374**	**145,769**
Purchase	**505**	**40,717**	**41,222**	**–**	**41,222**
Sale/Exercise	**(2,094)**	**–**	**(2,094)**	**(1,374)**	**(3,468)**
Maturity	**–**	**(50,583)**	**(50,583)**	**–**	**(50,583)**
31 December 2020	**4,263**	**128,677**	**132,940**	**–**	**132,940**

The assets and liabilities whose fair value measurements are classified under Level 3 above do not have material impact on the profit or loss of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, investment properties, financial assets sold under agreements to repurchase and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables, investment properties and borrowings, which all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2020 and 31 December 2019:

	As at 31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Held-to-maturity	**20,917**	**264,274**	**–**	**285,191**
Loans and receivables	**–**	**–**	**41,384**	**41,384**
Investment properties	**–**	**–**	**11,479**	**11,479**
Total	**20,917**	**264,274**	**52,863**	**338,054**
Liabilities				
Borrowings	**–**	**9,620**	**–**	**9,620**
Total	**–**	**9,620**	**–**	**9,620**

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	20,577	240,013	–	260,590
Loans and receivables	–	–	49,434	49,434
Investment properties	–	–	11,525	11,525
Total	20,577	240,013	60,959	321,549

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

Individual insurance business relates primarily to the sale of insurance contracts and investment contracts to individuals.

(ii) Group insurance business

Group insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities.

(iii) Other business

Other business relates primarily to the Group's asset management and unallocated income and expenses.

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment contract liabilities at the beginning and end of the accounting period. Non-operating income and expenses are not allocated but assigned to other business operating segments directly.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(3) Allocation basis of assets and liabilities

Insurance business assets and liabilities directly attributable to operating segments will be allocated to each segment; investment assets and liabilities indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's insurance contract liabilities and investment contract liabilities at the end of the accounting period. Statutory deposits, investment properties, property, plant and equipment, intangible assets, other assets, borrowings, provision, deferred tax assets, deferred tax liabilities and current income tax liabilities are not allocated but assigned to other business operating segments directly.

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue

Substantially all of the Group's revenues are derived from its operations in the PRC. Substantially all of the Group's assets are located in the PRC.

For the year ended 31 December 2020, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

(5) The transfer prices among operating segments are determined at fair value with reference to transactions with third parties

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

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

Other segment information for the year ended 31 December 2020:

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2019				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	135,577	2,594	–	–	138,171
Less: premiums ceded out	(2,395)	(32)	–	–	(2,427)
Net written premiums and policy fees	133,182	2,562	–	–	135,744
Net change in unearned premiums liabilities	(181)	(120)	–	–	(301)
Net premiums earned and policy fees	133,001	2,442	–	–	135,443
Investment income	35,192	370	353	(73)	35,842
Including: inter-segment transaction	28	–	45	(73)	–
Other income	484	10	1,128	(804)	818
Including: inter-segment transaction	26	1	777	(804)	–
Total revenues	168,677	2,822	1,481	(877)	172,103
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,555)	(1,885)	–	–	(3,440)
Life insurance death and other benefits	(69,525)	(147)	–	–	(69,672)
Increase in long-term insurance contract liabilities	(52,750)	(66)	–	–	(52,816)
Policyholder dividends resulting from participation in profits	(42)	–	–	–	(42)
Investment contract benefits	(1,698)	(38)	–	–	(1,736)
Commission and brokerage expenses	(16,359)	(513)	–	–	(16,872)
Administrative expenses	(11,868)	(957)	(989)	777	(13,037)
Including: inter-segment transaction	(703)	(54)	(20)	777	–
Other expenses	(265)	(6)	(484)	28	(727)
Including: inter-segment transaction	–	–	(28)	28	–
Total benefits, claims and expenses	(154,062)	(3,612)	(1,473)	805	(158,342)
Share of results of associates and joint ventures	437	5	60	–	502
Finance costs (other than interest on lease liabilities)	(1,020)	(22)	–	–	(1,042)
Net profit before income tax	14,032	(807)	68	(72)	13,221
Segment assets	826,545	8,418	44,280	(273)	878,970
Segment liabilities	780,976	6,686	7,120	(273)	794,509

Other segment information for the year ended 31 December 2019:

	Insurance		Others	Elimination	Total
Other segment information	Individual	Group			
Capital expenditure	–	–	5,042	–	5,042
Depreciation and amortization	(1,198)	(94)	(98)	–	(1,390)
Interest income	29,257	311	312	(28)	29,852
Impairment	(2,017)	(18)	(1)	–	(2,036)
Share of results of associates and joint ventures	437	5	60	–	502

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2020	10,762	1,091	155	4,170	16,178
Additions	139	169	1	1,806	2,115
Transfers upon completion	1,520	16	–	(1,536)	–
Transfer from investment properties (Note 7)	136	–	–	–	136
Transfer to investment properties (Note 7)	(92)	–	–	(106)	(198)
Transfer to intangible assets (Note 9)	–	–	–	(275)	(275)
Disposals	(12)	(45)	(9)	–	(66)
As at 31 December 2020	12,453	1,231	147	4,059	17,890
Accumulated depreciation					
As at 1 January 2020	(1,096)	(673)	(74)	–	(1,843)
Charges for the year	(290)	(120)	(11)	–	(421)
Transfer from investment properties (Note 7)	(7)	–	–	–	(7)
Transfer to investment properties (Note 7)	23	–	–	–	23
Disposals	1	42	7	–	50
As at 31 December 2020	(1,369)	(751)	(78)	–	(2,198)
Net book value					
As at 1 January 2020	9,666	418	81	4,170	14,335
As at 31 December 2020	11,084	480	69	4,059	15,692

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2019	7,895	979	168	4,339	13,381
Additions	184	164	31	4,957	5,336
Transfers upon completion	2,705	34	–	(2,739)	–
Transfer from investment properties (Note 7)	1	–	–	–	1
Transfer to investment properties (Note 7)	(20)	–	–	(2,186)	(2,206)
Transfer to intangible assets (Note 9)	–	–	–	(201)	(201)
Disposals	(3)	(86)	(44)	–	(133)
As at 31 December 2019	10,762	1,091	155	4,170	16,178
Accumulated depreciation					
As at 1 January 2019	(880)	(612)	(95)	–	(1,587)
Charges for the year	(216)	(110)	(12)	–	(338)
Disposals	–	49	33	–	82
As at 31 December 2019	(1,096)	(673)	(74)	–	(1,843)
Net book value					
As at 1 January 2019	7,015	367	73	4,339	11,794
As at 31 December 2019	9,666	418	81	4,170	14,335

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB344 million as at 31 December 2020 (as at 31 December 2019: RMB986 million). The Group has no property, plant and equipment under financial lease and held for sale, and no significant idle property, plant and equipment as at 31 December 2020 (as at 31 December 2019: same).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2020	2019
Cost		
Beginning of the year	**9,835**	7,635
Additions	**–**	2
Transfers from property, plant and equipment (Note 6)	**198**	2,206
Transfer to property, plant and equipment (Note 6)	**(136)**	(1)
Disposals	**–**	(2)
Others	**(4)**	(5)
End of the year	**9,893**	9,835
Accumulated depreciation		
Beginning of the year	**(784)**	(591)
Transfer from property, plant and equipment (Note 6)	**(23)**	–
Transfer to property, plant and equipment (Note 6)	**7**	–
Charges for the year	**(236)**	(194)
Disposals	**–**	1
End of the year	**(1,036)**	(784)
Net book value		
Beginning of the year	**9,051**	7,044
End of the year	**8,857**	9,051

Rental income from investment properties is recognized in "Other income" (Note 28).

According to the asset valuation report issued by Cushman & Wakefield Shenzhen Valuation Co., Ltd. Beijing, the fair value of investment properties as at 31 December 2020 was RMB11,479 million (as at 31 December 2019: RMB11,525 million). The techniques used for the valuation of investment properties include the income approach and sales comparison approach. The fair value of investment properties is categorized within level 3.

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB37 million as at 31 December 2020. The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB393 million as at 31 December 2019.

The investment properties held by the Group has no impairment (as at 31 December 2019: same).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group

	Fair value at 31 December 2020	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shanghai -Shanghai Harbor	1,969	Unit price	Office RMB66,000-75,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB65,000-105,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB450,000-500,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB220-250 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB300-370 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB1,600-1,800 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Xiamen	1,755	Unit price	Office RMB25,000-28,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB45,000-51,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB450,000-500,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Beijing– NCI Tower	1,738	Unit price	Office RMB60,000-79,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Office RMB320-340 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB1,200 per month per unit	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group (Continued)

	Fair value at 31 December 2020	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Changsha	860	Unit price	RMB18,000-21,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB90-120 per month per square meter	The higher the rental value, the higher the fair value.
Rental units-Xian	751	Unit price	Office RMB18,000-19,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB17,000-22,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garbage RMB185,000-230,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-120 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB70-90 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garbage RMB700-800 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Chengdu	684	Unit price	Office RMB15,000-20,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB70,000-75,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB220,000-250,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-130 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB400-500 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB950-12,000 per month per unit	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group (Continued)

	Fair value at 31 December 2020	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Hangzhou	631	Unit price	RMB26,000-30,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB135-150 per month per square meter	The higher the rental value, the higher the fair value.
Rental Units-Shandong	447	Unit price	Office RMB14,000-16,500 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Office RMB90-110 per month per square meter	The higher the rental value, the higher the fair value.
Rental units-Shanxi	403	Unit price	RMB12,000-17,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB70-100 per month per square meter	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

8 LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and others used in its operations. Leases of buildings generally have lease terms between 1 and 10 years, while others generally have lease terms between 1 and 5 years.

