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中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

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

(Stock Code: 2328)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Year 2019 marks the 70th anniversary of the founding of the People's Republic of China and the 70th anniversary of the founding of PICC. In 2019, the pattern of the world's profound changes accelerated, the global economic growth continued to slow down, the "three-stage overlapping" impact continued to deepen and the downward pressure on China's economy increased. At the same time, the mixture of deepening deregulation of premium rate of commercial motor vehicle insurance in insurance industry and the strict supervision over "consistency between the reported commission rates of insurance companies and their actual commission rates" by the regulator brought significant opportunities and challenges to the insurance industry in China in its course of profound transformation. By adhering to its mission of "people's insurance serving the people", the Company strengthened Party leadership in an all-round way and carried out the campaign of "remaining true to the original aspiration and keeping the mission firmly in mind". We thoroughly implemented the "3411 Project" of PICC Group in a manner of making progress while maintaining stability and by consolidating our strengths as well as boosting areas of weakness. We upgraded the insurance supply, made efforts to establish the new business model of "insurance + technology + service", enhanced the value creation capability and continued to add new chapters to the glorious 70 years' history of PICC Group. The Company fully implemented the business model reform, took solid steps in implementing its transformation to high-quality development and showed a development trend featuring progress and sound performance on the basis of stability.

In 2019, the direct written premiums of the Company reached RMB431.7 billion, breaking the mark of RMB400 billion. The growth rate of the Company's direct written premiums to that of the market was 1.05. The market share was 33.2%, representing a year-on-year increase of 0.2 percentage points. The Company maintained its market share at one third of the property and casualty insurance industry in the PRC, and ranked, by its business scale, the first place in Asian property and casualty insurance industry and the second place globally. The number of corporate customers and individual customers of the Company reached 3.275 million and 95.734 million respectively, representing an increase of 9.1%

and 15.6% respectively over that of the beginning of 2019. The profit for the Year reached a new record high of RMB24,279 million, representing a year-on-year increase of 56.8% and return on equity was 15.6%, ranking among the top players in the global property and casualty insurance industry. While the profit for the Year reaching a new record high, there was a remarkable improvement in the cashflow from operating activities with a net cash inflow of RMB25,845 million, representing an increase of RMB15,966 million and reflecting a more solid financial foundation of the Company.

Two integrations boosting value creation. We deepened the integration of policy-oriented businesses and commercial businesses with the professional strength gained from long-term operation of policy-oriented businesses and realised the new leap of the Company's commercial insurance businesses while serving rural rejuvenation, poverty alleviation and the strategy of Healthy China. In 2019, the non-motor vehicle insurance business achieved a gross written premium of RMB170,248 million, representing a year-on-year increase of 31.1% and constituting 39.3% of the total, representing a year-on-year increase of 5.9 percentage points. The premium income of commercial insurance business gained through the rural network was RMB46.8 billion, representing a year-on-year increase of 20.4%. Among which, the premium income of motor vehicle insurance business gained through the rural network was RMB34.3 billion, representing a year-on-year increase of 14.3%, higher than the national average growth rate of the motor vehicle insurance. The premium income achieved from integration of policy-oriented businesses and commercial businesses was RMB12.8 billion, representing a year-on-year increase of 45%. We promoted the integration of technological reform and business model reform, speeded up the construction of direct marketing and directly controlled channels and achieved a remarkable result in respect of reducing dependency on intermediaries and lowering sales cost. With respect to the motor vehicle insurance, the percentage of premium income generated from the direct sales channels and directly controlled channels reached 69.3%, representing a year-on-year increase of 5.1 percentage points. The staff of renewal business service team increased by 8,066 compared to that of the beginning of 2019 and the premium income recorded by the renewal business service team achieved a year-on-year increase of 26.3%. The number of "PICC V League" members reached 2.13 million and the premium income generated from this channel achieved a year-on-year increase of 19.3%. We set up 1,214 comprehensive business development teams, the premium income delegated by the Company for PICC Life and PICC Health reached RMB4.0 billion, representing a year-on-year increase of 49%, and the premium income delegated by PICC Life and PICC Health for the Company reached RMB3.5 billion, representing a year-on-year increase of 29%.

Business model reform creating value. We adhered to the original aspiration of insurance for protection, promoted the supply-side structural reform of insurance business, made an overall change in business models and innovated customer value by taking underwriting as the starting point and providing services as the ultimate objective. We upgraded the "Insurance +" service model, made great efforts to develop the governance-oriented liability insurance, created a new business model of "Insurance + Risk Control + Technology + Service" featuring risk reduction management. Based on the above, the Company was the only insurance company nationwide which was selected as "Supply Chain Innovation and Application Pilot Enterprise". In 2019, the gross written premiums of liability insurance was RMB27,223 million, representing a year-on-year increase of 25.4%. We adhered to "customer-centric" principle, actively and steadily carried out organisational reform from headquarters to branches, and changed the organisational structure to optimise the front-end business departments, strengthen the middle-end business supporting departments and solidify the back-end comprehensive

service departments. We set up an individual business department to promote and achieve “one account for one customer, covering multiple insurance lines and providing comprehensive services”. We expanded the “traffic police and insurer joint action” nationwide, connected our system with the 12123 system of the traffic police agency to form an innovative service pattern of cooperative joint-governance by the insurance company and traffic police agencies. All these measures extended the value chain of insurance services for motor vehicle insurance customers, created new service value and made the Company a high-quality insurance service provider. The “traffic police and insurer joint action” had covered over 330 cities nationwide and about 6,200 service stations were established in rural areas, assisting work of traffic police and improving road safety. We also had over 2,000 business outlets providing “vehicle + driver’s licence business”. All these features have become the Company’s unique service brand and competitive barrier.

Technology empowerment releasing value. We further promoted the digitalisation strategy, and initiated the digitalising process to provide the online customer service in all aspects. We improved the business structure, optimised the underlying framework, enhanced the practical application ability to bring the operation management and customer service to a new level. We promoted online migration of customers, the online migration rate of household motor vehicle insurance reached 59.5%, representing an increase of 43.6 percentage points compared to the beginning of the Year; the average e-policy issuance rate of motor vehicle insurance for household motor vehicles was 50.5%, with an online service coverage rate of 40.7%; the online claim service usage rate of motor vehicle insurance reached 66.7%, representing an increase of 58.3 percentage points compared to the beginning of the Year. We deepened the application of technologies such as big data, digital maps and artificial intelligence, etc., established a digital underwriting model and underwriting risk control platform, and realised an intelligent and paperless issuance of motor vehicle insurance policy. We made progress in the “PICC” APP construction, accelerated the use of 95518 intelligent customer service platform, implemented the intelligent applications such as intelligent voice navigation with an accurate navigation rate of 92%, intelligent follow-up and intelligent quality inspection. We published the market-leading PICC cloud and independently developed the unified standard technical system of PICC Group and online distribution core system v1.0, thereby facilitating digital transformation. The Company was the only insurance company whose network was not breached in the drill for cyber-attack and defend organised by the Ministry of Public Security, and the only insurance company which was praised.

Cost reduction and efficiency improvement adding value. We strengthened cost management and control. In 2019, the expense ratio of the Company was 33.0%, representing a year-on-year decrease of 3.5 percentage points, and the commission expense ratio was 12.7%, representing a year-on-year decrease of 6.4 percentage points. We firmly addressed problems identified in claim settlement and implemented special actions designated for cutting unreasonable claim costs and reducing loss, by resorting to, in specific, in-depth application of technologies, establishment of loss assessment platform, promotion of the Jiaanpei auto parts direct supply platform, a team of experts in claim settlement and improvement of emergency management for catastrophes. All these measures were aimed at preventing loss of profit. Claim settlement of motor vehicle insurance by technology, Jiaanpei platform and tax offset for claim payment contributed, in aggregate, a loss reduction of RMB8.15 billion, representing a year-on-year increase of 87.3%. We strengthened the refined management of key points in the process of personal injury-involved claim settlement, which brought down the average claim payment for personal injury-involved claim cases of motor vehicle insurance by 4.7%.

Rewarding the society and demonstrating value. Over the past seventy years, in whatever hardships it may be, we always persisted in sincerely contributing to and rewarding the society, and our seventy years of development was made possible by the trust and support from our customers and the society. We actively participated in public welfare activities and shouldered the social responsibility as a key State-owned insurance enterprise. In our active exploration of poverty alleviation by supporting business development and improving health and education situations in poverty-stricken areas, we created the “insurance +” poverty alleviation mode, put forward “poverty alleviation insurance for areas of extreme poverty” which involves joint efforts of the government and enterprises directly under the central government and conducted poverty alleviation in designated areas for many consecutive years. In 2019, the Company provided insurance protection to 39.86 million registered poor people across the nation with the insured amount reaching RMB7.47 trillion, and lifted the designated poverty-stricken area bonded with the Company out of poverty, once and for all. By doing so, the Company became the only State-owned insurance enterprise that was selected for the blue book on poverty alleviation of the State Council, the only State-owned insurance enterprise selected as a model case of targeted poverty alleviation by enterprises and the only State-owned insurance enterprise sharing poverty alleviation experience to financial entities directly under the central government. The Company paid attention to poverty, orphans and disabled children and carried out a series of charity activities such as the student assistance scheme “Hand in Hand”, “PICC P&C Charity Tour” and “the Same Blue Sky”. In addition, we sponsored establishment of “PICC P&C Youth Volunteers Association” and more than 10,000 employees of the Company made use of their off-time carrying out charity and volunteering activities. In particular, the Company donated a sum of RMB10 million to Wuhan Red Cross Society immediately upon the Novel Coronavirus Pneumonia outbreak in early 2020 and provided insurance protection amount of RMB5.8 billion in aggregate for the nationwide medical staff fighting in the anti-epidemic front line, their families and etc.

2020 is the year for China to reach a moderately prosperous society in all respects and the last year covered by the Thirteenth Five-year Plan, and is also a key year for the Company to deepen its business model reform and speed up its transformation to high-quality development. We will persist in carrying out the full and rigorous governance over the Party, act in conformity with our corporate mission of “people’s insurance serving the people” and implement the core values of “adhering to new growth model, thriving on specialties, prospering by innovation, and governing with uprightness”. We will adhere to the new development vision, persist in promoting the insurance supply-side structural reform, further implement the “3411 Project” of PICC Group and promote “Ten Key Initiatives” of the Company. We will innovate technology empowerment, facilitate the business model reform and make efforts to establish the new business model featuring “insurance + technology + service” to enable the Company to constantly glow with new vitality and dynamism, create through its high-quality development a broader and magnificent future for the Company and make new and greater contributions to the realisation of the Chinese Dream of national rejuvenation.

