中国太平洋保险
China Pacific Insurance

2020 Interim Report

（Trading Symbol: CPIC）

中国太平洋保险(集团)股份有限公司
China Pacific Insurance (Group) Co.,Ltd.

Business overview

CPIC is a leading integrated insurance group in China, providing, through its nationwide marketing network and diversified service platform, a broad range of risk solutions, wealth management and asset management services to over 140 million customers throughout the country.

Unit: RMB million

Group operating income
235,481 +6.8%

GWPs – CPIC Life
138,586 +0.1%
GWPs – CPIC P/C
76,672 +12.3%

Group embedded value
430,420 +8.7%

NBV of life business
11,228 -24.8%

NBV margin of life business
37.0% -2.0pt

Combined ratio of P/C business[note]
98.4% -0.2pt

Growth rate of Group investments' net asset value (annualised)
5.3% -0.6pt

Group total investment yield (annualised)
4.8% 0.0pt
Group net investment yield (annualised)
4.4% -0.2pt

Group comprehensive solvency margin ratio
289% -6pt

CPIC Life 242%
CPIC P/C 275%

Group net profit attributable to shareholders of the parent
14,239 -12.0%

Group OPAT attributable to shareholders of the parent
17,428 +28.1%

Group AuM
2,306,305 +12.9%

Group number of customers ('000)
140,646 +2,088

Note: Consolidated data of CPIC P/C, Anxin Agricultural and CPIC HK.

Key indicators

Unit: RMB million

Indicators	As at 30 June 2020 /for the period between January and June in 2020	As at 31 December 2019 /for the period between January and June in 2019	Changes (%)
Key value indicators			
Group embedded value	430,420	395,987	8.7
Value of in-force business[note 1]	198,247	187,585	5.7
Group net assets[note 2]	196,798	178,427	10.3
NBV of CPIC Life	11,228	14,927	(24.8)
NBV margin of CPIC Life (%)	37.0	39.0	(2.0pt)
Combined ratio of CPIC P/C (%)	98.3	98.6	(0.3pt)
Annualised growth rate of investments' net asset value (%)	5.3	5.9	(0.6pt)
Key operating indicators			
GWPs	216,597	207,809	4.2
CPIC Life	138,586	138,428	0.1
CPIC P/C	76,672	68,247	12.3
Group number of customers ('000)[note 3]	140,646	138,558	1.5
Average number of insurance policies per customer	2.02	1.95	3.6
Monthly average agent number ('000)	766	796	(3.8)
Monthly average first-year commission per agent (RMB)	857	1,247	(31.3)
Surrender rate of CPIC Life (%)	0.5	0.5	-
Annualised total investment yield (%)	4.8	4.8	-
Annualised net investment yield (%)	4.4	4.6	(0.2pt)
Third-party AuM	753,439	623,815	20.8
CPIC AMC	269,597	194,766	38.4
Changjiang Pension	442,217	395,277	11.9
Key financial indicators			
Net profit attributable to shareholders of the parent	14,239	16,183	(12.0)
CPIC Life	10,147	12,259	(17.2)
CPIC P/C	3,176	3,350	(5.2)
Basic earnings per share (RMB)[note 2]	1.57	1.79	(12.3)
Net assets per share (RMB)[note 2]	20.55	19.69	4.4
Comprehensive solvency margin ratio (%)			
CPIC Group	289	295	(6pt)
CPIC Life	242	257	(15pt)
CPIC P/C	275	293	(18pt)

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.

2. Attributable to shareholders of the parent.

3. The Group number of customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

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Cautionary Disclaimer:
Forward-looking statements included in this report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors and other related parties are advised to be mindful of the risk, and be aware of the difference between the Company's plans or projections and its commitments. You are advised to exercise caution.

Important information

I. The Board of Directors, the Board of Supervisors, the directors, the supervisors and the senior management of the Company warrant that the contents of this interim report are true, accurate and complete and that there is no false representation, misleading statement or material omission in this interim report; and they severally and jointly accept responsibility for the contents of this interim report.

II. The Company's 2020 Interim Report was considered and approved at the 5th session of the 9th Board of Directors on 21 August 2020, which 8 Directors were required to attend and 8 of them attended in person.

III. The 2020 Interim Financial Report of the Company has not been audited.

IV. Mr. KONG Qingwei (person in charge of the Company), Mr. ZHANG Yuanhan (principal in charge of accounting and Chief Actuary) and Ms. XU Zhen (Head of the Accounting Department) warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.

V. The Company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the reporting period.

VI. The Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, strategy risk, reputational risk, capital management risk and other Group specific risks. For details of the risks that the Company may face, please refer to the Section "Review and analysis of operating results" of this report.

VII. There were no funds misappropriated by major shareholders or related parties of the Company.

VIII. The Company did not provide external guarantees in violation of the prescribed decision-making procedures.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

BOARD OF DIRECTORS

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Chairman’s statement

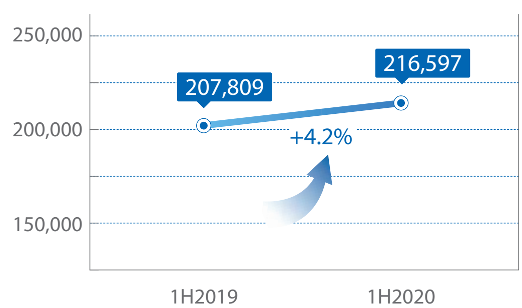
Dear shareholders

The year 2020 has shaped up to be one that is extraordinary and particularly challenging. With the unexpected outbreak of COVID-19, the whole of China mobilised manpower and resources to combat the pandemic. In the face of growing uncertainties in domestic and overseas economic environments, increasing risks and challenges, and normalisation of the pandemic prevention and control effort, **we took matters into our own stride, maintained consistency in strategies, and continued to work hard and make progress.**

We achieved a milestone in the history of our development. In the first half of 2020, we issued and listed global depositary receipts (GDRs) on the LSE, making us the first insurer simultaneously listed in Shanghai, Hong Kong and London. Our history over the past 30 years is compelling evidence of the importance of corporate governance as the bedrock of the development of a business enterprise. It is because of the effectiveness of our governance mechanisms that CPIC has been able to persist in high-quality development, forestall systemic risks, and contribute to national initiatives, China's real economy as well as the welfare of the Chinese people. And we will not stop there. The recent GDR issuance is another important step to enhance our corporate governance. It raised capital and, more importantly, it pooled talent. In particular, with the participation of high-quality investors such as Swiss Re, we further optimised our ownership structure, which laid a sound foundation for continuous

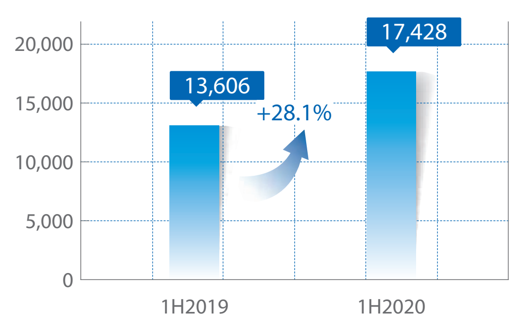
Group GWPs

Unit: RMB million



Group OPAT note

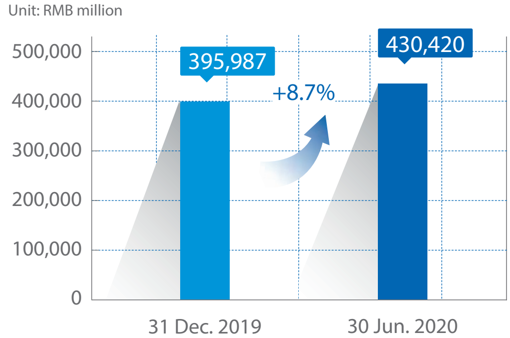
Unit: RMB million



Note: Attributable to shareholders of the parent.

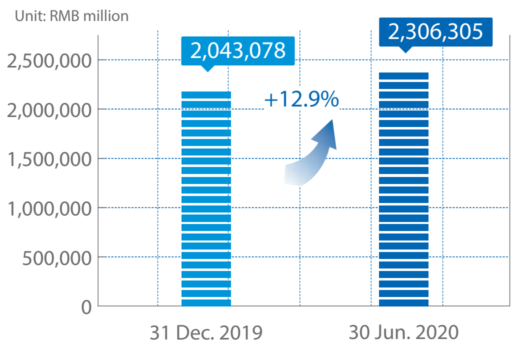
Group EV

Unit: RMB million



Group AuM

Unit: RMB million



enhancement of corporate governance. Recently, with the election of new directors, the new board of directors has become more diversified, international and professional, which, in turn, will add impetus to the implementation of Transformation 2.0 and long-term development of the Company.

We delivered steady growth of business results. The board closely tracked the status of KPIs and led a broad-based effort to promote business development. In the first half of the year, we achieved further growth of comprehensive strength, while maintaining an overall healthy momentum in the core business segments.

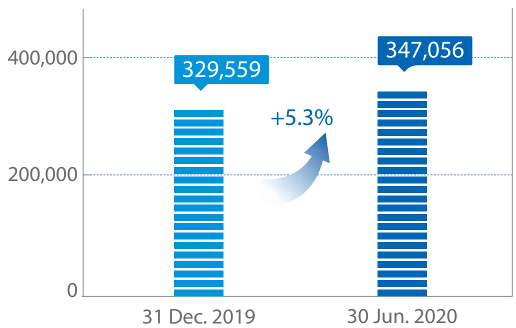
The property and casualty insurance business reported rapid top-line growth, with continued enhancement of underwriting profitability.

Our life insurance operation met challenges head-on, stepped up on-line management of the agency force, and continued to push for its restructuring and upgrading focusing on the 3 core segments. During the reporting period, we achieved steady growth of the life insurance residual margin, with improvement in new business value (NBV) margin of the individual customer business.

As for asset management, we persisted in the optimisation of Strategic Asset Allocation (SAA) based on profiles of liabilities, while enhancing infrastructural management, improving mechanisms of outsourcing management and performance evaluation, and pushing forward the building of mid-end systems, with steady investment performance in the first half of 2020.

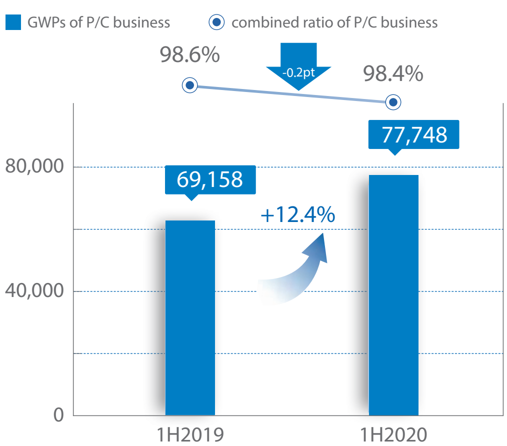
Residual margin of CPIC Life

Unit: RMB million



GWPs and combined ratio of P/C business note

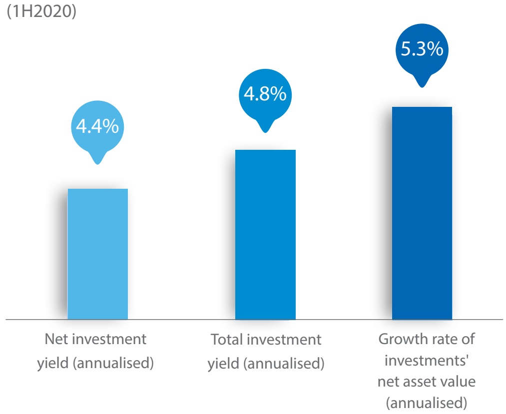
Unit: RMB million



Note: Consolidated data of CPIC P/C, Anxin Agricultural and CPIC HK.

Group investment assets

(1H2020)



We pressed ahead with transformation.

Breakthroughs in innovations of systems and mechanisms. We vigorously promoted the establishment of a market-based, long-term incentive system, with recent on-the-ground progress in the core business segments of our life and property and casualty operations. The new structure combines a performance-based pay system, which focuses on value contribution, and a dynamic mechanism to "enlarge the pie" of compensation package. At the same time, given the long-term nature of the insurance business, there are also mechanisms of "lock-ups", "deferred payment" and "claw-backs". The new scheme covers the key positions of the headquarters of the life and property and casualty subsidiaries, and is more skewed towards the front-line of their branch offices, so as to strike a balance between providing incentives for growth and quality. We believe that the implementation of the new mechanisms will stimulate organisational vitality and improve talent retention, paving the way for sustainable development.

Further progress of digital empowerment. The data centre in Luojing of Shanghai was proceeding according to plan, with the completion of "CPIC Cloud" and "3 Data Centres in 2 Locations". We continued to optimise the distributional framework of the core business systems, fostering seconds-level response capabilities. We also started comprehensive strategic co-operation with leading technology firms and renowned academies, put in place a mode of co-operation for the technology ecosystem, with steady progress in the capacity-building of data processing and AI mid-end output. We formulated a draft plan for the establishment of CPIC Fintech, in a bid to enhance our technology capabilities in an all-around way through marketisation of technology.

Reaping more benefits from increased intra-Group synergy. We launched a new management system for cross-sell business and intra-Group collaboration, integrated customer data, improved tools support and continued to promote the integrated customer-oriented operational model with our own characteristics. In the first half of 2020, business from intra-Group collaboration grew rapidly, underpinned by unified customer resources at Group level. Of this, cross-sell premiums, such as health and automobile insurance cross-sold by life insurance agents amounted to RMB9.95 billion, a growth of 20.9%; the number of customers with 2 insurance policies or above reached 27.29 million, up 6.3%; affiliates under the Group jointly developed more than 400 strategic accounts, which covered 84% of governments at provincial or municipal level.

Deepening of integrated risk management. We improved the standards, performance evaluation and personnel management systems of risk management, while launching pilot programmes of integrated risk management at grass-root levels. We pushed forward the integration of risk management and internal auditing which went downstream to sub-key branches, so as to enhance the risk management effectiveness at grass-root levels. We initiated the re-engineering of key processes at Group headquarters in a bid to streamline procedures, improve efficiency and strengthen service capabilities. We promoted the sharing of financial resources, deepened centralised management of fund payments and receipts, unified fund management so as to maximise benefits from centralisation.

We promoted the branding of "CPIC Service" in an all-around way. Since the outbreak of the pandemic, we stood side by side with our compatriots, and fully participated in the combat against the pandemic. As an insurance company, we provided insurance cover to mitigate disruption to the economy and people's welfare, while facilitating resumption of businesses and work. We provided comprehensive solutions in the form of funding and risk protection, which targeted the key supply chain and most vulnerable communities and enterprises, supporting firms in key sectors and SMEs in their effort to resume normal business. CPIC employees have been seen at the forefront of the fight against the pandemic, around the pavilions of the China International Import Expo, and at the scene of disaster relief in flood-stricken areas of Southern China, reinforcing a brand image of "Responsible, Smart and Caring" of "CPIC Service".

We continued to deepen targeted poverty reduction mechanisms. As of the end of the first half of 2020, our poverty alleviation programmes covered 6.414 million registered impoverished people nationwide and provided a total of RMB2.73 trillion in sum assured to poverty-stricken areas. The "*Fang Pin Bao*" programme was up and running in over 500 districts and counties of 25 provinces, providing cover against poverty with sum assured of RMB5.96 trillion, benefiting 90 million vulnerable people. We paired up with 2 rural townships and 3 rural villages and succeeded in lifting them out of poverty 9 months earlier than planned. The Rainbow On-line Charity Platform, stepped up product promotion via live streaming, and delivered nearly 60% increase in turnover dedicated to poverty alleviation. The mode of "shopping and donating to those in need" helps to pool resources and get more people on board in the poverty relief effort.

Thirty years is the prime time of one's life. As a business enterprise, we will soon celebrate our 30th anniversary, and that means more foresight and even better plan to prepare us for long-term growth opportunities. Recently, we completed a new 3-Year Development Programme of the Group and the Development Programme of Health-related Business. The former outlines the vision and objectives of the Group between 2020 and 2022, and sets out the 3 development paths, namely, the improvement of product and service supply, the focus on long-term capacity-building and long-term incentive systems and the establishment of an integrated risk control system. The latter revisits and revamps the strategic plan for deployment along the health value chain, with a vision of becoming a leading domestic provider of comprehensive health-related services via capacity-building in products, services, operation and risk management. In the retirement business, we are half way through the implementation of original plans. The "CPIC Home" retirement communities are up and running in various locations across China. Given China's economic development and demographic shift, the health and retirement sector is becoming increasingly important. The COVID-19 pandemic further raised people's awareness of public health. Going forward, we will seize opportunities and vigorously deploy along the health and retirement value chain, in a bid to promote the model of "insurance products + health management" and "insurance products + elderly care".

The quest for great achievements always starts with the first step. The COVID-19 pandemic is still spreading globally, triggering an economic slow-down. A new development pattern of "dual circulation" is beginning to take shape in China, with domestic circulation at the core supplemented by international circulation. As for China's insurance industry, the life insurance market is still facing big challenges, while on the property and casualty insurance side, the comprehensive reform of automobile insurance is expected to be launched soon, with the severity and frequency of natural disasters in 2020 rarely seen before. All these lead to increasing uncertainties in our business operation. But a complex market environment is all the more reason for rationality and consistency in strategies.

In the second half of the year, **we will persist in high quality development, while striking a balance between stability of business performance and the acceleration of transformation.**

On the liability side, we will accelerate the shift of growth drivers of property and casualty insurance, pro-actively adapt to the comprehensive reform of automobile insurance, and translate the achievements of previous transformation into our competitive edge. We will also step up the restructuring of the life insurance agency force, upgrade the customer-oriented operational model, and foster new growth engines via service and digital empowerment.

On the asset management side, in a complex economic environment, it is essential to adhere to the principle of long-term, prudent and value investing, further enhance investment research capabilities, step up post-investment management, strengthen co-ordination of assets and liabilities and continue to improve capabilities in risk prevention and mitigation.

It is equally important to foster long-term development capabilities in key areas. One is the deepening of long-term incentive systems so as to inject vitality into the organisation; another priority is **marketisation of technological innovation.** We will emulate leading insurance companies and renowned Internet firms, and accelerate market-based reform of systems and institutions so that technology can be a more powerful enabler of business development; there is also **the building of a platform for health management services** by pooling premium resources, both in-house and third-party, and promoting the sharing of core capabilities.

Looking ahead, under the leadership of the board of directors, we will stiffen the sinews, meet challenges head-on, and work relentlessly toward the vision of **"being the best in customer experience, business quality and risk control capabilities, with industry leadership in healthy and steady development".**

KONG Qingwei

Chairman of the Board of Directors

CPIC Group

Operating results

1

Key accounting data and financial indicators of the Company as at period ends

Unit: RMB million

Key accounting data	January to June 2020	January to June 2019	Changes (%)
Operating income	235,481	220,386	6.8
Profit before tax	17,630	14,485	21.7
Net profit[note]	14,239	16,183	(12.0)
Net profit net of non-recurring profit or loss[note]	14,163	11,345	24.8
Net cash flows from operating activities	67,285	64,805	3.8
	30 June 2020	31 December 2019	Changes (%)
Total assets	1,685,465	1,528,333	10.3
Equity[note]	196,798	178,427	10.3

Note: Attributable to shareholders of the parent.

Unit: RMB

Key accounting indicators	January to June 2020	January to June 2019	Changes (%)
Basic earnings per share[note 1]	1.57	1.79	(12.3)
Basic earnings per share net of non-recurring profit or loss[note 1]	1.56	1.25	24.8
Diluted earnings per share[note 1]	1.57	1.79	(12.3)
Weighted average return on equity (%)[note 1]	7.7	10.1	(2.4pt)
Weighted average return on equity net of non-recurring profit or loss (%)[note 1]	7.7	7.1	0.6pt
Net cash flows per share from operating activities[note 2]	7.41	7.15	3.6
	30 June 2020	31 December 2019	Changes (%)
Net assets per share[note 1]	20.55	19.69	4.4

Notes:
1. Attributable to shareholders of the parent.
2. Calculated by the weighted average number of ordinary shares in issue.

2 Non-recurring items

Unit: RMB million

Non-recurring items	January to June 2020
Gains on disposal of non-current assets	1
Government grants recognised in current profit or loss	133
Other net non-operating income and expenses other than aforesaid items	(25)
Effect of income tax relating to non-recurring profit or loss	(30)
Net non-recurring profit or loss attributable to non-controlling interests	(3)
Total	**76**

3 Other key financial and regulatory indicators

Unit: RMB million

Indicators	30 June 2020/January to June 2020	31 December 2019/January to June 2019
The Group		
Investment assets[note 1]	1,552,866	1,419,263
Investment yield (%)[note 2]	4.8	4.8
CPIC Life		
Net premiums earned	130,489	132,811
Growth rate of net premiums earned (%)	(1.7)	4.7
Net claims	29,066	30,218
Surrender rate (%)[note 3]	0.5	0.5
CPIC P/C		
Net premiums earned	59,304	50,563
Growth rate of net premiums earned (%)	17.3	3.7
Net claims	30,673	28,257
Unearned premium reserves	64,542	56,643
Claim reserves	42,527	37,026
Combined ratio (%)[note 4]	98.3	98.6
Loss ratio (%)[note 5]	59.7	59.2

Notes:

1. Investment assets include cash at bank and on hand, etc.
2. Total investment yield (annualised) = (investment income + gains/(losses) arising from changes in fair value + rental income from investment properties - charge of impairment losses on investment assets - interest expenses from securities sold under agreements to repurchase)/average investment assets, excluding foreign exchange gain or loss. Interest income from fixed income investments of investment income and rental income from investment properties are annualised. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.
3. Surrender rate = surrenders for the period/(opening balance of life insurance reserves + opening balance of long-term health insurance reserves + premium income for long term insurance).
4. Combined ratio = (claims - claims recoveries from reinsurers + changes in insurance contract reserves - insurance contract reserves recovered from reinsurers + expenses for reinsurance assumed + taxes and surcharges for insurance business + commission and brokerage expenses + operating and administrative expenses for insurance business - expenses recoveries from reinsurers + changes in insurance premium reserves + asset impairment losses of receivables)/net premiums earned.
5. Loss ratio = (claims - claims recoveries from reinsurers + changes in insurance contract reserves - insurance contract reserves recovered from reinsurers + changes in insurance premium reserves)/net premiums earned.

4
Discrepancy between the financial results prepared under PRC GAAP and HKFRS

There is no difference on the equity of the Group as at 30 June 2020 and 31 December 2019 and the net profit of the Group for the 6-month periods then ended as stated in accordance with PRC GAAP and HKFRS.

Review and analysis of operating results

1

Business overview

I. Key businesses

We are a leading integrated insurance group in China, and the first insurer simultaneously listed in Shanghai, Hong Kong and London. We provide, through our subsidiaries and along the insurance value chain, a broad range of risk protection solutions, wealth management and asset management services.

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

In the first half of 2020, China's insurance market realised a premium income of RMB2,718.624 billion, up 6.5% from the same period of 2019. Of this, premium from life/health insurance companies amounted to RMB1,996.877 billion, a growth of 6.0%, and that from property and casualty insurance companies amounted to RMB721.747 billion, up 7.6%. Measured by direct business premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

II. Main items on consolidated financial statements with change of over 30% and reasons

Unit: RMB million

Balance sheet items	30 June 2020	31 December 2019	Changes (%)	Main reason for the changes
Cash at bank and on hand	36,852	14,872	147.8	Timing difference
Financial assets at fair value through profit or loss	10,490	4,931	112.7	Increase in the investment
Premium receivables	35,275	17,916	96.9	Growth in insurance business and timing difference
Deferred income tax assets	1,127	860	31.0	Increase in deductible temporary differences
Other assets	17,013	12,397	37.2	Increase in investment fund receivable to be settled
Premium received in advance	7,414	21,000	(64.7)	Timing difference
Reinsurance payables	8,896	4,543	95.8	Growth in insurance business and timing difference
Taxes payable	3,938	2,166	81.8	Increase in corporate income tax payable
Insurance premium reserves	519	349	48.7	Growth in insurance business

Unit: RMB million

Income statement items	January to June 2020	January to June 2019	Changes (%)	Main reason for the changes
Premiums from reinsurance assumed	937	458	104.6	Growth in insurance business
(Losses)/gains arising from changes in fair value	(414)	898	(146.1)	Change in market value of financial assets held for trading
Expenses for reinsurance assumed	(432)	(152)	184.2	Growth in insurance business
Asset impairment losses	(2,838)	(1,508)	88.2	Increase in impairment losses of investment assets
Income tax	(3,039)	2,041	(248.9)	Effect of tax policy change in 2019 on the final settlement and payment for the 2018 fiscal year
Other comprehensive income	2,534	5,948	(57.4)	Change in fair value for available-for-sale financial assets

III. Core competitiveness

We are a leading integrated insurance group in China, and the first insurer simultaneously listed in Shanghai, Hong Kong and London, ranking 193rd among Fortune Global 500 released in 2020. On the back of vigorous effort in transformation and competitive insurance expertise, we can capitalise on the growth potential of China's insurance market.