(1) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Buildings	**Others**	**Total**
Cost			
As at 1 January 2020	**1,624**	**2**	**1,626**
Additions	**732**	**2**	**734**
Decrease	**(303)**	**–**	**(303)**
As at 31 December 2020	**2,053**	**4**	**2,057**
Accumulated depreciation			
As at 1 January 2020	**(474)**	**–**	**(474)**
Charges for the year	**(574)**	**(1)**	**(575)**
Decrease	**235**	**–**	**235**
As at 31 December 2020	**(813)**	**(1)**	**(814)**
Net book value			
As at 31 December 2020	**1,240**	**3**	**1,243**
As at 1 January 2020	**1,150**	**2**	**1,152**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(1) Right-of-use assets (Continued)

	Right-of-use assets Buildings	Others	Total
Cost			
As at 1 January 2019	1,050	–	1,050
Additions	637	2	639
Decrease	(63)	–	(63)
As at 31 December 2019	1,624	2	1,626
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charges for the year	(477)	–	(477)
Decrease	3	–	3
As at 31 December 2019	(474)	–	(474)
Net book value			
As at 31 December 2019	1,150	2	1,152
As at 1 January 2019	1,050	–	1,050

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(2) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities		
	Buildings	**Others**	**Total**
As at 1 January 2020	**960**	**1**	**961**
Additions	**662**	**3**	**665**
Accretion of interest recognized during the year	**36**	**–**	**36**
Payment	**(597)**	**(1)**	**(598)**
As at 31 December 2020	**1,061**	**3**	**1,064**
Current	**425**	**1**	**426**
Non-current	**636**	**2**	**638**

	Lease liabilities		
	Buildings	Others	Total
As at 1 January 2019	892	–	892
Additions	579	2	581
Accretion of interest recognized during the year	34	–	34
Payment	(545)	(1)	(546)
As at 31 December 2019	960	1	961
Current	404	–	404
Non-current	556	1	557

As disclosed in note 2 (1) (a), the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year. The amendment did not have any significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(3) The amounts recognized in profit or loss in relation to leases are as follows:

	2020	2019
Interest on lease liabilities	**(36)**	(34)
Depreciation expense of right-of-use assets	**(575)**	(477)
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**(86)**	(179)
Total amount recognized in profit or loss	**(697)**	(690)

(4) For the year ended 31 December 2020, the total cash outflow for leases was RMB684 million and future cash outflows relating to leases that have not yet commenced are RMB1,136 million.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (Note 7) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the year was RMB368 million (for the year ended 31 December 2019: RMB294 million), details of which are included in Note 28 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December 2020	As at 31 December 2019
Within 1 year (including 1 year)	**351**	266
Between 1 year and 2 years (including 2 years)	**294**	201
Between 2 and 3 years (including 3 years)	**231**	154
Between 3 and 4 years (including 4 years)	**111**	121
Between 4 and 5 years (including 5 years)	**50**	44
More than 5 years	**115**	123
Total	**1,152**	909

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS

The intangible assets held by the Group are computer software and land use rights.

	Computer software and others	Land use rights	Total
Cost			
As at 1 January 2020	**1,475**	**3,396**	**4,871**
Additions	**38**	**–**	**38**
Transfer from property, plant and equipment (Note 6)	**275**	**–**	**275**
As at 31 December 2020	**1,788**	**3,396**	**5,184**
Accumulated amortization			
As at 1 January 2020	**(846)**	**(299)**	**(1,145)**
Amortization	**(201)**	**(85)**	**(286)**
As at 31 December 2020	**(1,047)**	**(384)**	**(1,431)**
Net book value			
As at 1 January 2020	**629**	**3,097**	**3,726**
As at 31 December 2020	**741**	**3,012**	**3,753**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS (Continued)

	Computer software and others	Land use rights	Total
Cost			
As at 1 January 2019	1,222	3,343	4,565
Additions	52	53	105
Transfer from property, plant and equipment (Note 6)	201	–	201
As at 31 December 2019	1,475	3,396	4,871
Accumulated amortization			
As at 1 January 2019	(686)	(214)	(900)
Amortization	(160)	(85)	(245)
As at 31 December 2019	(846)	(299)	(1,145)
Net book value			
As at 1 January 2019	536	3,129	3,665
As at 31 December 2019	629	3,097	3,726

The Group has obtained the legal titles in respect of the entire ownership of land use rights as at 31 December 2020 (As at 31 December 2019: Same).

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	For the year ended 31 December	
	2020	2019
Beginning of the year	**4,917**	4,792
Cash dividend from investments in associates and joint ventures	**(288)**	(209)
Share of profit	**264**	502
Share of other comprehensive income	**194**	(63)
Disposals	**(144)**	–
Share of other reserves	**40**	(60)
Currency translation differences	**(16)**	3
Others	**–**	(48)
End of the year	**4,967**	4,917

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Details of investments in associates and joint ventures:

Name of entity	Type of legal entity	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership Interest	Principal activities	Measurement method
Associates						
China Jinmao (1)	Company limited by shares	Hong Kong, the PRC	N/A	8.35%	Real estate development	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (2)	Other limited liability company	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Huixin Capital International (3)	Limited liability company	Cayman Islands	N/A	39.86%	Asset management	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Limited liability company	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity
Joint venture						
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	Other limited liability company	Beijing, the PRC	RMB1,127 million	45%	Asset management, etc.	Equity

(1) According to the Articles of the Association of China Jinmao, the Group appointed the director to China Jinmao, which has significant impact on China Jinmao. Therefore, the Group measures China Jinmao as the associate of the Group through equity method.

(2) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the consolidated financial statements, the Company has not signed any sales agreement.

(3) On 31 December 2020, New China Capital International Management Limited has changed the name to Huxin Capital International.

(4) On 18 August 2020, the Company's shares of Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou") was listed on the Beijing Financial Assets Exchange for sale. On 12 October 2020, the Company signed the Stock Transfer Agreement with China Resources Land Holdings Co., Ltd. On 4 November 2020, Weiyuan has completed the business registration of the change. As the end of 31 December 2020, the Company has no investment in Weiyuanzhou.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except for China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day in 2020, the stock price of China Jinmao was HKD3.57 per share.

Except China Jinmao and Huixin Capital International, the English names of the associates and joint ventures represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

Material associate investment

The following tables illustrate the summarized financial information in respect of the material associate investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2020 China Jinmao	2019 China Jinmao
Current assets	**225,226**	174,831
Non-current assets	**162,530**	152,246
Total assets	**387,756**	327,077
Current liabilities	**197,080**	165,821
Non-current liabilities	**88,849**	75,461
Total liabilities	**285,929**	241,282
Equity attributable to shareholders of the Group	**46,762**	39,309
Group's share of net assets of the associates	**3,905**	3,553
Adjustments	**(425)**	(338)
Carrying amount of the investment in China Jinmao	**3,480**	3,215
Revenues	**60,054**	43,356
Profit for the year	**6,195**	8,629
Total comprehensive income attributable to shareholders of the Group	**6,228**	5,622
Dividends received	**218**	209

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material associate investment (Continued)

China Jinmao is a material associate investment of the Group accounted for using the equity method. The investment is not strategic to the Group's activities.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at/For the year ended 31 December	
	2020	2019
Aggregate carrying amount of the Group's investments in the associates	**858**	1,052
Total of Group's share of the following items of the associates		
Profit for the year	**36**	58
Other comprehensive income	**(5)**	–
Total comprehensive income for the year	**31**	58

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material joint venture investment

The following tables illustrate the summarized financial information in respect of the material joint venture investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2020 New China Health	2019 New China Health
Current assets	**994**	967
Non-current assets	**145**	162
Total assets	**1,139**	1,129
Current liabilities	**221**	165
Non-current liabilities	**–**	–
Total liabilities	**221**	165
Equity attributable to shareholders of the Group	**918**	964
Group's share of net assets of the joint venture	**413**	434
Adjustments	**216**	216
Carrying amount of the investment in New China Health	**629**	650
Revenues	**309**	299
Loss for the year	**(46)**	(55)
Total comprehensive income for the year	**(46)**	(55)

New China Health, focused on health management business, is a material joint venture investment of the Group accounted for using the equity method. The investment is strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 31 December 2020	As at 31 December 2019
Debt financial assets		
Government bonds	**166,188**	132,516
Financial bonds	**28,382**	32,244
Corporate bonds	**38,611**	40,291
Subordinated bonds	**39,895**	41,161
Total	**273,076**	246,212
Debt financial assets		
Listed	**122,963**	111,349
Unlisted	**150,113**	134,863
Total	**273,076**	246,212

The fair value of the held-to-maturity investments as at 31 December 2020 was RMB285,191 million (as at 31 December 2019: RMB260,590 million).

The fair value of listed held-to-maturity investments was RMB127,513 million as at 31 December 2020 (as at 31 December 2019: RMB116,921 million).

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(1) Held-to-maturity investments (Continued)

The held-to-maturity investments amounting to RMB20 million was reclassified to available-for-sale financial assets. The reclassification date of the investment is less than 3 months from the maturity date, and the change of interest rate has no significant impact on the fair value of the investment.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	**As at 31 December 2020**	As at 31 December 2019
Within 1 year (including 1 year)	**19,546**	7,352
After 1 year but within 3 years (including 3 years)	**34,648**	41,459
After 3 years but within 5 years (including 5 years)	**18,064**	21,311
After 5 years	**200,818**	176,090
Total	**273,076**	246,212

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 31 December 2020	As at 31 December 2019
Debt financial assets		
Government bonds	**56,254**	50,770
Financial bonds	**20,727**	20,466
Corporate bonds	**10,993**	13,411
Subordinated bonds	**17,306**	16,741
Perpetual bonds	**5,000**	5,000
Trust products	**99,582**	77,266
Wealth investment products	**29,050**	61,232
Asset management products	**45**	45
Subtotal	**238,957**	244,931
Equity financial assets		
Funds	**52,488**	42,576
Stock	**72,281**	48,290
Preferred stock	**4,902**	4,555
Asset management products	**20,415**	16,181
Private equity	**9,411**	7,054
Equity investment plans	**4,800**	4,700
Other unlisted equity investments	**16,570**	18,664
Perpetual bonds	**6,229**	204
Other equity investment	**650**	141
Subtotal	**187,746**	142,365
Total	**426,703**	387,296
Debt financial assets		
Listed	**33,867**	27,544
Unlisted	**205,090**	217,387
Subtotal	**238,957**	244,931
Equity financial assets		
Listed	**79,022**	54,776
Unlisted	**108,724**	87,589
Subtotal	**187,746**	142,365
Total	**426,703**	387,296