Miao Jianmin
Chairman

Beijing, the PRC
27 March 2020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL NOTES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>RMB million</i>	2018 <i>RMB million</i>
GROSS WRITTEN PREMIUMS	4	<u>433,175</u>	<u>388,769</u>
Net earned premiums	4	380,683	344,124
Net claims incurred	5	(251,822)	(213,303)
Net policy acquisition costs	6	(77,943)	(90,508)
Other underwriting expenses		(38,400)	(26,820)
Administrative expenses		<u>(9,341)</u>	<u>(8,189)</u>
UNDERWRITING PROFIT		3,177	5,304
Investment income	7	16,986	16,635
Net realised and unrealised gains/(losses) on investments	8	733	(1,226)
Investment related expenses		(370)	(319)
Interest expenses credited to policyholders' deposits		–	(1)
Exchange gains, net		77	213
Other income, net		354	1,151
Finance costs	9	(1,424)	(2,074)
Share of profits or losses of associates and joint venture		4,250	4,482
Loss on deemed disposal of an associate		<u>–</u>	<u>(737)</u>
PROFIT BEFORE TAX	10	23,783	23,428
Income tax credit/(expense)	11	<u>496</u>	<u>(7,942)</u>
PROFIT FOR THE YEAR		<u>24,279</u>	<u>15,486</u>
Attributable to			
– Owners of the Company		24,282	15,485
– Non-controlling interests		<u>(3)</u>	<u>1</u>
		<u>24,279</u>	<u>15,486</u>
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (in RMB Yuan)	12	<u>1.092</u>	<u>0.696</u>

Details of the dividends approved for the Year are disclosed in note 13 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
PROFIT FOR THE YEAR	<u>24,279</u>	<u>15,486</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains/(losses)	14,859	(4,673)
– Reclassification of (gains)/losses to profit or loss on disposals	(1,367)	531
– Impairment losses	706	636
Income tax effect	<u>(3,549)</u>	<u>877</u>
	<u>10,649</u>	<u>(2,629)</u>
Share of other comprehensive income of associates and joint venture	<u>898</u>	<u>359</u>
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	<u>11,547</u>	<u>(2,270)</u>
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and right-of-use assets/prepaid land premiums upon transfer to investment properties	232	247
Income tax effect	<u>(58)</u>	<u>(62)</u>
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	<u>174</u>	<u>185</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>11,721</u>	<u>(2,085)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>36,000</u></u>	<u><u>13,401</u></u>
Total comprehensive income attributable to		
– Owners of the Company	36,003	13,400
– Non-controlling interests	<u>(3)</u>	<u>1</u>
	<u><u>36,000</u></u>	<u><u>13,401</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

		31 December 2019	31 December 2018
	<i>Notes</i>	<i>RMB million</i>	<i>RMB million</i>
ASSETS			
Cash and cash equivalents		32,520	33,797
Debt securities		149,072	143,499
Equity securities and mutual funds		91,728	74,102
Insurance receivables, net	14	53,593	42,421
Reinsurance assets		30,321	28,565
Term deposits		64,398	73,963
Investments classified as loans and receivables		67,391	54,097
Investments in associates and joint venture	15	50,477	45,301
Investment properties		4,598	4,881
Property and equipment		18,086	17,235
Right-of-use assets		5,863	–
Prepaid land premiums		–	2,845
Deferred tax assets		5,121	6,779
Prepayments and other assets		22,913	23,134
TOTAL ASSETS		596,081	550,619
LIABILITIES			
Payables to reinsurers	16	19,449	15,706
Accrued insurance security fund		1,076	1,026
Securities sold under agreements to repurchase		16,759	27,999
Income tax payable		96	3,109
Insurance contract liabilities	17	305,140	275,781
Policyholders' deposits		1,762	1,956
Bonds payable		15,198	23,420
Lease liabilities		2,198	–
Accruals and other liabilities		64,449	60,119
TOTAL LIABILITIES		426,127	409,116
EQUITY			
Issued capital		22,242	22,242
Reserves		147,711	119,253
Equity attributable to owners of the Company		169,953	141,495
Non-controlling interests		1	8
TOTAL EQUITY		169,954	141,503
TOTAL EQUITY AND LIABILITIES		596,081	550,619

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company											
	Issued capital RMB million	Share premium account RMB million	Asset revaluation reserve** RMB million	Available-for-sale investment revaluation reserve RMB million	Surplus reserve*** RMB million	General risk reserve RMB million	Agriculture catastrophic loss reserve RMB million	Share of other comprehensive (expense)/income of associates and joint venture RMB million	Retained profits RMB million	Sub-total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 31 December 2018	22,242	11,572*	3,202*	3,562*	42,212*	12,935*	2,471*	(193)*	43,492*	141,495	8	141,503
Impact of change in accounting policy in associates (note 15)	-	-	-	-	-	-	-	91	(1,426)	(1,335)	-	(1,335)
Balance at 1 January 2019 (restated)	22,242	11,572*	3,202*	3,562*	42,212*	12,935*	2,471*	(102)*	42,066*	140,160	8	140,168
Profit for the year	-	-	-	-	-	-	-	-	24,282	24,282	(3)	24,279
Other comprehensive income	-	-	174	10,649	-	-	-	898	-	11,721	-	11,721
Total comprehensive income	-	-	174	10,649	-	-	-	898	24,282	36,003	(3)	36,000
Appropriations to statutory surplus reserve and general risk reserve	-	-	-	-	2,491	2,491	-	-	(4,982)	-	-	-
Appropriations to discretionary surplus reserve****	-	-	-	-	15,000	-	-	-	(15,000)	-	-	-
Appropriations to agriculture catastrophic loss reserve	-	-	-	-	-	-	313	-	(313)	-	-	-
Utilisation of agriculture catastrophic loss reserve	-	-	-	-	-	-	(995)	-	995	-	-	-
2018 final dividend****	-	-	-	-	-	-	-	-	(6,050)	(6,050)	-	(6,050)
Others	-	(160)	-	-	-	-	-	-	-	(160)	(4)	(164)
Balance at 31 December 2019	22,242	11,412*	3,376*	14,211*	59,703*	15,426*	1,789*	796*	40,998*	169,953	1	169,954

* The consolidated reserves of RMB147,711 million in the consolidated statement of financial position as at 31 December 2019 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserve.

**** On 21 June 2019, the shareholders of the Company at the general meeting approved a final dividend of RMB0.272 per ordinary share totalling RMB6,050 million for the year ended 31 December 2018, and an amount of RMB10,000 million to be appropriated to discretionary surplus reserve. On 23 August 2019, the Board of Directors of the Company approved an amount of RMB5,000 million to be appropriated to discretionary surplus reserve.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company											
	Issued capital RMB million	Share premium account RMB million	Asset revaluation reserve** RMB million	Available-for-sale investment revaluation reserve RMB million	Surplus reserve*** RMB million	General risk reserve RMB million	Agriculture catastrophic loss reserve RMB million	Share of other comprehensive (expense)/income of associates and joint venture RMB million	Retained profits RMB million	Sub-total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2018	14,828	18,986*	3,017*	6,191*	34,585*	11,308*	2,471*	(552)*	42,273*	133,107	7	133,114
Profit for the year	-	-	-	-	-	-	-	-	15,485	15,485	1	15,486
Other comprehensive income/(expense)	-	-	185	(2,629)	-	-	-	359	-	(2,085)	-	(2,085)
Total comprehensive income/(expense)	-	-	185	(2,629)	-	-	-	359	15,485	13,400	1	13,401
Appropriations to statutory surplus reserve and general risk reserve	-	-	-	-	1,627	1,627	-	-	(3,254)	-	-	-
Appropriations to discretionary surplus reserve****	-	-	-	-	6,000	-	-	-	(6,000)	-	-	-
Appropriations to agriculture catastrophic loss reserve	-	-	-	-	-	-	279	-	(279)	-	-	-
Utilisation of agriculture catastrophic loss reserve	-	-	-	-	-	-	(279)	-	279	-	-	-
Conversion from share premium account to issued capital****	7,414	(7,414)	-	-	-	-	-	-	-	-	-	-
2017 final dividend****	-	-	-	-	-	-	-	-	(5,012)	(5,012)	-	(5,012)
Balance at 31 December 2018	<u>22,242</u>	<u>11,572*</u>	<u>3,202*</u>	<u>3,562*</u>	<u>42,212*</u>	<u>12,935*</u>	<u>2,471*</u>	<u>(193)*</u>	<u>43,492*</u>	<u>141,495</u>	<u>8</u>	<u>141,503</u>

* The consolidated reserves of RMB119,253 million in the consolidated statement of financial position as at 31 December 2018 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserve.

**** On 22 June 2018, the shareholders of the Company at a general meeting approved a final dividend of RMB0.338 per ordinary share totalling RMB5,012 million for the year ended 31 December 2017, an amount of RMB6,000 million to be appropriated to discretionary surplus reserve, and a conversion of RMB7,414 million from share premium account to issued capital on the basis of 5 shares for every 10 existing shares.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>RMB million</i>	2018 <i>RMB million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		23,783	23,428
Adjustments for:			
Investment income		(16,986)	(16,635)
Net realised and unrealised (gains)/losses on investments	8	(733)	1,226
Interest expenses credited to policyholders' deposits		–	1
Exchange gains, net		(77)	(213)
Share of profits of associates and joint venture		(4,250)	(4,482)
Loss on deemed disposal of an associate		–	737
Depreciation of property and equipment	10	1,884	1,678
Depreciation of right-of-use assets	10	1,102	–
Amortisation of prepaid land premiums	10	–	170
Net gains on disposal of items of property and equipment	10	(34)	(71)
Finance costs	9	1,424	2,074
Investment related expenses		370	319
Provision for/(Reversal of) impairment losses on insurance receivables	10	233	(367)
Reversal of impairment losses on prepayments and other assets	10	(99)	(87)
Operating cash flows before working capital changes		<u>6,617</u>	<u>7,778</u>
Changes in working capital:			
Increase in insurance receivables		(11,405)	(4,274)
Decrease in policyholders' deposits		(194)	(340)
Decrease/(increase) in other assets		142	(1,183)
Increase/(decrease) in payables to reinsurers		3,743	(1,613)
Increase in accrued insurance security fund		50	68
Increase in accruals and other liabilities		3,755	5,518
Increase in insurance contract liabilities, net		<u>27,603</u>	<u>11,878</u>
Cash generated from operations		30,311	17,832
Income tax paid		<u>(4,466)</u>	<u>(7,953)</u>
Net cash flows from operating activities		<u>25,845</u>	<u>9,879</u>

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	13,987	14,312
Rental income received from investment properties	275	247
Dividend income received from equity securities and mutual funds	2,684	2,343
Payment for capital expenditure	(3,813)	(4,177)
Proceeds from disposal of items of property and equipment	84	169
Payment for acquisition of subsidiaries	(8)	–
Payment for acquisition/capital increase of associates and joint venture	(2,077)	(98)
Payment for purchase of debt securities, equity securities and mutual funds	(89,583)	(70,376)
Payment for purchase of investments classified as loans and receivables	(22,305)	(10,657)
Dividend income received from associates	715	734
Proceeds from sale of debt securities, equity securities and mutual funds	82,406	65,177
Proceeds from maturity of investments classified as loans and receivables	9,011	7,740
Decrease/(increase)in term deposits, net	9,565	(12,663)
Increase in capital security fund	–	(1,483)
Net cash flows from/(used in) investing activities	<u>941</u>	<u>(8,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for redemption of bonds payable	(8,000)	–
(Decrease)/increase in securities sold under agreements to repurchase, net	(11,240)	4,878
Interest paid	(1,661)	(1,904)
Dividends paid	(6,050)	(5,012)
Repayments of lease liabilities	(1,112)	–
Net cash flows used in financing activities	<u>(28,063)</u>	<u>(2,038)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the year	<u>33,797</u>	<u>34,688</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>32,520</u>	<u>33,797</u>
Analysis of balances of cash and cash equivalents		
Demand deposits and deposits with banks with original maturity of no more than three months	13,704	16,508
Securities purchased under resale agreements with original maturity of no more than three months	<u>18,816</u>	<u>17,289</u>
Cash and cash equivalents at end of the year	<u>32,520</u>	<u>33,797</u>

Notes:

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited (the “Company”) is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”). The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC. The Company is listed on The Stock Exchange of Hong Kong Limited. The parent and the ultimate holding company of the Company is The People’s Insurance Company (Group) of China Limited, which is incorporated in the PRC and listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in property and casualty insurance business. Details of the operating segments are set out in note 3 to the consolidated financial statements.

These consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition, with no impact on retained earnings on 1 January 2019. Comparative information has not been restated as permitted under the specific transitional provisions in HKFRS 16.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised right-of-use assets of RMB5,649 million and lease liabilities of RMB2,733 million at 1 January 2019. Prepaid rent of RMB71 million and prepaid land premium of RMB2,845 million were included in the right-of-use assets on 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the group entities ranged from 4.03% to 4.61% for different lease terms.

As a lessor

The application of HKFRS 16 has had no material impact on the Group's consolidated financial statements.

2.4 CHANGES IN ACCOUNTING ESTIMATES

The China Banking and Insurance Regulatory Commission issued a new health insurance business management rule which has been implemented since 1 December 2019. According to the rule, the Group separately calculated the risk margin for health business based on its historical data and experiences. As a result of the separate assessment, risk margin assumptions for unearned premium reserve and loss and loss adjustment expense reserve have been revised to 3% and 2.5% (2018: 6% and 5.5%) respectively, leading to a RMB505 million decrease in the insurance contract liabilities.

3. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the chief operating decision maker for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on their products and services and has nine operating and reportable segments as follows:

- (a) the motor vehicle segment provides insurance products covering motor vehicles;
- (b) the commercial property segment provides insurance products covering commercial properties;
- (c) the cargo segment provides insurance products covering vessels, crafts or conveyances;
- (d) the liability segment provides insurance products covering policyholders' liabilities;
- (e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;
- (f) the agriculture segment provides insurance products covering agriculture business;
- (g) the credit and surety segment provides insurance products covering credit and surety business;
- (h) the others segment mainly represents insurance products relating to homeowners, special risks, marine hull and construction; and
- (i) the corporate segment includes the income and expenses from investment activities, share of results of associates and joint venture, other net income, unallocated income and expense of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on reportable segment result, in which insurance business income and expense (for segments (a) to (h)) is a measure of underwriting profit/loss and corporate business income and expense (for segment (i)), primarily investment related income and expense, is a measure of profit for the year excluding underwriting profit/loss. Income tax expense is not further allocated but assigned to corporate business segment.

Insurance business assets and liabilities directly attributable to operating segments of insurance business will be allocated to each segment. Investment assets and liabilities managed on a group basis will be allocated to the corporate business segment together with property and equipment, investment properties, prepaid land premiums, other assets, bonds payable, income tax payable, deferred tax assets and other payables, which are not allocated further.

Geographical information is not presented as all of the Group's customers, business, assets and liabilities are located and operations are mainly carried out in the PRC for relevant entities. No inter-segment transactions occurred in 2019 and 2018.

In 2019 and 2018, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

The segment income statements for the years ended 31 December 2019 and 2018 are as follows:

2019	Insurance									
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Credit and surety RMB million	Others RMB million	Corporate RMB million	Total RMB million
Gross written premiums	262,927	15,167	3,972	27,223	57,633	30,772	22,767	12,714	-	433,175
Net earned premiums	251,653	8,679	2,782	18,926	53,806	24,632	13,271	6,934	-	380,683
Net claims incurred	(150,560)	(5,727)	(1,339)	(11,420)	(47,635)	(19,984)	(10,364)	(4,793)	-	(251,822)
Net policy acquisition costs	(59,094)	(2,221)	(649)	(4,810)	(4,831)	(499)	(4,862)	(977)	-	(77,943)
Other underwriting expenses	(27,981)	(876)	(313)	(2,085)	(1,682)	(3,562)	(542)	(1,359)	-	(38,400)
Administrative expenses	(5,818)	(357)	(133)	(551)	(640)	(999)	(387)	(456)	-	(9,341)
Underwriting profit/(loss)	8,200	(502)	348	60	(982)	(412)	(2,884)	(651)	-	3,177
Investment income	-	-	-	-	-	-	-	-	16,986	16,986
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	-	733	733
Investment related expenses	-	-	-	-	-	-	-	-	(370)	(370)
Exchange gains, net	-	-	-	-	-	-	-	-	77	77
Other income, net	-	-	-	-	-	-	-	-	354	354
Finance costs	-	-	-	-	-	-	-	-	(1,424)	(1,424)
Share of profits or losses of associates and joint venture	-	-	-	-	-	-	-	-	4,250	4,250
Profit/(loss) before tax	8,200	(502)	348	60	(982)	(412)	(2,884)	(651)	20,606	23,783
Income tax credit	-	-	-	-	-	-	-	-	496	496
Profit/(loss) for the year – segment results	8,200	(502)	348	60	(982)	(412)	(2,884)	(651)	21,102	24,279

2018	Insurance									
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Credit and surety RMB million	Others RMB million	Corporate RMB million	Total RMB million
Gross written premiums	258,904	13,413	3,864	21,706	40,444	26,718	11,575	12,145	-	388,769
Net earned premiums	249,111	7,957	2,801	15,086	34,038	22,655	5,969	6,507	-	344,124
Net claims incurred	(142,476)	(5,475)	(1,503)	(8,829)	(30,348)	(16,534)	(3,591)	(4,547)	-	(213,303)
Net policy acquisition costs	(78,019)	(2,054)	(684)	(3,575)	(2,116)	(1,251)	(1,657)	(1,152)	-	(90,508)
Other underwriting expenses	(18,970)	(840)	(211)	(1,268)	(1,069)	(3,242)	(273)	(947)	-	(26,820)
Administrative expenses	(5,752)	(352)	(141)	(502)	(321)	(674)	(263)	(184)	-	(8,189)
Underwriting profit/(loss)	3,894	(764)	262	912	184	954	185	(323)	-	5,304
Investment income	-	-	-	-	-	-	-	-	16,635	16,635
Net realised and unrealised losses on investments	-	-	-	-	-	-	-	-	(1,226)	(1,226)
Investment related expenses	-	-	-	-	-	-	-	-	(319)	(319)
Interest expenses credited to policyholders' deposits	-	-	-	-	-	-	-	(1)	-	(1)
Exchange gains, net	-	-	-	-	-	-	-	-	213	213
Other income, net	-	-	-	-	-	-	-	-	1,151	1,151
Finance costs	-	-	-	-	-	-	-	-	(2,074)	(2,074)
Share of profits or losses of associates and joint venture	-	-	-	-	-	-	-	-	4,482	4,482
Loss on deemed disposal of an associate	-	-	-	-	-	-	-	-	(737)	(737)
Profit/(loss) before tax	3,894	(764)	262	912	184	954	185	(324)	18,125	23,428
Income tax expense	-	-	-	-	-	-	-	-	(7,942)	(7,942)
Profit/(loss) for the year – segment results	<u>3,894</u>	<u>(764)</u>	<u>262</u>	<u>912</u>	<u>184</u>	<u>954</u>	<u>185</u>	<u>(324)</u>	<u>10,183</u>	<u>15,486</u>

4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Gross written premiums		
Direct written premiums	431,724	388,020
Reinsurance premiums assumed	<u>1,451</u>	<u>749</u>
	<u>433,175</u>	<u>388,769</u>
Net earned premiums		
Gross written premiums	433,175	388,769
Reinsurance premiums ceded	<u>(35,159)</u>	<u>(31,410)</u>
Net written premiums	<u>398,016</u>	<u>357,359</u>
Gross change in unearned premium reserves	(18,161)	(14,242)
Reinsurer's share of change in unearned premium reserves	<u>828</u>	<u>1,007</u>
Net change in unearned premium reserves	<u>(17,333)</u>	<u>(13,235)</u>
Net earned premiums	<u>380,683</u>	<u>344,124</u>

5. NET CLAIMS INCURRED

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Gross claims paid	263,572	232,759
Paid losses recoverable from reinsurers	<u>(22,020)</u>	<u>(18,099)</u>
Net claims paid	<u>241,552</u>	<u>214,660</u>
Gross change in loss and loss adjustment expense reserves	11,198	(3,209)
Reinsurer's share of change in loss and loss adjustment expense reserves	<u>(928)</u>	<u>1,852</u>
Net change in loss and loss adjustment expense reserves	<u>10,270</u>	<u>(1,357)</u>
Net claims incurred	<u>251,822</u>	<u>213,303</u>

6. NET POLICY ACQUISITION COSTS

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Commission expenses	55,042	74,036
Less: Reinsurance commission income	(10,143)	(9,859)
Underwriting personnel expenses	25,334	21,049
Taxes and other surcharges	1,210	1,379
Contributions to insurance security fund	3,205	2,964
Others	3,295	939
	<u>77,943</u>	<u>90,508</u>

7. INVESTMENT INCOME

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Operating lease income from investment properties	<u>275</u>	<u>247</u>
Interest income from:		
Current and term deposits	3,816	4,161
Debt securities		
– Held-to-maturity	2,223	2,103
– Available-for-sale	4,279	4,721
– At fair value through profit or loss	227	70
Investments classified as loans and receivables	<u>3,482</u>	<u>2,973</u>
	<u>14,027</u>	<u>14,028</u>
Dividend income from equity securities and mutual funds:		
– Available-for-sale	2,533	2,257
– At fair value through profit or loss	<u>151</u>	<u>103</u>
	<u>2,684</u>	<u>2,360</u>
	<u>16,986</u>	<u>16,635</u>

8. NET REALISED AND UNREALISED GAINS/(LOSSES) ON INVESTMENTS

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale	149	277
– At fair value through profit or loss	15	26
Equity securities and mutual funds		
– Available-for-sale	1,218	(808)
– At fair value through profit or loss	21	(255)
	<u>1,403</u>	<u>(760)</u>
Unrealised gains from:		
Debt securities classified as fair value through profit or loss	67	61
Equity securities and mutual funds classified as fair value through profit or loss	45	4
	<u>112</u>	<u>65</u>
Impairment losses on equity securities and mutual funds classified as available-for-sale	<u>(706)</u>	<u>(636)</u>
Fair value (losses)/gains on investment properties	<u>(76)</u>	<u>105</u>
	<u>733</u>	<u>(1,226)</u>

9. FINANCE COSTS

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Interest on bonds payable	697	1,165
Interest on securities sold under agreements to repurchase	599	855
Interest on lease liabilities	89	–
Others	39	54
	<u>1,424</u>	<u>2,074</u>

10. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging/(crediting):

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Depreciation of property and equipment	1,884	1,678
Depreciation of right-of-use assets	1,102	–
Amortisation of prepaid land premiums	–	170
Employee expenses (including directors', supervisors' and senior management's remunerations)		
– Salaries, allowances and performance related bonuses	38,785	34,373
– Pension scheme contributions	4,093	3,666
Provision for/(reversal of) impairment losses on insurance receivables (<i>note 14</i>)	233	(367)
Reversal of impairment losses on prepayments and other assets	(99)	(87)
Net gains on disposal of items of property and equipment	(34)	(71)
Auditors' remuneration	17	17
	<u>17</u>	<u>17</u>

11. INCOME TAX (CREDIT)/EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2018: 25%) in accordance with the relevant PRC income tax rules and regulations.