> Focus

We persist in the focus on insurance, and have obtained a full range of insurance-related licences covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management. With balanced development of business segments along the insurance value chain, we have fostered top-notch core competitiveness in the insurance business. Our life/health insurance business, with the agency channel as the key driver of both volume and value growth, centres on protection, pursues product innovation and strives to drive sustainable value growth. The property and casualty insurance persists in business quality control, promotes the shift of growth drivers, with continuous improvement in underwriting profitability. As for investment, we put in place the system of asset liability management (ALM), adhere to prudent, value and long-term investing, and enhance mechanisms to curb cost of liabilities, with sustained improvement in industry-leading liability-based SAA capabilities. In the first half of the year, in the face of the COVID-19 pandemic, we pro-actively enhanced professional capacity-building, stepped up the on-line operation of the agency force, innovated products and services to seize opportunities arising from the resumption of work and buinsess, and achieved steady business development.

> Prudence

We are committed to protection as the central insurance value proposition, and pursue a path of high-quality development with a business philosophy centring on prudence and sustainability. We boast a professional and competent board of directors, an experienced management team and a group-centralised platform of management, with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. Through the recent GDR issuance, we raised capital and attracted talent, further optimised shareholding structure, which paved the way for continued improvement in corporate governance and an even more diversified, international and professional board of directors. We established an industry leading system for risk management and internal control, which ensures healthy and sustainable development of the Company.

> Dynamism

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

> Responsibility

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

2

Performance overview

We focused on the core business of insurance, deepened the customer-oriented Strategic Transformation, pursued high quality development and delivered solid business results and sustained increase in overall strength in the reporting period.

I. Performance highlights

During the reporting period, Group operating income amounted to RMB235.481 billion, of which, gross written premiums (GWPs) reached RMB216.597 billion, a growth of 4.2% compared with the same period of 2019. Group net profit[note 1] reached RMB14.239 billion, down by 12.0%, with net operating profit[notes 1,2] (OPAT) of RMB17.428 billion, a growth of 28.1%. Group embedded value amounted to RMB430.420 billion, an increase of 8.7% from the end of 2019. Of this, value of in-force business[note 3] reached RMB198.247 billion, up 5.7%. Life insurance business delivered RMB11.228 billion in NBV, down by 24.8% compared with the same period of 2019, with an NBV margin of 37.0%, down by 2.0pt. Property and casualty insurance business[note 4] recorded a combined ratio of 98.4%, down by 0.2pt. Annualised growth rate of Group investments' net asset value fell by 0.6pt to 5.3%. As of the end of the reporting period, Group total number of customers amounted to 140.65 million, an increase of 2.09 million from the end of 2019.

Life business NBV growth under pressure, with steady growth of residual margin.

> CPIC Life realised RMB11.228 billion in NBV, down by 24.8%, with an NBV margin of 37.0%, down by 2.0pt. Given the focus on business quality, the NBV margin of the individual customer business stood at 56.5%, up 6.8pt from the same period of 2019.

> The residual margin of life insurance amounted to RMB347.056 billion, a growth of 5.3% from the end of 2019.

> CPIC Life realised a 5.9% growth of renewal business, driving a GWP growth of 0.1%, reaching RMB138.586 billion.

Improved combined ratio of property and casualty business[note 4], with rapid top-line growth.

> The control of expenses was intensified in property and casualty insurance business, and recorded a combined ratio of 98.4%, down by 0.2pt. Of this, loss ratio stood at 59.9%, up 0.6pt, and expense ratio fell to 38.5%, down by 0.8pt.

> GWPs amounted to RMB77.748 billion, an increase of 12.4%. Of this, non-auto business grew by 29.1% and accounted for 38.2% of total property and casualty insurance GWPs, up 4.9pt.

> Automobile insurance enhanced renewal business management and pushed for a shift of growth drivers. Emerging business lines such as agricultural and liability insurance experienced rapid development. Of this, agricultural business realised RMB6.274 billion in direct business premiums[note 5], with a fast increase in market share.

Persisted in asset allocation stretching across economic cycles and based on profiles of liabilities, with largely stable investment results.

> The share of fixed income investments stood at 79.5%, down by 0.9pt from the end of 2019; that of equity investments 15.5%, down by 0.2pt, and of this, core equity investments[note 6] accounted for 8.3% of total investment assets, the same as that at the end of 2019.

> With continued effort to extend asset duration, enhance investment research capabilities and the Tactical Asset Allocation (TAA) process, Group annualised growth rate of investments' net asset value reached 5.3%, down by 0.6pt from the same period of 2019. Annualised total investment yield was 4.8%, the same as that for the first half of 2019, with annualised net investment yield of 4.4%, down by 0.2pt.

> Group assets under management (AuM) amounted to RMB2,306.305 billion, an increase of 12.9% from the end of 2019. Of this, third-party AuM amounted to RMB753.439 billion, an increase of 20.8%.

Notes:

1. Attributable to shareholders of the parent.
2. OPAT is based on net profit on the financial statements, while excluding certain P/L items with short-term volatility and material one-off items which management does not consider to be part of the Company's day-to-day business operation.
3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Consolidated data of CPIC P/C, Anxin Agricultural and CPIC HK.
5. Based on direct business premiums, excluding premium from reinsurance assumed, with consolidation of CPIC P/C and Anxin Agricultural.
6. Stocks and equity funds included.

II. Key performance indicators

Unit: RMB million

Indicators	As at 30 June 2020 /for the period between January and June in 2020	As at 31 December 2019 /for the period between January and June in 2019	Changes (%)
Key value indicators			
Group embedded value	430,420	395,987	8.7
Value of in-force business[note 1]	198,247	187,585	5.7
Group net assets[note 2]	196,798	178,427	10.3
NBV of CPIC Life	11,228	14,927	(24.8)
NBV margin of CPIC Life (%)	37.0	39.0	(2.0pt)
Combined ratio of CPIC P/C (%)	98.3	98.6	(0.3pt)
Annualised growth rate of investments' net asset value (%)	5.3	5.9	(0.6pt)
Key operating indicators			
GWPs	216,597	207,809	4.2
CPIC Life	138,586	138,428	0.1
CPIC P/C	76,672	68,247	12.3
Group number of customers ('000)[note 3]	140,646	138,558	1.5
Average number of insurance policies per customer	2.02	1.95	3.6
Monthly average agent number ('000)	766	796	(3.8)
Monthly average first-year commission per agent (RMB)	857	1,247	(31.3)
Surrender rate of CPIC Life (%)	0.5	0.5	-
Annualised total investment yield (%)	4.8	4.8	-
Annualised net investment yield (%)	4.4	4.6	(0.2pt)
Third-party AuM	753,439	623,815	20.8
CPIC AMC	269,597	194,766	38.4
Changjiang Pension	442,217	395,277	11.9
Key financial indicators			
Net profit attributable to shareholders of the parent	14,239	16,183	(12.0)
CPIC Life	10,147	12,259	(17.2)
CPIC P/C	3,176	3,350	(5.2)
Comprehensive solvency margin ratio (%)			
CPIC Group	289	295	(6pt)
CPIC Life	242	257	(15pt)
CPIC P/C	275	293	(18pt)

Notes:

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

3

Life/health insurance business

Due to the impact of COVID-19 pandemic, NBV growth was under pressure. CPIC Life stepped up on-line business operation, promoted the restructuring of the agency force, explored the new development mode of “products + services” in a bid to foster new growth drivers. CPIC Allianz Health boosted product and service innovations, deepened Group strategy of synergic development, and recorded rapid business growth.

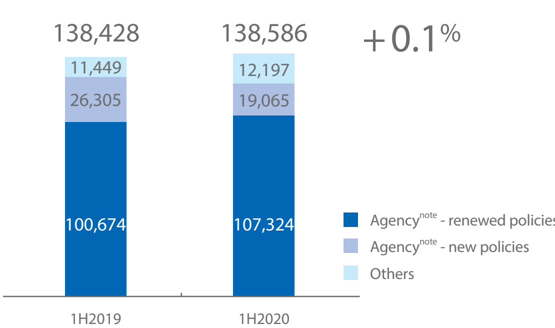
I. CPIC Life

(I) Business analysis

In the first half of 2020, driven by renewal business growth, CPIC Life reported RMB138.586 billion in GWPs, a growth of 0.1% compared with the same period of 2019. Due to the decline of new business premiums, the NBV fell by 24.8% to RMB11.228 billion. As a result of decreased share of first year premiums (FYPs) from individual customer business, the NBV margin fell by 2.0pt to 37.0%, Given the focus on business quality, the NBV margin of the individual customer business stood at 56.5%, up 6.8pt.

GWPs of CPIC Life

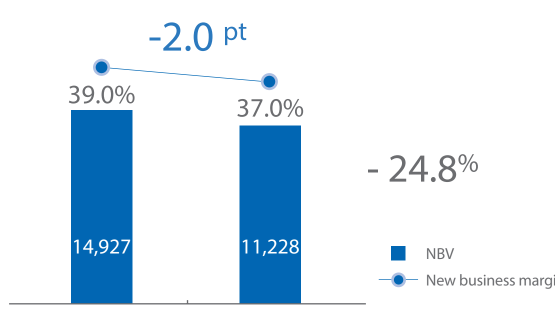
Unit: RMB million



Note: Agency channel refers to that of the individual business in this report.

NBV and new business margin of CPIC Life

Unit: RMB million



1. Analysis by channels

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Individual customers	**130,707**	**132,398**	**(1.3)**
Agency channel	**126,389**	**126,979**	**(0.5)**
New policies	19,065	26,305	(27.5)
Regular premium business	14,741	22,800	(35.3)
Renewed policies	107,324	100,674	6.6
Other channels[note]	**4,318**	**5,419**	**(20.3)**
Group clients	**7,879**	**6,030**	**30.7**
Total GWPs	**138,586**	**138,428**	**0.1**

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

(1) Business from individual customers

For the reporting period, CPIC Life realised RMB130.707 billion in GWPs from individual customers, down by 1.3%. Of this, new policies from the agency channel amounted to RMB19.065 billion, down by 27.5%, and renewal business RMB107.324 billion, an increase of 6.6%. GWPs from the agency channel accounted for 91.2% of GWPs, a decrease of 0.5pt from the first half of 2019.

The COVID-19 pandemic was a major disruption to the traditional operational mode of the agency channel, such as off-line marketing, recruitment and basic management activity. To address these challenges, CPIC Life took a host of measures to promote the upgrading of the agency force, such as accelerating on-line operation, improving agent recruitment, enhancing agent training, and increasing technological applications. During the reporting period, monthly average number of agents reached 766,000. Of this, monthly average number of active and high-performing agents reached 207,000 and 121,000, accounting for 27.0% and 15.8% respectively of the total number of agents, with month-on-month recovery in the second quarter. At the same time, we vigorously explored the new model of "products + health management" and "products + elderly care" via the health management service of "CPIC Blue Passports", the deposit of human immune cells under the "Life Bank" programme, and retirement communities of "CPIC Home" to help with the acquisition of high-end customers. As of the end of the reporting period, "CPIC Home" had extended over 10,000 certificates of admission into its retirement communities.

Going forward, CPIC Life will persist in customer orientation and high-quality development, "do the right thing" and pursue sustainable value growth. We will intensify efforts to upgrade the agency force, diversify service offerings and promote digital empowerment. To be specific, we will step up the restructuring of the sales force focusing on the core manpower, ultra-high performing agents and new generation agents; vigorously push forward the model of "products + services" as part of the effort to foster the brand name of "CPIC Service"; step up digital empowerment and the on-line and off-line integration to strengthen capabilities in customer acquisition and up-sell.

For 6 months ended 30 June	2020	2019	Changes (%)
Monthly average agent number ('000)	766	796	(3.8)
Monthly average FYP per agent (RMB)	4,183	5,887	(28.9)
Monthly average first-year commission per agent (RMB)	857	1,247	(31.3)
Average number of new long-term life insurance policies per agent per month	1.83	1.54	18.8

(2) Business from group clients

In pursuit of high-quality development, CPIC Life focused on the core customer segments, effectively controlled expenses and risks through business and service innovations, and delivered improved profitability as evidenced by lower direct cost ratio and combined ratio. During the reporting period, the business segment realised RMB7.879 billion in GWPs, up 30.7%. CPIC Life vigorously contributed to China's social health insurance system by engaging in government-sponsored business such as critical illness programmes, third-party administration of social insurance, long-term care and supplementary medical insurance, which, during the reporting period, covered over 115 million people, cumulatively responded to nearly 14 million service requests, and paid out a total of RMB16 billion in claims; there was cumulatively a total of 36 managed care programmes, covering 32 million people under the social security system in 31 municipalities/prefectures of 12 provinces.

2. Analysis by product types

CPIC Life focus on both traditional and participating products. For the reporting period, traditional business generated RMB55.370 billion in GWPs, up 14.0%. Of this, long-term health insurance contributed RMB28.491 billion, up 2.8%. Participating business delivered RMB70.234 billion in GWPs, down by 11.1%, due to switch of products.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
GWPs	**138,586**	**138,428**	**0.1**
Traditional	55,370	48,573	14.0
Long-term health	28,491	27,717	2.8
Participating	70,234	79,015	(11.1)
Universal	49	52	(5.8)
Tax-deferred pension	38	38	-
Short-term accident and health	12,895	10,750	20.0

3. Policy persistency ratio

For 6 months ended 30 June	2020	2019	Changes
Individual life insurance customer 13-month persistency ratio (%)[note 1]	86.9	91.7	(4.8pt)
Individual life insurance customer 25-month persistency ratio (%)[note 2]	86.7	90.5	(3.8pt)

Notes:

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

The policy persistency of CPIC Life maintained an overall healthy level, with the 13-month and 25-month persistency ratios at 86.9% and 86.7% respectively.

4. Top 10 regions for GWPs

The GWPs of CPIC Life mainly came from economically developed regions or populous areas.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
GWPs	**138,586**	**138,428**	**0.1**
Henan	16,193	16,354	(1.0)
Jiangsu	14,215	14,321	(0.7)
Shandong	11,776	11,631	1.2
Zhejiang	10,038	10,293	(2.5)
Hebei	8,738	8,713	0.3
Guangdong	7,486	7,646	(2.1)
Heilongjiang	6,009	5,969	0.7
Hubei	6,001	5,845	2.7
Shanxi	5,614	5,849	(4.0)
Sichuan	4,460	4,401	1.3
Subtotal	90,530	91,022	(0.5)
Others	48,056	47,406	1.4

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Net premiums earned	130,489	132,811	(1.7)
Investment income[note 1]	35,284	29,391	20.1
Exchange gains/(losses)	6	-	/
Other operating income	1,189	1,144	3.9
Gains on disposal of assets	-	-	/
Other income	35	5	600.0
Operating income	**167,003**	**163,351**	**2.2**
Surrenders	(5,354)	(5,072)	5.6
Claims	(30,551)	(31,285)	(2.3)
Less: claims recoveries from reinsurers	1,486	1,067	39.3
Net change in insurance contract reserves	(89,441)	(82,636)	8.2
Commission and brokerage expenses	(13,018)	(18,143)	(28.2)
Operating and administrative expenses	(6,680)	(6,866)	(2.7)
Other expenses[note 2]	(11,830)	(9,852)	20.1
Operating expenses	**(155,388)**	**(152,787)**	**1.7**
Operating profit	11,615	10,564	9.9
Net of non-operating income and expenses	-	(16)	(100.0)
Income tax	(1,468)	1,711	(185.8)
Net profit	**10,147**	**12,259**	**(17.2)**

Notes:

1. Investment income includes investment income and gains/(losses) arising from changes in fair value on financial statements.
2. Other expenses include policyholder dividends, expenses for reinsurance assumed, expense recoveries form reinsurers, interest expenses, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period was RMB35.284 billion, up 20.1%, mainly because of increase in gains from securities trading and interest income on bond investments.

Claims amounted to RMB30.551 billion, down by 2.3%, largely due to decrease payment of annuity in the reporting period.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Claims	**30,551**	**31,285**	**(2.3)**
Traditional	7,444	10,696	(30.4)
Long-term health	3,396	3,552	(4.4)
Participating	19,251	16,780	14.7
Universal	27	40	(32.5)
Tax-deferred pension	-	-	/
Short-term accident and health	3,829	3,769	1.6
Claims	**30,551**	**31,285**	**(2.3)**
Indemnity	3,829	3,769	1.6
Payment upon maturity and survival	13,986	12,267	14.0
Payment of annuity	8,128	10,421	(22.0)
Payment upon death, injury or medical treatment	4,608	4,828	(4.6)

Commission and brokerage expenses for the reporting period amounted to RMB13.018 billion, down by 28.2%, mainly due to the decline of new business premiums. Of this, commissions on long-term health insurance and participating insurance fell even more.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Commission and brokerage expenses	**13,018**	**18,143**	**(28.2)**
Traditional	9,368	12,391	(24.4)
Long-term health	4,622	9,735	(52.5)
Participating	2,270	4,367	(48.0)
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	1,380	1,385	(0.4)

Income tax for the reporting period was RMB1.468 billion, up by 185.8%, mainly due to adjustment of tax deductible policies on commission and brokerage expenses of insurance companies. The income tax expense booked for 2018 was adjusted in 2019, resulting in a low base in 2019, hence the sharp increase in the first half of 2020. Excluding the above-mentioned factor, income tax for the reporting period would have decreased by 14.7% from the same period of 2019.

As a result, CPIC Life recorded a net profit of RMB10.147 billion, down by 17.2%.

II. CPIC Allianz Health

In the first half of 2020, CPIC Allianz Health vigorously adapted to the COVID-19 pandemic, leveraged its strengths as a specialised provider of health insurance and management services, and strived to provide high-quality service to Group customers via on-line and off-line channels, doing its share to promote the branding of “Responsible, Smart and Caring” of CPIC Service. In the meantime, despite the adverse impact of the pandemic, it continued to deepen the strategy of boosting development via increased intra-Group synergy, and reported rapid business growth. For the reporting period, it realised RMB4.022 billion in GWPs and health management fee income, a growth of 52.7%, and net profit of RMB23 million.

The company seized the window of opportunity of China’s health insurance market, continuously fostered core competitiveness of health insurance companies. In product development, it supported CPIC Life in its effort to improve the product line-up, drive business development and enhance customer experience, achieving a 57.6% growth of life insurance collaboration business in the first half of 2020; it focused on the transformation in personal lines business of property and casualty insurance, accelerated product upgrading, optimised service allocation, fuelling a 40.6% fast growth of the individual health insurance business of CPIC P/C in the reporting period. The health subsidiary continued to diversify its product offerings and explored product innovation of single illnesses. In respect of operational risk control, it continuously enhanced service quality in insurance application, claims handling, business renewals and customer service, in a bid to enhance customer experience. As for health management, the company stepped up deployment along the health-related value chain by means of partnerships and collaboration, boosted the integration of health management and health insurance so as to promote the development of health insurance business; it diversified the model of “products + services”, put in place mechanisms of “insurance + health management” to support customer acquisition and up-sell and customer value generation.

4

Property and casualty insurance

In the first half of 2020, CPIC P/C[note] introduced effective steps to mitigate the impact of COVID-19 pandemic, persisted in business quality control, achieved continued improvement in underwriting profitability and rapid premium growth. The capability of customer acquisition and retention was enhanced in automobile insurance to promote the shift of growth drivers, with further improvement in the combined ratio; non-auto business maintained underwriting profitability, with rapid development of emerging business lines including agricultural and liability insurance.

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

I. CPIC P/C

(I) Business analysis

During the reporting period, in the face of the pandemic, CPIC P/C focused on disease control and prevention on one hand and the resumption of business on the other. It innovated products and services to help with the resumption of work and business to mitigate the impact of the epidemic. At the same time, CPIC P/C vigorously promoted the branding of CPIC Service, enhanced customer acquisition and retention and deepened risk management to pursue high-quality development. It reported GWPs of RMB76.672 billion, up 12.3%, with a combined ratio of 98.3%, a decrease of 0.3pt from the same period of 2019. Of this, the loss ratio stood at 59.7%, up 0.5pt, and the expense ratio reached 38.6%, down by 0.8pt.

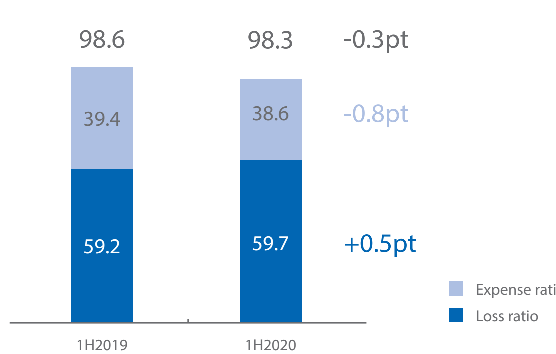
1. Analysis by lines of business

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
GWPs	**76,672**	**68,247**	**12.3**
Automobile insurance	47,962	46,133	4.0
Compulsory automobile insurance	11,515	10,784	6.8
Commercial automobile insurance	36,447	35,349	3.1
Non-automobile insurance	28,710	22,114	29.8
Agricultural insurance	5,721	3,796	50.7
Liability insurance	4,840	3,609	34.1
Health insurance	4,828	2,724	77.2
Commercial property insurance	3,553	3,441	3.3
Others	9,768	8,544	14.3

Combined ratio of CPIC P/C

Unit: %



(1) Automobile insurance

In the first half of 2020, CPIC P/C proactively adapted to challenges such as the slow-down of new vehicle sales and the impact of COVID-19 pandemic, continued to enhance customer acquisition and retention, promoted on-line business operation in an all-around way, accelerated on-line and off-line integration, enhanced risk selection and achieved high-quality development of automobile insurance business.

For the reporting period, CPIC P/C reported GWPs of RMB47.962 billion from automobile business, a growth of 4.0%, with a combined ratio of 97.8%, down by 0.6pt from the first half of 2019. Of this, the loss ratio stood at 59.6%, down by 0.3pt and the expense ratio decreased by 0.3pt to 38.2%.

Going forward, the company will continue to ensure compliance in its business operation, pro-actively adapt to the comprehensive reform of automobile insurance, continuously enhance capabilities in customer acquisition and retention, step up on-line operation, deepen intra-Group synergy, enhance risk selection and pricing, intensify claims management and claims cost control in a bid to drive high-quality development of automobile business.

(2) Non-automobile insurance

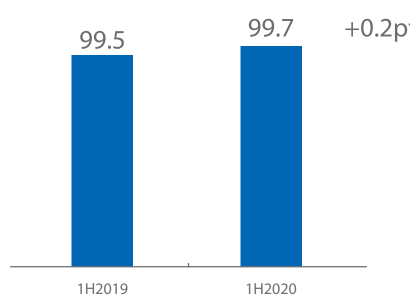
For the reporting period, CPIC P/C made great efforts to mitigate the impact of COVID-19, supported China's national strategies, the real economy and people's welfare. It accelerated the development of emerging business lines, continued to enhance business quality control, and recorded GWPs of RMB28.710 billion, up 29.8%, with a combined ratio of 99.7%, up 0.2pt, staying relatively stable. Of the major business lines, commercial property insurance and liability insurance reported further improvement in the combined ratio, with accident insurance recording great improvement in underwriting profitability. Emerging lines including agricultural and liability insurance continued to grow rapidly.

Out of the above, agricultural insurance stepped up innovations in products, services and technology, and continuously improved services for farmers and rural areas. During the outbreak of COVID-19, it developed an innovative insurance solution insuring against the disruption to the supply of farm produce in large and medium-sized cities, which played an important role in ensuring food supply. In the first half of 2020, the business line delivered RMB5.721 billion in GWPs, up 50.7%.

Guarantee insurance focused on personal lines business and business of using guarantee insurance as a substitute for security deposit, continued to enhance the risk control systems and anti-fraud and credit risk management capabilities, with business risks under control.

Combined ratio of non-auto business

Unit: %



Going forward, we will continue to accelerate the development of emerging lines, optimise business mix, step up product and service innovations, and push for an all-around upgrading of the customer-oriented operational capabilities. At the same time, we will strengthen business quality control, establish risk control systems for emerging business, increase digital empowerment, improve technology-driven risk management capabilities based on smart risk control and digital operational platforms, so as to drive healthy and rapid development of the business.