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	As at 31 December 2020	As at 31 December 2019
Within 1 year (including 1 year)	**53,545**	58,551
After 1 year but within 3 years (including 3 years)	**62,305**	77,980
After 3 years but within 5 years (including 5 years)	**45,163**	24,102
After 5 years	**77,944**	84,298
Total	**238,957**	244,931

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss

	As at 31 December 2020	As at 31 December 2019
Held for trading		
Debt financial assets		
Government bonds	**60**	–
Financial bonds	**432**	22
Corporate bonds	**10,261**	9,429
Subordinated bonds	**1,478**	511
Certificates of deposit	**1,523**	–
Debt financial assets subtotal	**13,754**	9,962
Equity financial assets		
Funds	**3,370**	3,813
Stocks	**8,181**	2,960
Asset management products	**6,696**	6,144
Perpetual bonds	**297**	301
Equity financial assets subtotal	**18,544**	13,218
Subtotal	**32,298**	23,180
Designated as at fair value through profit or loss		
Equity financial assets		
Derivative financial assets	**–**	1,374
Equity financial assets subtotal	**–**	1,374
Subtotal	**–**	1,374
Total	**32,298**	24,554
Debt financial assets		
Listed	**9,348**	9,057
Unlisted	**4,406**	905
Subtotal	**13,754**	9,962
Equity financial assets		
Listed	**8,913**	5,100
Unlisted	**9,631**	9,492
Subtotal	**18,544**	14,592
Total	**32,298**	24,554

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss (Continued)

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

(4) Loans and receivables

	As at 31 December 2020	As at 31 December 2019
Asset funding plans (i)	**–**	10,000
Debt investment plan (ii)	**41,135**	38,934
Trust products	**249**	–
Subordinated debts	**–**	500
Total	**41,384**	49,434

(i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan ("Orient No.1 Funding Plan").

Orient No.1 Funding Plan stipulates that China Eastern asset management company (hereinafter referred to as "Oriental Asset") will repay the principal and interest when the plan matures. The term of the plan is 10 years, and Oriental Asset has the right to redeem the creditor's rights at the end of the seventh year. Oriental Asset manages the asset ownership certificate legally held by it and approved by the plan manager, so as to provide credit enhancement guarantee for the repayment of the principal and interest of the project assets on schedule. Orient No.1 Funding Plan was fully redeemed on 18 April 2020.

(ii) Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

(iii) The Company has equity interests in subsidiaries and consolidated loans and receivables as set out in Note 39 (5).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	**As at 31 December 2020**	As at 31 December 2019
Within 1 year (including 1 year)	**19,000**	4,100
After 1 year but within 3 years (including 3 years)	**82,190**	30,500
After 3 years but within 5 years (including 5 years)	**16,350**	27,940
More than 5 years	**5,100**	1,500
Total	**122,640**	64,040

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Maturity	**As at 31 December 2020**	As at 31 December 2019
Within 1 year (including 1 year)	**100**	–
After 1 year but within 3 years (including 3 years)	**1,565**	915
After 3 years but within 5 years (including 5 years)	**50**	800
Total	**1,715**	1,715

According to the relevant regulations issued by the CBIRC, statutory deposits can only be used by insurance companies to discharge debt upon liquidation.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(7) Accrued investment income

	As at 31 December 2020	As at 31 December 2019
Bank deposits	**2,713**	1,396
Debt financial assets	**6,412**	6,322
Dividend	**10**	10
Others	**1,178**	953
Total	**10,313**	8,681
Current	**10,220**	8,623
Non-current	**93**	58
Total	**10,313**	8,681

12 PREMIUMS RECEIVABLE

The credit terms for premium receivables from life insurance policyholders are 60 days. The Group normally collects premium receivables from agents on a monthly or quarterly basis.

An aging analysis of premium receivables is as follows:

	As at 31 December 2020	As at 31 December 2019
Within 3 months (including 3 months)	**2,240**	2,233
Over 3 months and within 1 year (including 1 year)	**56**	–
Over 1 year	**16**	–
Total	**2,312**	2,233

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

13 REINSURANCE ASSETS

	As at 31 December 2020	As at 31 December 2019
Claims and claims adjustment expenses ceded (Note 15)	**83**	44
Unearned premiums liabilities ceded (Note 15)	**217**	185
Long-term insurance contracts ceded (Note 15)	**3,120**	2,611
Due from reinsurance companies (1)	**246**	188
Total	**3,666**	3,028
Current	**1,272**	1,001
Non-current	**2,394**	2,027
Total	**3,666**	3,028

(1) The Group normally settle due from reinsurance companies on a quarterly basis. An aging analysis of due from reinsurance companies is as follows:

	As at 31 December 2020	As at 31 December 2019
Within 3 months (including 3 months)	**246**	188
Total	**246**	188

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS

	As at 31 December 2020		
	Book value balance	**Provision for impairment**	**Net book value**
Investment clearing account (1)	**1,156**	**–**	**1,156**
Prepaid and deferred expenses	**889**	**–**	**889**
Receivable from off-balance sheet repurchase Transactions (Note 3 (7))	**874**	**(874)**	**–**
Prepaid income tax	**153**	**–**	**153**
Asset management fee receivables	**138**	**–**	**138**
Prepayment for Heilongjiang branch's office building (2) (Note 22)	**37**	**(37)**	**–**
Entrusted fund receivable from liquidation group of Minfa Securities (3)	**16**	**(16)**	**–**
Receivable from Huaxinrong Company (4)	**12**	**(12)**	**–**
Prepayment for Taizhou and Yongzhou cases (5)	**11**	**(11)**	**–**
Others	**749**	**(38)**	**711**
Total	**4,035**	**(988)**	**3,047**

	As at 31 December 2019		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	3,386	–	3,386
Prepaid and deferred expenses	618	–	618
Receivable from off-balance sheet repurchase Transactions (Note 3 (7))	874	(874)	–
Prepaid income tax	1,146	–	1,146
Asset management fee receivables	42	–	42
Prepayment for Heilongjiang branch's office building (2) (Note 22)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (3)	16	(16)	–
Receivable from Huaxinrong Company (4)	12	(12)	–
Prepayment for Taizhou and Yongzhou cases (5)	11	(11)	–
Litigation deposit (6)	1	–	1
Others	647	(4)	643
Total	6,790	(954)	5,836

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS (Continued)

	As at 31 December 2020	As at 31 December 2019
Current	**2,662**	5,478
Non-current	**385**	358
Total	**3,047**	5,836

(1) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the end of the reporting period.

(2) Prepayment for Heilongjiang branch's office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Since the recipient of the payment is not a party of the contract, as at the date approved for issue by Board of Directors, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

(3) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the CSRC and started administrative liquidation in 2005. The Company had investments entrusted to Minfa Securities with a carrying amount of RMB477 million which were deemed to be uncollectible at the time of the liquidation. Accordingly, the Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. From 2009 to 2012, the Company managed to recover funds amounting to RMB373 million in accordance with the distribution arrangement as approved by the Court. In 2012, the Court adjudicated to terminate bankruptcy proceedings of Minfa Securities and related companies. The Company assessed that it might still be able to recover RMB16 million but made a full provision against the amount due to significant uncertainty. The remaining balance of RMB88 million was assessed to be non-recoverable and was written off.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS (Continued)

(4) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

(5) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for the Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable of RMB162 million were written off.

In 2013, the Company recovered RMB9 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2015, the Company recovered RMB3 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2019, RMB3 million was written off by the Company from the Taizhou and Yongzhou cases and the Company reduced other assets and their corresponding provision.

(6) Litigation deposit

Litigation deposit represents deposits required by the court for routine litigations in progress, and will be returned to the Group upon the conclusion of the cases.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates of the Group as at 31 December 2020 and 31 December 2019 are as follows:

	Discount rate assumption
31 December 2020	4.50%~5.00%
31 December 2019	4.50%~5.00%

The Group set up a new exclusive participating account in October 2019 to management of the new product, Wendeying endowment insurance (Participating). Considering the yield curve of the corresponding future investment portfolios is different from other participating insurance products and a stabilization investment return assumption of 6% is used, the expected discount rate of this product as at 31 December 2020 was 6% (31 December 2019: 6%).

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, in combine with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors, the expected spot discount rates of the Group as at 31 December 2020 and 31 December 2019 are as follows:

	Discount rate assumption
31 December 2020	3.04%~4.70%
31 December 2019	3.42%~4.70%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(a) Discount rate assumption (Continued)

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period.

(b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2020) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(c) Expenses assumptions

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(e) Lapse rate and other assumptions

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(2) Net liabilities of insurance contracts

	As at 31 December 2020	As at 31 December 2019
Gross		
Long-term insurance contract liabilities	**750,258**	654,478
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,802**	1,611
– Unearned premiums liabilities	**2,349**	2,102
Total, gross	**754,409**	658,191
Recoverable from reinsurers		
Long-term insurance contracts (Note 13)	**(3,120)**	(2,611)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 13)	**(83)**	(44)
– Unearned premiums liabilities (Note 13)	**(217)**	(185)
Total, ceded	**(3,420)**	(2,840)
Net		
Long-term insurance contract liabilities	**747,138**	651,867
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,719**	1,567
– Unearned premiums liabilities	**2,132**	1,917
Total, net	**750,989**	655,351

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

	For the year ended 31 December	
	2020	2019
Beginning of the year – Gross	**1,611**	1,064
Cash paid for claims settled in the year		
– Cash paid for current year claims	**(2,020)**	(2,070)
– Cash paid for prior year claims	**(938)**	(975)
Claims incurred in the year		
– Claims arising in the current year	**3,687**	3,591
– Claims adjusted for prior years	**(538)**	1
End of the year – Gross	**1,802**	1,611

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2019	1,805	(189)	1,616
Increase	6,803	(739)	6,064
Release	(6,506)	743	(5,763)
As at 31 December 2019	2,102	(185)	1,917
Increase	**7,394**	**(948)**	**6,446**
Release	**(7,147)**	**916**	**(6,231)**
As at 31 December 2020	**2,349**	**(217)**	**2,132**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

	For the year ended 31 December	
	2020	2019
Beginning of the year	**654,478**	591,751
Premiums	**152,117**	131,328
Release of liabilities (i)	**(109,379)**	(113,006)
Accretion of interest	**27,612**	25,177
Changes in assumption (ii)	**11,644**	6,249
Other movements (iii)	**13,786**	12,979
End of the year	**750,258**	654,478

(i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.