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Current tax	5,683	6,658
Adjustments in respect of prior years	(4,230)	8
Deferred tax	(1,949)	1,276
	<u>(1,949)</u>	<u>1,276</u>
Total	<u>(496)</u>	<u>7,942</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the PRC, in which the Group is domiciled, to the tax expense at the effective tax rate is as follows:

	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<u>23,783</u>	<u>23,428</u>
Tax at the statutory tax rate of 25% (2018: 25%)	5,946	5,857
Income not subject to tax	(2,362)	(2,271)
Expenses not deductible for tax (<i>note</i>)	150	4,348
Adjustments in respect of prior years	<u>(4,230)</u>	<u>8</u>
Tax charge at the Group's effective tax rate	<u><u>(496)</u></u>	<u><u>7,942</u></u>

Note:

For the year ended 31 December 2018, expenses not deductible for tax purpose mainly included the portion of commission expenses that exceeded the allowed limits.

In May 2019, Ministry of Finance and State Taxation Administration issued the "Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises" (Announcement of the Ministry of Finance and State Taxation Administration [2019] No. 72, the "New Policy"). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its direct written premium, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,230 million for the year ended 31 December 2018 arising from the New Policy in current year, and therefore resulting in a tax credit for the current year.

12. EARNINGS PER SHARE

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

	2019	2018
Earnings:		
Profit attributable to owners of the Company (RMB million)	<u>24,282</u>	<u>15,485</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>22,242</u>	<u>22,242</u>
Basic earnings per share (RMB Yuan)	<u><u>1.092</u></u>	<u><u>0.696</u></u>

Basic earnings per share was calculated as the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue.

Diluted earnings per share amounts for the years ended 31 December 2019 and 2018 have not been disclosed as there were no potential ordinary shares outstanding during these years.

13. DIVIDENDS

	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Dividends recognised as distribution during the year:		
2017 final dividend – RMB0.338 per ordinary share	–	5,012
2018 final dividend – RMB0.272 per ordinary share	<u>6,050</u>	<u>–</u>

No interim dividend was proposed by the Board of Directors in 2019 and 2018.

Pursuant to the shareholders' approval at the general meeting on 21 June 2019, a final dividend of RMB0.272 per ordinary share totalling RMB6,050 million in respect of the year ended 31 December 2018 was declared.

Pursuant to the shareholders' approval at the general meeting on 22 June 2018, a final dividend of RMB0.338 per ordinary share totalling RMB5,012 million in respect of the year ended 31 December 2017 was declared.

14. INSURANCE RECEIVABLES, NET

	31 December 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
Premiums receivable and agents' balances	39,731	30,543
Receivables from reinsurers	<u>17,194</u>	<u>15,030</u>
	<u>56,925</u>	<u>45,573</u>
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,167)	(2,958)
– Receivables from reinsurers	<u>(165)</u>	<u>(194)</u>
	<u>53,593</u>	<u>42,421</u>

Analysis of insurance receivables, based on the payment past due date and net of provision, is as follows:

	31 December 2019	31 December 2018
	<i>RMB million</i>	<i>RMB million</i>
Not yet due	40,138	29,822
Within 1 month	5,000	3,959
1 to 3 months	2,694	3,385
3 to 6 months	2,486	2,348
6 to 12 months	2,313	2,410
1 to 2 years	816	409
Over 2 years	146	88
	<u>53,593</u>	<u>42,421</u>

The movements in the provision for impairment of insurance receivables are as follows:

	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
At 1 January	3,152	3,566
Impairment losses recognised/(reversed) (<i>note 10</i>)	233	(367)
Amount written off as uncollectible	(53)	(47)
	<u>3,332</u>	<u>3,152</u>

Included in the Group's insurance receivables are amounts due from a fellow subsidiary of RMB150 million (31 December 2018: RMB233 million) and an associate of RMB1,690 million (31 December 2018: RMB931 million), respectively.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	31 December 2019	31 December 2018
	<i>RMB million</i>	<i>RMB million</i>
Associates		
Cost of investments in associates (i)	38,960	36,883
Share of post-acquisition profit and other comprehensive income, net of dividend received (ii)	11,419	8,320
	<u>50,379</u>	<u>45,203</u>
Subtotal		
Joint venture		
Cost of investment in joint venture	98	98
	<u>98</u>	<u>98</u>
Total	<u>50,477</u>	<u>45,301</u>

- (i) A deemed disposal loss of an associate amounting to RMB737 million was included in this item. Details are included in below section.
- (ii) Hua Xia Bank Co., Ltd. (the Group's material associate, the "Hua Xia Bank") and Industrial Bank Co., Ltd. (an associate of the Group's another associate, the "IBC") applied PRC new financial instrument accounting standards (which is equivalent to HKFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standard. Comparatives of Hua Xia Bank and IBC for 2018 were not restated. This adoption has decreased the carrying amount of investments in associates and joint venture by RMB1,335 million on 1 January 2019. Adjustment to equity is as follows:

	1 January 2019 <i>RMB million</i>
Share of other comprehensive income of associates and joint venture	91
Retained profits	<u>(1,426)</u>
Total equity	<u><u>(1,335)</u></u>

As permitted by Amendments to HKFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Hua Xia Bank.

Particulars of a material associate

Particulars of a material associate as at 31 December 2019 and 2018 are as follows:

Name	Place of registration and operations	Paid up/ registered share capital <i>RMB million</i>	Proportion of ownership interest and voting right as at 31 December		Principal activities
			2019	2018	
Hua Xia Bank	Beijing, PRC	15,387	16.660%	16.660%	Commercial banking

Management has assessed the level of influence that the Group has on Hua Xia Bank, and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation or other arrangements made. Consequently, this investment has been classified as an associate. It is accounted for using equity method.

Except for Hua Xia Bank, all the associates and joint venture are private companies or structured entities, and there are no quoted market prices available for these shares. Hua Xia Bank is listed on the Shanghai Stock Exchange and the fair value of the Group's interests in Hua Xia Bank as at 31 December 2019 was RMB19,660 million (31 December 2018: RMB18,942 million).

On 28 December 2018, Hua Xia Bank completed its private offering. The Group did not subscribe for the shares proportionately, and therefore its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%. The Group is of the view that it still has significant influence over Hua Xia Bank, as it has appointed two directors to the Board of Directors of Hua Xia Bank and the Group is the third largest shareholder of Hua Xia Bank. The Group continues to account for the investment in Hua Xia Bank as an associate. As such, a deemed disposal loss amounting to RMB737 million was recognised in profit or loss for the year ended 31 December 2018.

As at 31 December 2019, the carrying amount of Hua Xia Bank exceeded its fair value for more than two years. Management performed impairment test accordingly considering such impairment indicator exists. The recoverable amount of the interest in Hua Xia Bank is determined by value-in-use approach. The calculation used pre-tax cash flow projections for the five years ending 31 December 2024 with subsequent extrapolation to perpetuity. The discount rate used was based on a cost of capital used to evaluate investments in Mainland China. Management judgement is required in estimating the future cash flows of Hua Xia Bank. The key assumptions are determined with reference to external sources of information. Based on management's assessment results, there was no impairment as at 31 December 2019. Reasonably possible changes in key assumptions will not lead to impairment loss.

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the PRC, and adjusted for any material differences from HKFRS.

Hua Xia Bank

	31 December 2019 <i>RMB million</i>	31 December 2018 <i>RMB million</i>
Total assets	<u>3,020,789</u>	<u>2,680,580</u>
Net assets attributable to equity holders of Hua Xia Bank	<u>267,588</u>	<u>217,141</u>
	2019 <i>RMB million</i>	2018 <i>RMB million</i>
Revenue	<u>84,734</u>	<u>72,227</u>
Profit attributable to equity holders of Hua Xia Bank	<u>21,905</u>	<u>20,854</u>
Dividends received from the associate during the year	<u>446</u>	<u>387</u>

Reconciliation of the carrying amount of the interest in Hua Xia Bank recognised in the consolidated financial statements:

	31 December 2019 RMB million	31 December 2018 RMB million
Net assets of Hua Xia Bank attributable to equity holders of Hua Xia Bank	267,588	217,141
Total preference shares issued by Hua Xia Bank	(19,978)	(19,978)
Total perpetual bonds issued by Hua Xia Bank	(39,993)	–
Net assets attributable to ordinary share holders of Hua Xia Bank	207,617	197,163
Proportion of the Group's ownership interest in Hua Xia Bank	16.660%	16.660%
The Group's ownership interest in net assets of Hua Xia Bank	34,589	32,847
Net fair value adjustment to the investee's identifiable assets and liabilities	(65)	(65)
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	236	141
Carrying amount of the Group's interest in Hua Xia Bank	34,760	32,923
Fair value of shares listed in Mainland China	19,660	18,942

Aggregate information of associates that are not individually material:

As at 31 December 2019, apart from an associate disclosed above, the Group has in aggregate 8 (31 December 2018: 8) immaterial associates and joint venture and their aggregate information is presented as below:

	2019 RMB million	2018 RMB million
The Group's share of profit	674	402
The Group's share of other comprehensive income	822	3
The Group's share of total comprehensive income	1,496	405
Aggregate carrying amount of the Group's interests in these associates and joint venture	15,717	12,378

16. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2019	31 December 2018
	<i>RMB million</i>	<i>RMB million</i>
Reinsurance payables	<u>19,449</u>	<u>15,706</u>

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

Included in the Group's reinsurance payables are amounts due to a fellow subsidiary of RMB203 million (31 December 2018: RMB237 million) and an associate of RMB2,514 million (31 December 2018: RMB846 million), respectively.

17. INSURANCE CONTRACT LIABILITIES

	31 December 2019	31 December 2018
	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	158,513	140,352
Loss and loss adjustment expense reserves	<u>146,627</u>	<u>135,429</u>
	<u>305,140</u>	<u>275,781</u>

The movements in insurance contract liabilities and their corresponding reinsurance assets are set out below:

	2019			2018		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves						
At 1 January	140,352	(10,754)	129,598	126,110	(9,747)	116,363
Increase during the year	357,501	(35,545)	321,956	288,085	(42,061)	246,024
Release during the year	<u>(339,340)</u>	<u>34,717</u>	<u>(304,623)</u>	<u>(273,843)</u>	<u>41,054</u>	<u>(232,789)</u>
At 31 December	<u>158,513</u>	<u>(11,582)</u>	<u>146,931</u>	<u>140,352</u>	<u>(10,754)</u>	<u>129,598</u>
Loss and loss adjustment expense reserves						
At 1 January	135,429	(17,811)	117,618	138,638	(19,663)	118,975
Increase during the year	274,746	(22,948)	251,798	229,524	(16,246)	213,278
Release during the year	<u>(263,548)</u>	<u>22,020</u>	<u>(241,528)</u>	<u>(232,733)</u>	<u>18,098</u>	<u>(214,635)</u>
At 31 December	<u>146,627</u>	<u>(18,739)</u>	<u>127,888</u>	<u>135,429</u>	<u>(17,811)</u>	<u>117,618</u>
Total insurance contract liabilities at 31 December	<u>305,140</u>	<u>(30,321)</u>	<u>274,819</u>	<u>275,781</u>	<u>(28,565)</u>	<u>247,216</u>

DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

I. PERFORMANCE HIGHLIGHTS

In 2019, facing the complex situation of increasing risks and challenges domestically and internationally, China persisted with the general working principle of pursuing progress while ensuring stability, continued to take the supply-side structural reform as the main task, enhanced the counter-cyclical adjustments to its macro policy, promoted the high-quality development, and firmly implemented the work in relation to keeping employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable to maintain the sustainable and healthy development of economy and society. The Chinese insurance industry made key progress in the battle of guarding against and defusing financial risks, the quality and efficiency of its service to the real economy continuously improved, the reforms relating to key institutions and areas have further progressed, the corporate governance mechanism was further improved, the regulatory efforts were continuously upgraded, and implementation of the opening up policy was accelerated, resulting in acceleration of the transformation toward high quality development of the insurance industry.