(3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2020

Name of insurance	GWPs	Amounts insured	Claims	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	47,962	15,217,920	24,958	65,319	945	97.8
Agricultural insurance	5,721	187,745	2,223	4,636	5	99.8
Liability insurance	4,840	19,637,353	1,391	6,445	267	89.5
Health insurance	4,828	157,493,231	1,825	4,657	(345)	111.7
Commercial property insurance	3,553	9,145,638	1,247	5,212	59	96.7

2. Top 10 regions for GWPs

CPIC P/C implemented differentiated regional development strategies as per requirements of the Group concerning the 3 Strategic Areas, while considering factors like market potential and local market competitive landscape.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
GWPs	**76,672**	**68,247**	**12.3**
Guangdong	8,600	7,324	17.4
Jiangsu	8,362	7,563	10.6
Zhejiang	6,760	6,543	3.3
Shanghai	5,220	4,960	5.2
Shandong	4,368	3,883	12.5
Beijing	3,575	3,446	3.7
Hebei	2,992	2,518	18.8
Henan	2,888	2,397	20.5
Hunan	2,785	2,368	17.6
Sichuan	2,684	2,453	9.4
Subtotal	48,234	43,455	11.0
Others	28,438	24,792	14.7

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Net premiums earned	59,304	50,563	17.3
Investment income[note 1]	3,613	2,820	28.1
Exchange gains/(losses)	42	(75)	(156.0)
Other operating income	137	88	55.7
Gains on disposal of assets	1	-	/
Other income	23	17	35.3
Operating income	**63,120**	**53,413**	**18.2**
Claims	(34,822)	(32,096)	8.5
Less: claims recoveries from reinsurers	4,149	3,839	8.1
Net change in insurance contract reserves	(4,603)	(1,596)	188.4
Changes in insurance premium reserves	(150)	(81)	85.2
Commission and brokerage expenses	(9,637)	(8,907)	8.2
Operating and administrative expenses	(15,539)	(13,259)	17.2
Other expenses [note 2]	1,735	1,351	28.4
Operating expenses	**(58,867)**	**(50,749)**	**16.0**
Operating profit	4,253	2,664	59.6
Net of non-operating income and expenses	(5)	2	(350.0)
Income tax	(1,072)	684	(256.7)
Net profit	**3,176**	**3,350**	**(5.2)**

Notes:

1. Investment income includes investment income and gains/(losses) arising from changes in fair value on financial statements.
2. Other expenses include expenses for reinsurance assumed, expense recoveries from reinsurers, interest expenses, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period amounted to RMB3.613 billion, up by 28.1%, mainly attributable to higher gains from securities trading.

Claims reached RMB34.822 billion, up 8.5%, mainly as a result of business growth.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Claims	**34,822**	**32,096**	**8.5**
Automobile insurance	24,958	24,996	(0.2)
Non-automobile insurance	9,864	7,100	38.9

Commission and brokerage expenses amounted to RMB9.637 billion, a growth of 8.2%, largely stable as a share of GWPs.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Commission and brokerage expenses	**9,637**	**8,907**	**8.2**
Automobile insurance	6,931	6,499	6.6
Non-automobile insurance	2,706	2,408	12.4

Operating and administrative expenses amounted to RMB15.539 billion, an increase of 17.2%, and accounting for 20.3% of GWPs, up 0.9pt from the same period of 2019, mainly because of adjustment of statutory insurance security fund.

This, coupled with the impact of adjustment of policies on deductibles for corporate income tax in the first half of 2019, resulted in a net profit of RMB3.176 billion, a decrease of 5.2% from the same period of 2019.

II. Anxin Agricultural

In the first half of 2020, committed to the high-quality development objectives, Anxin Agricultural continued to cement its branding as a top-notch provider of agricultural insurance, underpinned by innovation and transformation, deepening of integration, empowerment of technology and compliance in business operation. It delivered RMB902 million in GWPs, up 13.5%. Of this, agricultural insurance reported GWPs of RMB598 million, a growth of 10.9%, with a combined ratio of 107.7%, up 15.1pt, due to the impact of a higher loss ratio. It reported net profit of RMB26 million, down by 50.0%.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2020, its total assets stood at RMB1.343 billion, with net assets of RMB552 million. GWPs for the reporting period amounted to RMB277 million, with a combined ratio of 92.4%, and a net profit of RMB12 million.

5

Asset management

We persist in long-term, value and prudent investing and support the core insurance business with outstanding ALM capabilities. Within the SAA framework, we continued to extend the duration of assets, while seizing market opportunities and dynamically adjusting the procedures of TAA. As a result, we delivered solid investment performance, with Group AuM on steady increase.

I. Group AuM

As of the end of the first half of 2020, Group AuM totalled RMB2,306.305 billion, rising 12.9% from the end of 2019. Of this, Group in-house investment assets amounted to RMB1,552.866 billion, a growth of 9.4%, and third-party AuM RMB753.439 billion, an increase of 20.8%, with a fee income of RMB1.059 billion, up 51.3% from the same period of 2019.

Unit: RMB million

	30 June 2020	31 December 2019	Changes (%)
Group AuM	**2,306,305**	**2,043,078**	**12.9**
Group in-house investment assets	1,552,866	1,419,263	9.4
Third-party AuM	753,439	623,815	20.8
CPIC AMC	269,597	194,766	38.4
Changjiang Pension	442,217	395,277	11.9

II. Group in-house investment assets

During the reporting period, in the face of the formidable challenges of COVID-19 and complex domestic and international environment, China demonstrated solidarity and pushed forward disease prevention and control and social and economic development in a coordinated manner. On the capital market, interest rates fell sharply and then experienced a V-shaped rebound; the equity market rallied amid steady progress of pandemic control and resumption of business and work, with the ChiNext market rallying even more.

With the guidance of SAA, we conducted TAA with flexibility, seized market opportunities and achieved solid investment results. In fixed income investments, given expectations of lower interest rates, we seized tactical opportunities and increased allocation into T-bonds and local government bonds at a time of interest rate rebound to extend asset duration. We also increased investments in high-quality non-public financing instruments to the extent that the liquidity risk is under control. Given possible deterioration of defaults on the fixed income market, we maintained prudence in credit risk exposure.

(I) Consolidated investment portfolios

Unit: RMB million

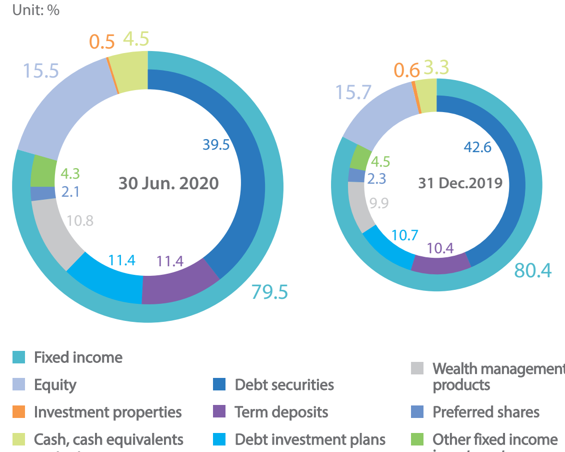
	30 June 2020	Share (%)	Share change from the end of 2019 (pt)	Changes (%)
Group investment assets (total)	1,552,866	100.0	-	9.4
By investment category				
Fixed income investments	1,233,918	79.5	(0.9)	8.1
- Debt securities	613,802	39.5	(3.1)	1.4
- Term deposits	177,168	11.4	1.0	19.9
- Debt investment plans	176,761	11.4	0.7	16.7
- Wealth management products[note 1]	167,452	10.8	0.9	18.5
- Preferred shares	32,000	2.1	(0.2)	-
- Other fixed income investments[note 2]	66,735	4.3	(0.2)	4.1
Equity investments	241,293	15.5	(0.2)	8.6
- Equity funds	30,210	1.9	-	14.4
- Bond funds	17,738	1.1	(0.2)	(2.4)
- Stocks	98,545	6.4	-	8.8
- Wealth management products[note 1]	1,475	0.1	-	102.3
- Preferred shares	13,763	0.9	(0.1)	1.0
- Other equity investments[note 3]	79,562	5.1	0.1	9.6
Investment properties	8,121	0.5	(0.1)	(2.0)
Cash, cash equivalents and others	69,534	4.5	1.2	47.7
By investment purpose				
Financial assets at fair value through profit or loss	10,490	0.7	0.4	112.7
Available-for-sale financial assets	526,093	33.9	(2.2)	2.8
Held-to-maturity financial assets	303,424	19.5	(1.3)	2.8
Long-term equity investments	20,188	1.3	(0.1)	(1.2)
Loans and other investments[note 4]	692,671	44.6	3.2	18.0

Notes:

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

Group consolidated investment portfolios

Unit: %



1. By investment category

As of the end of the reporting period, the share of debt securities was 39.5%, a drop of 3.1pt from the end of 2019. Out of the above, treasury bonds, local government bonds and financial bonds issued by policy banks made up 16.4% of total investment assets, up 0.2pt from the end of 2019, with an average duration of 15.3 years, extended by 0.1 years versus the end of 2019. Moreover, 99.8% of enterprise bonds and financial bonds issued by non-policy banks had an issuer/debt rating of AA/A-1 or above. Out of these, the share of AAA reached 93.7%. We put in place and dynamically enhanced independent internal credit-rating teams and credit risk management systems covering the entire debt securities investment process, namely, before, during and after the investment. In the selection of new securities, we looked at the internal credit-rating of both the debt and debt issuer, identified the credit risk based on our internal credit-rating system and the input from in-house credit analysts, while considering other factors such as macroeconomic conditions, market environment and external credit-ratings in order to make a well-informed investment decision. At the same time, to assess the credit risk of the stock of bond holdings, we followed a uniform and standardised set of regulations and procedures, combining both regular and unscheduled follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors with good diversification effect; the debt issuers all reported sound financial strength, with the overall credit risk under control.

The share of equity investments stood at 15.5%, down by 0.2pt from the end of 2019. Of this, stocks and equity funds accounted for 8.3% of total investment assets, the same as that as of the end of 2019. On the back of market strategy research and in compliance of disciplined TAA processes, we pro-actively seized tactical opportunities on the equity market and realised solid investment performance with an average neutral allocation, supporting the core business of insurance.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB349.478 billion, accounting for 22.5% of total investment assets, rising 1.6pt from the end of 2019. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects and strived to serve the needs of China's real economy. The underlying projects spread across sectors like infrastructure, non-bank financial institutions, communications & transport and real estate, and were geographically concentrated in China's prosperous areas such as Beijing, Shanghai, Guangdong and Jiangsu.

Overall, the credit risk of our NPFI holdings is in the comfort zone. All NPFIs had external credit-ratings, and of these, the share of AAA reached 94.7%, and that of AA+ and above 99.9%. 51.8% of NPFIs were exempt from debt issuer external credit-ratings, with the rest secured with credit-enhancing measures such as guarantee or pledge of collateral.

Mix and distribution of yields of non-public financing instruments

Sectors	Share of investments (%)	Nominal yield (%)	Average duration (year)	Average remaining duration (year)
Infrastructural	35.6	5.4	7.2	5.4
Non-bank financial institutions	17.2	5.0	5.4	3.9
Communications & transport	16.3	5.4	6.6	4.3
Real estate	15.5	4.8	7.6	6.4
Energy and manufacturing	8.1	5.1	6.5	4.1
Others	7.3	5.9	8.2	5.8
Total	**100.0**	**5.2**	**6.9**	**5.0**

Note: Non-public financing instruments include wealth management products issued by commercial banks, debt investment plans, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss increased by 112.7% from the end of 2019, mainly because of increased allocation in unlisted equities. AFS financial assets increased by 2.8%, mainly as a result of increased investments in listed stocks and funds. HTM financial assets grew by 2.8% from the end of 2019, mainly due to increased investments in government bonds. Loan and other investments rose by 18.0%, largely attributable to increased allocation in debt investment plans and term deposits.

(II) Group consolidated investment income

For the reporting period, net investment income totalled RMB32.663 billion, up 10.0%. This stemmed mainly from increased interest income on fixed income investments. Annualised net investment yield reached 4.4%, down by 0.2pt compared with the same period of 2019.

Total investment income amounted to RMB38.429 billion, up 17.8%, mainly attributable to increase in gains from securities trading and interest income on fixed income investments, with annualised total investment yield at 4.8%, the same as that for the first half of 2019.

Annualised growth rate of investments' net asset value fell by 0.6pt to 5.3%, as a result of decrease in net of fair value movement of AFS assets.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Interest income from fixed income investments	29,091	26,670	9.1
Dividend income from equity investments	3,188	2,639	20.8
Rental income from investment properties	384	382	0.5
Net investment income	**32,663**	**29,691**	**10.0**
Gains from securities trading	8,106	2,522	221.4
(Losses)/gains arising from changes in fair value	(414)	898	(146.1)
Charge of impairment losses on investment assets	(2,484)	(1,077)	130.6
Other income[note 1]	558	577	(3.3)
Total investment income	**38,429**	**32,611**	**17.8**
Net investment yield (annualised) (%)[note 2]	4.4	4.6	(0.2pt)
Total investment yield (annualised) (%)[note 2]	4.8	4.8	-
Growth rate of investments' net asset value (annualised) (%)[notes 2,3]	5.3	5.9	(0.6pt)

Notes:

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

(III) Total investment yield on a consolidated basis

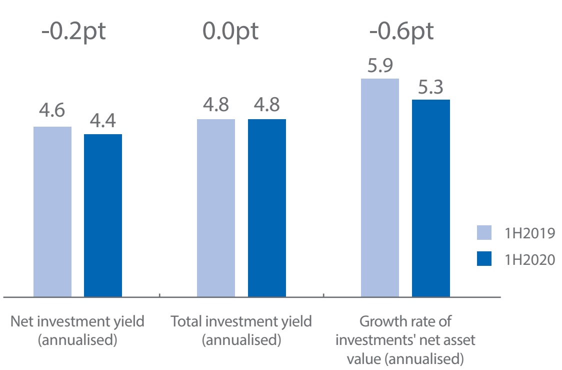
Unit: %

For 6 months ended 30 June	2020	2019	Changes
Total investment yield (annualised)	**4.8**	**4.8**	-
Fixed income investments[note]	4.9	5.1	(0.2pt)
Equity investments[note]	4.1	3.1	1.0pt
Investment properties[note]	9.6	9.1	0.5pt
Cash, cash equivalents and others[note]	0.7	0.9	(0.2pt)

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

Group consolidated investment yields

Unit: %



During the reporting period, the company intensified its support for the fight against the pandemic. It contacted, at the earliest possible time, the 7 owners of partnership projects which had planned to invest a total of over RMB10 billion in Hubei Province, and given the extraordinary circumstances, opened a green channel to fast-track work process so that funds could be channelled to local firms at the fore-front of the combat against the pandemic. At the same time, it seized opportunities arising from the national economy, looked closely for high-quality assets, and steadily promoted the development of alternative investment business through co-operation with target clients such as large State-owned Enterprises (SOEs) under the central and local governments or in major cities. For the first half of 2020, it registered a total of 10 alternative investment products involving an amount of RMB33.1 billion, maintaining its industry leadership.

III. Third-party AuM

(I) CPIC AMC

In the first half of 2020, CPIC AMC adhered to prudent business development strategies, effectively adapted to the adverse impact of COVID-19, faithfully implemented regulatory requirements and supported economic development in an all-around way. As of the end of the reporting period, its third-party AuM amounted to RMB269.597 billion, an increase of 38.4% from the end of 2019.

Under the guidelines of "market-based, product-driven development", the company faithfully implemented new rules on asset management, and steadily promoted the business of asset management products. In the first half of 2020, based on a full review of its target client mix and insights into customer needs, it conducted effective communication with key institutional clients, particularly banks and insurance companies, and successfully marketed its strategies and products. As of the end of the reporting period, the subsidiary reported RMB208.6 billion in third-party asset management products and AuM combined, an increase of 62.8% from the end of 2019.

(II) Changjiang Pension

In the first half of 2020, Changjiang Pension coordinated pandemic control and prevention and business development, took a host of steps to support the resumption of business and work, continued to deepen its presence in the 3 pillars of old-age provision, pro-actively increased investments in human resources and technology, strived to provide "Responsible, Smart and Caring" service, and achieved high-quality development. As at 30 June 2020, its third-party assets under trustee management amounted to RMB182.049 billion, up 22.6% from the end of 2019; third-party assets under investment management reached RMB442.217 billion, an increase of 11.9%.

In the first pillar, it continued with steady management of the social security pension fund and was entrusted multiple times with additional funds, with the investment performance leading among comparable portfolios. As for the second pillar, the company initiated the trustee and investment management of 26 occupational annuity schemes, with industry-leading performance so far in the year; it continued to deepen its presence in enterprise annuity business, and was selected as manager of a number of large enterprise annuity plans in public tendering; it focused on the marketing of the "*Shengshi Ruyi*" collective group retirement product to serve the needs of hybrid ownership and pay structure reform of SOEs. In the third pillar, Changjiang Pension pro-actively adapted to the changing market environment, and continued to deliver solid investment performance for the tax-deferred pension schemes; in the light of regulatory requirements and new rules on asset management, it focused on the development of long-duration individual retirement plans based on net asset value, which cumulatively served nearly 20 million individual customers; it dynamically improved the product line-up for institutional clients; in the first half of 2020, the company registered RMB20.8 billion in debt investment plans, ranking the 3rd in the industry, with firm steps to promote innovation and transformation of the alternative business.

6

Analysis of specific items

I. Items concerning fair value accounting

Unit: RMB million

	30 June 2020	31 December 2019	Changes	Impact of fair value changes on profits[note]
Financial assets at fair value through profit or loss	10,490	4,931	5,559	(414)
Available-for-sale financial assets	526,093	511,822	14,271	(2,220)
Total	**536,583**	**516,753**	**19,830**	**(2,634)**

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

The financial instruments measured at fair value are detailed in Notes XV and XVI of Financial report.

II. Structured entities controlled by the Group

The structured entities controlled by the Group are detailed in Note VI-3 of Financial report.

III. Solvency

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

Unit: RMB million

	30 June 2020	31 December 2019	Reasons of change
CPIC Group			
Core capital	485,527	453,838	Profit for the period, capital injection, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	495,527	463,838	Profit for the period, capital injection, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	171,167	157,481	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	284	288	
Comprehensive solvency margin ratio (%)	289	295	
CPIC Life			
Core capital	366,003	357,883	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	366,003	357,883	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	150,960	139,354	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	242	257	
Comprehensive solvency margin ratio (%)	242	257	
CPIC P/C			
Core capital	40,872	38,900	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	50,872	48,900	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	18,484	16,713	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	221	233	
Comprehensive solvency margin ratio (%)	275	293	
CPIC Allianz Health			
Core capital	1,142	1,084	Profit for the period, change of fair value of investment assets
Actual capital	1,142	1,084	Profit for the period, change of fair value of investment assets
Minimum required capital	919	702	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	124	155	
Comprehensive solvency margin ratio (%)	124	155	
Anxin Agricultural			
Core capital	1,725	1,684	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	1,725	1,684	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	629	557	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	274	303	
Comprehensive solvency margin ratio (%)	274	303	

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

IV. Sensitivity analysis of price risk

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

Unit: RMB million

	From January to June 2020 / 30 June 2020	
Market value	Impact on profit before tax	Impact on equity
+10%	22	7,791
- 10%	(22)	(7,791)

Notes:

1. After policyholder participation.

2. Equity assets do not include bond funds, money market funds, wealth management products, preferred shares and other equity investments, etc.

V. Insurance contract reserves

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

As at 30 June 2020, insurance contract reserves of CPIC Life amounted to RMB1,071.691 billion, representing an increase of 10.2% from the end of 2019. Those of CPIC P/C amounted to RMB107.069 billion, an increase of 14.3%. The rise was mainly caused by business expansion and accumulation of insurance liabilities.

We also test the adequacy of reserves at the balance sheet date. If the testing shows that reserves set aside for each type of insurance contracts are sufficient, there is no need for additional provisions; if not, then additional reserves are required.

Unit: RMB million

	31 December 2019	Increase in the period	Decrease in the period			30 June 2020
			Claims	Early termination	Others	
CPIC Life						
Unearned premium reserves	4,500	12,895	-	-	(9,332)	8,063
Claim reserves	4,472	4,474	(3,829)	-	-	5,117
Life insurance reserves	891,195	107,062	(23,271)	(4,955)	-	970,031
Long-term health insurance reserves	72,345	19,985	(3,451)	(399)	-	88,480
CPIC P/C						
Unearned premium reserves	56,643	76,672	-	-	(68,773)	64,542
Claim reserves	37,026	40,323	(34,822)	-	-	42,527

VI. Reinsurance business

In the first half of 2020, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
CPIC Life	**5,105**	**3,110**	**64.1**
Traditional	1,742	949	83.6
Long-term health	1,373	630	117.9
Participating	213	131	62.6
Universal	27	39	(30.8)
Tax-deferred pension	-	-	/
Short-term accident and health	3,123	1,991	56.9
CPIC P/C	**11,218**	**9,523**	**17.8**
Automobile	3,207	3,103	3.4
Non-automobile	8,011	6,420	24.8

In the first half of 2020, premiums from reinsurance assumed are set out below:

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
CPIC Life	**238**	**-**	**/**
Traditional	238	-	/
Long-term health	1	-	/
Participating	-	-	/
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	-	-	/
CPIC P/C	**607**	**430**	**41.2**
Automobile	-	-	/
Non-automobile	607	430	41.2

As at the end of the first half of 2020, reinsurers' share of insurance contract reserves are set out below:

Unit: RMB million

	30 June 2020	31 December 2019	Changes (%)
CPIC Life			
Reinsurers' share of unearned premium reserves	1,639	1,067	53.6
Reinsurers' share of claim reserves	257	246	4.5
Reinsurers' share of life insurance reserves	1,842	1,881	(2.1)
Reinsurers' share of long-term health insurance reserves	11,025	10,459	5.4
CPIC P/C			
Reinsurers' share of unearned premium reserves	8,032	6,283	27.8
Reinsurers' share of claim reserves	7,015	6,117	14.7

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

VII. Main subsidiaries & associates and equity participation

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,470	98.5%	191,724	41,557	3,176
China Pacific Life Insurance Co., Ltd.	Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life/health insurance; agency and business relationships with domestic and overseas insurers and organisations, loss adjustment, claims and other business entrusted from overseas insurance organisations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as approved; other business as approved by CBIRC.	8,420	98.3%	1,397,179	80,262	10,147
Changjiang Pension Insurance Co., Ltd.	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	4,999	3,476	258
Pacific Asset Management Co., Ltd.	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	4,078	3,371	241
CPIC Allianz Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	1,700	77.1%	9,981	1,234	23
Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.	700	51.3%	4,208	1,524	26

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
CPIC Fund Management Co., Ltd.	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	643	536	37

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to Review and analysis of operating results of this report, and Scope of Consolidation and Long-term equity investments in Notes to the financial statements.

2. Figures for Group shareholding include direct and indirect shareholdings.

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

The Company's assets are mainly financial assets. The repurchase of bonds forms part of the Company's day-to-day securities investment activities, and as of the end of the reporting period, no abnormality was detected.

IX. Gearing ratio

	30 June 2020	31 December 2019	Changes
Gearing ratio (%)	88.3	88.3	-

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

7 Outlook

I. Market environment and business plan

China's development is facing increasing risks and challenges. A new development pattern of "dual circulation" is taking shape in China, with domestic circulation at the core and supplemented by international circulation. From a long-term perspective, rising per capita income, population ageing, urbanisation, economic restructuring, shift of government roles and the cut of tax and administrative fees will continue to drive sustainable development of China's insurance industry. The COVID-19 pandemic as a major public health crisis promises to further raise public awareness of and stimulate demand for insurance and health care service, and China remains one of the most dynamic and fastest-growing insurance markets of the world. Traditional domestic insurance companies are accelerating transformation; foreign players are increasing presence in China; Internet insurance firms and specialised insurance intermediaries are thriving. All of them will stimulate dynamic development of the insurance market.

Going forward, with a vision of "achieving leadership in healthy and stable development of the insurance industry", and the targets of "being the best in customer experience, business mix and risk control capabilities", the Company will deepen Transformation 2.0 in the 5 keys areas of talent, digitalisation, intra-Group synergy, governance and deployment, introduce long-term incentive systems, promote marketisation of technological innovation, establish a comprehensive platform of health-related business, enhance the professionalism of investment management, and achieve the modernisation of corporate governance, so as to foster core competitiveness for the future. Meanwhile, it will also promote the branding of "CPIC Service", vigorously serve national strategies, support the real economy, improve the welfare of the Chinese people, ensure the prevention of major risks, and achieve more success in high-quality development.

II. Major risks and mitigating measures

Firstly, in terms of macroeconomic environment, the global spread of COVID-19, escalation of trade frictions and rising anti-globalisation sentiment severely disrupted the world industry chain and business models, with increasing uncertainties in short-term economic growth. At the same time, normalisation of resumption of business and work will run in tandem with the control and prevention of the pandemic. As China's economic growth slows down, rising credit defaults, the pressure on long-term risk-free interest rates and deterioration of liquidity risk may materially impact insurance and asset management business.

