

# Report of the Board of Directors

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management, fintech and healthtech. There were no significant changes in the nature of the Group’s principal activities during 2018.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five years is set out in the section headed “Five-Year Summary.”

## MAJOR CUSTOMERS

In 2018, revenue from the Group’s five largest customers accounted for less than 1% of the total revenue for the year. None of the top five customers is a connected party of the Company.

## RELATIONSHIPS WITH CUSTOMERS

The Group believes that it is important to maintain good relationships with its customers to fulfill its long-term goal “to become a world-leading technology-powered retail financial services group.” To achieve this goal and maintain the leading position in terms of brand value, the Group is committed to delivering high-quality financial services to its customers. During 2018, there was no material and significant dispute between the Group and its customers.

## IMPLEMENTATION OF CASH DIVIDEND POLICY AND PROFIT DISTRIBUTION PLANS DURING THE REPORTING PERIOD

### Cash Dividend Policy

According to Article 217 of the Articles of Association, the Company shall attach importance to the reasonable investment returns for investors in its profit distribution. The profit distribution policy shall maintain its continuity and stability. The accumulated profit to be distributed in cash for recent three years shall not be less than 30% of the average annual distributable profit realized in recent three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the surplus reserve) is positive in value and such distribution is in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency, and operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of the Articles of Association.

In preparing a profit distribution plan, the Board of Directors of the Company shall listen to views and advice from shareholders (in particular, the minority shareholders), independent directors and independent supervisors in various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plan. When a specific cash dividend distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and prompt response shall be given to any issues the minority shareholders are concerned about.

Where an adjustment to our profit distribution policy is required due to the applicable laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders’ interests and in strict compliance with the decision-making process. To this end, the Board of Directors shall draft an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the adjustment plan to the general meeting for deliberation. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding at least two thirds of voting rights present at the general meeting.

### Implementation of Profit Distribution Plans

The 2017 annual profit distribution plan of the Company was deliberated and approved at the 2017 Annual General Meeting of the Company held on May 23, 2018, according to which the Company paid in cash the 2017 final dividend of RMB1.00 (tax inclusive) per share, in a total amount of RMB18,280,241,410.00, based on its total share capital of 18,280,241,410 shares.

The 30th Anniversary Special Dividend of the Company was deliberated and approved at the 2017 Annual General Meeting of the Company held on May 23, 2018, according to which the Company paid in cash the 30th Anniversary Special Dividend of RMB0.20 (tax inclusive) per share, in a total amount of RMB3,656,048,282.00, based on its total share capital of 18,280,241,410 shares.

The 2018 interim profit distribution plan of the Company was deliberated and approved at the 2nd meeting of the 11th Board of Directors of the Company held on August 21, 2018, according to which the Company paid in cash the 2018 interim dividend of RMB0.62 (tax inclusive) per share, in a total amount of RMB11,333,749,674.20, based on its total share capital of 18,280,241,410 shares.

The decision-making procedure and mechanism of the above profit distribution plans were complete, and the dividend payout standards and proportions were clear. The above profit distribution plans were in line with the Articles of Association, and the relevant deliberation procedures had fully protected legitimate interests of the minority shareholders. All the Independent Non-executive Directors of the Company have expressed independent opinions of their agreement on the profit distribution plans. Implementation of the above-mentioned distribution plans has been completed.

### ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's business results for 2018 are set out in the section headed "FINANCIAL STATEMENTS."

As stated in the 2018 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB107,404 million and the net profit of the parent company was RMB46,402 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit of the parent company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has reached 50% or more of the registered capital of the Company. After making the above profit distribution and taking into account the retained profit carried forward from the previous year, in accordance with the Articles of Association and other applicable requirements, the profit available for distribution to shareholders of the Company was RMB72,250 million.

The Company distributed the 30th Anniversary Special Dividend of RMB0.20 (tax inclusive) per share in the first quarter of 2018, and the 2018 interim dividend of RMB0.62 (tax inclusive) per share, which amounted to RMB14,989,797,956.20. The Company proposes to pay in cash the 2018 final dividend of RMB1.10 (tax inclusive) per share, in a total amount of RMB20,108,265,551.00, based on its total share capital of 18,280,241,410 shares. The remaining undistributed profit will be carried forward to 2019. The undistributed profit of the Company is mainly for the purpose of organic capital accumulation to maintain a reasonable solvency ratio as well as funding for subsidiaries so that they can maintain a reasonable solvency ratio or capital adequacy ratio.