The Company took the insurance supply-side structural reform as the main task, diligently carried out the strategic plans of PICC Group, further implemented the “3411 Project” of PICC Group, and took solid steps to promote “Ten Key Initiatives”. To be specific, the Company optimised its organisational structure, deepened the two integrations, improved its channel network, upgraded its insurance supply, improved its claim settlement quality, strictly upheld the bottom line of no systematic risk, promoted transformation through innovation, and strived for quality improvement, cost reduction and risk prevention. The Company achieved excellence in both of development and profitability, and made progress in business model reform, bringing the Company to the phase of commencement of transformation toward high quality development.

Business scale maintaining steady growth, market share remaining stable and seeing a moderate increase.

In 2019, the Company and its subsidiaries achieved gross written premiums of RMB433,175 million, representing a year-on-year increase of 11.4%. Of which, gross written premiums of the motor vehicle insurance business amounted to RMB262,927 million, representing a year-on-year increase of 1.6%; the non-motor vehicle insurance business achieved gross written premiums of RMB170,248 million, representing a year-on-year increase of 31.1%. The non-motor vehicle insurance accounted for 39.3% of the total, representing a year-on-year increase of 5.9 percentage points. The business structure was more balanced. As at the end of 2019, the total assets reached RMB596,081 million, representing an increase of 8.3% over that of the beginning of 2019. The total equity was RMB169,954 million, representing an increase of 20.1% over that of the beginning of 2019. The Company’s market share was 33.2% (*Note*) in the property and casualty insurance market of the PRC, representing a year-on-year increase of 0.2 percentage points.

Note: Calculated based on the PRC insurance industry data for 2019 published on the website of the CBIRC.

Operating results achieving a new record high and comprehensive strengths being continuously enhanced.

In 2019, the profit for the Year of the Company and its subsidiaries was RMB24,279 million, representing a year-on-year increase of 56.8%; return on equity was 15.6%, representing a year-on-year increase of 4.3 percentage points; the Company recorded good operating results. Of which, the insurance business achieved underwriting profit of RMB3,177 million and the combined ratio of the Company and its subsidiaries was 99.2%; investment gains from insurance fund utilisation was RMB21,969 million, representing a year-on-year increase of 14.7%, with a total investment yield of 4.9%, representing a year-on-year increase of 0.4 percentage points. The net cash flows from operating activities was RMB25,845 million, representing a year-on-year increase of RMB15,966 million; the net cash flows from each premium of RMB100 was RMB5.99, showing a significant improvement in liquidity. The core solvency margin ratio was 252%, and the comprehensive solvency margin ratio was 282%, showing a steady improvement of comprehensive strength. Due to the Company's outstanding industry position and continuously increasing comprehensive strengths, Moody's Investors Service maintained the A1 rating granted to the Company in terms of insurance financial strength, which is the highest rating in China Mainland.

Brand image enhanced and leading service rating in the industry.

In 2019, the Company and its subsidiaries took the initiative to serve the national agenda and people's livelihood, actively took part in the insurance program for key projects, successfully completed the insurance service in relation to the Military World Games, solely underwrote the insurance for the successfully launched Long March-5 rocket, and properly responded to major disasters and accidents including the forest fire in Liangshan, Sichuan province, the "Explosive Accident on 21 March" in Xiangshui, Jiangsu province, the typhoon Lekima and the swine fever, through which the corporate responsibility was demonstrated. The Company further promoted the "traffic police and insurer joint action" throughout the country, extensively set up service stations in rural areas assisting work of traffic police and improving road safety and "vehicle + driver's licence business" service outlets, and increasingly optimised and renovated its service model, maintaining the CBIRC's highest rating for service evaluation of insurance companies for three consecutive years. The Company also won several awards such as "Best Property Insurance Company of the Year 2019 in Asia", "Ark Award of Gold Medal Insurance Service 2019" and "2019 Top 100 Financial Service Providers", further enhancing its social influence and brand image.

II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

(I) Insurance business

1. Business overview

Underwriting results

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net earned premiums for the relevant periods:

	Year ended 31 December			
	2019		2018	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net earned premiums	380,683	100.0	344,124	100.0
Net claims incurred	(251,822)	(66.2)	(213,303)	(62.0)
Total expenses	<u>(125,684)</u>	<u>(33.0)</u>	<u>(125,517)</u>	<u>(36.5)</u>
Underwriting profit	<u>3,177</u>	<u>0.8</u>	<u>5,304</u>	<u>1.5</u>

Distribution channels

The following table sets forth the direct written premiums of the Company and its subsidiaries by distribution channels for the relevant periods:

	Year ended 31 December			
	2019		2018	
	Amount	Percentage	Amount	Percentage
	<i>RMB million</i>	%	<i>RMB million</i>	%
Insurance agents	297,891	69.0	277,240	71.5
Among which:				
Individual insurance agents	139,254	32.3	130,214	33.6
Ancillary insurance agents	50,037	11.5	53,958	13.9
Professional insurance agents	108,600	25.2	93,068	24.0
Direct sales	98,579	22.8	80,080	20.6
Insurance brokers	<u>35,254</u>	<u>8.2</u>	<u>30,700</u>	<u>7.9</u>
Total	<u>431,724</u>	<u>100.0</u>	<u>388,020</u>	<u>100.0</u>

Geographical segments

The following table sets forth the direct written premiums of the Company and its subsidiaries by top ten regions for the relevant periods:

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Guangdong Province	50,181	37,993
Jiangsu Province	40,156	36,859
Zhejiang Province	31,201	30,300
Shandong Province	24,349	22,351
Hebei Province	23,849	21,762
Sichuan Province	20,313	17,678
Hubei Province	18,646	16,024
Anhui Province	16,845	15,179
Fujian Province	16,748	14,655
Beijing	16,583	15,608
Other regions	172,853	159,611
Total	431,724	388,020

2. *Insurance segment operating results*

Gross written premiums

Gross written premiums of the Company and its subsidiaries were RMB433,175 million in 2019, representing an increase of RMB44,406 million (or 11.4%) from RMB388,769 million in 2018. The business growth was largely driven by the development of the accidental injury and health insurance, credit and surety insurance, liability insurance, agriculture insurance, motor vehicle insurance and commercial property insurance business.

The following table sets forth the gross written premiums of the Company and its subsidiaries by insurance segments for the relevant periods:

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	262,927	258,904
Accidental injury and health insurance	57,633	40,444
Agriculture insurance	30,772	26,718
Liability insurance	27,223	21,706
Commercial property insurance	15,167	13,413
Credit and surety insurance	22,767	11,575
Cargo insurance	3,972	3,864
Other insurance	12,714	12,145
	<hr/>	<hr/>
Total	<u>433,175</u>	<u>388,769</u>

In terms of the motor vehicle insurance segment, facing the challenges to the new motor vehicle insurance business caused by continuous decline of automobile production and sales, the Company and its subsidiaries focused on strengthening the construction of direct sales channels and channels controlled by the Company, further promoted the customer-centric transformation of channels, and continuously improved its resources integration and control capability. The Company continuously promoted refined and standardised management on the renewal teams, speeded up technology empowerment, and improved insurance renewal efficiency, thereby achieving steady growth of the existing business. Gross written premiums of the motor vehicle insurance business achieved a year-on-year increase of RMB4,023 million (or 1.6%).

Gross written premiums of the accidental injury and health insurance business achieved a year-on-year increase of RMB17,189 million (or 42.5%), mainly driven by a rapid development of the social medical insurance, accidental insurance and commercial health insurance businesses. On one hand, the Company and its subsidiaries grasped the opportunity of new policy relating to critical illness insurance, aligned with the national poverty alleviation and “Healthy China” strategy, actively participated in the pilot long-term nursing insurance implemented in various places, and promoted the significant growth of social medical insurance business such as critical illness insurance, basic medical insurance, poverty alleviation and medical aid insurance and long-term nursing insurance. On the other hand, the Company actively explored the “insurance + service” model, developed exclusive products for segment customers, improved product system, increased effective supply, and strengthened integrated sales and refined management, maintaining a rapid growth of businesses such as group accidental insurance, driver accidental insurance and individual commercial health insurance.

In terms of the agriculture insurance segment, the Company and its subsidiaries grasped the opportunity presented in the central government's continuous support of the agriculture insurance. Based on the *Guiding Opinions on Accelerating the High Quality Development of Agriculture Insurance* jointly issued by four ministries and commissions, the Company advanced full implementation of the total cost and income insurance for three main grain crops in pilot areas and made adjustments to the agriculture insurance underwriting model in some areas. Meanwhile, the Company and its subsidiaries intensified their efforts to tap customer resources such as group enterprises and new agricultural entities, consolidated the existing business and explored incremental business, resulting in a significant increase of the regained and incremental business and maintaining a steady business growth for the Year. The gross written premiums of the agriculture insurance achieved a year-on-year increase of RMB4,054 million (or 15.2%).

In terms of the liability insurance segment, the Company and its subsidiaries focused on serving the national key strategies, serving development of the real economy, serving modernisation of the social governance system and serving upgrading of personal insurance consumption. The Company enhanced innovation and development, took the initiative to ensure product compliance management, and made great progress in poverty prevention and assistance insurance, green building performance liability insurance, safety production liability insurance and etc. By relying on the advantages of their network of outlets, the Company and its subsidiaries continued to promote the “insurance + technology + service” business model, achieving rapid development in employer liability insurance, motor vehicle extended warranty insurance, public liability insurance and Internet insurance businesses. In 2019, gross written premiums of the liability insurance business achieved a year-on-year increase of RMB5,517 million (or 25.4%).

In terms of the commercial property insurance segment, having been stimulated by national strategic development plans such as the supply-side structural reform, the “belt and road construction” and others, the commercial property insurance market in the PRC continuously expanded. At the same time, market players also actively grasped market opportunities and increasingly enhanced the efforts in developing commercial property insurance business, which further intensified market competition. Facing the opportunities and challenges, the Company and its subsidiaries followed the trend of market demand, strengthened product development, and facilitated development of emerging businesses such as property loss insurance, photovoltaic power plant operation phase insurance and cultural relics insurance. Gross written premiums of the commercial property insurance business achieved a year-on-year increase of RMB1,754 million (or 13.1%).