(ii) Changes in assumptions are impact of changes in the discount rate assumption, mortality and morbidity assumptions, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.

(iii) Other movements include accumulated realized but not yet announced policy dividend movement and change of shadow adjustments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

16 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movements in liabilities of investment contracts:

	For the year ended 31 December	
	2020	2019
Investment contracts excluding unit-linked contracts		
Beginning of the year	**46,366**	40,359
Deposits received	**11,478**	10,300
Deposits paid and liabilities transferred out	**(8,360)**	(6,024)
Policy fees deducted from account balances	**(45)**	(40)
Interest and benefits accredited	**1,983**	1,708
Changes in investment contracts recorded in other comprehensive income	**54**	63
End of the year	**51,476**	46,366
Unit-linked contracts		
Beginning of the year	**152**	133
Deposits received	**–**	–
Deposits paid and liabilities transferred out	**(15)**	(9)
Fair value changes	**59**	28
End of the year	**196**	152
End of the year – Gross	**51,672**	46,518

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

17 BORROWINGS

Upon the approval of CBIRC and the People's Bank of China, on 11 May 2020, the Company issued 10-year capital supplementary bonds in the inter-bank market, and completed the issuance on 13 May 2020, which were in an aggregate principal amount of RMB10,000 million, and with an interest rate of 3.3% per annum for the first five years. The Company has the right to redeem the bonds partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 4.3% per annum beginning in the sixth year until the maturity date.

The repayments of principals and interests of the subordinated debts are subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

For the year ended 31 December 2020, the Group's cash flow arising from financing activities included issuing capital supplementary bonds, with the amount of RMB10,000 million in the consolidated statement of cash flows. For the year ended 31 December 2019, the Group's cash flow arising from financing activities included subordinated debts redemption, with the amount of RMB4,000 million in the consolidated statement of cash flows.

The fair value of borrowings as at 31 December 2020 was RMB9,620 million, which are within Level 2 of the fair value hierarchy.

18 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020	As at 31 December 2019
Payable to the third party investors of controlled structured entities	**14,837**	501
Total	**14,837**	501

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

19 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2020	As at 31 December 2019
By market		
Inter-bank market	**10,600**	12,650
Stock exchange	**31,288**	55,540
Total	**41,888**	68,190
By collateral		
Bonds	**41,888**	68,190

Maturity:

	As at 31 December 2020	As at 31 December 2019
Within 3 months (including 3 months)	**41,888**	68,190

As at 31 December 2020, bonds with par value of RMB11,873 million (as at 31 December 2019: RMB13,277 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2020, the amount of financial assets deposited in the collateral pool amounted to RMB164,023 million (as at 31 December 2019: RMB99,166 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2020, the Group's cash outflow arising from financing activities included RMB25,957 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2019, the Group's cash inflow arising from financing activities included RMB53,026 million from financial assets sold under agreements to repurchase.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

20 REINSURANCE LIABILITIES

The Group normally settle due to reinsurance companies on a quarterly basis.

An aged analysis of the due to reinsurance companies is as follows:

	As at 31 December 2020	As at 31 December 2019
Within 3 months (including 3 months)	**171**	195
Over 3 months and within 1 year (including 1 year)	**118**	25
Over 1 year	**8**	–
Total	**297**	220

21 PROVISIONS

	Lawsuits and disputes
As at 1 January 2020	**29**
Increase	**–**
Decrease	**(29)**
As at 31 December 2020	**–**
As at 1 January 2019	29
Increase	–
Decrease	–
As at 31 December 2019	29

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking into consideration specific former circumstances and legal advice, the Group makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depend on the final investigation, judgment and settlement amounts, thus they may differ from the current provision.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

22 OTHER LIABILITIES

	As at 31 December 2020	As at 31 December 2019
Salary and welfare payable	**4,404**	3,905
Investment clearing account (Note 14 (1))	**2,516**	207
Commission and brokerage payable	**2,358**	2,353
Deferred income	**504**	517
Repayment payable for non-insurance contracts	**471**	131
External suppliers payable	**455**	312
Security deposits by agent for holding the Company's documents	**188**	193
Construction cost payable	**163**	636
Taxes payable other than income tax	**140**	132
Unrealized output value added tax	**121**	110
Insurance security fund payable	**111**	89
Unallocated receipts	**96**	86
Purchase payment for Heilongjiang branch's building (Note14 (2))	**37**	37
Others	**1,356**	851
Total	**12,920**	9,559
Current	**12,695**	9,329
Non-current	**225**	230
Total	**12,920**	9,559

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

23 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

(1) The amount of income tax charged to the net profit represents:

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

23 TAXATION (Continued)

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

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2019	2,141	(364)	1,777
Charged to net profit	(617)	(17)	(634)
Charged to other comprehensive income	(2,220)	1,259	(961)
Charged to other reserve	–	(20)	(20)
As at 31 December 2019	(696)	858	162
As at 1 January 2020	**(696)**	**858**	**162**
Charged to net profit	**(2)**	**–**	**(2)**
Charged to other comprehensive income	**(7)**	**–**	**(7)**
As at 31 December 2020	**(705)**	**858**	**153**
Net deferred tax liabilities			
As at 1 January 2019	1	(60)	(59)
Charged to net profit	131	904	1,035
Charged to other comprehensive income	(2,464)	1,159	(1,305)
Charged to other reserve	–	31	31
As at 31 December 2019	(2,332)	2,034	(298)
As at 1 January 2020	**(2,332)**	**2,034**	**(298)**
Charged to net profit	**436**	**(368)**	**68**
Charged to other comprehensive income	**(4,592)**	**2,157**	**(2,435)**
Charged to other reserve	**–**	**(8)**	**(8)**
As at 31 December 2020	**(6,488)**	**3,815**	**(2,673)**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

23 TAXATION (Continued)

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

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

(4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The amount of deductible unused tax losses for which no deferred tax asset is recognized is as follows:

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

24 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1.

The Company's number of shares is as follows:

	As at 31 December 2020	As at 31 December 2019
Number of shares registered, issued and fully paid at RMB1 per share (in million)	**3,120**	3,120

25 RESERVES AND RETAINED EARNINGS

	Reserves						
	Share premium (a)	Other reserve	Unrealized income	Surplus reserve (b)	Reserve for general risk (c)	Total	Retained earnings (d)
As at 1 January 2019	23,964	(50)	(2,791)	5,226	4,707	31,056	31,411
Net profit for the year	–	–	–	–	–	–	14,559
Other comprehensive income	–	–	6,751	–	–	6,751	–
Others	–	(44)	–	–	–	(44)	–
Dividends paid	–	–	–	–	–	–	(2,402)
Appropriation to reserve	–	–	–	2,131	1,360	3,491	(3,491)
As at 31 December 2019	23,964	(94)	3,960	7,357	6,067	41,254	40,077
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**14,294**
Other comprehensive income	**–**	**–**	**7,290**	**–**	**–**	**7,290**	**–**
Others	**–**	**31**	**–**	**–**	**–**	**31**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(4,399)**
Appropriation to reserve	**–**	**–**	**–**	**2,682**	**1,347**	**4,029**	**(4,029)**
As at 31 December 2020	**23,964**	**(63)**	**11,250**	**10,039**	**7,414**	**52,604**	**45,943**

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

25 RESERVES AND RETAINED EARNINGS (Continued)

(a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

(b) Surplus reserve

Surplus reserve consists of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserve

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital upon approval.

The Company appropriated RMB1,336 million for the year ended 31 December 2020 to the statutory surplus reserve (for the year ended 31 December 2019: RMB1,346 million).

(ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company appropriated RMB1,346 million (10% of the net profit for 2019) to the DSR in 2020 (for the year ended 31 December 2019: RMB785 million).

(c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2020, the Group's financial enterprises engaged in insurance business appropriated RMB1,347 million, 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2019: RMB1,360 million, 10% of the net profit).

(d) Distributable profit

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 IFRSs. In accordance with the profit distribution plan for the year 2020 approved by the Board on 24 March 2021, the Company proposed to distribute cash dividends amounting to RMB4,336 million to all shareholders of the Company at RMB1.39 per share (inclusive of tax). The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

26 GROSS WRITTEN PREMIUMS AND POLICY FEES

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

27 INVESTMENT INCOME

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

28 OTHER INCOME

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

29 INSURANCE BENEFITS AND CLAIMS

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

30 ADMINISTRATIVE EXPENSES

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

(1) Employee benefit expenses are presented below:

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

31 OTHER EXPENSES

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

32 FINANCE COSTS

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

33 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

34 EARNINGS PER SHARE

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	For the year ended 31 December	
	2020	2019
Net profit attributable to shareholders of the Company (RMB in millions)	**14,294**	14,559
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**4.58**	4.67

(2) Diluted

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

35 DIVIDENDS

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

(a) Subsidiaries

Refer to Note 39 (5) for the basic and related information of subsidiaries.

(b) Associates and joint ventures

Refer to Note 10 for the basic and related information of associates and joint ventures.