Secondly, in terms of industry development, China's insurance market is also slowing down, coupled with a shift of the development model, and accumulation of risks over the years which have begun to surface. The regulator will continue to intensify its efforts to mitigate risks, tackle irregularities and tighten the overall regulation. New actuarial rules on life/health insurance, amendments to regulations on health insurance, and the launch of comprehensive reform of automobile insurance will compel the industry to enhance capacity-building and professionalism. The COVID-19 pandemic will stimulate digital transformation of the industry, reshape its business model, posing challenges to traditional insurance companies, which rely more on off-line operation. Insurance player will face more intense competitions as a result of increased opening-up of the industry and technological development.

Thirdly, in respect of its business operation, the Company is facing a relatively high risk of large claims arising from severe natural catastrophes and accidents caused by human error, with emerging risks starting to have potential impact on the stability of its business performance. Its GDR issuance and the execution of internationalisation strategy will require full compliance in domestic and overseas jurisdictions and even more professionalism in corporate governance and investment capabilities.

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

Embedded value

1

Independent Actuarial Review Opinion on Embedded Value

To: China Pacific Insurance (Group) Company Limited
Board of Directors

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as of 30 June 2020.

This review opinion is addressed solely to CPIC Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than CPIC Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

WTW's scope of work comprised:

> a review of the methodology used to develop the embedded value of CPIC Group and the value of half year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as of 30 June 2020, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;

> a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of half year's sales of CPIC Life as of 30 June 2020; and

> a review of the results of CPIC Group's calculation of the value of in-force business, the value of half year's sales of CPIC Life, and the sensitivity results of the value of in-force business and value of half year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as of 30 June 2020 and the value of half year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

> The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA;

> The operating assumptions have been set with appropriate regard to past, current and expected future experience; and

> The economic assumptions have been set with regard to current market information.

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of half year's sales of CPIC Life as of 30 June 2020, and WTW has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of CPIC Group's 2020 interim report and that the aggregate results are reasonable in this context.

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

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

For and on behalf of WTW
Lingde Hong, FSA, CCA
5th August 2020

2

2020 Embedded Value Interim Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 30 June 2020 in accordance with the disclosure rules set by the China Securities Regulatory Commission ("CSRC") for publicly listed insurer and the "CAA Standard of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in 2016 (thereafter referred to as "Appraisal of Embedded Value" standard) and have disclosed information relating to our group embedded value in this section. We have engaged Willis Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our 2020 interim report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of half year's sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable shareholder profits for existing business in force at the valuation date and for half year's sales in the 6 months immediately preceding the valuation date, where distributable shareholder profits are determined based on policy liability, required capital in excess of policy liability and minimum capital requirement quantification standards prescribed by the CIRC. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of half year's sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the risk of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate.

The embedded value and the value of half year's sales provide valuable information to investors in two aspects. First, the value of in force business of CPIC Life represents the total amount of after-tax distributable shareholder profits in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of half year's sales of CPIC Life provides an indication of the value created for investors by current new business activity and hence the potential value of the business. However, the information on embedded value and the value of half year's sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on embedded value and the value of half year's sales information.

The embedded value is an estimation of a component of an insurance company's economic value using actuarial techniques, based on a series of assumptions. As there is uncertainty in selecting assumptions, estimates of embedded value could vary materially as key assumptions are changed, and future actual experience would differ from assumed valuation assumption. Therefore, special care is advised when interpreting embedded value results.

II. Summary of Embedded Value and Value of Half Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 30 June 2020, and the value of half year's sales of CPIC Life in the 6 months to 30 June 2020 at a risk discount rate of 11%.

Unit: RMB Million

Valuation Date	30 June 2020	31 December 2019
Group Adjusted Net Worth	**232,174**	**208,402**
Adjusted Net Worth of CPIC Life	**115,450**	**114,677**
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	213,804	203,392
Cost of Required Capital Held for CPIC Life	(12,113)	(12,548)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	201,691	190,844
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	**198,247**	**187,585**
Group Embedded Value	**430,420**	**395,987**
CPIC Life Embedded Value	**317,141**	**305,521**

Valuation Date	30 June 2020	30 June 2019
Value of Half Year's Sales of CPIC Life Before Cost of Required Capital Held	12,674	18,011
Cost of Required Capital Held	(1,447)	(3,084)
Value of Half Year's Sales of CPIC Life After Cost of Required Capital Held	**11,228**	**14,927**

Notes:

1. Figures may not be additive due to rounding
2. Results in column "30 June 2019" are those reported in the 2019 interim report
3. Results in column "31 December 2019" are those reported in the 2019 annual report

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

III. Key Valuation Assumptions

In determining the embedded value as at 30 June 2020, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2020:

(I) Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of half year's sales of CPIC Life is 11%.

(II) Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2020 and 5.0% thereafter. The investment return for short term business is based on the recent one-year bank deposit benchmark interest rate as published by the People's Bank of China before the valuation date. These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

(III) Mortality

Mortality assumptions have been developed based on China Life Insurance Mortality Table (2010-2013), considering CPIC Life's mortality experience analysis and expectation of future mortality trends, and varies by product.

(IV) Morbidity

Morbidity assumptions have been developed based on China Life Insurance Morbidity Table (2006-2010), considering CPIC Life's morbidity experience analysis and expectation of future morbidity trends, taking into considering deterioration of morbidity rates in the long term, and varies by product.

(V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's lapse and surrender experience analysis, and expectation of future trends, and assumptions vary by pricing interest rates, product type, policy duration and distribution channel.

(VI) Expense

Unit cost assumptions have been developed based on the recent results of an analysis of CPIC Life's 2019 non-commission related expenses. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

(VII) Policyholder Dividend

> Group participating annuity business: 80 % of interest surplus; and

> Other participating business: 70% of interest and mortality surplus.

(VIII) Tax

Tax has been assumed to be payable at 25% of profits. The proportion of investment income assumed to be exempt from income tax is 16% for all future years. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

In addition, the tax of the accident business is based on related tax regulation.

IV. New Business Volumes and Value of Half Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of half year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2020.

Unit: RMB Million

	First Year Annual Premium (FYAP) in the First Half of Year		Value of Half Year's Sales After Cost of Required Capital Held	
	2020	2019	2020	2019
Total	**30,316**	**38,238**	**11,228**	**14,927**
Of which:Traditional	12,035	16,987	9,596	12,405
Participating	4,566	7,821	1,106	1,913

V. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2020 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

> -Risk discount rate "+ / - 50 basis points"

> -Investment return "+ / - 50 basis points"

> -Mortality "+ / - 10%"

> -Morbidity "+10%"

> -Lapse and surrender rates "+ / - 10%"

> -Expenses "+10%"

The following table shows the sensitivity results of the value of in force business and the value of half year's sales after cost of required capital held.

Unit: RMB Million

	Value of In Force Business After Cost of Required Capital Held	Value of Half Year's Sales After Cost of Required Capital Held
Base	**201,691**	**11,228**
Risk discount rate "+50 basis points"	194,425	10,727
Risk discount rate "-50 basis points"	209,558	11,767
Investment return "+50 basis points"	233,252	12,664
Investment return "-50 basis points"	169,661	9,792
Mortality "+10%"	200,529	11,122
Mortality "-10%"	202,850	11,333
Morbidity "+10%"	195,885	10,771
Lapse and surrender rates "+10%"	202,698	11,052
Lapse and surrender rates "-10%"	200,563	11,398
Expenses "+10%"	198,382	10,598

Corporate governance

1

Implementation of profit distribution plan

The Company distributed a cash dividend of RMB1.20 per share (tax included) in accordance with the "Resolution on Profit Distribution Plan for the Year of 2019" approved at the 2019 annual general meeting. The Company issued the "Announcement on the Implementation of Annual Dividend Distribution for the Year of 2019" on 3 June 2020, and implemented the profit distribution plan in accordance with the contents of the announcement.

2

Shareholders' general meetings

Information of the shareholders' general meetings of the Company during the reporting period is set out in the Section "Corporate governance".

3

Proposals for profit distribution and the transfer of capital reserves to share capital for the reporting period

The Company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the reporting period.

4

Fulfilment of the undertakings

During the reporting period, there were no undertakings the Company was required to disclose.

5

Material litigations and arbitrations

During the reporting period, the Company did not engage in any material litigation or arbitration which was required to be disclosed.

6

Penalties and subsequent rectification

During the reporting period, there were no penalties or subsequent rectification the Company was required to disclose.

7

Fulfilment of obligations

During the reporting period, the Company had no outstanding obligations such as unfulfilled obligations under rulings by courts of laws or payment in arrears involving large amounts.

8

Share option scheme

During the reporting period, the Company did not have any share option scheme, employee stock ownership plan, or other employee incentive measure which required disclosure.

9

Daily related party transactions

In the ordinary course of business, the Company and its subsidiaries conducted daily transactions, including bond trading, securities investment funds, bond pledged repo, trust products, asset management products and other daily transactions related to fund utilisation and financial products business, at fair market price with multiple counterparties. The 23rd meeting of the 8th Board of Directors and the 2019 annual general meeting of the Company respectively approved daily related party transactions related to fund utilisation and financial products business of the Company and its subsidiaries under the annual estimated cap, and each single transaction was not required to be submitted separately to the Board of Directors or the shareholders' general meeting for further consideration and approval. As of 30 June 2020, the categorised summary of the daily related party transactions related to fund utilisation and financial products business is as follows:

Unit: RMB million

No.	Related parties	Content of transaction	Estimated cap of daily related party transactions in 2020	Actual Amount as of 30 June 2020	Percentage (%) of the amount of transactions of the same type
1	Hwabao WP Fund Management Co., Ltd.	Fund subscription and redemption transactions	1,500	1,030	0.89%
2	Orient Securities Company Limited	Transaction of asset management products	6,500	11	0.00%
3	Shanghai Rural Commercial Bank Co., Ltd.	Pledged repo transactions	210,000	2,362	0.04%
4		Deposits		40	0.03%
5	Related Natural Persons	Sales of personal pension assurance products	100	0.2	0.00%

The above-mentioned related party transactions related to daily operations were settled in cash, which were carried out by the Company in the ordinary course of business in accordance with normal commercial terms, and would not affect the independence of the Company. The above-mentioned daily related party transactions did not exceed the amount approved by the Board of Directors and/or the shareholders' general meeting (SGM), and were summarised in categories and disclosed in the interim report of the Company pursuant to the listing rules of the SSE and other regulatory provisions.

10

Material contracts

During the reporting period, the Company did not have any material contracts which were required to be disclosed.

11

Environment information

The Company is not on the list of High-pollution and High-emission Enterprises as announced by China's environmental protection authorities. Its energy consumption mainly comes from daily office operation, power consumption of its data centres, and the use of gas of its canteens. The pollutant emissions mainly include the nitrogen oxides, sulfur dioxide, and particulates emissions arising from the use of company vehicles.

In response to the government's call for energy conservation and emission reduction, the Company carried out industry benchmarking and formed specific rules for energy conservation and emission reduction which stipulate that the office temperature in winter should not be higher than 20˚C , or lower than 26˚C in summer; the lighting of public places such as corridors, stairwells, halls, etc., should be under centralised control and optimised, energy-saving and environmentally friendly products should be used, and natural lights should be made full use of; the Company advocates green behaviours among employees, such as reducing the brightness of computer screens, reducing the use of indoor lights, and turning off electrical equipment in time.

Responding to the country's strategy for the integrated development of the Yangtze River Delta, the Company assisted relevant government departments in making environment access criteria, establishing an environmental risk monitoring platform and information exchange platform, and gradually establishing a joint governance mechanism for environmental governance in the region; gradually expanding the coverage of the environmental pollution liability insurance in the region and raising the awareness of environmental protection among enterprises through the introduction of economic levers; promoting the continuous improvement of the ecological environment of the Yangtze River Delta so as to strike a balance between the development of the upstream regions and water resource protection in the downstream regions.

Active in green finance, the Company provides risk protection for the financing and operation of projects in the field of environmental protection, energy conservation, and clean energy to help improve the environment, cope with climate change, and promote efficient use of resources. It co-invested with Shanghai Urban Investment and Construction Corporation to establish Shanghai Environmental Protection Financial Services Company Limited, which adopts a market-oriented approach to promote public good, focuses on environmental protection, and aims to provide long-term funds in the form of debt investments, equity investments, or a combination of the two for green projects such as sewage, sludge, and solid waste disposal. The Company also upgraded its "Green Action 2.0" to fully implement paperless operation, and saved a total of RMB180 million in printing and courier costs through the application of new technologies and promotion of e-invoice.

The Company focused on national strategies and is committed to coping with environmental and climate change challenges with green products and services. It continuously mitigates the negative environmental impact of its operations, strengthens the ecological well-being, and promotes green insurance with reduced environmental footprint. It considerably cut the consumption of paper by promoting mobile technology applications at the customer, business and claims-end and improving paperless technologies such as electronic insurance policies, electronic invoices, and electronic files. Currently 35,000 tree seedlings of various species have been planted in the "Sanjiangyuan Forest for Public Welfare" with funds donated by CPIC, covering an area of 515 *mu*. When completed, this project will become an ecological park with reasonable mix of tree species, strong ecological functions, and great landscaping effects, which is highly beneficial to regional environment and the well-being of local residents.

12

Completion of the issuance and listing of GDRs

Pursuant to the Regulatory Comment Letter from the General Office of the China Banking and Insurance Regulatory Commission on the Issuance and Admission of Global Depository Receipts on the London Stock Exchange plc by China Pacific Insurance (Group) Co., Ltd. issued by the General Office of the China Banking and Insurance Regulatory Commission (CBIRC General Office Letter No. [2020] 527) and the Approval of Issuance and Admission of Global Depository Receipts on the London Stock Exchange plc by China Pacific Insurance (Group) Co., Ltd. granted by the China Securities Regulatory Commission (CSRC Approval No. [2020] 1053), and with approvals from the securities regulatory authorities of the United Kingdom and domestic and foreign securities exchanges, the GDRs issued by the Company were listed on the London Stock Exchange plc (the "Issuance") on 22 June 2020 (London time) (Stock Name: China Pacific Insurance (Group) Co., Ltd.; Trading Symbol: CPIC). Newly issued PRC domestic A shares of the Company are used as the underlying securities of the GDRs issued under the Issuance with each GDR representing 5 A shares of the Company. The Company issued 102,873,300 GDRs at USD17.60 per GDR, representing 514,366,500 A shares (nominal value of each A share: RMB1.00) of the Company. On 3 July 2020 (London time), the stabilising manager required the Company to additionally issue 8,794,991 GDRs by partially exercising the over-allotment option, representing approximately 8.5% of the number of GDRs initially available in the offering. The number of the newly issued PRC domestic underlying A shares of the Company represented by the GDRs under the over-allotment is 43,974,955 A shares, which were listed on the SSE on 9 July 2020 (Beijing time). Upon the listing, the total share capital of the Company changed to 9,620,341,455 shares. After the exercise of the over-allotment option, the total proceeds raised from the issuance of GDRs is USD1,965.4 million. According to requirements of the Provision on the Supervision and Administration of Depository Receicpts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange (For Trail Implementation), the Company's GDRs issued under the Issuance and those issued due to the exercise of the over-allotment option shall not be redeemed into A shares of the Company during the redemption restriction period from 22 June 2020 (London time) to 19 October 2020 (London time).

13

Use of Proceeds Received from Issuance of GDRs

Upon on approval by CBIRC, CSRC, securities regulatory authorities of the United Kingdom and domestic and foreign stock exchanges, the GDRs issued by the Company were listed on the London Stock Exchange plc (the "Initial Offering") on 22 June 2020 (London time), and additional GDRs were issued due to the exercise of over-allotment option (the “Over-allotment”) on 9 July 2020 (London time).

A total of 102,873,300 GDRs were issued at USD17.60 per GDR in the Initial Offering, raising a gross proceeds of USD1,810,570,080.00, which were fully received on 22 June 2020. Additional 8,794,991 GDRs were issued due to the Over-allotment at USD17.60 per GDR, raising a gross proceeds of USD154,791,841.60, which were fully received on 9 July 2020. After the exercise of over-allotment option under the Issuance, the total proceeds raised from the issuance of GDRs were USD1,965,361,921.60.

Details of use of the above-said proceeds in the first half of 2020 are as follows:

Total proceeds raised	Proceeds unused as at the beginning of the reporting period	The intended use of proceeds raised	Proceeds used during the reporting period	Proceeds unused as at the end of the reporting period	Plan for use of the unused funds
USD 1,810,570,080.00	-	Pursuant to the Prospectus, 1. 70% or more of the net proceeds will be used for gradually developing the Group's businesses overseas, in the form of equity investments, partnerships and alliances, and mergers and acquisitions in both developed and emerging markets, supporting core insurance business growth; 2. Up to 30%, or the remainder of the net proceeds, will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities. If the Company deems that the plan in any particular areas described above to be unachievable, the corresponding intended portion of the proceeds will be used to replenish its capital and for general corporate purposes.	-	USD 1,810,570,080.00	To be used in line with the Company's business development and market situation.

14

Change in accounting estimates

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

As at 30 June 2020, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB4,236 million as at 30 June 2020 and profit before tax decreased by approximately RMB4,236 million for the 6 months ended 30 June 2020.

15

Interests and short positions of directors, supervisors and senior management in shares, underlying shares or debentures

So far as the directors of the Company are aware, as at 30 June 2020, none of the directors, supervisors or senior management of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

The detailed shareholdings of directors, supervisors and senior management are set out in the Section "Directors, supervisors and senior management" of this report.

16

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

So far as the directors of the Company are aware, as at 30 June 2020, the following persons (excluding the directors, supervisors or senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

Name of substantial shareholders	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
Schroders Plc [note 1]	Investment manager	H shares	332,157,188 (L)	11.97 (L)	3.47 (L)
中国人寿保险（集团）公司 [note 2]	Beneficial owner	H shares	4,222,200 (L)	0.15 (L)	0.04 (L)
	Interest of corporation controlled by 中国人寿保险（集团）公司	H shares	195,080,800 (L)	7.03 (L)	2.04 (L)
中国人寿保险股份有限公司	Beneficial owner	H shares	195,080,800 (L)	7.03 (L)	2.04 (L)
BlackRock, Inc. [note 3]	Interest of corporation controlled by BlackRock, Inc.	H shares	167,391,059 (L) 272,000 (S)	6.03 (L) 0.01 (S)	1.75 (L) 0.00 (S)
Brown Brothers Harriman & Co.	Agent	H shares	166,432,120 (L) 166,432,120 (P)	6.00 (L) 6.00 (P)	1.74 (L) 1.74 (P)
JPMorgan Chase & Co. [note 4]	Interest of corporation controlled by JPMorgan Chase & Co.	H shares	22,107,371 (L) 15,062,301 (S)	0.80 (L) 0.54 (S)	0.23 (L) 0.16 (S)
	Investment manager	H shares	22,700,600 (L)	0.82 (L)	0.24 (L)
	Person having a security interest in shares	H shares	17,043,776 (L)	0.61 (L)	0.18 (L)
	Approved lending agent	H shares	82,279,961 (L) 82,279,961 (P)	2.96 (L) 2.96 (P)	0.86 (L) 0.86 (P)

(L) denotes a long position; (S) denotes a short position; (P) denotes a lending pool

Notes:

1. Pursuant to Part XV of the SFO, as at 30 June 2020, Schroders Plc is deemed or taken to be interested in a total of 332,157,188 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Schroders Plc are set out below:

Name of controlled subsidiary	Number of shares
Schroder Administration Limited	332,157,188 (L)
Schroder International Holdings Limited	332,157,188 (L)
Schroder Investment Management (Hong Kong) Limited	103,307,418 (L)
Schroder Investment Management (Singapore) Limited	71,691,600 (L)
Schroder Investment Management Limited	84,042,600 (L)
Schroder Investment Management Limited	73,115,570 (L)
Schroder Investment Management North America Limited	73,115,570 (L)

(L) denotes a long position

2. Pursuant to Part XV of the SFO, as at 30 June 2020, 中国人寿保险（集团）公司 is deemed or taken to be interested in a total of 199,303,000 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by 中国人寿保险（集团）公司 are set out below:

Name of controlled subsidiary	Number of shares
中国人寿保险股份有限公司	195,080,800 (L)

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as at 30 June 2020, BlackRock, Inc. is deemed or taken to be interested in a total of 167,391,059 H shares (long position) and 272,000 H shares (short position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by BlackRock, Inc. are set out below:

Name of controlled subsidiary	Number of shares
Trident Merger, LLC	1,153,200 (L)
BlackRock Investment Management, LLC	1,153,200 (L)
BlackRock Holdco 2, Inc.	166,237,859 (L) 272,000 (S)
BlackRock Financial Management, Inc.	159,798,893 (L) 272,000 (S)
BlackRock Financial Management, Inc.	6,438,966 (L)
BlackRock Holdco 4, LLC	96,855,605 (L) 272,000 (S)
BlackRock Holdco 6, LLC	96,855,605 (L) 272,000 (S)
BlackRock Delaware Holdings Inc.	96,855,605 (L) 272,000 (S)
BlackRock Institutional Trust Company, National Association	38,741,605 (L) 272,000 (S)
BlackRock Fund Advisors	58,114,000 (L)
BlackRock Capital Holdings, Inc.	87,400 (L)
BlackRock Advisors, LLC	87,400 (L)
BlackRock International Holdings, Inc.	62,855,888 (L)
BR Jersey International Holdings L.P.	62,855,888 (L)
BlackRock Lux Finco S.à r.l.	8,082,420 (L)
BlackRock Japan Holdings GK	8,078,020 (L)
BlackRock Japan Co., Ltd.	8,078,020 (L)
BlackRock Holdco 3, LLC	51,844,930 (L)
BlackRock Canada Holdings LP	379,000 (L)
BlackRock Canada Holdings ULC	379,000 (L)
BlackRock Asset Management Canada Limited	379,000 (L)
BlackRock Australia Holdco Pty. Ltd.	1,103,600 (L)
BlackRock Investment Management (Australia) Limited	1,103,600 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	9,907,358 (L)
BlackRock HK Holdco Limited	9,592,558 (L)
BlackRock Asset Management North Asia Limited	1,510,138 (L)
BlackRock Cayman 1 LP	51,465,930 (L)
BlackRock Cayman West Bay Finco Limited	51,465,930 (L)
BlackRock Cayman West Bay IV Limited	51,465,930 (L)
BlackRock Group Limited	51,465,930 (L)
BlackRock Finance Europe Limited	21,131,301 (L)
BlackRock (Netherlands) B.V.	1,462,400 (L)
BlackRock Advisors (UK) Limited	258,000 (L)
BlackRock International Limited	11,748,903 (L)
BlackRock International Limited	355,800 (L)
BlackRock Group Limited-Luxembourg Branch	18,229,926 (L)
BlackRock Luxembourg Holdco S.à r.l.	18,229,926 (L)

Name of controlled subsidiary	Number of shares
BlackRock Investment Management Ireland Holdings Limited	17,956,926 (L)
BlackRock Asset Management Ireland Limited	17,956,926 (L)
BLACKROCK (Luxembourg) S.A.	255,000 (L)
BlackRock Investment Management (UK) Limited	7,601,488 (L)
BlackRock Investment Management (UK) Limited	11,809,413 (L)
BlackRock Investment Management (UK) Limited – German Branch – Frankfurt BlackRock	174,200 (L)
BlackRock Asset Management Deutschland AG	174,200 (L)
BlackRock Fund Managers Limited	7,427,288 (L)
BlackRock Life Limited	11,748,903 (L)
BlackRock (Singapore) Limited	314,800 (L)
BlackRock UK Holdco Limited	18,000 (L)
BlackRock Asset Management (Schweiz) AG	18,000 (L)
BlackRock Investment Management (Taiwan) Limited	4,400 (L)

(L) denotes a long position; (S) denotes a short position

4. Pursuant to Part XV of the SFO, as at 30 June 2020, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 144,131,708 H shares (long position), 15,062,301 H shares (short position) and 82,279,961 H shares (lending pool) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by JPMorgan Chase & Co. are set out below:

Name of controlled subsidiary	Number of shares
JPMorgan Asset Management (Taiwan) Limited	12,200 (L)
J.P. Morgan Securities LLC	41,401 (L)
JPMORGAN CHASE BANK, N.A. - LONDON BRANCH	82,279,961 (L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	5,409,600 (L)
J.P. Morgan Investment Management Inc.	11,590,600 (L)
JPMorgan Chase Bank, National Association	2,164,200 (L)
JPMorgan Asset Management (Asia Pacific) Limited	3,524,000 (L)
J.P. MORGAN SECURITIES PLC	39,109,746 (L) 15,062,301 (S)
JPMorgan Asset Management (Asia) Inc.	3,536,200 (L)
JPMorgan Asset Management Holdings Inc.	20,536,400 (L)
JPMorgan Chase Holdings LLC	20,577,801 (L)
J.P. Morgan Broker-Dealer Holdings Inc.	41,401 (L)
JPMorgan Chase Bank, National Association	121,389,707 (L) 15,062,301 (S)
JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	5,409,600 (L)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	5,409,600 (L)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	39,109,746 (L) 15,062,301 (S)
J.P. Morgan International Finance Limited	39,109,746 (L) 15,062,301 (S)

(L) denotes a long position; (S) denotes a short position

Save as disclosed above, as at 30 June 2020, the directors of the Company were not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Specifics on the shareholdings by the Company's top ten shareholders are set out in the Section "Changes in the share capital and shareholders' profile" of this report.