In terms of the credit and surety insurance segment, the Company and its subsidiaries have committed more resources into this field and innovated their business models, with traditionally strong insurance businesses such as export credit insurance, project performance guarantee insurance and tariff guarantee insurance achieving a rapid development. At the same time, the Company has proactively served the demand of the financing insurance market, further consolidated the foundation of risk control, and continuously improved the specialised and refined management of the businesses. Under the joint boost of traditional and new businesses, the credit and surety insurance recorded a remarkable growth, with the gross written premiums increasing by RMB11,192 million (or 96.7%) on a year-on-year basis.

In terms of the cargo insurance segment, with the aim of achieving high quality and profitable development, the Company and its subsidiaries adjusted the business structure in a timely manner and increased the expansion of individual businesses such as the online business and the luggage on board business. The overall scale of cargo insurance has remained stable, with the gross written premiums increasing by RMB108 million (or 2.8%) on a year-on-year basis.

In terms of the other insurance segment, the Company and its subsidiaries implemented the “3411 Project” of PICC Group, promoted the integrated development of the policy-oriented business and the commercial business, continuously improved the capability of innovation and competitiveness, and improved customer service level, leading to a steady growth in household property insurance business and the special insurance business. The gross written premiums of the other insurance segment increased by RMB569 million (or 4.7%) on a year-on-year basis.

Net earned premiums

Net earned premiums of the Company and its subsidiaries were RMB380,683 million in 2019, representing an increase of RMB36,559 million (or 10.6%) from RMB344,124 million in 2018.

The following table sets forth the net earned premiums of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	251,653	249,111
Accidental injury and health insurance	53,806	34,038
Agriculture insurance	24,632	22,655
Liability insurance	18,926	15,086
Commercial property insurance	8,679	7,957
Credit and surety insurance	13,271	5,969
Cargo insurance	2,782	2,801
Other insurance	6,934	6,507
	<hr/>	<hr/>
Total	<u>380,683</u>	<u>344,124</u>

Net claims incurred

Net claims incurred of the Company and its subsidiaries in 2019 were RMB251,822 million, representing an increase of RMB38,519 million (or 18.1%) from RMB213,303 million in 2018. The loss ratio increased by 4.2 percentage points from 62.0% in 2018 to 66.2% in 2019. The increase in net claims incurred were primarily derived from accidental injury and health insurance, motor vehicle insurance, credit and surety insurance, agriculture insurance and liability insurance businesses.

The following table sets forth the net claims incurred of the Company and its subsidiaries and their percentages to the net earned premiums of the corresponding insurance segments (the “loss ratio”) for the relevant periods:

	Year ended 31 December			
	2019		2018	
	Net claims incurred	Loss ratio	Net claims incurred	Loss ratio
	RMB million	%	RMB million	%
Motor vehicle insurance	(150,560)	(59.8)	(142,476)	(57.2)
Accidental injury and health insurance	(47,635)	(88.5)	(30,348)	(89.2)
Agriculture insurance	(19,984)	(81.1)	(16,534)	(73.0)
Liability insurance	(11,420)	(60.3)	(8,829)	(58.5)
Commercial property insurance	(5,727)	(66.0)	(5,475)	(68.8)
Credit and surety insurance	(10,364)	(78.1)	(3,591)	(60.2)
Cargo insurance	(1,339)	(48.1)	(1,503)	(53.7)
Other insurance	(4,793)	(69.1)	(4,547)	(69.9)
Total	<u>(251,822)</u>	<u>(66.2)</u>	<u>(213,303)</u>	<u>(62.0)</u>

In terms of the motor vehicle insurance segment, the Company and its subsidiaries strengthened underwriting risk control. By applying differentiated expense allocation and marketing strategies and improving the business structure, the Company and its subsidiaries improved business quality from the source and reduced the claim frequency. With regard to claim settlement quality management and control, the Company continuously increased handling efficiency of claim cases and improved the quality of claim settlement service through the use of technology and provision of services like prompt processing and settlement attributable to “traffic police and insurer joint action”. The Company enlarged the scope of implementation of the “Yuhang Model”, strengthened the full-process management and control of cases, continuously deepened the lean management of claim settlement in terms of property damage, personal injury cost, audit and recovery, etc., and continuously promoted the reduction of claim settlement cost and the improvement of claim settlement efficiency. However, due to the decrease in premium adequacy and the rigid increase in vehicle repair cost, personal injury compensation standards and medical expenses, the loss ratio of motor vehicle insurance segment recorded a year-on-year increase of 2.6 percentage points.

In 2019, the Company and its subsidiaries continued to align with the “Healthy China” strategy and actively supported the reform of the national public health system. While the business scale expanded, with the continuous increase of government efforts in providing medical security, the loss ratio of such social medical insurance businesses as critical illness insurance and basic medical insurance also increased. In terms of the accidental injury insurance segment, the Company continued to optimise the business structure and dynamically adjusted the underwriting policy. As a result, business quality showed a trend of improvement, the loss ratio decreased significantly and the loss ratio of the accidental injury and health insurance segment as a whole improved.

In 2019, the Company and its subsidiaries recorded a year-on-year increase in the total loss of the agriculture insurance segment due to the impact of the swine flu epidemic and severe natural disasters such as wind and hail, heavy rain, drought and typhoon, with the loss ratio increasing by 8.1 percentage points on a year-on-year basis.

In terms of the liability insurance segment, due to the continuous increase in the scale of insurance businesses relating to people’s livelihood, such as poverty alleviation and medical aid insurance, which carry relatively high insurance liability and imply large claim costs, the loss ratio of the liability insurance segment increased by 1.8 percentage points on a year-on-year basis.

In terms of the commercial property insurance segment, on one hand, the Company and its subsidiaries strengthened the management and control of the underwriting and claim verifying processes, achieving preliminary success in the management and control of claim settlement costs; on the other hand, the Company and its subsidiaries proactively managed risks and increased efforts in preventing disasters and losses, which led to a year-on-year decrease in the loss ratio of high-risk insurance policies and a year-on-year decrease in losses from catastrophes. The loss ratio of the commercial property insurance segment decreased by 2.8 percentage points on a year-on-year basis.

In 2019, due to the effect of the macro economic conditions and changes in business structure, the loss ratio of the credit and surety insurance segment increased by 17.9 percentage points on a year-on-year basis. The Company and its subsidiaries actively served the demand of real economy and consumption upgrade of the society, facilitating a rapid growth of financing credit and surety insurance for online consumer finance, with such insurance accounting for a significantly larger percentage in the total business volume than before. The increase in the social credit risks level contributed to a corresponding increase in the loss ratio of the credit and surety insurance segment. Moreover, the complex domestic and foreign political and economic situation also led to an increase in the risks involved in the export trade and operations of Chinese enterprises, which in turn led to an increase in the loss ratio of the domestic trade and export insurance segment.

In 2019, the Company and its subsidiaries improved the capability of underwriting risk identification for cargo insurance through analysis and application of big data in claim settlement and continued to strengthen risk management and control for internet-based high-risk business. The loss ratio of the cargo insurance segment decreased by 5.6 percentage points on a year-on-year basis.

The loss ratio of the other insurance segment decreased by 0.8 percentage points on a year-on-year basis, primarily due to the optimisation of business structure and the improvement in claim settlement management standard. The Company and its subsidiaries deepened the interaction between underwriting and claim settlement, identified high quality businesses through claim settlement analysis and risk analysis, and promoted the restructuring of the underwriting business. At the same time, in terms of claim settlement, the Company and its subsidiaries strengthened the management of catastrophes and big cases and fully drew on the professional expertise in claim settlement, thus leading to an improvement in the loss ratio indicators.

Total expenses

Total expenses of the Company and its subsidiaries were RMB125,684 million in 2019, increased by RMB167 million (or 0.1%) from RMB125,517 million in 2018, with the expense ratio decreasing by 3.5 percentage points from 36.5% in 2018 to 33.0% in 2019.

The following table sets forth the total expenses of the Company and its subsidiaries and their percentages to the net earned premiums of the corresponding insurance segments (the “expense ratio”) for the relevant periods:

	Year ended 31 December			
	2019	Expense	2018	Expense
	Total	ratio	Total	ratio
	expenses	ratio	expenses	ratio
	RMB million	%	RMB million	%
Motor vehicle insurance	(92,893)	(36.9)	(102,741)	(41.2)
Accidental injury and health insurance	(7,153)	(13.3)	(3,506)	(10.3)
Agriculture insurance	(5,060)	(20.6)	(5,167)	(22.8)
Liability insurance	(7,446)	(39.4)	(5,345)	(35.4)
Commercial property insurance	(3,454)	(39.8)	(3,246)	(40.8)
Credit and surety insurance	(5,791)	(43.6)	(2,193)	(36.7)
Cargo insurance	(1,095)	(39.4)	(1,036)	(37.0)
Other insurance	(2,792)	(40.3)	(2,283)	(35.1)
Total	(125,684)	(33.0)	(125,517)	(36.5)

In 2019, the Company and its subsidiaries seized the opportunities presented by the policies, served the national strategies, optimised the layout of channels, deepened the integrated development of policy-oriented business and commercial business, continued to optimise business structure; actively promoted the implementation of the policy of ensuring “consistency between the reported commission rates of insurance companies and their actual commission rates”, optimised sales expenses allocation and increased the resources utilisation efficiency. While maintaining a steady growth in business, total underwriting expenses decreased by RMB985 million from 2018, with the underwriting expense ratio decreasing by 3.5 percentage points from 34.1% in 2018 to 30.6% in 2019. At the same time, the Company and its subsidiaries maintained a stable management expense ratio by vigorously implementing comprehensive budget management and control, adopting the cost leadership strategy and controlling management expenses.

Underwriting profit

The Company and its subsidiaries recorded an underwriting profit of RMB3,177 million in 2019, representing a decrease of RMB2,127 million (or -40.1%) from RMB5,304 million in 2018; the underwriting profit ratio was 0.8%, representing a decrease of 0.7 percentage points as compared with 2018.

The following table sets forth the underwriting profit/(loss) of the Company and its subsidiaries and their percentages to the net earned premiums of the corresponding insurance segments (the “underwriting profit/(loss) ratio”) for the relevant periods:

	Year ended 31 December			
	2019		2018	
	Underwriting profit/(loss) RMB million	Underwriting profit/(loss) ratio %	Underwriting profit/(loss) RMB million	Underwriting profit/(loss) ratio %
Motor vehicle insurance	8,200	3.3	3,894	1.6
Accidental injury and health insurance	(982)	(1.8)	184	0.5
Agriculture insurance	(412)	(1.7)	954	4.2
Liability insurance	60	0.3	912	6.1
Commercial property insurance	(502)	(5.8)	(764)	(9.6)
Credit and surety insurance	(2,884)	(21.7)	185	3.1
Cargo insurance	348	12.5	262	9.3
Other insurance	(651)	(9.4)	(323)	(5.0)
Total	<u>3,177</u>	<u>0.8</u>	<u>5,304</u>	<u>1.5</u>

(II) Insurance funds investment business

1. Investment results

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Net investment income	16,986	16,635
Total investment income	21,969	19,154
Total investment yield	4.9%	4.5%
Total investment assets (<i>Note</i>)	<u>464,751</u>	<u>434,222</u>

Note: Based on the data as at 31 December 2019 and 31 December 2018.