(c) Other related parties

Significant related parties	Relationships
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company
China Baowu Steel Group Corporation Limited. ("China Baowu")	Shareholder that has significant influence over the Company
FOSUN International Limited and its subsidiaries ("FOSUN International")	Company under direct or indirect control of shareholder that has significant influence over the Company
Hwabao WP Fund Management Co., Ltd ("Hwabao WP Fund")	Company under indirect control of shareholder that has significant influence over the Company
Tebon Fund Management Co., Ltd ("Tebon Fund")	Company under direct or indirect control of shareholder that has significant influence over the Company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties

The table set forth below summarizes significant related party transactions:

	For the year ended 31 December	
	2020	2019
Transactions between the Group and other related parties		
– Cash dividends received from China Jinmao (ii)	**218**	209
– Investment income arising from investing trust products related to China Jinmao (xiv)	**183**	–
– Investment income arising from investing trust products related to FOSUN International (xiii)	**75**	18
– Investment income/(loss) arising from investing financial assets of FOSUN International (x)	**51**	(5)
– Health check and service fee paid to New China Health (iii)	**47**	38
– Interests from bonds issued by Huijin (i)	**39**	39
– Cash dividends received from Zijin Century(ii)	**36**	–
– Cash dividends received from Huixin Investment International (ii)	**34**	–
– Rent earned from New China Health (iv)	**9**	9
– Investment income arising from investing fund of Hwabao WP Fund (xi)	**7**	16
– Investment income arising from investing fund of Tebon Fund (xii)	**3**	3
Transactions between the Company and its subsidiaries		
– Additional capital contribution to Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation") (Note 39(5)(ii))	**600**	480
– Investment management fee to Asset Management Company (v)	**595**	603
– Investment management fee to New China Asset management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)") (v)	**63**	57
– Rent paid to Xinhua Haoran Architecture Science and Technology Co., Ltd. ("Xinhua Haoran") (vi)	**45**	50
– IT service fee paid to New China Electronic Commerce Co., Ltd. ("Electronic Commerce") (vii)	**18**	15
– Rent earned from Asset Management Company (iv)	**14**	14
– Conference and training fees paid to New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology") (viii)	**10**	13
– Rent earned from New China Pension Co., Ltd. ("New China Pension") (iv)	**5**	5
– Sales commissions earned from New China Pension (ix)	**2**	8
– Medical examination fee paid to New China Excellent Rehabilitation Hospital Co., Ltd. ("Rehabilitation Hospital") (xv)	**1**	–
– Additional capital contribution to Health Technology	**–**	708
– Additional capital contribution to Xinhua Village Seniors Investment Management (Hainan) Co., Ltd ("Hainan Seniors")	**–**	112

Note: Among the above significant related party transactions, investing public offered funds of Hwabao WP Fund also constitute a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. During the year ended 31 December 2020 and 2019, the Company has fully complied with the relevant requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules. Apart from that, no other related party transactions fall under the definition of connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(i) Bond interest from Huijin

Huijin became a shareholder of the Company in 2009 and directly held 31.14% of the Company's shares as at 31 December 2020. Huijin is a state-owned investment company established under the Company Law of the PRC, which is approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, 2015 and 2017, the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market respectively. The bonds with par value of RMB200 millions, matured in 2018. The bonds with par value of RMB100 millions, matured in 2020. At 31 December 2020, the carrying value of these bonds was RMB900 million (as at 31 December 2019: RMB1,000 million). The recognized bond interest for the year ended 31 December 2020 was RMB39 million (for the year ended 31 December 2019: RMB39 million).

(ii) Cash dividends received

In 2020, the Company received cash dividends amounted to RMB218 million from China Jinmao (for the year ended 31 December 2019: RMB209 million).

In 2020, the Company received cash dividends amounted to RMB36 million from Zijin Century (for the year ended 31 December 2019: Nil).

In 2020, the Company received cash dividends amounted to RMB34 million from Huixin Investment International (for the year ended 31 December 2019: Nil).

(iii) Health check and service fee paid to New China Health

The Company entered into a contract with New China Health. According to the contract, the Company purchased health services from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB47 million of expenses were incurred in 2020 (for the year ended 31 December 2019: RMB38 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(iv) Office rental contracts

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The annual rentals were approximately RMB14 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB14 million).

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The annual rentals were approximately RMB5 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB5 million).

The Company leased part of the office building located in International City Unit AB at Wuhan, Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in European City at Nanjing, and part of the office building located in part of the office building located in Xianglong Building at Yantai to New China Health. The annual rentals were about RMB9 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB9 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2020. According to this agreement, Asset Management Company provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company. The Company has the right to deduct fees based on the performance of Asset Management Company or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2020. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(v) Investment management service agreement (Continued)

The Company entrusted Asset Management Company to use domestic entrusted funds, and the investment management fee is RMB595 million (for the year ended 31 December 2019: RMB603 million). The Company entrusted Asset Management Company (Hong Kong) to use overseas entrusted funds, and the investment management fee is RMB63 million (for the year ended 31 December 2019: RMB57 million).

(vi) Rent and property management fee paid to Xinhua Haoran

The Company entered into a one-year lease contract of rent and property management with Xinhua Haoran in March 2020. According to the contract, the Company rent part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Xinhua Haoran, as well as receive property management service. The annual rent expenses and property management fees incurred in administrative expense were RMB45 million in 2020 (2019: RMB50 million).

(vii) IT service fee paid to Electronic Commerce

The Company paid for IT service fees to Electronic Commerce, for providing online shop and web portal services including applications, softwares, products platforms, customized development and maintenance. Approximately RMB18 millions of expenses were incurred in 2020 (for the year ended 31 December 2019: RMB15 million).

(viii) Conference and training fees paid to Health Technology

The Company paid for conference and training service fees to Health Technology. Approximately RMB10 millions of expenses were incurred in 2020 (for the year ended 31 December 2019: RMB13 million).

(ix) Sales commissions earned from New China Pension

In 2020, the Company provided client development, sales consultant and sales services for New China Pension. For the year ended 31 December 2020, the Company recognized the service income amounted to RMB2 million (for the year ended 31 December 2019: RMB8 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(x) Investment income/(loss) arising from investing financial assets of FOSUN International

In 2020, the Company purchased and redeemed financial assets issued by FOSUN International with insurance fund based on market principle of justice and equity. In 2020, the Company recognized investment income amounted to RMB51 million (for the year ended 31 December 2019: investment loss RMB5 million).

(xi) Investment income arising from investing fund of Hwabao WP Fund

In 2020, the Company purchased and redeemed public offered funds of Hwabao Fund with insurance capital in either market in the field or over-the-counter market, based on market principle of justice and equity. In 2020, the Company recognized investment income amounted to RMB7 million (for the year ended 31 December 2019: RMB16 million).

(xii) Investment income arising from investing fund of Tebon Fund

In 2020, the Company purchased and redeemed public offered funds of Tebon Fund with insurance capital over-the-counter market based on market principle of justice and equity. In 2020, the Company recognized investment income amounted to RMB3 million (for the year ended 31 December 2019: RMB3 million).

(xiii) Investment income arising from trust products related to FOSUN International

On 28 August 2019, the second meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with Five FOSUN Affiliates", which enable the Company to use insurance funds to purchase and redeem all kinds of trust products related to FOSUN International. In 2020, the Company recognized investment income amounted to RMB75 million (for the year ended 31 December 2019: RMB18 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(xiv) Investment income arising from trust products related to China Jinmao

On 25 March 2020, the eighth meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with China Jinmao", which enables Asset Management Company to use the entrusted funds of the Company to purchase trust products guaranteed by China Jinmao. The Company recognized investment income of the above trust product transaction of RMB183 million (for the year ended 31 December 2019: Nil).

(xv) Medical examination fee paid to Rehabilitation Hospital

The Company paid for examination fee to Rehabilitation Hospital. Approximately RMB1 millions of expenses were incurred in 2020 (for the year ended 31 December 2019: Nil).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fee to Asset Management Company and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health service fee and examination fee to New China Health and Rehabilitation Hospital is calculated based on market price. The rent paid to Xinhua Haoran is based on the price agreed by both of the deal. The IT service fee to Electronic Commerce, the conference and training fees to Health Technology, the sales commissions from New China Pension are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated price between transaction parties.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

	As at 31 December 2020	As at 31 December 2019
Interest receivable		
Huijin	**12**	12
FOSUN International	**17**	2
Other receivables		
New China Health	**8**	6
Other payables		
New China Health	**5**	6

	As at 31 December 2020	As at 31 December 2019
Payables to subsidiaries		
Asset Management Company	**172**	245
Asset Management Company (Hong Kong)	**15**	27
Electronic Commerce	**14**	10
Xinhua Haoran	**1**	1

No provision has been made for receivables from related parties as at 31 December 2020 (as at 31 December 2019: Same).

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2020	2019
Payroll and welfare	**27**	39

The annual performance bonus of key management for 2020 has not been finalized. Detailed information will be disclosed separately after it has been finalized.

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance related and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and has applied IAS 24 (amendment) exemption and disclosed only qualitative information.

As at 31 December 2020, most of bank deposits were with state-owned banks; the issuers of debt financial assets held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2020, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of the bank deposit interest income was from state-owned banks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

37 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

As at 31 December 2020, except for the items described above, all kinds of estimations and contingencies resulting from insurance services within the scope of this report, the Group does not have any significant contingency that needs description.

38 COMMITMENTS

(1) Capital commitments

The Group had capital commitments for the purchase of property, plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 31 December 2020	As at 31 December 2019
Contracted, but not provided for	**1,996**	1,441
Authorized, but not contracted for	**101**	63
Total	**2,097**	1,504

(2) Investment commitments

As at 31 December 2020, a total amount of RMB1,448 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2019: RMB1,819 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS

Statement of Financial Position

	Notes	**31 December 2020**	31 December 2019
ASSETS			
Property, plant and equipment	*39 (1)*	**11,148**	10,228
Investment properties	*39 (2)*	**8,895**	9,112
Right-of-use assets	*39 (3)*	**1,222**	1,114
Intangible assets	*39 (4)*	**1,796**	1,736
Investments in subsidiaries	*39 (5)*	**50,632**	36,435
Investments in associates and joint ventures	*39 (6)*	**4,630**	4,563
Debt financial assets		**551,520**	527,925
– Held-to-maturity	*39 (7a)*	**272,874**	246,090
– Available-for-sale	*39 (7b)*	**232,499**	238,755
– At fair value through profit or loss	*39 (7c)*	**6,520**	4,716
– Loans and receivables	*39 (7d)*	**39,627**	38,364
Equity financial assets		**190,765**	149,127
– Available-for-sale	*39 (7b)*	**186,812**	141,238
– At fair value through profit or loss	*39 (7c)*	**3,953**	7,889
Term deposits	*39 (7e)*	**93,680**	63,780
Statutory deposits	*39 (7f)*	**715**	715
Policy loans		**37,732**	35,148
Financial assets purchased under agreements to resell		**1,000**	5,310
Accrued investment income	*39 (7g)*	**9,693**	8,498
Premiums receivable	*12*	**2,312**	2,233
Reinsurance assets	*13*	**3,666**	3,028
Other assets	*39 (8)*	**2,274**	5,183
Cash and cash equivalents		**11,233**	10,988
Total assets		**982,913**	875,123