The above plan will be implemented upon deliberation and approval at the 2018 Annual General Meeting. The profit distribution plan is in line with the Articles of Association and relevant deliberation procedures and fully protects legitimate interests of the minority shareholders of the Company. All the Independent Directors of the Company have expressed independent opinions of their agreement on the profit distribution plan.

For dividend payouts of the Company over the past three years, please refer to the section headed "Liquidity and Capital Resources."

# Report of the Board of Directors

## **DISTRIBUTABLE RESERVES**

As at December 31, 2018, the Company's distributable reserves totaled RMB72,250 million. The Company has proposed to distribute the 2018 final dividend of RMB1.10 per share (tax inclusive) in cash. After deducting the 2018 final dividend, the remaining distributable reserves were carried forward to 2019. Besides, the Company's capital reserve and surplus reserve amounted to RMB140,901 million, which can be distributed in a future capital issue.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For management discussion and analysis, please refer to the section headed "Management Discussion and Analysis."

## **USE OF PROCEEDS**

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing amounted to HKD36,831,472,000. The proceeds raised from the placing were used to develop the main businesses and replenish the equity and working capital of the Company. The use of the proceeds raised was consistent with the purposes approved by the Board of Directors. As at December 31, 2018, HKD4,059 million from the placing was kept in the specific fund-raising account, and the rest had been used.

## **PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD**

The non-raised funds of the Company mainly come from its core insurance business. The Company has been strictly following the relevant requirements of the CBIRC on the management of insurance funds. All the investments of insurance funds were made in the normal course of day-to-day operations.

## **EQUITY INVESTMENT DURING THE REPORTING PERIOD**

For equity investment, please refer to the section headed "Significant Events."

## **SHARE CAPITAL**

The change in share capital of the Company in 2018 and the share capital structure of the Company as at December 31, 2018 are set out in the section headed "Changes in the Share Capital and Shareholders' Profile."

## **RESERVES**

Details of movements in the reserves of the Company and the Group during 2018 are set out in the Note 40 to the consolidated financial statements and the Consolidated Statement of Changes in Equity respectively.

## **CHARITABLE AND OTHER DONATIONS**

Charitable donations made by the Company during 2018 totaled RMB240 million.

## **PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in property and equipment and investment properties of the Group during 2018 are set out in Notes 35 and 34 to the consolidated financial statements, respectively.

## **PRE-EMPTIVE RIGHTS**

There are no provisions regarding pre-emptive rights under the Company Law of the People's Republic of China or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during 2018.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS**

According to the resolutions of the 25th meeting of the 7th Board of Directors and the 2nd meeting of the 7th Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 11th Board of Directors and all Supervisors of the 9th Supervisory Committee in July 2018. Terms, duties, remuneration packages, confidentiality duties of Directors and Supervisors and commencement and termination of contracts were specified in the service contracts. As at December 31, 2018, no Director or Supervisor had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remunerations for the Directors and Supervisors for the year ended December 31, 2018 are set out in Note 56 to the consolidated financial statements.

### **DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

No Director or Supervisor of the Company or entity connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2018.

### **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES**

At no time during 2018 was the right to acquire benefits by means of acquisition of shares or debentures of the Company granted to or exercised by any Directors, Supervisors or their respective spouse or minor children, nor was the Company, or any of its subsidiaries, a party to any arrangement which enables the Directors or Supervisors to acquire such rights in any other legal entity.

### **DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS**

As far as the Directors are aware, none of the Directors or Supervisors of the Company has any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

### **PERMITTED INDEMNITY PROVISION**

The Company has arranged appropriate insurance cover for Directors and senior management's liabilities in respect of possible legal actions against its Directors and senior management arising out of corporate activities.

### **POST BALANCE SHEET EVENTS**

Details of the post balance sheet events are set out in Note 62 to the consolidated financial statements.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

In 2018, the Group maintained compliance with relevant laws and regulations that have significant impacts on operations of the Group.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Corporate Governance Code for any part of the period from January 1, 2018 to December 31, 2018, except that Mr. Ma Mingzhe has occupied both the positions of the Chairman and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out in the section headed "Corporate Governance Report."

# Report of the Board of Directors

## **AUDITORS**

According to the resolution made at the 2017 Annual General Meeting of the Company, the Company continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as auditors of the Company's financial statements under CAS and IFRS respectively, and engaged PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's internal controls in 2018.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, being March 12, 2019, at all times during the year ended December 31, 2018, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

### **Ma Mingzhe**

*Chairman and Chief Executive Officer*

Shenzhen, PRC

March 12, 2019