2. Composition of investment assets

	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
	<i>RMB million</i>	%	<i>RMB million</i>	%
By category:				
Cash and cash equivalents	32,520	7.0	33,797	7.8
Term deposits	64,398	13.8	73,963	17.0
Debt securities	149,072	32.1	143,499	33.0
Equity securities and mutual funds	91,728	19.7	74,102	17.1
Investments classified as loans and receivables	67,391	14.5	54,097	12.5
Investment properties	4,598	1.0	4,881	1.1
Investments in associates and joint venture	50,477	10.9	45,301	10.4
Other investment assets (<i>Note</i>)	<u>4,567</u>	<u>1.0</u>	<u>4,582</u>	<u>1.1</u>
Total investment assets	<u>464,751</u>	<u>100.0</u>	<u>434,222</u>	<u>100.0</u>

Note: Other investment assets mainly included derivative financial assets and capital security fund.

As at the end of 2019, the investment assets of the Company and its subsidiaries were RMB464,751 million, representing a year-on-year increase of RMB30,529 million (or 7.0%). The improvement of the cash flows from operating activities has not only reduced the risk of liquidity of the Company but also provided sufficient working capital, pushing forward the steady growth of the size of the investment assets. Meanwhile, the Company adhered to a long-term prudent investment philosophy at all time, took the initiative to carry out risk management and control, timely adjusted its investment assets mix, improved the quality of its investment portfolio and achieved a balance between investment yield and risk based on the conditions of the money market and capital market.

3. *Investment in associates and joint venture*

As at the end of 2019, the investment in associates and joint venture of the Company and its subsidiaries was RMB50,477 million, representing an increase of RMB5,176 million (or 11.4%) compared to the beginning of 2019. Detailed information is set out in note 15 to the consolidated financial statements.

4. *Investment income*

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Operating lease income from investment properties	275	247
Interest income	14,027	14,028
Dividend income	2,684	2,360
	<hr/>	<hr/>
Total of investment income	<u>16,986</u>	<u>16,635</u>

Investment income of the Company and its subsidiaries was RMB16,986 million in 2019, representing an increase of RMB351 million (or 2.1%) from RMB16,635 million in 2018, primarily due to the Company timely increased the investment in equity assets with dividend distribution and fixed income assets which led to an increase in the dividend income of RMB324 million (or 13.7%) on a year-on-year basis.

5. *Net realised and unrealised gains/(losses) on investments*

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Realised gains/(losses) on investments	1,403	(760)
Unrealised gains on investments	112	65
Impairment losses	(706)	(636)
Fair value (losses)/gains on investment properties	(76)	105
	<hr/>	<hr/>
Total of net realised and unrealised gains/(losses) on investments	<u>733</u>	<u>(1,226)</u>

In 2019, the Company and its subsidiaries seized market opportunities and adjusted their positions in equity assets, with the realised investment income increasing by RMB2,163 million to RMB1,403 million in 2019 from a net loss of RMB760 million in 2018; at the same time, due to fluctuations in the capital market, the impairment loss for available-for-sale financial assets was RMB706 million, marking an increase of RMB70 million over the same period last year.

6. *Share of profits of associates and joint venture and loss on deemed disposal of an associate*

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Share of profits of associates and joint venture	4,250	4,482
Loss on deemed disposal of an associate	-	(737)
	<hr/>	<hr/>

7. *Asset mortgage*

The Company conducted repurchase transactions in the market due to the liquidity management requirements. The securities held by the Company were pledged as collateral during the period of repurchase transactions.

(III) Overall results

The following table sets forth the overall results of the Company and its subsidiaries for the relevant periods or as at the relevant dates:

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	23,783	23,428
Income tax credit/(expense)	496	(7,942)
Profit for the year	24,279	15,486
Total assets (<i>Note</i>)	596,081	550,619

Note: Based on the data as at 31 December 2019 and 31 December 2018.

Profit before tax

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB23,783 million in 2019, representing an increase of RMB355 million (or 1.5%) from RMB23,428 million in 2018.

Income tax credit/(expense)

In 2019, the Company and its subsidiaries had an income tax credit of RMB496 million, and the income tax expense of the Company and its subsidiaries in 2018 was RMB7,942 million. In May 2019, the Ministry of Finance and the State Taxation Administration issued the “Announcement on the Policy of Pre-tax Deduction for Commission Expenses of Insurance Enterprises” (Announcement of the Ministry of Finance and the State Taxation Administration [2019] No.72), which provides that, with effect from 2019, the pre-income tax deduction ratio of the service charge and commission expenditures shall be increased from 15% to 18%, and the part that exceeds this proportion shall be allowed to be carried forward for deduction in the future years, and this policy shall be applicable to the final settlement and payment of the income tax for the year 2018. According to the provisions of the accounting standards, the Company has recognised the impact of this policy on the income tax expenses in 2018 of RMB4,230 million in 2019.

Profit for the year

As a result of the foregoing, the profit for the year was RMB24,279 million in 2019, representing an increase of RMB8,793 million (or 56.8%) from RMB15,486 million in 2018. Basic earnings per share attributable to owners of the Company in 2019 was RMB1.092.

III. ANALYSIS OF LIQUIDITY AND CAPITAL ADEQUACY

Cash flow analysis

The following table sets forth the cash flows of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	25,845	9,879
Net cash flows from/(used in) investing activities	941	(8,732)
Net cash flows used in financing activities	(28,063)	(2,038)
Net decrease in cash and cash equivalents	<u>(1,277)</u>	<u>(891)</u>

In 2019, the net cash flows from operating activities of the Company and its subsidiaries amounted to RMB25,845 million, representing a year-on-year increase of RMB15,966 million. In 2019, while there was a steady growth in business, the Company and its subsidiaries strengthened management of credit on premium receivable and process control and increased collection and assessment efforts, leading to a steady increase in premiums received. At the same time, the cash expenses of tax and fee decreased on a year-on-year basis due to the increase in the pre-tax deduction ratio of service charge and other factors.

In 2019, the net cash flows from investing activities of the Company and its subsidiaries amounted to RMB941 million, the net cash flows used in investing activities amounting to RMB8,732 million in 2018, which was mainly due to the maturity of the term deposits.

In 2019, the net cash flows used in financing activities of the Company and its subsidiaries were RMB28,063 million, representing an increase of RMB26,025 million from 2018. In 2019, the net cash flows of the Company and its subsidiaries from the securities sold under agreements to repurchase decreased by RMB11,240 million, compared to an increase of RMB4,878 million in 2018; in addition, RMB8,000 million was paid for redemption of subordinated debts in 2019.

As at 31 December 2019, the cash and cash equivalents of the Company and its subsidiaries amounted to RMB32,520 million.

Gearing ratio

As at 31 December 2019, the gearing ratio (*Note*) of the Company and its subsidiaries was 68.9%, representing a decrease of 1.1 percentage points from 70.0% as at 31 December 2018.

Note: Gearing ratio is represented by total liabilities (excluding bonds payable) divided by total assets under accounting principles generally accepted in Hong Kong.

Source of working capital

The cash flows of the Company and its subsidiaries are primarily derived from cash generated from operating activities, which are principally insurance premiums received. Additional liquidity sources include interest and dividend incomes, proceeds from matured investments, disposal of assets and financing activities. The liquidity requirements of the Company and its subsidiaries consist principally of the payment of claims and performance of other obligations under outstanding insurance policies, capital expenditure, operating expenses, tax payments, dividend payments and investment needs.

The Company issued capital supplementary bonds of RMB15 billion in November 2016 and capital supplementary bonds of RMB8 billion in March 2020, each with a term of 10 years.

Save for the capital supplementary bonds mentioned above, the Company and its subsidiaries did not obtain working capital by borrowing.

The Company and its subsidiaries expect that they can meet their working capital needs in the future with cash generated from operating activities. The Company and its subsidiaries have sufficient working capital.

Capital expenditure

The capital expenditure of the Company and its subsidiaries primarily includes expenditure for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. Capital expenditure of the Company and its subsidiaries was RMB3,813 million in 2019.

Solvency margin requirement

As at 31 December 2019, the actual capital of the Company and its subsidiaries was RMB181,721 million, the core capital was RMB162,136 million, the minimum capital was RMB64,414 million, the comprehensive solvency margin ratio was 282%, and the core solvency margin ratio was 252%.

IV. RISK MANAGEMENT

Credit risk

Credit risk is the risk of economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payments when due. The assets of the Company and its subsidiaries which are subject to credit risk are principally concentrated on insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

The Company and its subsidiaries are only committed to credit sales to corporate customers or individual customers who purchase certain insurance policies through insurance intermediaries. The ability to collect premiums in a timely manner remains one of the key performance indicators of the Company. The Company's premiums receivable involves a large number of diversified customers, therefore there are no major credit concentration risks in insurance receivables.

Other than from state-owned reinsurance companies, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with A- rating or above by Standard & Poor's (or equivalent ratings given by other international rating agencies such as A.M. Best, Fitch and Moody's). The management of the Company and its subsidiaries regularly review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies and determine reasonable impairment provision on reinsurance assets of the Company and its subsidiaries.

The Company and its subsidiaries diligently manage credit risk in debt securities mainly by analysing the creditworthiness of investee companies prior to making investments and by strictly conforming to the relevant regulations issued by the CBIRC on the investment ratings of corporate bonds. The majority of the bonds held by the Company and its subsidiaries have credit ratings of AA or above.

The Company and its subsidiaries manage and lower credit risk affecting their bank deposits mainly by depositing most of their deposits with state-owned banks or state-controlled commercial banks.

Exchange rate risk

The Company and its subsidiaries conduct their business primarily in RMB, which is also their functional and financial reporting currency. Parts of the business of the Company and its subsidiaries (including parts of commercial property insurance, international cargo insurance and aviation insurance business) are conducted in foreign currencies, primarily in US dollars. The Company and its subsidiaries are also exposed to exchange rate risks for assets which are valued based on foreign currencies such as parts of their bank deposits and debt securities and certain insurance business liabilities which are denominated in foreign currencies, primarily in US dollars.

Foreign exchange transactions under the capital accounts of the Company and its subsidiaries are subject to foreign exchange control and the approval of the administration authority for foreign exchange. Exchange rate fluctuations may arise as a result of the foreign exchange policies of the PRC government.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Company and its subsidiaries' interest rate risk policy requires the Company and its subsidiaries to manage interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires the Company and its subsidiaries to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, reprice interest on floating rate instruments at intervals of less than one year, and manage floating interest rate risk through interest rate swap and other instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Interest rate swaps

The Company's financial assets which bear interest at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties.

V. OTHER SPECIAL ANALYSES

Contingent event

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Company and its subsidiaries believe that any liabilities resulted therefrom will not have a material adverse effect on the financial position or operating results of the Company and its subsidiaries.

As of 31 December 2019, there were certain pending legal proceedings for the Company and its subsidiaries. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not cause significant losses to the Company and its subsidiaries.

Events after the reporting period

1. *Profit distribution*

On 27 March 2020, the Board of Directors of the Company proposed a final dividend of RMB0.461 per ordinary share for the year ended 31 December 2019 totaling RMB10,254 million. The above are subject to the approval of the forthcoming shareholders' general meeting of the Company.

2. *Issue of capital supplementary bonds*

On 23 March 2020, the Company issued capital supplementary bonds of RMB8 billion in the national inter-bank bond market. Term of the capital supplementary bonds is 10 years. The coupon rate is 3.59% per annum for the first five years. The Company has the option to redeem the capital supplementary bonds at the end of the fifth year. If the Company does not exercise the redemption right, the coupon rate will be 4.59% per annum for the remaining five years.