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

Statement of Financial Position (Continued)

	Notes	**31 December 2020**	31 December 2019
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*15*	**750,258**	654,478
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*15*	**1,802**	1,611
– Unearned premiums liabilities	*15*	**2,349**	2,102
Investment contracts	*16*	**51,672**	46,518
Policyholder dividends payable		**3**	–
Borrowings	*17*	**10,000**	–
Lease liabilities	*39 (3)*	**1,044**	921
Financial assets sold under agreements to repurchase	*39 (9)*	**40,374**	67,964
Benefits, claims and surrenders payable		**6,445**	5,704
Premiums received in advance		**6,458**	4,181
Reinsurance liabilities		**297**	220
Provisions	*21*	**–**	29
Other liabilities	*39 (10)*	**11,150**	8,508
Current tax liabilities		**–**	–
Deferred tax liabilities	*39 (11)*	**2,152**	244
Total liabilities		**884,004**	792,480
Shareholders' equity			
Share capital		**3,120**	3,120
Reserves	*39 (12)*	**52,517**	41,193
Retained earnings		**43,272**	38,330
Total equity		**98,909**	82,643
Total liabilities and equity		**982,913**	875,123

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2020	8,168	951	148	2,509	11,776
Additions	130	159	1	1,258	1,548
Transfers upon completion	1,514	13	–	(1,527)	–
Transfer from investment properties (Note 39 (2))	136	–	–	–	136
Transfer to investment properties (Note 39 (2))	(68)	–	–	(106)	(174)
Transfer to intangible assets (Note 39 (4))	–	–	–	(265)	(265)
Disposals	–	(43)	(9)	–	(52)
As at 31 December 2020	9,880	1,080	140	1,869	12,969
Accumulated depreciation					
As at 1 January 2020	(875)	(601)	(72)	–	(1,548)
Charges for the year	(221)	(102)	(11)	–	(334)
Transfer from investment properties (Note 39 (2))	(7)	–	–	–	(7)
Transfer to investment properties (Note 39 (2))	21	–	–	–	21
Disposals	–	40	7	–	47
As at 31 December 2020	(1,082)	(663)	(76)	–	(1,821)
Net book value					
As at 1 January 2020	7,293	350	76	2,509	10,228
As at 31 December 2020	8,798	417	64	1,869	11,148

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2019	6,017	876	160	2,904	9,957
Additions	140	128	30	4,260	4,558
Transfers upon completion	2,245	25	–	(2,270)	–
Transfer from investment properties (Note 39 (2))	1	–	–	–	1
Transfer to investment properties (Note 39 (2))	(20)	–	–	(2,186)	(2,206)
Transfer to intangible assets (Note 39 (4))	–	–	–	(199)	(199)
Disposals	(215)	(78)	(42)	–	(335)
As at 31 December 2019	8,168	951	148	2,509	11,776
Accumulated depreciation					
As at 1 January 2019	(721)	(551)	(93)	–	(1,365)
Charges for the year	(173)	(94)	(12)	–	(279)
Disposals	19	44	33	–	96
As at 31 December 2019	(875)	(601)	(72)	–	(1,548)
Net book value					
As at 1 January 2019	5,296	325	67	2,904	8,592
As at 31 December 2019	7,293	350	76	2,509	10,228

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(2) Investment properties

	For the year ended 31 December	
	2020	2019
Cost		
Beginning of the year	**9,921**	7,721
Additions	**–**	2
Transfers from property, plant and equipment (Note 39 (1))	**174**	2,206
Transfer to property, plant and equipment (Note 39 (1))	**(136)**	(1)
Disposals	**–**	(2)
Others	**(4)**	(5)
End of the year	**9,955**	9,921
Accumulated depreciation		
Beginning of the year	**(809)**	(614)
Transfers from property, plant and equipment (Note 39 (1))	**(21)**	–
Transfer to property, plant and equipment (Note 39 (1))	**7**	–
Charges for the year	**(237)**	(196)
Disposals	**–**	1
End of the year	**(1,060)**	(809)
Net book value		
Beginning of the year	**9,112**	7,107
End of the year	**8,895**	9,112

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Buildings	**Others**	**Total**
Cost			
As at 1 January 2020	**1,570**	**2**	**1,572**
Additions	**732**	**2**	**734**
Decrease	**(303)**	**–**	**(303)**
As at 31 December 2020	**1,999**	**4**	**2,003**
Accumulated depreciation			
As at 1 January 2020	**(458)**	**–**	**(458)**
Charges for the year	**(557)**	**(1)**	**(558)**
Decrease	**235**	**–**	**235**
As at 31 December 2020	**(780)**	**(1)**	**(781)**
Net book value			
As at 31 December 2020	**1,219**	**3**	**1,222**
As at 1 January 2020	**1,112**	**2**	**1,114**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Right-of-use assets (Continued)

	Right-of-use assets		
	Buildings	Others	Total
Cost			
As at 1 January 2019	1,050	–	1,050
Additions	579	2	581
Decrease	(59)	–	(59)
As at 31 December 2019	1,570	2	1,572
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charges for the year	(461)	–	(461)
Decrease	3	–	3
As at 31 December 2019	(458)	–	(458)
Net book value			
As at 31 December 2019	1,112	2	1,114
As at 1 January 2019	1,050	–	1,050

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities		
	Buildings	**Others**	**Total**
As at 1 January 2020	**920**	**1**	**921**
Additions	**662**	**3**	**665**
Accretion of interest recognized during the year	**35**	**–**	**35**
Payments	**(576)**	**(1)**	**(577)**
As at 31 December 2020	**1,041**	**3**	**1,044**
Current	**408**	**1**	**409**
Non-current	**633**	**2**	**635**

	Lease liabilities		
	Buildings	Others	Total
As at 1 January 2019	892	–	892
Additions	524	2	526
Accretion of interest recognized during the year	33	–	33
Payments	(529)	(1)	(530)
As at 31 December 2019	920	1	921
Current	386	–	386
Non-current	534	1	535

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Lease liabilities (Continued)

The amounts recognized in profit or loss in relation to leases are as follows:

	2020	2019
Interest on lease liabilities	**(35)**	(33)
Depreciation expense of right-of-use assets	**(558)**	(461)
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**(83)**	(175)
Total amount recognized in profit or loss	**(676)**	(669)

(4) Intangible assets

	Computer software	**Land use rights**	**Total**
Cost			
As at 1 January 2020	**1,376**	**1,393**	**2,769**
Additions	**17**	**–**	**17**
Transfers from property, plant and equipment (Note 39 (1))	**265**	**–**	**265**
As at 31 December 2020	**1,658**	**1,393**	**3,051**
Accumulated amortization			
As at 1 January 2020	**(812)**	**(221)**	**(1,033)**
Amortization	**(187)**	**(35)**	**(222)**
As at 31 December 2020	**(999)**	**(256)**	**(1,255)**
Net book value			
As at 1 January 2020	**564**	**1,172**	**1,736**
As at 31 December 2020	**659**	**1,137**	**1,796**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Intangible assets (Continued)

	Computer software	Land use rights	Total
Cost			
As at 1 January 2019	1,129	1,393	2,522
Additions	48	–	48
Transfers from property, plant and equipment (Note 39 (1))	199	–	199
As at 31 December 2019	1,376	1,393	2,769
Accumulated amortization			
As at 1 January 2019	(664)	(186)	(850)
Amortization	(148)	(35)	(183)
As at 31 December 2019	(812)	(221)	(1,033)
Net book value			
As at 1 January 2019	465	1,207	1,672
As at 31 December 2019	564	1,172	1,736

(5) Investments in subsidiaries

	As at 31 December 2020	As at 31 December 2019
Unlisted investments at cost	**50,632**	36,435

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries as at 31 December 2020 are as follows:

	Place of Incorporation/ registration and business	Principal activities	Type of legal entity	Registered share capital	Percentage of equity attributable to the Company	
					Direct	Indirect
Asset Management Company	Beijing, China	Asset management	Limited company	RMB500 million	99.40%	–
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	Limited company	HKD50 million	40%	59.64%
Health Technology	Beijing, China	Real estate property development and training	Limited company	RMB1,575 million	100%	–
Xinhua Village Seniors Service (Beijing) Co., Ltd.	Beijing, China	Service	Limited company	RMB964 million	100%	–
Xinhua Village Seniors Operation Management (Beijing) Co., Ltd. ("Xinhua Seniors Operation") (i)	Beijing, China	Service	Limited company	RMB260 million	100%	–
Electronic Commerce	Beijing, China	Electronic commerce	Limited company	RMB200 million	100%	–
Guangzhou Yuerong Project Construction Management Co., Ltd.	Guangzhou, China	Real estate property investment and management	Limited company	RMB10 million	100%	–
Hefei Supporting Operation (ii)	Hefei, China	Real estate property investment and management	Limited company	RMB3,200 million	100%	–
New China Pension	Shenzhen, China	Insurance service	Limited company	RMB5 billion	99.80%	0.20%
Hainan Seniors	Qionghai, China	Real estate property development and training	Limited company	RMB1,908 million	100%	–
Xinhua Haoran	Beijing, China	Real estate lease and property management	Limited company	RMB500 million	100%	–
Rehabilitation Hospital	Beijing, China	Medical service	Limited company	RMB170 million	100%	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

All subsidiaries of the Company are unlisted, there are no issued share capital or debt securities.

All subsidiary undertakings are included in the consolidation. There are no significant restrictions on the use of assets or the discharge of liabilities of all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

All companies comprising the Group have adopted 31 December as their financial year end date.