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

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

Changes in the share capital and shareholders’ profile

1

Changes in the share capital

(I) The Company's share capital as at the end of the reporting period

Unit: share

	Before change		Increase or decrease (+ or -)					After change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Transfer from reserves	Others	Sub-total	Amount	Percentage (%)
1. Shares with selling restrictions									
(1) State-owned shares	–	–	–	–	–	–	–	–	–
(2) State-owned enterprises shares	–	–	–	–	–	–	–	–	–
(3) Other domestic shares	–	–	–	–	–	–	–	–	–
held by									
legal entities	–	–	–	–	–	–	–	–	–
natural persons	–	–	–	–	–	–	–	–	–
(4) Foreign shares	–	–	–	–	–	–	–	–	–
held by									
legal entities	–	–	–	–	–	–	–	–	–
natural persons	–	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–	–
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	6,286,700,000	69.37	514,366,500	–	–	–	514,366,500	6,801,066,500	71.02
(2) Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
(3) Overseas listed foreign shares (H share)	2,775,300,000	30.63	–	–	–	–	–	2,775,300,000	28.98
(4) Others	–	–	–	–	–	–	–	–	–
Total	9,062,000,000	100.00	514,366,500	–	–	–	514,366,500	9,576,366,500	100.00
3. Total number of shares	9,062,000,000	100.00	514,366,500	–	–	–	514,366,500	9,576,366,500	100.00

(II) Description of share changes

In the reporting period, as approved by CBIRC, CSRC, securities regulators of United Kingdom and domestic and foreign stock exchanges, the GDRs issued by the Company were listed on the LSE on 22 June 2020 (London time). Before the exercise of the over-allotment option, a total of 102,873,300 GDRs were issued representing 514,366,500 newly issued PRC domestic underlying A shares of the Company. After the Issuance and before the exercise of the over-allotment option, the total number of shares of the Company changed to 9,576,366,500. For details, please refer to the Announcement Relating to the Issuance and Admission of GDRs on the London Stock Exchange released on 22 June 2020.

According to relevant domestic regulatory requirements, the Company's GDRs issued under the Issuance and those issued due to the exercise of the over-allotment option shall not be redeemed into A shares during the redemption restriction period from 22 June 2020 (London time) to 19 October 2020 (London time). After the expiration of this period, the GDRs can be redeemed into A shares and sold on the Shanghai Stock Exchange. The upper limit of the A shares corresponding to the GDRs that can be redeemed is 558,341,455 shares, and it can be adjusted accordingly when there is an increase or decrease of the number of GDRs as a result of stock dividend, share split or consolidation, or adjustment of conversion ratio.

(III) The impacts of share changes on financial indicators such as earnings per share and net assets per share during the period from the end of the reporting period to the disclosure date of this interim report

After the reporting period, the Company issued additional GDRs as a result of the stabilising manager exercising the over-allotment option, and the corresponding newly issued PRC domestic underlying A shares of the Company were listed on the SSE on 9 July 2020. A total of 8,794,991 GDRs were issued as a result of the Over-allotment, representing 43,974,955 newly issued PRC domestic underlying A shares of the Company. After the listing, the total share capital of the Company will be changed to 9,620,341,455 shares from 9,576,366,500 shares. For details, please refer to the Announcement Relating to Changes in the Shares After the Exercise of the Over-Allotment Option in Relation to the Issuance of GDRs released by the Company on 9 July 2020. The insignificant proportion of above-mentioned newly issued shares as a percentage of total number of shares of the Company results in no significant influence on the earnings per share and net assets per share.

(IV) There is no other content that the Company deems necessary or is required by securities regulators to disclose.

2 Shareholders

(I) Number of shareholders and their shareholdings

As at the end of the reporting period, the Company had no shares with selling restrictions.

Unit: share

Total number of shareholders as at the end of the reporting period: 150,264 (including 145,729 A share holders and 4,535 H share holders)						
Shares held by top 10 shareholders as at the end of the reporting period						
Name of shareholders	Total number of shares held	Percentage of the shareholding	Increase or decrease (+ or -) of shareholding during the reporting period	Number of shares held with selling restriction	Number of shares subject to pledge or lock-up period	Type of shares
HKSCC Nominees Limited	2,772,667,629	28.95%	-37,006	-	-	H Share
Shenergy (Group) Co., Ltd.	1,326,776,782	13.85%	-	-	-	A Share
Hwabao Investment Co., Ltd.	1,284,277,846	13.41%	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	547,942,906	5.72%	+42,300,467	-	-	A Share
Citibank, National Association	514,366,500	5.37%	+514,366,500	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	468,828,104	4.90%	-	-	-	A Share
China Securities Finance Co., Ltd.	271,089,922	2.83%	-	-	-	A Share
Shanghai Jiushi (Group) Co., Ltd.	250,949,460	2.62%	-	-	-	A Share
Central Huijin Investment Ltd.	110,741,200	1.16%	-	-	-	A Share
HKSCC	108,335,727	1.13%	-24,236,113	-	-	A Share
Description of connected relations or concerted actions among the aforesaid shareholders	HKSCC Nominees Limited and HKSCC are connected, as the former is a wholly-owned subsidiary of the latter. As is confirmed by relevant shareholders regarding the Company's inquiry, the Company is not aware of any other connected relations or concerted actions among the above-mentioned shareholders.					

Notes:

1. As at the end of the reporting period, the Company did not issue any preferred shares.
2. The shareholding of the top ten shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Hong Kong Investor Services Limited (H share) respectively.
3. The shares held by HKSCC Nominees Limited are held on behalf of its clients. As SEHK does not require such shareholders to disclose to HKSCC Nominees Limited whether the shares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data. Pursuant to Part XV of the SFO, a Substantial Shareholder is required to give notice to SEHK and the Company on the occurrence of certain events including a change in the nature of its interest in shares such as the pledging of its shares. As at the end of the reporting period, the Company is not aware of any such notices from Substantial Shareholders under Part XV of the SFO.
4. HKSCC is the nominal holder of shares traded through Shanghai-Hong Kong Connect Programme.
5. Shanghai State-owned Assets Operation Co., Ltd. (SSOAOC), a shareholder of the Company, completed the issuance of exchangeable bonds which were exchangeable into a portion of the Company's A shares on 10 December 2015. The 112,000,000 of the Company's A shares owned and to be exchanged by SSOAOC and their dividends are held by China International Capital Corporation Limited (CICC) as guarantee and trust assets, and have been registered as a "Special Account for EB Guarantee and Trust Assets of SSOAOC and CICC". For details please refer to the Company's Announcement in relation to the Completion of the Issuance of Exchangeable Bonds by a Shareholder of the Company and the Guarantee and Trust Registration for the part of the Company's A shares held by the Shareholder published on 15 December 2015.
6. Citibank, National Association is the depositary of the GDRs of the Company, and the underlying A shares represented by GDRs are registered under its name in accordance with the applicable laws; the GDRs issued under the Issuance and those issued due to the exercise of the over-allotment option cannot be redeemed into A shares during the redemption restriction period from 22 June 2020 (London time) to 19 October 2020 (London time).
7. After the reporting period, the Company issued additional 8,794,991 GDRs as a result of the stabilising manager exercising the over-allotment option, and the 43,974,955 corresponding newly issued PRC domestic underlying A shares of the Company were listed on the SSE on 9 July 2020, and they were registered under Citibank, National Association, the depositary of the GDRs of the Company. After the Over-allotment, the A shares held by Citibank, National Association increased to 558,341,455 shares from 514,366,500 shares, while shares of the Company changed from 9,576,366,500 shares to 9,620,341,455 shares. Except for Citibank, National Association, the Over-allotment did not result in any change in the number of A shares of the Company held by the other top 10 shareholders of the Company as of the end of the reporting period.

(II) Changes in controlling shareholders or de facto controllers

The ownership structure of the Company is diversified. The ultimate controllers of the Company's major shareholders do not exercise control over the Company and the Company has no controlling shareholder, nor de facto controllers.

Directors, supervisors and senior management

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Change of directors, supervisors and senior management

(I) Change of the Board of Directors

On 12 May 2020, the Company held the 2019 annual general meeting and the members of the 9th Board of Directors were elected. On 21 August 2020, the Company held the first extraordinary general meeting to elect additional Directors of the 9th Board of Directors. At present, there are 15 Incumbent and Proposed Directors. Among them, there are 2 Executive Directors: Mr. KONG Qingwei and Mr. FU Fan (the appointment qualification of Mr. FU has been approved by CBIRC in June 2020); 8 Non-executive Directors: Ms. LIANG Hong, Ms. LU Qiaoling, Mr. John Robert DACEY, Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. ZHOU Donghui and Mr. CHEN Ran (the appointment qualifications of Ms. LIANG Hong, Ms. LU Qiaoling, Mr. John Robert DACEY, Mr. ZHOU Donghui and Mr. CHEN Ran are still subject to approval of CBIRC); 5 Independent Non-executive Directors: Ms. LAM Tyng Yih, Elizabeth, Ms. LIU Xiaodan, Mr. WOO Ka Biu, Jackson, Mr. CHEN Jizhong and Mr. JIANG Xuping (the appointment qualifications of Ms. LIU Xiaodan and Mr. WOO Ka Biu, Jackson are still subject to approval of CBIRC). The term of office of the 9th Board of Directors is three years. At the first session of the 9th Board of Directors of the Company on 12 May 2020, Mr. KONG Qingwei and Mr. HUANG Dinan were elected as the Chairman and Vice Chairman respectively.

The biographies of the Incumbent Directors of the 9th Board of Directors are as follows:

Mr. KONG Qingwei, born in June 1960, currently serves as Chairman and Executive Director of the Company, and Chairman of CPIC Life. Previously, Mr. KONG served as Deputy General Manager of Shanghai Bund Housing Exchange Co., Ltd., General Manager of the Housing Exchange Division of Shanghai Jiushi Corporation, Executive Deputy Director of Shanghai Provident Fund Management Centre, Deputy General Manager of Shanghai Urban Construction Investment Development Corporation, Vice Chairman of Shanghai Minhong (Group) Co., Ltd., Director of Shanghai World Expo Land Reserve Centre, President of Shanghai World Expo Land Holding Co., Ltd., General Manager of Shanghai Urban Construction Investment and Development Corporation, Secretary of the CPC Financial Working Committee of Shanghai, and Chairman of Shanghai Guosheng (Group) Co., Ltd. Mr. KONG holds a master's degree.

Mr. FU Fan, born in October 1964, currently serves as Executive Director and President of the Company, and Director of CPIC AMC. Previously, Mr. FU served as Deputy General Manager of Shanghai Investment Corporation, Deputy General Manager of China International Fund Management Co., Ltd., General Manager and Vice Chairman of Shanghai International Trust Co., Ltd., Chairman of Shanghai State-owned Assets Management Co., Ltd., Director and General Manager of Shanghai International Group Co., Ltd. Mr. FU has a master's degree.

Mr. HUANG Dinan, born in December 1966, currently serves as Vice Chairman and Non-executive Director of the Company, Chairman of Shenergy Group Co., Ltd. and President of Shanghai Society for Electrical Engineering. Previously, Mr. HUANG was consecutively research fellow, Deputy Head of the No.3 Research Team, Assistant Director and Vice Director of the Research Institute of Shanghai Turbine Plant; Assistant General Manager, Deputy General Manager and General Manager of Shanghai Turbine Plant; Assistant President, Head of the President's Office, Vice Chairman and Chairman of Shanghai Turbine Company Limited; Vice President, President, and Vice Chairman of Shanghai Electric (Group) Corporation; President, Vice Chairman and Chairman of Shanghai Electric Group Company Limited, a company listed on SSE and SEHK (SSE stock code: 601727, SEHK stock code: 02727), and President of China Society of Power Engineering. Mr. HUANG holds a master's degree and a title of Senior Engineer (professor level).

Mr. WANG Tayu, born in October 1970, currently serves as Non-executive Director of the Company, General Manager of Investment Management Department No. 1 of Shanghai International Group Co., Ltd., Director and General Manager of Shanghai Xieyi Asset Management Co., Ltd., and Director of AVIC Investment Holdings Co., Ltd. Previously, Mr. WANG served as Investment Manager of the Enterprise Planning Department of Shenzhen Shekou Industrial Zone, Assistant Manager of the Investment Management Department of Shenzhen China Merchants Petrochemical Co., Ltd., Manager of Yueyang Merchants Petrochemical Co., Ltd., General Manager of the Enterprise Planning Department of China Merchants Logistics Group Co., Ltd., General Manager of Liaoning Branch of China Merchants Logistics Group Co., Ltd., Senior Manager of the Investment Management Headquarters of Shanghai International Group Co., Ltd., Assistant Vice President and Vice President of Shanghai State-owned Assets Management Co., Ltd., Chairman of Shanghai Guoxin Investment and Development Co., Ltd., Executive Director of Shanghai Chenggao Assets Management Co., Ltd., Executive Director and General Manager of Shanghai Guozhi Properties Development Co., Ltd., Vice Chairman and Director of Shanghai Guotai Junan Investment Management Co., Ltd. and Director of Shanghai Rural Commercial Bank Co., Ltd. Mr. WANG has a master's degree.

Mr. WU Junhao, born in June 1965, currently serves as Non-executive Director of the Company, Director of CPIC Life and CPIC P/C, and Manager of the Financial Management Department of Shenergy (Group) Co., Ltd. Mr. WU is also a Director of Orient Securities Company Limited, a company listed on SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958), Director of Shanghai Chengyi New Energy Venture Capital Co., Ltd., Director of Chengdu Xinshen Venture Capital Co., Ltd., Supervisor of Shanghai ICY Capital Co., Ltd., Supervisor of Everbright Banking Co., Ltd., a company listed on both SSE and SEHK (SSE stock code: 601818, SEHK stock code: 06818) and Chairman of the Supervisory Board of Shanghai Shenery Leasing Co., Ltd., Chairman of the Supervisory Board of Shanghai Shenery Chengyi Equity Investment Co., Ltd. Mr. WU formerly worked as Head of the Teaching Research Department of the School of Business Management of Changzhou University, Executive Deputy General Manager of Shanghai New Resources Investment Consulting Company, Deputy General Manager of Shanghai Bailitong Investment Company, Deputy Chief of Shanghai Shenergy Assets Management Co., Ltd., Deputy Chief, Chief and Senior Chief of the Assets Management Department, Deputy Manager of the Financial Management Department of Shenergy (Group) Co., Ltd. and Director of Shanghai Jiulian Group Co., Ltd. Mr. WU was also Supervisor of Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on SSE and SEHK (SSE stock code: 601607, SEHK stock code: 02607). Mr. WU has a master's degree.

Ms. LAM Tyng Yih, Elizabeth, born in October 1964, currently serves as Independent Non-executive Director of the Company, and Director and Honorary Treasurer of HK Agency for Volunteer Service. Previously, Ms. LAM served as Consultant and Partner of Ernst & Young. Ms. Lam holds a bachelor's degree in business administration and a Master of Science degree in accounting, and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. CHEN Jizhong, born in April 1956, currently serves as Independent Non-executive Director of the Company. Previously, Mr. CHEN served as Head of the Personnel Department for Entities under Direct Administration of the Personnel Division of the State Planning Commission, Deputy Director of the Human Resources Department of China Development Bank, Director of the Executive Office of China Development Bank, successively General Manager of Xi'an Branch, Shaanxi Branch, and Shanghai Branch of China Development Bank, and Chief Internal Auditor of China Development Bank. Mr. CHEN holds a master's degree.

Mr. JIANG Xuping, born in May 1955, currently serves as Independent Non-executive Director of the Company, professor with the Department of Marketing of the School of Economics and Management, Tsinghua University, research fellow at the Research Centre for Contemporary Management, Tsinghua University, and research fellow at the Centre for Corporate Governance of Tsinghua University. Mr. JIANG also serves pro bono as Dean of the School of Internet Marketing and Management of Guizhou Forerunner College. Previously, Mr. JIANG served as lecturer, associate professor, professor of School of Economics and Management of Tsinghua University, and Head of Internet Marketing and Management of the Software School of Beihang University. Mr. JIANG holds a master's degree and the title of professor.

The biographies of the Proposed Directors of the 9th Board of Directors are as follows:

Ms. LIANG Hong, born in October 1968, a Proposed Non-executive Director of the Company, is currently President of the Institute of Innovation and Industry Studies of Hillhouse Capital. Previously, Ms. LIANG served as an Economist with the International Monetary Fund; Chief Economist of China, Managing Director and co-head of Asia-Pacific Economic Research Department of Goldman Sachs; member of the Management Committee, Head of the Research Department, Chief Economist, co-head of the Sales and Trading Department and Head of the Capital Market Department of China International Capital Corporation Limited. Ms. LIANG holds a doctor's degree.

Ms. LU Qiaoling, born in March 1966, a Proposed Non-executive Director of the Company, is currently General Manager of the Financial Department of China Baowu Steel Group Corporation Limited, Chairman of the Board of Supervisors of Baowu Group Guangdong Shaoguan Iron and Steel Co., Ltd., Ouye Yunshang Co., Ltd., Baowu Equipment Intelligent Technology Co., Ltd. and Huabao Investment Co., Ltd., Director of Baosteel Group Finance Co., Ltd., and Supervisor of Magang (Group) Holding Co., Ltd. Ms. LU is also a member of the Expert Panel for Qualifications Review of Senior Auditing Designations of Shanghai, a member of the Eleventh Council of the Shanghai Accounting Association, and a member of its Internal Control Standards Committee. Ms. LU was Chief Accountant of Hebei Petrochemical Supply and Marketing Corporation, Deputy Director of the Industry Guidance Department and Deputy Director of the Administration Office of the Audit Bureau of the Ministry of Chemical Industry, Assistant Inspector of the State Council 's Audit Commissioner, and full-time Supervisor for state-owned medium and large-sized enterprises under the CPC Central Enterprise Working Committee, Deputy Director and Director of the Internal Audit Department of Baosteel Group Co., Ltd., Director of the Internal Audit Department of Baoshan Iron and Steel Co., Ltd., and Deputy General Manager of Baosteel Engineering Technology Group Co., Ltd. Ms. LU holds a master's degree, and has the title of Senior Accountant, Certified Public Accountant, and Auditor.

Mr. John Robert DACEY, American, born in May 1960, a Proposed Non-executive Director of the Company, is currently Chief Financial Officer and a member of the Executive Committee of Swiss Re Group. Mr. DACEY was a Consulting Partner of McKinsey & Company, Chief Strategy Officer and a member of the Executive Committee of Winterthur Insurance as well as Vice Chairman and a member of the Executive Committee of the Asia-Pacific Regional Office of AXA and Chief Executive Officer of AXA Japan and Asia-Pacific Regional Headquarters. Mr. DACEY also served as a Non-executive Director of New China Life Insurance Company Limited (SSE stock code: 601336, SEHK stock code:01336). Mr. DACEY holds a master's degree.

Mr. ZHOU Donghui, born in April 1969, a Proposed Non-executive Director of the Company, is currently General Manager of Shanghai Haiyan Investment Management Co., Ltd. and Non-executive Director of Orient Securities Company Limited listed on both SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958), Non-executive Director of Haitong Securities Co., Ltd. listed on both SSE and SEHK (SSE stock code: 600837, SEHK stock code:06837). Mr. ZHOU was formerly Deputy Manager and Manager of the Financial Department of Shanghai Import and Export of China Tobacco Co., Ltd., Deputy Director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., Deputy Director of the Financial Department, Deputy Head of the Fund Management Centre, Deputy Director and Director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., and Deputy General Manager and Executive Deputy General Manager of Shanghai Haiyan Investment Management Co., Ltd. Mr. ZHOU holds a bachelor's degree and the title of Senior Accountant.

Mr. CHEN Ran, born in January 1984, a Proposed Non-executive Director of the Company, is currently Director and General Manager of Shanghai Ouyeel Financial Information Service Co., Ltd. Mr. CHEN also serves as Chairman of Shanghai Ouyeel Pawn Co., Ltd., Executive Director of Easternpay Information & Technology Co., Ltd. and Director of China United SME Guarantee Corporation. Previously, Mr. CHEN served as the sales representative and Marketing Director of Marketing Department No. 1 of Shanghai Baosteel Steel Products Trading Co., Ltd., Leadership Development Manager of the Human Resources Department and Senior Secretary of the Administration Office of China Baowu Steel Group Corporation Ltd. and Deputy General Manager of Shanghai Ouyeel Financial Information Service Co., Ltd. Mr. CHEN received university education with a bachelor's degree.

Ms. LIU Xiaodan, born in June 1972, a Proposed Independent Non-executive Director of the Company, is currently General Manager of Chenyi Investment (Beijing) Co., Ltd. and Chairman of Chenyi Fund Management (Beijing) Co., Ltd. Previously, Ms. LIU was President and Chairman of Huatai United Securities Co., Ltd. and Chairman of Asset Mark Financial Holdings, Inc., a company listed on the New York Stock Exchange (stock code: AMK), and General Manager of Chenyi Fund Management (Beijing) Co., Ltd. Ms. LIU worked at Peking University. She also served as a member of the 4th and 5th Committees for Mergers, Acquisitions, and Restructuring of China Securities Regulatory Commission. Ms. LIU holds a master's degree.

Mr. WOO Ka Biu, Jackson, born in September 1962, a Proposed Independent Non-executive Director of the Company, is currently CEO of Challenge Capital Management Limited, Consultant of Guantao Law Firm (Hong Kong), Director of Gao Li Enterprise and Fangfen Group Co., Ltd., and Independent Non-executive Director of Henderson Land listed on the SEHK (stock code: 00012), Honourary Member of the Board of Trustees of Tsinghua University, notary public entrusted by the Ministry of Justice of the People's Republic of China, member of the Lawyers Disciplinary Tribunal of the Hong Kong Court of Final Appeal (Practising Lawyer), member of the Takeovers and Mergers Committee and Takeover Appeals Committee of Hong Kong Securities and Futures Commission, member of the Main Board and GEM Listing Review Committee of the Hong Kong Stock Exchange, Honourary Advisor of the Hong Kong Financial Reporting Council and member of the Investigation Committee. Mr. WOO was a member of the Public Shareholders' Rights Group of Hong Kong Securities and Futures Commission, Chairman of Beijing Guantao Zhongmao Law Firm (International), a partner of Astor Law Firm, founding partner of Woo Ka Biu Law Firm, Director and Co-head of Investment Banking of Great China of N.M. Rothschild & Sons (Hong Kong) Limited, partner of Messrs. Woo, Kwan, Lee and Lo of Hong Kong, Independent Non-executive Director of Ping An Insurance (Group) Co., Ltd., a company listed on both SSE and SEHK (SSE stock code: 601318, SEHK stock code: 02318), Alternative Director of Sir Hu Baoxing, Non-executive Director of Sun Hung Kai Properties Limited (stock code: 00016) and Henderson Investment Limited listed on SEHK (stock code: 00097). Mr. WOO holds a master's degree, and is a qualified lawyer in the Supreme Courts of Hong Kong, England and Wales and the Australian Capital, and a licensee of the Securities and Futures Commission of Hong Kong.

(II) Other Change of Directors

Name	Cessation of office	Detail
KONG Xiangqing	Non-Executive Director	In May 2020, Mr. KONG Xiangqing's term of office as member of the 8th Board of Directors of the Company expired.
SUN Xiaoning	Non-Executive Director	In May 2020, Ms. SUN Xiaoning's term of office as member of the 8th Board of Directors of the Company expired.
LI Qiqiang	Non-Executive Director	In May 2020, Mr. LI Qiqiang's term of office as member of the 8th Board of Directors of the Company expired.
CHEN Xuanmin	Non-Executive Director	In May 2020, Mr. CHEN Xuanmin's term of office as member of the 8th Board of Directors of the Company expired.
LEE Ka Sze, Carmelo	Independent Non-Executive Director	In May 2020, Mr. LEE Ka Sze, Carmelo's term of office as member of the 8th Board of Directors of the Company expired.
GAO Shanwen	Independent Non-Executive Director	In May 2020, Mr. Gao Shanwen's term of office as member of the 8th Board of Directors of the Company expired.