3. *The Assessment of the impact of the Coronavirus Disease 2019*

With the strict prevention measures of Coronavirus disease ("COVID-19") being taken throughout the country, the epidemic has gradually been under control.

The outbreak of COVID-19 has had impact on the operation of the customers, associates, joint venture and investees of the Company and its subsidiaries, which might in return negatively affect the insurance risk and investment quality and yield of the Company and its subsidiaries. The Company and its subsidiaries monitor the claim quantity and amounts regularly to assess the impact that would have on the financial position and results of the Company and its subsidiaries.

As there were only a few reported cases of COVID-19 as at 31 December 2019, the management is of the view that the impact is not material to the financial position of the Company and its subsidiaries as at 31 December 2019. As the situation remains fluid as at the date of this announcement, the Directors of the Company consider that the 2020 impact assessment is still in progress. Nevertheless, the management has been and will continue to take mitigating measures actively to reduce the impact that may arise in 2020.

Development of new products

In 2019, the Company focused on the hot spots of the market and the needs of customers and developed a total of 1,649 new insurance provisions, including 316 national provisions, 1,333 regional provisions, 1,289 main insurance provisions and 360 rider provisions. Among these new provisions, the Company registered 492 insurance provisions on the self-help registration platform of the Insurance Association of China and 38 insurance provisions on the platform of Shanghai Institute of Marine Insurance, filed 1,107 agriculture insurance provisions and agriculture-related provisions with the CBIRC's Insurance Provisions Electronic Filing System and submitted 12 provisions to the CBIRC for approval.

Employees

As at the end of 2019, the Company had 186,787 employees. In 2019, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB33,875 million, mainly including basic salaries, performance-related bonus, and various insurance and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by providing various career development paths, strengthening employee training, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

VI. LOOKING FORWARD

2020 is the year for China to reach a moderately prosperous society in all respects and the last year covered by the Thirteenth Five-year Plan and is also a key year for the Company to facilitate its transformation to high-quality development. The Company will focus on China's economic and social development trends in the new era, adhere to the new development concept and the principle of pursuing progress while ensuring stability, follow the direction of the insurance supply-side structural reform, work on capability building, further implement "3411 Project" of PICC Group, accelerate the process of the "Ten Key Initiatives" and the construction of the new business model of "insurance + technology + service", build up a modern technology-oriented risk management company and promote its transformation to high-quality development to facilitate the aspirations of the people to live a better life and achieve an excellent outcome of the Thirteenth Five-Year Plan.

(I) To deepen two integrations and upgrade insurance supply capacity

In terms of motor vehicle insurance segment, the Company will accelerate the integration of reforms in technology and business model, actively participate in the development of strict industrial regulation, take the initiative to embrace the industrial reform by leveraging its leading position in actuarial pricing and market pricing of motor vehicle insurance and improve its operating capability in motor vehicle insurance under new conditions. In terms of non-motor vehicle insurance segment, the Company will accelerate the process of deepening the integration of policy-oriented business and commercial business, strengthen technology empowerment, rigorously develop commercial business by leveraging its strength in policy-oriented business, conduct risk reduction management and upgrade the "insurance + service" model to comprehensively promote its operating capability in non-motor vehicle insurance segment.

(II) To deepen digitalisation strategy and promote operation and management capability

Efforts will be made to build an integral online and offline sales and service system to carry out precise marketing and continuously promote sales capability; further push forward online migration of customers, establish an integral insurance and financial service platform, optimise service efficiency, upgrade service quality, continuously promote service capability and increase customer stickiness on the basis of excellent insurance service; optimise business process, establish a digital operational model and continuously improve operating efficiency; accelerate IT development, push forward the reconstruction of its core system, bring its research, development, operation and maintenance to a new level and promote technological level to support its digital transformation.

(III) To improve quality, reduce cost, promote efficiency and increase profitability

Efforts will be made to enhance its control over underwriting business and improve the interconnected mechanism for direct underwriting, reinsurance and claim settlement to promote service quality; improve the claim management mechanism, rely on technology empowerment to improve quality, reduce claims and promote efficiency, and enhance claim settlement team building and management to promote claim settlement quality; optimise financial resources allocation, stick to the cost leadership strategy, allocate resources in a differentiated way, promote efficiency in resources utilisation, improve management of premium receivable and strengthen cash flow control; promote capital utilisation capability, uphold the principle of prudent investment, increase the long-term, stable earnings on fixed-income asset investment, control equity asset exposure, tighten the control over credit risk and seize the opportunities in the market trends to improve returns on investment.

(IV) To deepen regional strategy and promote regional operating capability

Efforts will be made to closely follow the changes in demand for insurance products in strategically significant cities, focus on the integration of the reforms of technology and business model, enhance technology empowerment and innovation-driven development and promote the operating capabilities in strategically significant cities; closely follow the changes in demand for insurance products in county-level market, focus on the integration of policy-oriented insurance and commercial insurance and improve operating model and capability in county-level market; seize the opportunities for outbound investment by Chinese enterprises, observe international rules, reform development pattern, expand our global business at low costs and accelerate oversea market development.

(V) To uphold the bottom line of compliance and improve risk control capabilities

Efforts will be made to improve corporate governance and risk control system, establish a sound risk control platform, conduct rigorous risk control over business process and key risk stages, improve the compliance mechanism consisting of “three lines of defence”; strengthen the exposure control over financing surety insurance, reinforce risk control capability building from the underwriting end, improve the capacity to identify underwriting risks and strengthen the set-up of the post-underwriting risk control system to enhance risk identification, fortify risk countermeasures and uphold the bottom line of no systematic risks.

VII. EFFECT OF AND RESPONSE TO THE NOVEL CORONAVIRUS PNEUMONIA

The Novel Coronavirus Pneumonia epidemic brought a short-term impact on China's economy. The business development of the Company was also affected to some extent. With the situation of the nationwide epidemic prevention and control showing a continuous improvement, the recovery of the production and living orders has been accelerated and the operation order of the Company is gradually restoring as well. In particular, as the central government has increased its macro-policy counter-cyclical adjustment efforts and implemented a more proactive and promising fiscal policy, the great potentials and strong momentum of China's development will be fully released, thereby creating favorable conditions for the Company's development. At the same time, the epidemic will bring far-reaching impacts on the production and life styles and the construction of modernisation of national governance, which will lead to constant emergence of new insurance demands, thus providing a broader space for insurance development.

During the period of epidemic, the Company, starting from the overall situation of serving the economic development and epidemic prevention and control, has devoted every effort to help winning the war of epidemic prevention and control. While properly conducting epidemic prevention and control within the Company, we have innovated the product supply, expanded the insurance liability, extended the term of protection, lowered the premium rates, upgraded the online services and opened the green claims settlement channel to fully safeguard the people's livelihood and health and serve the national epidemic prevention and control; we have also innovated and developed the business interruption insurance for small and medium-sized enterprises, conducted the safety production and epidemic prevention risk control management services on a free-of-charge basis and devoted all efforts to ensuring the recovery of enterprises' operation and production; we have focused on deep poverty-stricken areas through developing and promoting the comprehensive insurance regarding resumption of work for low-income workers. We increased the efforts on expanding business scope, raising protection standards and increasing product types of agriculture insurance and provided finance and credit support for poverty alleviation projects, with all of these efforts serving the poverty alleviation campaign; we have also taken the initiative to contact the health and epidemic prevention authorities and the emergency management authorities so as to develop exclusive products for clients in sectors such as health, epidemic prevention, pharmaceutical product manufacturing and storage and transportation, actively facilitated the government building an emergency public health catastrophe insurance mechanism and jointly built a national prevention and control system. In addition, we have deeply followed the corporate mission of "people's insurance serving the people", actively fulfilled our social responsibilities, conducted charity donation activities in no time, provided comprehensive insurance protection for anti-epidemic medical personnel free of charge, and served the overall situation and repaid society with our selfless dedication and professionalism.

Looking forward to the future, the Company will accurately grasp the far-reaching impacts on insurance caused by the economic and social development and the changes to production and life styles during the post-epidemic period, focus on our mission and responsibility, capitalise on the opportunity of capability building, devote more efforts to improving the capacity of emergency management over disasters, the supply capacity of innovative products and digitalised operation capacity, and accelerate the construction of the new business model of “insurance + technology + service”, so as to better serve the government’s emergency disaster management, serve the economic and social development needs and serve requirements arising from changes to customers’ production, living style and business mode, thereby pushing forward the Company’s transformation to high-quality development.

DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.461 per share (inclusive of applicable tax) for the year ended 31 December 2019. The total amount of dividend was approximately RMB10,254 million. The above proposal is subject to the approval of the Company’s shareholders at the annual general meeting. The specific arrangement regarding announcement and distribution of the final dividend, the closure of registration for H share members and etc. will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the final dividend will be paid around 21 August 2020 by the Company.

The Company had not paid any interim dividend during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities during the Year.

CORPORATE GOVERNANCE

Save for the deviation from code provision A.4.2 of the Corporate Governance Code for the period from 26 June 2018 to 6 March 2019, the Company complied with all the code provisions of the Corporate Governance Code during the Year.

According to the code provision A.4.2 of the Corporate Governance Code, each Director should be subject to retirement by rotation at least once every three years. The term of office of the Directors of the fourth session of the Board expired on 25 June 2018. However, in accordance with the requirements of the Company Law, where a director has not yet been re-elected upon the expiry of his/her term of office or the number of directors is less than the required quorum as a result of resignation of directors, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, the Directors of the fourth session of the Board will continue to serve as Directors until the Directors of the fifth session of the Board commence their terms of office. In order to comply with the requirement of code provision A.4.2 of the Corporate Governance Code, the Company held an extraordinary general meeting on 7 March 2019 and elected the Directors of the fifth session of the Board, whose terms of office commence from the date of the formal appointment by the Company and end on the expiry of the term of office of the fifth session of the Board. As a result of the Directors of the fourth session of the Board not having retired by rotation upon the expiry of their terms of office, the Company failed to comply with the relevant requirement of the code provision A.4.2 of the Corporate Governance Code during the period from 26 June 2018 to 6 March 2019.

REVIEW OF ANNUAL RESULTS

The Company's consolidated financial statements for the Year, prepared in accordance with Hong Kong Financial Reporting Standards, have been audited by Deloitte Touche Tohmatsu. The Audit Committee of the Company has reviewed the audited financial statements of the Company and its subsidiaries for the Year.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Board” or “Board of Directors”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company” or “We”	PICC Property and Casualty Company Limited
“Company Law”	the Company Law of the People's Republic of China
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Hua Xia Bank”	Hua Xia Bank Co., Limited

“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PICC Health”	PICC Health Insurance Company Limited
“PICC Life”	PICC Life Insurance Company Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Supervisor(s)”	the supervisor(s) of the Company
“the Year”	the year ended 31 December 2019
“%”	per cent

By Order of the Board
PICC Property and Casualty Company Limited
Miao Jianmin
Chairman

Beijing, the PRC, 27 March 2020

As at the date of this announcement, the Chairman of the Board is Mr. Miao Jianmin (executive director), the Vice Chairman is Mr. Xie Yiqun (executive director), the non-executive director is Mr. Li Tao, Ms. Xie Xiaoyu is an executive director, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Ma Yusheng, Mr. Chu Bende and Ms. Qu Xiaohui.