The English names of certain subsidiaries represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

(i) On 28 April 2020, the ninth meeting of the seventh session of the Board of Directors of the Company considered and approved the proposal of "Adjusting Shanggu Real Estate into a Seniors Operation Management Company and Increasing the Registered Capital – Related Party Transactions", which decided to change the name of Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. to Xinhua Village Seniors Operation Management (Beijing) Co., Ltd.("Xinhua Seniors Operation"), adjust its business scope, change the representative of corporation and increase the registered capital of RMB245 million. On 29 July 2020, Xinhua Seniors Operation has registered the changes of its name, the legal representative and the business scope. On 7 January 2021, Xinhua Seniors Operation has registered the change, and the registered capital is RMB260 million after the change. As of the approval date of the financial statements, the Company has not actually paid additional capital contribution.

(ii) The seventh meeting of the sixth session of the Board of Directors in 2016 considered and approved the proposal of "Increasing the Registered Capital of Subsidiaries of Hefei Supporting Operation – Related Party Transactions", which decided to increase the registered capital of Hefei Supporting Operation from RMB500 million to RMB3,200 million. Hefei Supporting Operation has registered the change of the registered capital on 25 July 2017. On 20 March 2020 and 11 November 2020, the Company paid an increased capital of RMB230 million and RMB370 million to Hefei Supporting Operation. As at 31 December 2020, the Company's accumulated contribution was RMB2,000 million. Hefei Supporting Operation has registered the change on 14 December 2020, and the legal representative has been changed from Luo Wen to Chi Yunqiang.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

Details of the Company's main controlled structured entities at 31 December 2020 are as follows:

	Place of Incorporation/ registration and business	Principal activities	Registered share capital	Percentage of equity attributable to the Group
New China Asset Management- Mingmiao No.2 Asset Management Product	Not applicable	Asset management product	RMB7,483 million	51.54%
New China Asset Management – Mingxin No.7 Asset Management Product	Not applicable	Asset management product	RMB7,091 million	57.79%
New China Asset Management- Mingmiao No.6 Asset Management Product	Not applicable	Asset management product	RMB5,599 million	70.03%
New China Asset Management- Mingmiao No.3 Asset Management Product	Not applicable	Asset management product	RMB5,362 million	37.04%
New China Asset Management- Mingmiao No.4 Liquidity Asset Management Product	Not applicable	Asset management product	RMB4,836 million	100.00%
Dongguan Trust Hengxin – Wanda Group Trust Product	Not applicable	Trust product	RMB4 billion	100.00%
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Not applicable	Trust product	RMB4 billion	100.00%
New China Asset Management – Jingxing Series Special Products (Fifth Phase)	Not applicable	Asset management product	RMB2,981 million	100.00%
New China- Wanke Wuhan Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB2,625 million	100.00%
New China Asset Management- Mingmiao No.5 Asset Management Product	Not applicable	Asset management product	RMB2,196 million	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

	Place of Incorporation/ registration and business	Principal activities	Registered share capital	Percentage of equity attributable to the Group
New China Asset Management – Jingxing Series Special Products (First Phase)	Not applicable	Asset management product	RMB1,861 million	83.94%
New China Asset Management – Select Hong Kong Stock Connect No.1 Asset Management Product	Not applicable	Asset management product	RMB1,542 million	59.77%
New China Asset Management – Jingxing Series Special Products (Third Phase)	Not applicable	Asset management product	RMB1,398 million	100.00%
New China-Haidian Stated Capital Infrastructure and Property Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1,310 million	84.73%
New China Asset Management- Mingyi No.1 Asset Management Product	Not applicable	Asset management product	RMB1,208 million	46.03%
New China- Huafa Limited Energy City Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1 billion	100.00%
New China-Mentougou New City Phase 1 Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1 billion	100.00%
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Not applicable	Trust product	RMB1 billion	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Investments in associates and joint ventures

	For the year ended 31 December	
	2020	2019
Beginning of the year	**4,563**	4,481
Share of profit	**231**	462
Cash dividend from investments in associates	**(254)**	(209)
Disposals	**(144)**	–
Share of other comprehensive income	**194**	(63)
Share of other reserves	**40**	(60)
Others	**–**	(48)
End of the year	**4,630**	4,563

(7) Financial assets

(a) Held-to-maturity investments

	As at 31 December 2020	As at 31 December 2019
Debt financial assets		
Government bonds	**166,188**	132,516
Financial bonds	**28,262**	32,244
Corporate bonds	**38,529**	40,169
Subordinated bonds	**39,895**	41,161
Total	**272,874**	246,090
Debt financial assets		
Listed	**122,923**	111,309
Unlisted	**149,951**	134,781
Total	**272,874**	246,090

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(a) Held-to-maturity investments (Continued)

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	**As at 31 December 2020**	As at 31 December 2019
Within 1 year (including 1 year)	**19,546**	7,352
After 1 year but within 3 years (including 3 years)	**34,528**	41,420
After 3 years but within 5 years (including 5 years)	**18,022**	21,268
After 5 years	**200,778**	176,050
Total	**272,874**	246,090

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(b) Available-for-sale financial assets

	As at 31 December 2020	As at 31 December 2019
Debt financial assets		
Government bonds	**55,887**	50,472
Financial bonds	**20,646**	20,455
Corporate bonds	**10,811**	13,289
Subordinated bonds	**17,306**	16,741
Trust products	**98,869**	76,820
Wealth investment products	**28,980**	60,978
Subtotal	**232,499**	238,755
Equity financial assets		
Funds	**51,792**	42,078
Stocks	**72,281**	48,290
Preferred stock	**4,902**	4,555
Asset management products	**20,273**	15,647
Private equity	**9,411**	7,054
Equity investment plans	**4,750**	4,650
Other unlisted equity securities	**16,524**	18,619
Other equity investment	**650**	141
Perpetual bonds	**6,229**	204
Subtotal	**186,812**	141,238
Total	**419,311**	379,993
Debt financial assets		
Listed	**33,575**	27,362
Unlisted	**198,924**	211,393
Subtotal	**232,499**	238,755
Equity financial assets		
Listed	**78,942**	54,765
Unlisted	**107,870**	86,473
Subtotal	**186,812**	141,238
Total	**419,311**	379,993

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	**As at 31 December 2020**	As at 31 December 2019
Within 1 year (including 1 year)	**48,288**	58,263
After 1 year but within 3 years (including 3 years)	**61,835**	72,577
After 3 years but within 5 years (including 5 years)	**44,924**	24,070
After 5 years	**77,452**	83,845
Total	**232,499**	238,755

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(c) *Financial assets at fair value through profit or loss*

	As at 31 December 2020	As at 31 December 2019
Held for trading		
Debt financial assets		
Financial bonds	**61**	21
Corporate bonds	**4,981**	4,184
Subordinated bonds	**1,478**	511
Debt financial assets subtotal	**6,520**	4,716
Equity financial assets		
Funds	**1,643**	2,577
Stocks	**488**	478
Asset management product	**1,525**	3,159
Perpetual bonds	**297**	301
Equity financial assets subtotal	**3,953**	6,515
Subtotal	**10,473**	11,231
Designated as at fair value through profit or loss		
Equity financial assets (Note 11(3))		
Derivative financial assets	**–**	1,374
Equity financial assets subtotal	**–**	1,374
Subtotal	**–**	1,374
Total	**10,473**	12,605

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(c) Financial assets at fair value through profit or loss (Continued)

	As at 31 December 2020	As at 31 December 2019
Debt financial assets		
Listed	**4,589**	3,865
Unlisted	**1,931**	851
Subtotal	**6,520**	4,716
Equity financial assets		
Listed	**486**	2,593
Unlisted	**3,467**	5,296
Subtotal	**3,953**	7,889
Total	**10,473**	12,605

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

(d) Loans and receivables

	As at 31 December 2020	As at 31 December 2019
Debt investment plan	**39,627**	37,864
Subordinated debt	**–**	500
Total	**39,627**	38,364

Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(e) Term deposits

Maturity	As at 31 December 2020	As at 31 December 2019
Within 1 year (including 1 year)	**15,000**	4,000
After 1 year but within 3 years (including 3 years)	**62,430**	30,460
After 3 years but within 5 years (including 5 years)	**12,350**	27,820
More than 5 years	**3,900**	1,500
Total	**93,680**	63,780

(f) Statutory deposits

Maturity	As at 31 December 2020	As at 31 December 2019
After 1 year but within 3 years (including 3 years)	**715**	715
Total	**715**	715

According to the relevant regulations issued by the CBIRC, statutory deposits can only be used by insurance companies to discharge debt upon liquidation.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(g) Accrued investment income

	As at 31 December 2020	As at 31 December 2019
Bank deposits	**2,235**	1,321
Debt financial assets	**6,275**	5,920
Dividend	**8**	6
Others	**1,175**	1,251
Total	**9,693**	8,498
Current	**9,693**	8,498
Total	**9,693**	8,498

(8) Other assets

	As at 31 December 2020		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 14 (1))	**1,000**	**–**	**1,000**
Receivable from off-balance sheet repurchase transactions (Note 3 (7))	**874**	**(874)**	**–**
Prepaid and deferred expenses	**722**	**–**	**722**
Prepaid Income tax	**153**	**–**	**153**
Prepayment for Heilongjiang branch's office building (Note 14 (2))	**37**	**(37)**	**–**
Entrusted fund receivable from liquidation group of Minfa Securities (Note 14 (3))	**16**	**(16)**	**–**
Receivable from Huaxinrong Company (Note 14 (5))	**12**	**(12)**	**–**
Prepayment for Taizhou and Yongzhou cases (Note 14 (4))	**11**	**(11)**	**–**
Others	**437**	**(38)**	**399**
Total	**3,262**	**(988)**	**2,274**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Other assets (Continued)

	As at 31 December 2019		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 14 (1))	3,158	–	3,158
Receivable from off-balance sheet repurchase transactions (Note 3 (7))	874	(874)	–
Prepaid and deferred expenses	441	–	441
Prepaid Income tax	1,146	–	1,146
Prepayment for Heilongjiang branch's office building (Note 14 (2))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 14 (3))	16	(16)	–
Receivable from Huaxinrong Company (Note 14 (5))	12	(12)	–
Prepayment for Taizhou and Yongzhou cases (Note 14 (4))	11	(11)	–
Litigation deposit (Note 14 (6))	1	–	1
Others	441	(4)	437
Total	6,137	(954)	5,183

	As at 31 December 2020	As at 31 December 2019
Current	**1,985**	4,927
Non-current	**289**	256
Total	**2,274**	5,183