(III) New Board of Supervisors

In April 2020, the Employee Representative Supervisors of the 9th Board of Supervisors were elected at an employee representative meeting of the Company. On 12 May 2020, the Company held the 2019 annual general meeting and elected the Shareholder Representative Supervisors of the 9th Board of Supervisors. Currently, there are 4 Incumbent Supervisors and Proposed Supervisors of the Company, including 2 Shareholder Representative Supervisors (Mr. ZHU Yonghong and Mr. LU Ning) and 2 Employee Representative Supervisors (Mr. JI Zhengrong and Mr. GU Qiang (Mr. GU Qiang's appointment qualification is still subject to approval from CBIRC)). The term of office of the 9th Board of Supervisors is three years. On 12 May 2020, Mr. ZHU Yonghong and Mr. JI Zhengrong were elected as the Chairman and Vice Chairman of the 9th Board of Supervisors respectively at the first session of the 9th Board of Supervisors of the Company.

The biographies of the Incumbent and Proposed Supervisors of the 9th Board of Supervisors are as follows:

Mr. ZHU Yonghong, born in January 1969, currently serves as Chairman of the Board of Supervisors of the Company, Chief Accountant and Board Secretary of China Baowu Steel Group Corporation Limited, Chairman of Hwabao Investment Co., Ltd., Chairman of Wuhan Iron and Steel (Group) Kunming Iron and Steel Co., Ltd., Chairman of Hwabao Trust Co., Ltd., Chairman of Baosteel Group Finance Co., Ltd., and Chairman of the board of supervisors of Baoshan Iron and Steel Co., Ltd., a company listed on SSE (stock code: 600019). Mr. ZHU previously worked as Chairman of Wuhan Iron and Steel (Group) Finance Co., Ltd., CFO and Head of the Planning and Finance Department, Deputy Chief Accountant and Chief Accountant of Wuhan Iron and Steel (Group) Company, Director of Wuhan Iron and Steel Company Limited, a company listed on SSE (stock code: 600005), Vice Chairman of Hebi Fuyuan Refined Coal Co., Ltd., Director of Hankou Banking Co., Ltd., Director of Beibu Gulf Property & Casualty Insurance Co., Ltd., Chairman of the Board of Supervisors of Changjiang Property & Casualty Insurance Co., Ltd., and Director of Hubei United Development & Investment Co., Ltd. Mr. ZHU holds a doctor's degree and the title of Senior Accountant.

Mr. JI Zhengrong, born in December 1963, currently serves as Vice Chairman of the Board of Supervisors, Employee Representative Supervisor, and Chairman of the Trade Union of the Company. Previously, Mr. JI served as Vice Chairman of the Board of Supervisors and Chairman of the Trade Union of Shanghai New Union Textra Import and Export Co., Ltd., Vice Chairman of the Board of Supervisors of Shanghai New Union Textra Joint Company, and Vice Chairman of the Board of Supervisors of Shanghai Textile (Group) Co., Ltd. Mr. JI received university education.

Mr. LU Ning, born in September 1968, is currently Supervisor of the Company, Supervisor of CPIC P/C, and head of the Financial Assets Department of Yunnan Hehe (Group) Co., Ltd. Mr. LU is also Director of Hongta Innovation Investment Co., Ltd., Director of Yunnan Horticulture Industrial Investment Management Co., Ltd. and Director of Yunnan Tourism Co., Ltd. Mr. LU previously worked as Chairman of Shanghai Hongta Hotel Co., Ltd., Chairman of Yunnan Hongta Hotel Co., Ltd., Chairman of Yunnan Honghe Investment Co., Ltd., Chairman of Kunming Hongta Building Co., Ltd., Chairman of Kunming Hongta Building Property Management Co., Ltd., and Director of Yunnan Hongta Sports Centre Co., Ltd., Director of Yunnan Zhongwei Hotel Management Co., Ltd., Director of Kunming Wanxing Real Estate Development Co., Ltd., Deputy General Manager of Yunnan Tobacco Group Xingyun Co., Ltd., General Manager of Kunming Wanxing Real Estate Development Co., Ltd., Head of the Hotel Property Department of Yunnan Hehe (Group) Co., Ltd., Director of Yunnan Tobacco Xingyun Investment Co., Ltd., Chairman of Yunnan Hongta Real Estate Development Company, and Chairman of Zhongshan Hongta Property Development Co., Ltd. Mr. LU holds a bachelor degree in economics.

Mr. GU Qiang, born in January 1967, a Proposed Employee Representative Supervisor of the Company, currently serves as Chairman of the Board of Supervisors of CPIC AMC and Chairman of the Board of Supervisors of Changjiang Pension. Mr. GU formerly served as Deputy Chief Accountant, CFO, Finance Responsible Person and Deputy General Manager of CPIC P/C, Director of CPIC AMC, Director of China Pacific Insurance Co., (H.K.) Limited, Director, Vice President and CFO of Anxin Agricultural Insurance. Prior to joining the Company, Mr. GU was a lecturer at the Department of Finance and Insurance of Shanghai University of Finance and Economics, senior auditor of Pricewaterhouse Da Hua Certified Public Accountants, Deputy Manager of Integrated Planning Department and Manager of the International Business Department of Wanguo Securities Co., Ltd., Vice President and CFO of Shanghai Branch of American International Underwriters. Mr.GU holds a master's degree and the title of Senior Accountant.

(IV) Other Change of Supervisors

Name	Cessation of office	Detail
ZHANG Xinmei	Shareholder Representative Supervisor	In May 2020, Ms. ZHANG Xinmei's term of office as member of the 8th Board of Supervisors of the Company expired.
JIN Zaiming	Employee Representative Supervisor	In May 2020, Mr. JIN Zaiming's term of office as member of the 8th Board of Supervisors of the Company expired.
LU Guofeng	Proposed Shareholder Representative Supervisor	In July 2020, due to work arrangements, Mr. LU Guofeng resigned as proposed Shareholder Representative Supervisor of the 9th Board of Supervisors.

(V) New senior management

On 12 May 2020, Mr. FU Fan was appointed as President of the Company at the first session of the 9th Board of Directors of the Company. On 15 May 2020, Mr. ZHAO Yonggang and Mr. YU Bin were appointed as Vice President of the Company, Mr. Ma Xin was appointed as Vice President and Board Secretary of the Company, Mr. ZHANG Yuanhan was appointed as Chief Actuary and CFO of the Company, Mr. ZHANG Weidong was appointed as Chief Risk Officer, Chief Compliance Officer and General Counsel of the Company, Mr. DENG Bin was appointed as Chief Investment Officer of the Company, and Mr. QIAN Zhonghua was appointed as Chief Internal Auditor and Chief Auditing Officer of the Company at the second session of the 9th Board of Directors of the Company. Among them, the appointment qualification of Mr. FU has been approved by CBIRC in March 2020. The term of office of the above-mentioned senior management members will expire upon the expiration of the 9th Board of Directors of the Company (or the expiration of his own term of office).

The biographies of members of senior management appointed by the 9th Board of Directors are as follows:

Mr. KONG Qingwei and Mr. FU Fan currently serve as Chairman and President of the Company, respectively. For their biographies, please refer to the "biographies of the Incumbent and Proposed Directors of the 9th Board of Directors".

Mr. ZHAO Yonggang, born in November 1972, currently serves as Vice President of the Company. Mr. ZHAO previously worked as Deputy General Manager of CPIC Life Guizhou Branch, Deputy Director and Director of Department of the Party and Masses Affairs of the Company, Director of Strategic Transformation Office of CPIC Life, General Manager of Heilongjiang Branch and consecutively Henan Branch of CPIC Life, Chairman of the Trade Union and HR Director of CPIC Life, and Chairman of the Trade Union of the Company. Mr. ZHAO holds a bachelor's degree.

Mr. YU Bin, born in August 1969, currently serves as Vice President of the Company and a Director of CPIC P/C. Mr. YU previously served consecutively as Deputy General Managers of the Non-marine Insurance Department and Underwriting & Claims Department of CPIC P/C, General Managers of the Market R&D Centre and the Market Department of CPIC P/C, Chief Marketing Officer and Deputy General Manager of CPIC P/C, and Assistant Vice President of the Company. Mr. YU has a master's degree.

Mr. MA Xin, born in April 1973, currently serves as Vice President & Board Secretary of the Company, and a Director of CPIC P/C, CPIC Life and Changjiang Pension respectively. Mr. MA previously worked as General Manager of CPIC Life Shaanxi Branch, Director of the Strategic Transformation Office, General Manager of Strategic Planning Department and the Transformation Director of the Company. Mr. MA has a master's degree.

Mr. ZHANG Yuanhan, born in November 1967, is Chief Actuary and CFO of the Company, and a Director of CPIC P/C, CPIC Life and CPIC AMC respectively. Mr. ZHANG previously served as the Chief Actuary, Deputy General Manager and Vice President of MetLife Insurance Company Limited, Chief Actuary of Sino Life Insurance Co., Ltd., Deputy General Manager, CFO and Chief Actuary of Sun Life Everbright Life Insurance Co., Ltd., and Director of Sun Life Everbright Asset Management Co., Ltd. Mr. ZHANG has a master's degree and is a Director of China Association of Actuaries and a member of The Society of Actuaries and American Academy of Actuaries.

Mr. ZHANG Weidong, born in October 1970, currently serves as Chief Risk Officer, Chief Compliance Officer and General Counsel of the Company and Directors of CPIC P/C, CPIC Life, CPIC AMC and Changjiang Pension. Mr. ZHANG previously served as General Manager of the Legal & Compliance Department, Director of the Board Office of the Company, concurrently Board Secretaries of CPIC P/C, CPIC Life and CPIC AMC, Risk & Compliance Officer and General Manager of the Risk Management Department of the Company. Mr. ZHANG holds a bachelor's degree.

Mr. Benjamin DENG, born in November 1969, currently serves as Chief Investment Officer of the Company, Chief Investment Officer of CPIC HK, and Directors of CPIC Life and CPIC AMC. Mr. DENG's previous stints include official of the Personnel Department of the Ministry of Foreign Trade and Economic Cooperation, Mid-office Head of the Group Risk Management Department of AIG, Market Risk Management Head of AIG's Asia Pacific Division (excluding Japan), Market Risk Director, Investment Analysis Director, Investment Solutions and Derivatives Director, and Director of China strategic projects of AIA. Mr. DENG holds a master's degree and is a chartered financial analyst and a financial risk manager.

Mr. QIAN Zhonghua, born in July 1962, currently serves as Chief Internal Auditor and Chief Auditing Officer of the Company. Previously, Mr. QIAN served as General Manager of Suzhou Central Sub-branch, Deputy General Manager of Jiangsu Branch, General Managers of Shenzhen Branch and Guangdong Branch of CPIC Life, Deputy General Manager and General Manager of CPIC Life. Mr. QIAN holds a master's degree and the title of Senior Accountant.

(V). Other Change of members of senior management

Name	Cessation of office	Detail
PAN Yanhong	Executive Vice President	In May 2020, Ms. PAN Yanhong no longer served as Executive Vice President of the Company due to the expiration of term of office of the 8th Board of Directors.
RONG Guoqiang	Chief Technology Officer	In May 2020, Mr. RONG Guoqiang no longer served as Chief Technology Officer of the Company due to the expiration of term of office of the 8th Board of Directors.

2

Shareholdings of the Company's directors, supervisors and senior management

Unit: share

Name	Position	Type of shares	Shareholding at the beginning of the reporting period	Increase in shareholding during the reporting period	Decrease in shareholding during the reporting period	Shareholding at the end of the reporting period	Reason for the change
YU Bin	Vice President	A share	5,900	-	-	5,900	-
PAN Yanhong	Executive Vice President	A share	113,000	-	-	113,000	-

Note: In May 2020, Ms. PAN Yanhong ceased to serve as Executive Vice President of the Company due to the expiration of term of office of the 8th Board of Directors.

Corporate governance

1

Corporate governance

The Company has established a corporate governance system comprising the SGM, the Board of Directors, the Board of Supervisors and the senior management in accordance with the provisions of relevant laws and regulations such as Company Law of the PRC, Securities Law of the PRC, Insurance Law of the PRC to form an operational mechanism for support, coordination and checks and balances among the governing body, the decision-making body, the supervisory body and the executive body. The Company has improved its corporate governance structure by constant optimisation of its Group management structure, full consolidation of its internal resources and increased interaction and communication with the capital market.

During the reporting period, the Company held one annual general meeting, 5 board meetings and 3 meetings of supervisors. The resolutions approved at the relevant meetings were published on the websites of SSE and SEHK and were disclosed through relevant media in accordance with the regulatory requirements. The Company held the 2019 annual general meeting on 12 May 2020. For details of the relevant resolutions, please refer to the Company's relevant announcements published on the websites of SSE and SEHK and the Company's website. The SGM, the Board of Directors, the Board of Supervisors and the senior management fulfilled their functions independently, exercised their rights and performed their duties respectively in accordance with the Articles of Association, and did not breach any laws or regulations.

During the reporting period, based on its actual situation, the Company has revised contents in the Articles of Association and the Procedural Rules for the SGM concerning the number of Directors, the establishment of specialised committees of the Board of Directors, the notice time of shareholders' general meetings, and the management of related party transactions, etc., in accordance with the latest regulatory requirements issued by the State Council, CSRC, and CBIRC, etc.

During the reporting period, in accordance with the revised Articles of Association, the Company adjusted the committees set up under the Board of Directors: First, a new committee for technological innovation and consumer rights protection was established to actively respond to the needs of technological empowerment transformation and promote the establishment of an effective scientific and technological innovation operation system by the management to strengthen the protection of consumer rights; second, the former Risk Management Committee was re-named Risk Management and Related Party Transaction Control Committee to strengthen the control of related party transactions. At present, the Company's Board of Directors has five specialised committees, namely the Strategic and Investment Decision-making Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Related Party Transaction Control Committee, and the Technological Innovation and Consumer Rights Protection Committee. Each committee conducts in-depth research on specific subjects and put forward suggestions for the Board of Directors' reference.

During the reporting period, the Company's Strategic and Investment Decision-making Committee held a total of 3 meetings, making comments and suggestions on major issues such as the Company's profit distribution among others.

During the reporting period, the Audit Committee held 4 meetings to review the annual report for 2019 and the first quarter report for 2020 of the Company. The Audit Committee discussed and agreed with the external auditors an auditing schedule for the financial report of the Company for the year 2019 in accordance with the requirements for the preparation of the annual report of the Company. The Audit Committee held a meeting to review the financial statements prepared by the Company and issued a written opinion on such statements before the external auditors. The Audit Committee also maintained adequate and timely communication with the external auditors. The Audit Committee held a meeting to review again the financial report of the Company after receipt of the external auditors' preliminary audit opinions. The Audit Committee then issued its written opinion on the report and agreed to submit the annual report to the Board of Directors for consideration.

During the reporting period, the Nomination and Remuneration Committee convened 4 meetings to review such matters as the performance appraisals of the senior management and the nomination of Director candidates, appointment of senior executives.

During the reporting period, the former Risk Management Committee convened 2 meetings to review the risk assessment report, and solvency report of the Company and the execution of related party transactions. The Risk Management and Related Party Transaction Control Committee convened a meeting to review relevant proposals on related party transactions of subsidiaries.

2

Investor relations

The investor relations (IR) programme of the Company focuses on market value management, seeks to establish a comprehensive and investor-oriented platform with diversified channels of effective communication and made continued efforts to improve the reach and influence of investor communication. During the COVID-19 prevention and control period, the Company successfully held its Annual Results Presentation and global roadshow via "video + teleconference". Actively responding to the call of the securities regulatory authority to strengthen the protection of minority shareholders, the Company had issued an announcement before the Annual Results Presentation, publicly solicited investors' questions, and responded to them at the Presentation, while facilitating retail investors' participation in the event by providing them with an Internet access. In the first half of 2020, the Company hosted over 80 visits from analysts and investors, attended 7 brokers' strategy meetings, forums and summits, and timely and effectively communicated the Company's business performance and strategies to the capital markets. Besides, the Company employed diverse means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, the E-communication platform of SSE and Investor Newsletters. These initiatives were well accepted by the capital market. Besides, leveraging the two-way communication role of investor relations, the Company communicated the voice of the capital market in the form of capital market updates and special reports to help with management decision-making.

3

Information disclosure

Regarding information disclosure, the Company strictly abides by the principle of "truthfulness, accuracy, completeness, timeliness and fairness" and takes a "reasonable, prudent and balance" approach towards forward-looking information. We focus on investor's needs to further improve the pertinence, effectiveness and transparency of information disclosure and fully ensure investor's right to information. During the reporting period, regular reports and a number of provisional announcements were released in strict accordance with regulatory requirements. During the reporting period, the Company paid close attention to new industry policies and regulatory developments, strictly implemented information disclosure requirements of the regulators, optimised and improved internal systems and review processes, and strengthened the management of material events of its subsidiaries to ensure the efficiency and standardisation of information disclosure management within the Group. While expanding the scope of information disclosure, the Company continued benchmarking with industry-leading international insurers and adopted innovative ways of disclosing non-financial information to fully, concisely, and effectively communicate its major business development strategies and results and its corporate social responsibility efforts and results to the market and other stakeholders in a comprehensive and timely manner.

Ever since begining of the preparation of the issuance and listing of GDRs on the LSE, CPIC has been disclosing relevant information in markets of Shanghai, Hong Kong and London in a compliant, timely, and efficient manner, fully communicating the progress and results of its GDR issuance to investors to continuously enhance transparency on the international market, and treating domestic and foreign investors equally. Since its listing on each of SSE, the SEHK and the LSE, the Company has strictly adhered to the listing rules of Shanghai, Hong Kong and London, and effectively performed its information disclosure obligations with zero inquiry and punishment from the regulators. In addition, the Company has complied with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the Regulation (EU) 596/2014 on market abuse in connections with its issuance of GDRs on the LSE. The Company has received an A rating from the SSE for its information disclosure for 7 consecutive years.

Operating results
Corporate governance
Other information
Financial report

Other information

1

Sealed financial statements signed by the legal representative, principal in charge of accounting and head of accounting department

2

Original copies of all announcements and documents of the Company on the website designated by the CSRC during the reporting period

3

Interim reports disclosed in other security markets

Corporate information and definitions

Legal Name in Chinese:
中国太平洋保险（集团）股份有限公司（“中国太保”）

Legal Name in English:
CHINA PACIFIC INSURANCE (GROUP) CO., LTD. ("CPIC")

Legal Representative: KONG Qingwei

Board Secretary and Joint Company Secretary: MA Xin

Securities Representative: PAN Feng

Contact for Shareholder Inquiries:
Investor Relations Dept. of the Company

Tel: +86-21-58767282

Fax: +86-21-68870791

Email: ir@cpic.com.cn

Address:
1 South Zhongshan Road, Huangpu, Shanghai, PR China

Registered Office:
1 South Zhongshan Road, Huangpu, Shanghai, PR China

Office Address:
1 South Zhongshan Road, Huangpu, Shanghai, PR China

Postal Code: 200010

Website: http://www.cpic.com.cn

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):
China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at:
http://www.sse.com.cn

Announcements for H Share Published at:
http://www.hkexnews.hk

Announcements for GDR Published at:
http://www.londonstockexchange.com

Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing:
The Shanghai Stock Exchange

Stock Name for A Share: 中国太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:
The Stock Exchange of Hong Kong Limited

Stock Name for H Share: 中国太保

Stock Code for H Share: 02601

Stock Exchange for GDR Listing: London Stock Exchange

Stock Name for GDR:
China Pacific Insurance (Group) Co., Ltd.

Trading symbol for GDR: CPIC

Accountant (A share): PricewaterhouseCoopers Zhong Tian LLP

Office address: 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hubin Road, Huangpu, Shanghai, PR China

Signing Certified Public Accountants:
PENG Runguo, ZHANG Jiong

Accountant (H share):
PricewaterhouseCoopers (Certified Public Accountants and Registered PIE Auditor)

Office address: 22/F, Prince's Building, Central, Hong Kong

Accountant (GDR): PricewaterhouseCoopers Zhong Tian LLP

Office address: 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hubin Road, Huangpu, Shanghai, PR China

Signing Certified Public Accountants:
PENG Runguo, ZHANG Jiong

Definitions

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

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC P/C"	China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC AMC"	Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Anxin Agricultural"	Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Fund"	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Allianz Health"	CPIC Allianz Health Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CBIRC"	China Banking and Insurance Regulatory Commission
"CIRC"	Former China Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"LSE"	London Stock Exchange
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"HKFRS"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
"Articles of Association"	The articles of association of China Pacific Insurance (Group) Co., Ltd.
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code for Securities Transactions"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Substantial Shareholder"	Has the meaning given to it under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being a person who has an interest in the relevant share capital of the Company, the nominal value of which is equal to or more than 5% of the nominal value of the relevant share capital of the Company
"RMB"	Renminbi
"pt"	Percentage point

Financial report

Review Report

PwC ZT Yue Zi (2020) No. 0104

TO THE SHAREHOLDERS OF CHINA PACIFIC INSURANCE (GROUP) CO., LTD.,

We have reviewed the accompanying interim financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the consolidated and company balance sheets as at 30 June 2020, the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the six months period ended 30 June 2020, and the notes to the financial statements. Management of CPIC is responsible for the preparation of these interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs"). Our responsibility is to issue a review report on these interim financial statements based on our review.