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Financial assets sold under agreements to repurchase

	As at 31 December 2020	As at 31 December 2019
By market		
Inter-bank market	**10,600**	12,650
Stock exchange	**29,774**	55,314
Total	**40,374**	67,964
By collateral		
Bonds	**40,374**	67,964

Maturity:

	As at 31 December 2020	As at 31 December 2019
Within 3 months (including 3 months)	**40,374**	67,964

As at 31 December 2020, bonds with par value of RMB10,895 million (as at 31 December 2019: RMB13,277 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Company in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2020, the amount of financial assets deposited in the collateral pool amounted to RMB156,796 million (as at 31 December 2019: RMB98,600 million). The collateral is restricted from trading during the period of the repurchase transaction. The Company can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2020, the Company's cash outflow arising from financing activities included RMB27,120 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2019, the Company's cash inflow arising from financing activities included RMB52,814 million from financial assets sold under agreements to repurchase.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(10) Other liabilities

	As at 31 December 2020	As at 31 December 2019
Salary and welfare payable	**3,745**	3,304
Commission and brokerage payable	**2,358**	2,353
Investment clearing account (Note 14 (1))	**2,324**	207
Repayment payable for non-insurance contracts	**471**	131
Security deposits by agent for holding the Company's documents	**188**	193
Construction cost payable	**160**	632
Insurance security fund payable	**111**	89
Unallocated receipts	**96**	86
Taxes payable other than income tax	**89**	87
Purchase payment for Heilongjiang branch's building (Note 14 (2))	**37**	37
Others	**1,571**	1,389
Total	**11,150**	8,508
Current	**10,925**	8,278
Non-current	**225**	230
Total	**11,150**	8,508

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(11) Taxation

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

Net deferred tax liabilities	Financial assets	Insurance liabilities and others	Total
As at 1 January 2019	2,141	(389)	1,752
Charged to net profit	(479)	729	250
Charged to other comprehensive income	(4,676)	2,419	(2,257)
Charged to other reserve	–	11	11
As at 31 December 2019	(3,014)	2,770	(244)
As at 1 January 2020	**(3,014)**	**2,770**	**(244)**
Charged to net profit	**436**	**91**	**527**
Charged to other comprehensive income	**(4,584)**	**2,157**	**(2,427)**
Charged to other reserve	**–**	**(8)**	**(8)**
As at 31 December 2020	**(7,162)**	**5,010**	**(2,152)**

	As at 31 December 2020	As at 31 December 2019
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**4,522**	2,478
– deferred tax assets to be recovered after 12 months	**1,158**	878
Subtotal	**5,680**	3,356
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(7,244)**	(2,923)
– deferred tax liabilities to be settled after 12 months	**(588)**	(677)
Subtotal	**(7,832)**	(3,600)
Total net deferred tax liabilities	**(2,152)**	(244)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

39 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(12) Reserves

	Share premium	Other reserve	Unrealized income	Surplus reserve	Reserve for general risk	Total
As at 1 January 2019	23,962	(50)	(2,813)	5,226	4,707	31,032
Other comprehensive income	–	–	6,728	–	–	6,728
Others	–	(44)	–	–	–	(44)
Appropriation to reserve	–	–	–	2,131	1,346	3,477
As at 31 December 2019	23,962	(94)	3,915	7,357	6,053	41,193
Other comprehensive income	**–**	**–**	**7,275**	**–**	**–**	**7,275**
Others	**–**	**31**	**–**	**–**	**–**	**31**
Appropriation to reserve	**–**	**–**	**–**	**2,682**	**1,336**	**4,018**
As at 31 December 2020	**23,962**	**(63)**	**11,190**	**10,039**	**7,389**	**52,517**

40 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

(1) Directors' emoluments

The directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation which are linked to the performance of the Group and each of the individual directors.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

40 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2020 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Haoling Liu (i)	–	–	–	–	–	–	–
Quan Li	–	3,126	–	–	–	–	3,126
Zongjian Li (ii)	–	862	–	–	–	–	862
Lianhua Xiong (iii)	–	–	–	–	–	–	–
Yi Yang	–	–	–	–	–	–	–
Ruixiang Guo	–	–	–	–	–	–	–
Aimin Hu	–	–	–	–	–	–	–
Qiqiang Li	–	–	–	–	–	–	–
Yulong Peng	–	–	–	–	–	–	–
Edouard SCHMID	–	–	–	–	–	–	–
Xianglu Li	320	–	–	–	–	–	320
Wei Zheng	320	–	–	–	–	–	320
Jianxin Geng	320	–	–	–	–	–	320
Lie Cheng	270	–	–	–	–	–	270
Yaotian Ma	269	–	–	–	–	–	269

During the year, no director waived or has agreed to waive any emoluments.

(i) Resigned on 20 January 2021.

(ii) Resigned on 30 April 2020.

(iii) Resigned on 3 August 2020.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

40 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2019 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Haoling Liu (i)	–	–	–	–	–	–	–
Quan Li (ii)	–	727	–	–	–	–	727
Zongjian Li (i)	–	3,151	–	–	–	–	3,151
Lianhua Xiong (i)	–	–	–	–	–	–	–
Yi Yang (i)	–	–	–	–	–	–	–
Ruixiang Guo (i)	–	–	–	–	–	–	–
Aimin Hu (i)	–	–	–	–	–	–	–
Qiqiang Li (i)	–	–	–	–	–	–	–
Yulong Peng (i)	–	–	–	–	–	–	–
Edouard SCHMID (i)	–	–	–	–	–	–	–
Xianglu Li (i)	320	–	–	–	–	–	320
Wei Zheng (i)	320	–	–	–	–	–	320
Jianxin Geng (i)	290	–	–	–	–	–	290
Lie Cheng (i)	270	–	–	–	–	–	270
Anthony Francis Neoh (i)	162	–	–	–	–	–	162
Yaotian Ma (i)	21	–	–	–	–	–	21
Feng Wan (iii)	–	507	–	–	–	–	507
Xiangdong Liu (i)	–	–	–	–	–	–	–
Kunzong Wu (i)	–	–	–	–	–	–	–
Dacey John Robert (i)	–	–	–	–	–	–	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

40 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

During the year, no director waived or has agreed to waive any emoluments.

(i) The Company held the annual general meeting of 2018 on 27 June 2019, Haoling Liu, Zongjian Li, Lianhua Xiong, Yi Yang, Ruixiang Guo, Aimin Hu, Qiqiang Li, Yulong Peng, Edouard SCHMID, Xianglu Li, Wei Zheng, Lie Cheng, Jianxin Geng and Yaotian Ma were elected or re-elected as directors for the seventh session of the Board of Directors. Xiangdong Liu, Kunzong Wu, Dacey John Robert and Anthony Francis Neoh whose terms as directors of the sixth session of the Board of Directors have expired, retired as directors of the Company.

(ii) The Company held the first extraordinary general meeting of 2019 on 18 October 2019, Quan Li was elected as the executive director for the seventh session of the Board of Directors.

(iii) Feng Wan resigned on 16 January 2019 and the transition period started from 16 January 2019 to the end of February 2019. The emoluments of Feng Wan was calculated for the period from January 2019 to February 2019.

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2020 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	**2,341**	–	–	–	–	**2,341**
Zhongzhu Wang	**1,293**	**767**	–	–	–	**2,060**
Chongsong Liu	**2,809**	**1,588**	–	–	–	**4,397**
Jiannan Yu	–	–	–	–	–	–
Lizhi Gao (i)	–	–	–	–	–	–

(i) Resigned on 25 February 2021 and ceased to be the supervisors of the Company.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

40 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(2) Supervisors' emoluments (Continued)

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2019 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang (i)	2,337	1,160	–	–	–	3,497
Zhongzhu Wang (iii)	1,299	940	–	–	–	2,239
Tao Bi (ii)	619	413	–	–	–	1,032
Chongsong Liu (iii)	1,797	928	–	–	–	2,725
Jiannan Yu (i)	–	–	–	–	–	–
Lizhi Gao (iv)	–	–	–	–	–	–

(i) The Company held the annual general meeting of 2018 on 27 June 2019. Chengran Wang and Jiannan Yu were re-selected as supervisors of the seventh session of the Board of Supervisors.

(ii) Ceased to be the supervisors of the Company on the date when the seventh of the Board of Supervisors was formed.

(iii) Elected or re-elected as supervisors on 12 December 2018.

(iv) The Company held the first extraordinary general meeting of 2019 on October 18, 2019. Lizhi Gao was elected as the supervisor of the seventh session of the Board of Supervisors. The qualification of Lizhi Gao is subject to the approval of the regulatory authorities.

(3) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group include 0 (for the year ended 31 December 2019: 1) director whose emoluments as the director of the Company are reflected in the analysis presented above.

For the year ended 31 December 2020, details of remuneration of the 5 (for the year ended 31 December 2019: 5) highest paid individuals are as follows (in RMB thousands):

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2020 (All amounts in RMB millions unless otherwise stated)

40 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(3) Five highest paid individuals (Continued)

	For the year ended 31 December	
	2020	2019
Salaries, allowances and benefits in kind	**11,739**	10,168
Bonuses	**36,098**	28,423
Pension scheme contributions	**1,259**	1,978
Others	**–**	697
Total	**49,096**	41,266

The emoluments of the 5 highest paid individuals fell within the following bands:

	As at 31 December	
	2020	2019
HK$5,500,001 – HK$6,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**–**	1
HK$8,000,001 – HK$8,500,000	**1**	1
HK$8,500,001 – HK$9,000,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–
HK$12,000,001 – HK$12,500,000	**2**	–
HK$15,500,001 – HK$16,000,000	**–**	1
HK$16,000,001 – HK$16,500,000	**1**	–

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

41 EVENTS AFTER THE REPORTING PERIOD

(1) Dividend

In accordance with the profit distribution plan for the year 2020 approved by the Board on 24 March 2021, with the appropriation to its discretionary surplus reserve of RMB1,336 million (10% of the net profit for 2020), the Company proposed to distribute cash dividends amounting to RMB4,336 million to all shareholders of the Company at RMB1.39 per share (inclusive of tax). The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.

42 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 24 March 2021.

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