We conducted our review in accordance with China Standards on Review No. 2101, "Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review of interim financial statements is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly, in all material respects, the consolidated and the company's financial position of CPIC as at 30 June 2020, and their financial performance and cash flows for the six months period ended 30 June 2020 in accordance with the CASs.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	PENG Runguo
	Signing CPA	ZHANG Jiong
Shanghai, the People's Republic of China	21 August 2020	

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VII	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash at bank and on hand	1	36,852	14,872
Financial assets at fair value through profit or loss	2	10,490	4,931
Securities purchased under agreements to resell	3	28,608	28,045
Premium receivables	4	35,275	17,916
Reinsurance receivables	5	6,209	5,340
Interest receivables	6	17,308	19,493
Reinsurers' share of unearned premium reserves		8,243	6,385
Reinsurers' share of claim reserves		7,717	6,841
Reinsurers' share of life insurance reserves		1,842	1,881
Reinsurers' share of long-term health insurance reserves		11,021	10,453
Policy loans		59,307	57,194
Term deposits	7	177,168	147,756
Available-for-sale financial assets	8	526,093	511,822
Held-to-maturity financial assets	9	303,424	295,247
Investments classified as loans and receivables	10	375,957	324,013
Long-term equity investments	11	20,188	20,442
Restricted statutory deposits	12	6,658	6,658
Investment properties	13	8,121	8,283
Fixed assets	14	16,112	16,378
Construction in progress	15	1,760	1,987
Right-of-use assets	16	3,884	4,130
Intangible assets	17	3,731	3,652
Goodwill	18	1,357	1,357
Deferred income tax assets	19	1,127	860
Other assets	20	17,013	12,397
TOTAL ASSETS		1,685,465	1,528,333

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET (continued)
AS AT 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Securities sold under agreements to repurchase	22	100,224	78,366
Premium received in advance		7,414	21,000
Commission and brokerage payable		5,428	4,364
Reinsurance payables	23	8,896	4,543
Employee benefits payable	24	4,154	5,573
Taxes payable	25	3,938	2,166
Interest payable		417	516
Claims payable		21,914	21,712
Policyholder dividend payable		24,112	25,447
Policyholders' deposits and investment contract liabilities	26	83,822	75,576
Unearned premium reserves	27	73,840	61,975
Claim reserves	28	48,910	42,504
Life insurance reserves	29	969,891	891,195
Long-term health insurance reserves	30	88,481	72,347
Insurance premium reserves		519	349
Bonds payable	31	9,990	9,988
Lease liabilities		3,478	3,668
Deferred income tax liabilities	19	3,169	2,911
Other liabilities	32	25,178	20,813
Total liabilities		1,483,775	1,345,013
Issued capital	33	9,576	9,062
Capital reserves	34	78,675	66,650
Other comprehensive income	59	15,416	12,949
Surplus reserves	35	4,835	4,835
General reserves	36	14,365	14,329
Retained profits	37	73,931	70,602
Equity attributable to shareholders of the parent		196,798	178,427
Non-controlling interests	38	4,892	4,893
Total equity		201,690	183,320
TOTAL LIABILITIES AND EQUITY		1,685,465	1,528,333

The financial statements from Page 2 to Page 128 are signed by the persons below:

KONG Qingwei	ZHANG Yuanhan	XU Zhen
Legal representative	Principal in charge of accounting	Head of accounting department

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Operating income		235,481	220,386
Net premiums earned		192,770	185,485
Gross written premiums	39	216,597	207,809
Including: Premiums from reinsurance assumed		937	458
Less: Premiums ceded to reinsurers		(13,822)	(11,211)
Net change in unearned premium reserves	40	(10,005)	(11,113)
Other income		128	73
Investment income	41	40,943	32,408
Including: Share of profits of associates and joint ventures		279	277
(Losses)/gains arising from changes in fair value	42	(414)	898
Exchange gains/(losses)		25	(75)
Other operating income	43	2,028	1,596
Gains on disposal of assets	44	1	1
Operating expenses		(217,831)	(205,880)
Surrenders	45	(5,354)	(5,072)
Claims	46	(65,812)	(63,884)
Less: Claim recoveries from reinsurers		5,232	4,551
Changes in insurance contract reserves	47	(95,841)	(85,334)
Less: Insurance contract reserves recovered from reinsurers	48	1,402	1,085
Changes in insurance premium reserves		(169)	(98)
Policyholder dividends		(6,322)	(5,827)
Expenses for reinsurance assumed		(432)	(152)
Taxes and surcharges	49	(510)	(446)
Commission and brokerage expenses	50	(22,619)	(26,966)
Operating and administrative expenses	51	(23,981)	(21,565)
Less: Expense recoveries from reinsurers		3,585	3,464
Interest expenses	52	(1,531)	(1,780)
Other operating expenses	53	(2,641)	(2,348)
Asset impairment losses	54	(2,838)	(1,508)
Operating profit		17,650	14,506
Add: Non-operating income	55	19	25
Less: Non-operating expenses	56	(39)	(46)

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Profit before tax		17,630	14,485
Less: Income tax	57	(3,039)	2,041
Net profit		14,591	16,526
Classified by continuity of operations			
Net profit from continuing operations		14,591	16,526
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Attributable to shareholders of the parent		14,239	16,183
Non-controlling interests		352	343
Earnings per share (RMB Yuan)	58		
Basic earnings per share		1.57	1.79
Diluted earnings per share		1.57	1.79
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss			
Exchange differences on translation of foreign operations		11	3
Changes of fair value of available-for-sale financial assets and related impact to insurance liabilities		3,417	7,899
Income tax relating to these items		(894)	(1,954)
Other comprehensive income	59	2,534	5,948
Total comprehensive income		17,125	22,474
Attributable to shareholders of the parent		16,706	22,012
Attributable to non-controlling interests		419	462

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2020 (Unaudited)								
	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total		
Balance at the beginning of the period	9,062	66,650	12,949	4,835	14,329	70,602	178,427	4,893	183,320
Movements in the current period	514	12,025	2,467	-	36	3,329	18,371	(1)	18,370
Net profit	-	-	-	-	-	14,239	14,239	352	14,591
Other comprehensive income (Note VII 59)	-	-	2,467	-	-	-	2,467	67	2,534
Total comprehensive income	-	-	2,467	-	-	14,239	16,706	419	17,125
De-registration of subsidiaries	-	(15)	-	-	-	-	(15)	-	(15)
Capital contribution and withdrawal by shareholders	514	12,040	-	-	-	-	12,554	-	12,554
Capital contribution by shareholders (Note I)	514	12,040	-	-	-	-	12,554	-	12,554
Profit distribution	-	-	-	-	36	(10,910)	(10,874)	(420)	(11,294)
Appropriations to general reserves	-	-	-	-	36	(36)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(10,874)	(10,874)	(420)	(11,294)
Balance at the end of the period	9,576	78,675	15,416	4,835	14,365	73,931	196,798	4,892	201,690

	For the six months ended 30 June 2019 (Unaudited)								
	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total		
Balance at the beginning of the period	9,062	66,635	2,792	4,835	11,642	54,610	149,576	4,472	154,048
Movements in the current period	-	-	5,829	-	27	7,094	12,950	81	13,031
Net profit	-	-	-	-	-	16,183	16,183	343	16,526
Other comprehensive income (Note VII 59)	-	-	5,829	-	-	-	5,829	119	5,948
Total comprehensive income	-	-	5,829	-	-	16,183	22,012	462	22,474
Profit distribution	-	-	-	-	27	(9,089)	(9,062)	(381)	(9,443)
Appropriations to general reserves	-	-	-	-	27	(27)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,062)	(9,062)	(381)	(9,443)
Balance at the end of the period	9,062	66,635	8,621	4,835	11,669	61,704	162,526	4,553	167,079

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash received from premium income from direct insurance contracts		189,182	186,425
Net increase in policyholders' deposits and investments contract liabilities		6,058	8,217
Refund of taxes and surcharges		9	2
Cash received relating to other operating activities		2,472	2,158
Sub-total of cash inflows		197,721	196,802
Cash paid for claims under direct insurance contracts		(63,341)	(62,032)
Net cash paid under reinsurance contracts		(1,483)	(1,248)
Cash paid for commission and brokerage expenses		(21,998)	(25,189)
Cash paid for policyholder dividends		(5,395)	(5,118)
Cash paid to and on behalf of employees		(12,506)	(12,761)
Payments of taxes and surcharges		(5,201)	(6,933)
Cash paid relating to other operating activities	60	(20,512)	(18,716)
Sub-total of cash outflows		(130,436)	(131,997)
Net cash flows from operating activities	62	67,285	64,805
Cash flows from investing activities			
Cash received from disposal of investments		202,770	157,799
Cash received from returns on investments		34,667	31,489
Net cash received from disposal of subsidiaries and other business entities		318	3
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6	36
Sub-total of cash inflows		237,761	189,327
Cash paid to acquire investments		(302,844)	(258,224)
Net increase in policy loans		(2,133)	(3,980)
Net cash paid to acquire subsidiaries and other business entities		(9)	(2,442)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,045)	(1,127)
Cash paid relating to other investing activities		(9)	-
Sub-total of cash outflows		(306,040)	(265,773)
Net cash flows used in investing activities		(68,279)	(76,446)

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Cash flows from financing activities			
Cash received from capital contributions		12,831	-
Increase in securities sold under agreements to repurchase, net		22,020	14,345
Cash received relating to other financing activities		4,290	4,665
Sub-total of cash inflows		39,141	19,010
Cash repayments of borrowings		(2,290)	(4,000)
Cash payments for distribution of dividends, profits or interest expenses		(12,485)	(1,766)
Cash paid relating to other financing activities		(910)	(672)
Sub-total of cash outflows		(15,685)	(6,438)
Net cash flows from financing activities		23,456	12,572
Effects of exchange rate changes on cash and cash equivalents		12	10
Net increase in cash and cash equivalents	62	22,474	941
Add: Cash and cash equivalents at the beginning of the period	61,62	42,546	38,121
Cash and cash equivalents at the end of the period	61,62	65,020	39,062

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

COMPANY BALANCE SHEET
AS AT 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note IX	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash at bank and on hand	1	13,380	83
Financial assets at fair value through profit or loss	2	9	10
Securities purchased under agreements to resell	3	1,520	108
Interest receivables		637	499
Term deposits	4	8,500	2,000
Available-for-sale financial assets	5	28,699	29,143
Held-to-maturity financial assets	6	-	300
Investments classified as loans and receivables	7	13,599	12,449
Long-term equity investments	8	64,979	64,979
Investment properties	9	3,261	3,331
Fixed assets		1,620	1,750
Construction in progress		3	-
Right-of-use assets		325	11
Intangible assets		305	343
Other assets	10	1,300	1,191
Total assets		138,137	116,197
LIABILITIES AND EQUITY			
Securities sold under agreements to repurchase	11	1,704	1,540
Commission and brokerage payable		1	1
Employee benefits payable		145	247
Taxes payable		73	86
Interest payable		1	-
Lease liabilities		348	11
Deferred income tax liabilities		281	194
Other liabilities	12	1,260	828
Total liabilities		3,813	2,907
Issued capital		9,576	9,062
Capital reserves	13	78,204	66,164
Other comprehensive income	15	1,081	867
Surplus reserves		4,531	4,531
Retained profits		40,932	32,666
Total equity		134,324	113,290
TOTAL LIABILITIES AND EQUITY		138,137	116,197

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

COMPANY INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Operating income		20,338	16,660
Other income		2	6
Investment income	14	19,907	16,135
Gains arising from changes in fair value		-	5
Other operating income		451	515
Exchange losses		(22)	-
Losses on disposal of assets		-	(1)
Operating expenses		(1,063)	(1,019)
Taxes and surcharges		(41)	(42)
Operating and administrative expenses		(782)	(786)
Interest expenses		(37)	(36)
Other operating expenses		(70)	(68)
Assets impairment losses		(133)	(87)
Operating profit		19,275	15,641
Add: Non-operating income		-	1
Less: Non-operating expenses		(15)	(10)
Profit before tax		19,260	15,632
Less: Income tax		(120)	(43)
Net profit		19,140	15,589
Classified by continuity of operations			
Net profit from continuing operations		19,140	15,589
Net profit from discontinued operations		-	-
Other comprehensive income/(loss)	15		
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		286	811
Income tax relating to available-for-sale financial assets		(72)	(203)
Other comprehensive income		214	608
Total comprehensive income		19,354	16,197

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2020 (Unaudited)					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the period	9,062	66,164	867	4,531	32,666	113,290
Movements in the current period	514	12,040	214	-	8,266	21,034
Net profit	-	-	-	-	19,140	19,140
Other comprehensive income (Note IX 15)	-	-	214	-	-	214
Total comprehensive income	-	-	214	-	19,140	19,354
Capital contribution and withdrawal by shareholders	514	12,040	-	-	-	12,554
Capital contribution by shareholders (Note I)	514	12,040	-	-	-	12,554
Profit distribution	-	-	-	-	(10,874)	(10,874)
Profit distribution to shareholders	-	-	-	-	(10,874)	(10,874)
Balance at the end of the period	9,576	78,204	1,081	4,531	40,932	134,324

	For the six months ended 30 June 2019 (Unaudited)					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the period	9,062	66,164	56	4,531	25,761	105,574
Movements in the current period	-	-	608	-	6,527	7,135
Net profit	-	-	-	-	15,589	15,589
Other comprehensive income (Note IX 15)	-	-	608	-	-	608
Total comprehensive income	-	-	608	-	15,589	16,197
Profit distribution	-	-	-	-	(9,062)	(9,062)
Profit distribution to shareholders	-	-	-	-	(9,062)	(9,062)
Balance at the end of the period	9,062	66,164	664	4,531	32,288	112,709

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash received relating to other operating activities		376	376
Sub-total of cash inflows		376	376
Cash paid to and on behalf of employees		(461)	(480)
Payments of taxes and surcharges		(184)	(97)
Cash paid relating to other operating activities		(342)	(446)
Sub-total of cash outflows		(987)	(1,023)
Net cash flows used in operating activities	16	(611)	(647)
Cash flows from investing activities			
Cash received from disposal of investments		5,286	5,614
Net cash received from disposal of subsidiaries and other business entities		-	3
Cash received from returns on investments		19,558	4,733
Sub-total of cash inflows		24,844	10,350
Cash paid to acquire investments		(11,533)	(10,636)
Net cash paid to acquire subsidiaries and other business entities		-	(450)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(52)	(73)
Sub-total of cash outflows		(11,585)	(11,159)
Net cash flows from/(used in) investing activities		13,259	(809)
Cash flows from financing activities			
Cash received from capital contributions		12,831	-
Increase in securities sold under agreements to repurchase, net		164	1,272
Sub-total of cash inflows		12,995	1,272
Cash payments for distribution of dividends, profits or interest expenses		(10,903)	(37)
Cash repayments of borrowings		-	(4)
Cash paid relating to other financing activities		(18)	-
Sub-total of cash outflows		(10,921)	(41)
Net cash flows from financing activities		2,074	1,231
Effect of exchange rate changes on cash and cash equivalents		(13)	-
Net increase/(decrease) in cash and cash equivalents	16	14,709	(225)
Add: Cash and cash equivalents at the beginning of the period	16	191	413
Cash and cash equivalents at the end of the period	16	14,900	188

The accompanying notes from Page 13 to Page 128 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

I. GENERAL INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was restructured from China Pacific Insurance Co., Ltd. in October 2001 pursuant to the approval of the State Council of the People's Republic of China (the PRC) and Circular [2001] No. 239 issued by the former China Insurance Regulatory Commission (the "CIRC"). After the restructuring, the Company obtained a business license (No. 1000001001110) on 24 October 2001 newly issued by the former State Administration for Industry and Commerce of the PRC, and had an original issued capital of RMB 2,006.39 million, with its registered address and headquarters in Shanghai. The Company increased its issued capital to RMB 6,700 million through issuance of new shares to its then existing shareholders and new shareholders in 2002 and from February to April 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares on the Shanghai Stock Exchange to increase its issued capital to RMB 7,700 million. On 25 December 2007, the Company's A shares were listed and traded on the Shanghai Stock Exchange.

In December 2009, the Company conducted a global offering of overseas listed foreign shares ("H shares"). Upon the completion of the H share offering, the issued capital was increased to RMB 8,600 million. On 23 December 2009, the Company's H shares were listed and traded on the Hong Kong Stock Exchange.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB 9,062 million, and the Company received the approval from the CIRC in December 2012 for the change of its registered capital. The Company obtained the business license (registration No. 100000000011107) on 5 February 2013. The Company renewed its business license on 15 December 2015, and its unified social credit code is No. 91310000132211707B.

In June 2020, the Company issued 102,873,300 Global Depositary Receipts ("GDRs") on the London Stock Exchange (the "LSE") and listed on the LSE, with each GDR representing five A shares of the Company. Upon the completion of the GDR listing, the Company's issued capital was increased to approximately RMB 9,576 million (before the over-allotment option was exercised). The over-allotment option described in the Prospectus of GDR was partially exercised in July 2020, as detailed in Note XVII.

The authorised business scope of the Company includes investing in insurance enterprises; supervising and managing the domestic and overseas reinsurance businesses of subsidiaries and their utilisation of funds; and participating in approved international insurance activities. The principal activities of the Company and its subsidiaries (the "Group" or "CPIC Group") are property and casualty insurance businesses, life and health insurance businesses, pension and annuity insurance businesses, as well as investments with insurance funds.

Major subsidiaries included in the consolidation scope in the current period are detailed in Note VI.

II. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs"), and in accordance with the disclosure requirements set out in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission (the "CSRC").

II. BASIS OF PREPARATION (continued)

Standards effective but not yet adopted for the current period

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting (collectively hereinafter referred to as the "new financial instruments standards") and the Circular on the Transitional Measures Related to the Implementation of the Accounting New Financial Instruments Standards (Cai Kuai [2017] No. 20) ("the Circular"). The new financial instruments standards came into effect on 1 January 2018. As an insurance company listed in A and H share markets, the Group's principal activities mainly relate to insurance business where:

(1) the carrying amounts of liabilities arising from insurance contracts (including deposits of hybrid contracts and embedded derivatives) are significant compared to the total carrying amounts of all liabilities; and

(2) the carrying amounts of insurance-related liabilities account for more than 90% of the total carrying amounts of all liabilities.

As it meets the "conditions for insurance companies to postpone the adoption of the new financial instruments standards" as stipulated in the second part of the Circular, the Group shall postpone its adoption of new financial instruments standards until 1 January 2021, and shall instead provide additional disclosures in accordance with the requirements set out in the third part of the Circular.

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

	As at 30 June 2020 Fair value	For the six months ended 30 June 2020 Changes in fair value
Financial assets held for trading (A)	3,886	(136)
Financial assets managed and assessed for performance on a fair value basis (B)	6,603	(278)
Financial assets other than A or B		
- Financial assets that meet SPPI (C)	979,244	5,880
- Financial assets that do not meet SPPI	250,995	3,066
Total	1,240,728	8,532

Credit risk rating grades of financial assets that meet SPPI (C)	As at 30 June 2020 Carrying amount
Domestic	
Exempt from rating[Note]	254,881
AAA	659,499
A-1	70
AA+	36,566
AA	1,000
Unrated	1,815
Overseas	
A- (inclusive) or above	229
BBB+	343
BBB	36
BBB-	15
BB+ (inclusive) or below	122
Total	954,576

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

II. BASIS OF PREPARATION (continued)

Standards effective but not yet adopted for the current period (continued)

Financial assets that meet SPPI are those which generate contractual cash flows on a specific date that are solely payments of principal and interest on the principal amount.

Financial assets not having low credit risks	As at 30 June 2020	
	Carrying amount	Fair value
Domestic	2,815	2,815
Overseas	122	123
Total	2,937	2,938

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

The financial statements are prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as at 30 June 2020 and their financial performance, cash flows and other information for the six months then ended.

Financial information in the financial statements of the Company and the Group for the six months ended 30 June 2020 are prepared in accordance with the following significant accounting policies and accounting estimates as determined under the Accounting Standards for Business Enterprises.

The Group determines its accounting policies and accounting estimates that best reflect its operating characteristics, mainly in relation to the recognition and measurement of financial instruments (Note III 16), testing of significant insurance risks (Note III 21), measurement of insurance contract reserves (Notes III 22), and recognition of revenue (Note III 27).

Details of the Group's critical judgements used in determining significant accounting policies are set forth in Note III 35.

1. Accounting year

The Group adopts the calendar year as its accounting year, i.e. from 1 January to 31 December. The actual period of the financial statements is from 1 January 2020 to 30 June 2020.

2. Reporting currency

The Company, its subsidiaries, joint ventures and associates in Mainland China selected RMB as their reporting currency. The subsidiaries of the Company incorporated in other countries or regions outside Mainland China selected their reporting currencies based on the primary economic environment where they operate, and convert their presentation currencies into RMB for the preparation of the Group's financial statements.

The presentation currency of the Group is RMB. All amounts are expressed in RMB million unless otherwise specified.

3. Basis of accounting and measurement bases

The financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for certain financial instruments and insurance contract reserves. If assets are impaired, provisions for asset impairments are accrued in accordance with relevant requirements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3. Basis of accounting and measurement bases (continued)

When the Company's subsidiaries China Pacific Property Insurance Co., Ltd. ("CPIC Property") and China Pacific Life Insurance Co., Ltd. ("CPIC Life") were established, the assets and liabilities invested into these subsidiaries by the Company and those they acquired from the Company were recorded at amounts determined by the state-owned asset administration authority. For the purpose of the consolidated financial statements, the Group has adjusted with the valuation amounts of these assets to their historical costs.

4. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations include those involving enterprises under common control and those involving enterprises not under common control.

Business combinations involving enterprises under common control

Business combinations are classified as business combinations involving enterprises under common control when the enterprises involved are ultimately controlled by the same party or parties both prior and subsequent to the combination and the control is not temporary. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The "combination date" refers to the date on which the acquirer actually obtains control over the acquiree.

Assets and liabilities that are obtained by the acquirer in a business combination are measured at their carrying amounts at the combination date as recorded by the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is applied to the capital reserves to adjust the share premium, or applied to retained earnings if the capital reserves is not sufficient to absorb the difference.

Direct costs incurred by the acquirer for the purpose of the business combination are expensed as incurred in the current period.

Business combinations involving enterprises not under common control

Business combinations involving enterprises not under common control is a business combination in which all combining enterprises are not ultimately controlled by the same party or the same parties both prior and subsequent to the business combination. In a business combination involving enterprises not under common control, the enterprise which obtains control over the other enterprise on the acquisition date is the acquirer, and the other enterprise is the acquiree. The "acquisition date" refers to the date on which the acquirer obtains effective control over the acquiree.

For a business combination involving enterprises not under common control, the cost of combination refers to the assets paid, liabilities incurred or assumed and the fair value of the equity securities issued by the acquirer to acquire the control over the acquiree at the acquisition date. The expenses of audit, legal services, valuation consulting and other administration fees incurred by acquirer for the purpose of business combination are expensed as incurred. The fee and commission expenses of equity securities or debt securities issued as the consideration for business combination are included in the initial recognition of the equity or debt securities.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

Where business combinations are accomplished through multiple transactions in phases, they are accounted for differently in the separate financial statements and the consolidated financial statements:

(1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment.

(2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

The acquirer shall consider the contingent consideration as agreed in the combination agreement as part of the consideration for the business combination, and include it at its fair value on the acquisition date in the combination cost of the business combination. If, within 12 months of the acquisition date, there is any new or further evidence in connection with a condition existing on the acquisition date that requires adjustments to the contingent consideration, the adjustments shall be recognised, and the amount included in the consolidated goodwill shall be adjusted accordingly. With respect to changes and adjustments to the contingent consideration under other circumstances, if the contingent consideration is recognised as an asset or a liability, the subsequent changes in fair value are recorded in profit or loss for the current period or other comprehensive income; if the contingent consideration is classified as equity, it is not required to be subsequently measured at fair value, and its subsequent settlement is recorded in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at their fair values at the acquisition date. Identifiable assets and liabilities acquired by the acquirer on the acquisition date shall be classified and designated in light of the contract terms, business policies, M&A policies and other related factors existing on the acquisition date, mainly including the classification of acquiree's financial assets and financial liabilities, designation of a hedging relationship, and the separation of embedded derivatives, among others. However, where the combination involves a lease contract or an insurance contract and the contract terms are modified at the acquisition date, the contract shall be reclassified in light of the modified terms and other factors.

The difference by which the combination cost exceeds the fair value of the net identifiable assets acquired from the acquiree is recognised as goodwill. If the combination cost is lower than the fair value of the net identifiable assets acquired from the acquiree, the acquirer shall first review the fair value of the individual identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the measurement of the combination cost, and if the reviewed combination cost is still lower than the fair value of the net identifiable assets acquired from the acquiree, the difference is recorded in profit or loss for the current period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

In a business combination, the deductible temporary differences acquired by the acquirer are not recognised as deferred income tax assets if they do not meet the recognition criteria on the acquisition date. If, within 12 months after the acquisition date, there is new or further information to indicate the existence of relevant circumstances at the acquisition date that the economic benefits is expected to be realised by the deductible temporary differences of the acquiree on the acquisition date, the relevant deferred income tax assets shall be recognised with goodwill being reduced by the same amount; and if goodwill is lower than the recognised amount, the difference shall be recognised in profit or loss in the current period. In all other circumstances, the deferred income tax assets related to business combination are recognised in profit or loss in the current period.

5. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the six months ended 30 June 2020. A subsidiary is an entity (including structured entities) over which the Company has control. Structured entities are entities where voting rights or other similar rights are not used as factors to determine the controlling party, such as when voting rights only relate to administrative tasks while related operation activities are arranged according to contractual agreements.

Structured entities include trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by financial institutions. Trust products, equity investment plans and project asset-backed plans are managed by related or unrelated trust companies or asset managers, and the funds raised are invested in loans to or equity interests in other companies. Wealth management products issued by financial institutions are managed by related or unrelated asset managers, and the funds raised are invested in agreement deposits, funds, stocks, and bonds, among others. Debt investment plans are managed by related or unrelated asset managers, and are mainly invested in infrastructure projects and real estate fund backed projects. To finance their operations, the relevant trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by institutions enter into product contracts with and grant product holders the right to receive profits, as agreed, from the trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by financial institutions. The Group has entered into product contracts for all its trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by financial institutions.

All trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by institutions are not consolidated structured entities if they are not under the control of the Group.

For the purpose of preparing consolidated financial statements, the subsidiaries adopt the same accounting period and accounting policies as the Company.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Consolidated financial statements (continued)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The subsidiaries' shareholders' equity, net profit or loss of the period, and the portion in their comprehensive income not attributable to the Company are presented separately as non-controlling interests, net profit attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests in the consolidated financial statements under equity, net profits and total comprehensive income respectively. But a liability is recognised to reflect the corresponding shares of net assets in the consolidated entity when non-controlling interests arise from the structured entities they have invested in. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses on internal transactions resulting from the sale of assets by a subsidiary to the Company are allocated and offset between net profit attributable to shareholders of the parent and the net profit or loss attributable to non-controlling interests in accordance with the allocation ratio between the parent and the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are allocated and offset between the net profit attributable to shareholders of the parent and net profit or loss attributable to non-controlling interests in accordance with the allocation ratio between the parent and the selling subsidiary.

If the accounting treatments of a transaction are inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustments regarding the transaction will be made from the perspective of the Group.

For a subsidiary acquired through a business combination involving an enterprise not under common control, the financial performance and cash flows of the acquiree are included in the scope of the consolidated financial statements from the day the Group obtains control over the subsidiary until the Group ceases to control the subsidiary. In preparing the consolidated financial statements, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition dates.

For a subsidiary acquired through a business combination involving an enterprise under common control, the financial performance and cash flows of the acquiree are included in the scope of the consolidated financial statements from the beginning of the period in which the combination takes place. In preparing the comparative consolidated financial statements, the related items on the financial statements of prior periods are adjusted as if the reporting entity formed after combination had existed since the ultimate controlling party started to exert control.

When changes in relevant facts and circumstances cause changes to one or more of the control elements, the Group reassesses whether it still controls the investee.

In the consolidated financial statements, when the amount of loss in the current period attributable to the non-controlling interests of a subsidiary exceeds their share of equity in the subsidiary at the beginning of the period, the excess shall be still allocated against the non-controlling interests.

Purchases of equity interests by the Group from the non-controlling interests of a subsidiary are accounted for using the following methods:

(1) Long-term equity investments arising from the purchases of non-controlling interests by the parent from the subsidiary are accounted for in accordance with the accounting policies applicable to long-term equity investments.

(2) For the purpose of the consolidated financial statements, the difference between the long-term equity investments newly acquired from the non-controlling interests and the parent's share, as per additional shareholding, of the net assets of the subsidiary calculated on an ongoing basis from the acquisition date (or combination date) is applied to adjust the shareholders' equity (capital reserves), and if the capital reserves is lower than the difference, the remaining balance is applied against retained earnings.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Consolidated financial statements (continued)

Subsidiaries included in the consolidation scope are detailed in Note VI.

If control over a subsidiary is lost due to partial disposal of equity investment or other reasons, relevant accounting treatments are applied differently in the separate financial statements and consolidated financial statements:

(1) In the separate financial statements, the remaining equity is recognised as long-term equity investments or other related financial assets at the carrying amount; if, after partial disposal of equity investment, the remaining equity interest enables the Group to exercise joint control or significant influence over the original subsidiary, the equity investment is accounted for using the equity method in accordance with the relevant requirements for change of the accounting method from the cost method;

(2) In the consolidated financial statements, the remaining equity is remeasured at the fair value at the date when the control is lost; the difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the portion of net assets calculated continuously from the acquisition date of the original subsidiaries based on the original shareholding proportion is recognised as investment income for the current period in which the control is lost; and other comprehensive income related to the original subsidiaries' equity investment is transferred into investment income for the period in which the control is lost.

6. Cash equivalents

Cash equivalents comprise short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

7. Foreign currency transactions

Foreign currency transactions are converted into the reporting currency.

Foreign currency transactions are translated into the reporting currency on initial recognition using the spot exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are translated into the reporting currency using the spot exchange rates on the balance sheet date, which creates exchange differences. For a debt instrument investment, exchange differences are broken down into those arising from changes in the amortised cost and those arising from other changes in the carrying amount. Exchange differences arising from changes in the amortised cost are included in profit or loss for the current period, while those arising from other changes in the carrying amount are recorded in other comprehensive income. Monetary items denominated in foreign currencies are recorded in the profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated using the spot exchange rates prevailing at the dates of the transactions, without changing their amounts in the reporting currency. Non-monetary items denominated in foreign currencies at fair value are translated using the spot exchange rates at the dates on which their fair values are determined, and the exchange differences arising therefrom are included into profit or loss for the current period or other comprehensive income.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Foreign currency transactions (continued)

For foreign operations, the Group translates its functional currency into RMB for the purpose of the financial statements: assets and liabilities on the balance sheet are translated using the spot exchange rates at the balance sheet date; the equity items, excluding "retained profits", are translated using the spot exchange rates at the dates the transactions take place; and the income and expense items on the income statement are translated using the average exchange rates on the transaction dates. Exchange differences arising from translation of foreign currency financial statements as described above are recognised as other comprehensive income. In accounting for the disposal of a foreign operation, the exchange difference arising from the translation of foreign currency financial statements in connection with the foreign operation is recognised in the profit or loss for the period in which the disposal takes place, and in the case of partial disposals, the exchange difference is calculated proportionately.

Foreign currency cash flows and cash flows of overseas operations are translated using the average exchange rates of the period when the cash flows occur. The effect of exchange rate changes on cash is separately presented as a reconciling item on the cash flow statement.

8. Securities purchased under agreements to resell and securities sold under agreements to repurchase

Securities purchased under agreements to resell refer to funds duly lent to finance repurchase transactions, and are recorded at the actual cost of the securities purchased, with income from securities purchased under agreements to resell accrued using the effective interest method over the period from the acquisition date to the maturity date and recognised in profit or loss for the current period.

Securities sold under agreements to repurchase refer to funds duly borrowed to enter into repurchase transactions, and are recorded at the actual amount received from the sale of the securities, with an expense for securities sold under agreements to repurchase accrued using the effective interest method over the period from the selling date to the maturity date and recognised in profit or loss for the current period.

9. Policy loans

A policy loan refers to a loan provided by the Group to its policyholder within the life of the insurance policy against the cash value of the policy and for an amount that does not exceed a certain percentage of the cash value of the insurance policy at the time when the policyholder applies for the loan. According to the terms of the insurance products that vary from one to another, the maximum amount of a policy loan may range from 70% to 98% of the cash value of an insurance policy. The loan period begins from the day of drawdown by the policyholder, with a maximum length of 6 months or 1 year.

During the loan period, if termination of a policy, decrease in coverage, claim, maturity or annuity payment results in a refund or payment to a policyholder, the amount shall be first used to repay the interest and principal on the loan before any payment is made to the policyholder.

10. Long-term equity investments

Long-term equity investments include equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Long-term equity investments are measured at initial investment cost on acquisition.

Long-term equity investments with which the Company is able to exercise control over the investee shall be accounted using the cost method in the individual financial statement. Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Long-term equity investments (continued)

Long-term equity investments are measured at initial investment cost, and cash dividends or profits distribution declared by the investee are recognised as investment income for the current period. The Group recognises the cash dividends or profits distributed to the investee in accordance with the above provisions, and considers whether the long-term equity investments are impaired. Considering whether the long-term equity investments are impaired, the Group shall pay attention to whether the carrying amount of the long-term equity investment is higher than the share of the carrying amount of the net assets (including relevant goodwill) of the investee and other situations.

Long-term equity investments are accounted under the equity method as the investee over which the Group has joint control or significant influence. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In determining whether to exercise joint control or significant influence over the investee, based on the voting shares of the investee hold directly or indirectly by the Group, the Group takes into account of the impact of assuming that conversion of the current executable potential voting rights held by the Group and other parties to equity in the investee.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, after the Company has acquired a long-term equity investment, it will recognise its share of the investee's net profits or losses as investment income or losses, and adjust the carrying amount of the long-term investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits or losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions are recognised in full). The carrying amount of the long-term equity investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, the Group's obligations for additional losses are not included. The changes of the equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in equity with a corresponding adjustment to the carrying amounts of the long-term equity investment, and are transferred to profit or loss for the current period on pro rata basis when disposing of this investment.

For disposed long-term equity investment, the difference between its carrying amount and the actual proceeds received is recognised in profit or loss for the current period. For disposal of long-term equity investment accounted for using the equity method, the portion previously included in other comprehensive income is accounted for on pro rata basis using the same basis as that used by the investee for disposal of relevant assets or liabilities.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Investment properties

An investment property is real estate property held with the intention of earning a return on the investment either through rental income or capital appreciation, or both, including buildings that have been leased.

Investment properties are initially measured at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured. Otherwise, the expenditures are recognised in profit or loss for the current period in which they are incurred.

Investment properties are subsequently measured using the cost model. Investment properties are depreciated using the straight-line method. The useful lives, the estimated net residual values and the annual depreciation rates of investment properties are as follows:

Category	Useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30-70 years	3%	1.39% to 3.23%

The useful lives, estimated net residual values and depreciation methods of investment properties are reviewed and adjusted as appropriate at least at each year-end.

The transfer from/to investment properties are recognised only when there is conclusive evidence that the use of the investment properties has changed.

12. Fixed assets

Fixed assets are tangible assets that are held for rendering of services, leasing or operational management, and have useful lives of more than one accounting year.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when meeting the criteria for recognition; or are included in the profit or loss for the current period.

Fixed assets are initially measured at cost. The cost of purchasing fixed assets comprises the purchase price, related taxes, and any directly attributable expenditure before the assets are ready for their intended use.

Fixed assets are depreciated using the straight-line method. The useful lives, the estimated net residual values and the annual depreciation rates of fixed assets are as follows:

Category	Useful lives	Estimated net residual values	Annual depreciation rates
Buildings	24-70 years	3%	1.39% to 4.04%
Transportation equipment	3-8 years	3%-5%	12.13% to 32.33%
Other equipment	3-10 years	0%-5%	10% to 33.33%

The useful lives, estimated net residual values and depreciation methods of fixed assets are reviewed and adjusted as appropriate at least at each year-end.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Construction in progress

The cost of construction in progress is determined based on actual project expenditure, including all necessary construction expenditures incurred during the construction period, borrowing costs to be capitalised before the project becomes ready for its intended use, and other related expenses.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

The useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life. License is regarded as intangible asset with indefinite useful life as there is no foreseeable limit on the period of time over which it is expected to generate economic benefits for the Group.

The useful lives of major intangible assets are as follows:

Category	Useful lives
Land use rights	30-50 years
Software use rights	3-10 years
License	Uncertain

The land use rights acquired by the Group are generally accounted for as intangible assets. If the costs paid for the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the costs are recognised as fixed assets.

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful period. The useful lives and amortisation method of the intangible assets with finite useful lives are reviewed by the Group at least at each financial year-end, and adjusted as appropriate. Intangible assets with an indefinite useful life are not amortised and need to be tested annually for impairment.

The internal research and development expenses are classified as research phase expense and development phase expense. Expenditure on research phase is recognised in profit or loss in the period in which it is incurred. Development phase expense can be capitalised only when an entity can demonstrate all of the following:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or for sale;

(b) Its intention to complete the intangible asset and use or sell it;

(c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or for the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

(e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The development phase expenses that do not meet above conditions are recognised in profit or loss when incurred.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Debt assets

Debt assets refer to the physical possession of a borrower, a guarantor or a third party that compensate the Group in the exercise of creditor's rights or security interests.

Debt assets are accounted for at the fair value at the time of acquisition. The difference between the carrying amount of the restructured debts and the fair value of the acquired debt assets is offset against the provision for impairment of the restructured debts with the net change recognised in profit or loss for the current period. The debt assets are not depreciated or amortised. The recoverable amount of debt assets is assessed at the balance sheet date, tested for impairment, and adjusted as appropriate. The recoverable amount of a debt asset is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset.

16. Financial instruments

Financial instruments are contracts which become one enterprise's financial assets, and at the same time become other undertaking's financial liabilities or equity instruments.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

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

(1) the contractual rights to receive the cash flows from the financial assets have expired;

(2) the financial asset has been transferred and (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (b) the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

A financial liability is derecognised when the contractual obligation under the financial liability is fulfilled, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference is recognised in profit or loss for the current period.

All purchases or sales of financial assets in regular ways are recognised and derecognised using trade date accounting. Purchases or sales of financial assets in regular ways refer to receipt or delivery of financial assets within the period generally established by regulation or convention in the marketplace in accordance with contractual terms. Trade date is the date that the Group is committed to purchasing or selling the financial assets.

Classification and measurement of financial assets

The Group classifies its financial assets into four categories at initial recognition: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. The financial assets are measured at fair value at initial recognition. In the case of financial assets at fair value through profit or loss, the related transaction costs are recognised in profit or loss for the current period. For other financial assets, transaction costs are included in their initially recognised amounts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at initial recognition. Financial assets held for trading refer to financial assets satisfying one of the following conditions: the financial assets are acquired with the intention to sell in the near future; they belong to a part of identifiable financial instruments group under the centralised management, and there is objective evidence that the Group has recently managed the financial instruments group using short-term profit method; they belong to derivative instruments, excluding the derivative instruments that are designated with effective hedging, and those belong to financial guarantee contract, as well as the derivative instruments that are linked to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured, and has to be settled by delivery of such equity instruments. These financial assets are subsequently measured using fair value, and all realised (such as dividends or interest income etc.) and unrealised profit or loss are recorded in profit or loss for the current period.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition, impairment or amortisation recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly include various types of receivables, policy loans, term deposits, refundable capital deposits, securities purchased under agreements to resell, and investments classified as loans and receivables etc. These financial assets are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition, impairment or amortisation recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. This type of financial assets are subsequently measured at fair value. The discount or premium on available-for-sale investments in debt instruments is amortised using the effective interest method and included in interest income. Gains or losses arising from change in fair value of available-for-sale financial assets are recognised as other comprehensive income, except for impairment losses and foreign exchange differences arising from translation of monetary financial assets. When such financial assets are derecognised or impaired, the cumulative gains or losses previously recognised in other comprehensive income are recycled into profit or loss for the current period. Interests on available-for-sale debt investments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised in profit or loss for the current period as investment income.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Financial instruments (continued)

Classification and measurement of financial liabilities

The Group's financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. In the case of financial liabilities at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated at fair value through profit or loss. Financial liabilities held for trading refer to financial liabilities satisfying one of the following conditions: the financial liabilities are assumed with the intention to repurchase in the near future; they belong to a part of identifiable financial instruments group under the centralised management, and there is objective evidence that the Group has recently managed the financial instruments group using short-term profit method; they belong to derivative instruments, excluding the derivative instruments that are designated with effective hedging, and those belong to financial guarantee contract, as well as the derivative instruments that are linked to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured and has to be settled by delivery of such equity instruments. These financial liabilities are subsequently measured at fair value, and all realised and unrealised profit or loss are recorded in profit or loss for the current period.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Charges, transaction costs and premiums or discounts that are paid or collected by parties to the financial liability contracts and attributable to effective interest rate are considered when determining effective interest rate. Transaction costs refer to incremental expenses that are directly attributable to the purchase, issuance, or disposal of financial instruments, that is, expenses that would otherwise not occur.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date when a derivative contract is entered into and are subsequently measured at their fair value. Gains or losses arising from changes in fair value that do not meet the hedge accounting requirements are recognised directly in profit or loss. The derivative financial instrument with a positive fair value is recognised as an asset, otherwise, it is recognised as a liability. However, derivative financial instruments are measured at cost if they are linked to and should be settled through the delivery of equity instruments, of which quoted price is not available in an active market and fair value cannot be reliably measured.

Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets and will affect estimated future cash flows of financial assets, and whose impact can be reliably measured.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Financial instruments (continued)

Impairment of financial assets (continued)

The objective evidences used to determine whether impairment exists are as follows:

- significant financial difficulty of the issuer or debtor;
- a breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, grants to the debtor a concession;
- the debtor is likely to go bankrupt or face other financial restructuring;
- the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- it cannot be identified or confirmed if the cash flow of an asset in a group of financial assets has decreased. However, after the overall assessment based on the data on the market, the estimated future cash flow of the group of the financial assets, subsequent to its initial recognition, has decreased and can be measured, for example, the debtor's ability to pay gradually deteriorates, or the unemployment rate of the country or region where the debtor locates at increases, the price of the collateral in its region drops rapidly and the industry is depressed etc.;
- the equity instrument investors may not be able to recover investment cost due to material adverse changes in technological, market, economic or legal environment where the equity instrument issuer operates;
- significant or prolonged decline in fair value of equity investment; and
- other objective evidences indicating financial assets are impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets has been incurred, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The amount of reduction is recognised in profit or loss for the current period. The present value of estimated future cash flows shall be calculated with the financial asset’s original effective interest rate (i.e., the prevailing effective interest rate calculated at initial recognition or prescribed in the contract in case of floating rate) and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for objective evidence of impairment. For a financial asset that is not individually significant, the Group assesses the asset individually or collectively for objective evidence of impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequent to the recognition of impairment loss of financial assets measured at amortised cost, there is objective evidence that the value of the financial asset is recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss. However, the carrying amount of the financial asset after reversal shall not exceed what the amortised cost would have been had the impairment not been recognised at the date when the impairment was reversed.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss arising from the decrease in fair value and previously recognised in other comprehensive income is reclassified to profit or loss and is measured at the initiation acquisition cost (net of any principal repayment and amortisation, the current fair value, and any impairment loss on that financial asset previously recognised in profit or loss). The Group uses the weighted average method to calculate the initial investment cost of available-for-sale equity investments.

A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group usually considers a significant decline to be one in which the fair value is below the weighted average cost by more than 50% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months.

For available-for-sale debt instrument on which the impairment loss has been recognised, if, in a subsequent accounting period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss for the current period. Impairment losses of available-for-sale equity investment are not reversed through profit or loss. Increases in their fair value subsequent to impairment losses are recognised directly in other comprehensive income.

Transfer of financial assets

The financial assets are derecognised when the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the financial assets are not derecognised when the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, the Group will account for the following situations in different ways: (i) if the Group does not retain the control over the financial asset, the financial asset is derecognised and related assets and liabilities occurred hereby are recognised; or (ii) if the Group retains the control over the financial asset, related financial assets and liabilities are recognised to the extent of the Group's continuing involvement in the transferred financial asset.

Offsetting of financial assets and financial liabilities

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Asset impairment

The Group determines the impairment of assets (except for deferred income tax assets and financial assets which have been described in their respective accounting policies) in the following methods:

The Group assesses at each balance sheet date whether there is objective evidence that assets are impaired. Where there is objective evidence, the Group estimates the recoverable amount and tests for impairment. For goodwill acquired from business combination and intangible assets with indefinite useful life not ready for intended use, no matter there is objective evidence of impairment or not, impairment should be tested at each year-end.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of an asset group is based on whether the main cash flow generated by the asset group is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group decreases the carrying amount to recoverable amount. The decreased amounts are recognised in profit or loss and corresponding provisions are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognises relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

18. Insurance security fund

The Group draws insurance security funds in accordance with the Administrative Measures for Insurance security funds (Bao Jian Hui Ling [2008] No. 2) in the following proportions:

0.8% of the premium income for non-investment property and casualty insurances, 0.08% (if return is guaranteed) or 0.05% (if return is not guaranteed) of the business income for investment property and casualty insurances;

0.15% of the business income for life insurances with guaranteed return, and 0.05% of the business income for life insurances without guaranteed return;

0.8% of the premium income for short-term health insurances, and 0.15% of the premium income for long-term health insurances;

0.8% of the premium income for non-investment accident insurances, 0.08% (if return is guaranteed) or 0.05% (if no return is guaranteed) of the business income for investment accident insurances;

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Insurance security fund (continued)

Simultaneously, in accordance with the "notice by the General Office of the China Banking and Insurance Regulatory Commission (the "CBIRC") on Clarifying the Implementation Standards for the Suspension and Resumption of the Payment of insurance security fund by Insurance Companies" (No. 129 [2018] issued by the General Office of CBIRC) , if the balance of insurance security fund of a property and casualty insurance company on April 30 per annum reaches 6% of the average amount of the total assets at the beginning and the end of the previous full fiscal year or if the balance of insurance security fund of a life insurance company on April 30 per annum reaches 1% of the counterpart, the payment of insurance security fund can be suspended.

19. Policyholders' deposits and investments

Policyholders' deposits business refers to the business in which the Group charges a portion of the added value of the deposits received from the policyholders as premium and returns the deposit principal and pays the added value (non-premium portion) as agreed in the contract to the policyholders when the contract expires.

Policyholders' investments are mainly corresponding liabilities to the portion of the insurance hybrid contract that can be separately measured after being unbundled and assumes other risks, and the policies that do not transfer significant insurance risk. For changes in the fair value of available-for-sale financial assets in accounts related to policyholder investments, the Group uses a reasonable method to recognise the portion attributable to the policyholders as policyholders' investments and recognise the portion attributable to the shareholders of the Group as other comprehensive income.

20. Definition of insurance contract

Insurance contracts are those contracts signed with the policyholders under which the Group has accepted significant insurance risks. If the Group signs contracts with policyholders which transfer insurance risks as well as other risks, the contracts should be unbundled as follows:

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

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

21. Significant insurance risk test

The Group tests the significance of insurance risk at the initial recognition of such contracts signed with policyholders based on a group of contracts with a similar nature, and conducts necessary review in the subsequent financial reporting date.

When conducting the significant insurance risk test, the Group makes judgements in this sequence: whether the contract transfers insurance risk; whether the insurance risk transfer has commercial substance; whether the insurance risk transferred is significant.

When determining whether the contracts transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at any points of time during the duration of the contracts, they are treated as insurance contracts. The insurance risk ratio of direct insurance contracts = (the amount paid by the insurance company when the insurance accident occurs / the amount paid by the insurance company in the absence of the insurance accident - 1) × 100%. For non-life insurance contracts that obviously transfer significant risk, the Group recognises them as insurance contracts directly.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Significant insurance risk test (continued)

When determining whether reinsurance contracts transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The risk ratio of reinsurance contracts = [(∑the present value of the loss amount in the case of the net loss of the reinsurer × the probability of occurrence) / the present value of the reinsurer's expected premium income] × 100%. If the reinsurance contracts obviously transfer significant insurance risk, the Group directly recognises them as reinsurance contracts.

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

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

22. Insurance contract reserves

Insurance contract reserves could be divided into life insurance contract reserves and non-life insurance contract reserves. Life insurance contract reserves comprise unearned premium reserves and claim reserves, and could be divided into life insurance reserves and long term health insurance reserves; non-life insurance contract reserves comprise unearned premium reserves and claim reserves.

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

When measuring non-life insurance contract reserves, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit, including commercial property insurance, family insurance, engineering insurance, liability insurance, credit insurance, guarantee insurance, compulsory automobile insurance, commercial automobile insurance, hull insurance, cargo transportation insurance, speciality insurance, agricultural insurance, accident insurance, short-term health insurance and other insurances.

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

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil relevant obligations under the insurance contracts, and mainly include: (1) guaranteed benefits or claims under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and claims payments, etc.; (2) non-guaranteed benefits under the insurance contracts in respect of constructive obligations, including policyholder dividends, etc.; (3) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Insurance contract reserves (continued)

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

Margins for life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortised over the life of the contract in a certain way. Upon initial recognition, the residual margin is separately measured from reasonably estimated reserve and the risk adjustment reserve, and will not be adjusted for future changes in assumptions.

The risk adjustment for non-life insurance contract reserves is determined by reference to the industry benchmark and the Group's experience.

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

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

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

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

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

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Insurance contract reserves (continued)

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

Claim expense reserves represent provisions for the legal service fees, litigation fees, loss inspection fees, and compensations for related claims adjustors that may occur in the case of an outstanding insurance accident. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

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

23. Reinsurance

The Group cedes the insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as non-reinsurance contracts.

Ceded reinsurance

The ceded reinsurance arrangements do not relieve the Group from liability to policyholders. For ceded reinsurances treated as reinsurance contracts, reinsurance premiums, reinsurance commissions and reinsurance claims that should be recovered from reinsurers are calculated and determined separately by the Group in accordance with relevant reinsurance contracts in the period in which related direct insurance premium income and claims are recognised, with a corresponding charge to profit or loss for the current period. When evaluating insurance contract reserves, the Group estimates the cash flows related to the reinsurance contracts in accordance with agreements in relevant reinsurance contracts. And the insurance contract reserves that would be recovered from reinsurers will be recognised as corresponding reinsurers' share of reserves as assets.

As a reinsured, the Group lists the assets formed by the reinsurance contract and relevant direct insurance contract reserves separately in the balance sheet so they are not offset against each other; and lists the income or expenses formed by the reinsurance contract and relevant direct insurance contract income or expenses separately in the income statement so they are not offset against each other.

Reinsurance assumed

Reinsurance expenses are calculated, determined and charged to profit and loss by the Group in accordance with relevant reinsurance contracts in the period in which related premium from reinsurance assumed and reinsurance claims are recognised.

The Group will adjust relevant reinsurance income and expenses according to the amount indicated on the reinsurance slip once it is received, and the adjustment amount is included in profit or loss for the current period.

24. Non-insurance contract

The other risk portions unbundled from the insurance contracts and contracts that do not transfer significant insurance risk are determined by the Group as non-insurance contracts. The fees charged by the Group for these non-insurance contracts management, including policy management fees, are recognised as other operating income for the period in which the Group provides such management service.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Non-insurance contract (continued)

Relevant liabilities under the non-insurance contracts are included in the policyholders' deposits and investments, and are initially recognised at fair value and subsequently measured at amortised cost, except for other risk portions unbundled from investment-linked contracts. Relevant liabilities under the non-insurance contracts that are unbundled from investment-linked contracts are included in separate account liabilities and initially recognised at fair value, relevant transaction expenses are included in profit or loss for the current period and subsequently measured at fair value.

25. Provisions

The obligations pertinent to contingencies are recognised as provisions when the following conditions are satisfied concurrently:

(1) it is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. The Group reviews the carrying amount of the provisions at the end of the reporting period. If there is substantial evidence that the carrying amount cannot actually reflect the current best estimate, the Group will adjust the carrying amount in accordance with the current best estimate.

26. Dividend distribution

The loss compensation and dividend distribution approved by the shareholders' meeting are recognised in the current period of approval.

27. Revenue

Premium income

Premium income and reinsurance premium income are recognised when all of the following criteria are met: (1) the insurance contracts have become effective and relevant insurance liabilities have been assumed; (2) it is probable that the economic benefits associated with the contracts will flow to the Group; and (3) the income associated with the contracts can be reliably measured.

With respect to life insurance contracts and long-term health insurance contracts where premiums are paid in instalments, premium income is recognised by the premiums receivable for the current period; with respect to single premium policies, premium income is recognised by the one-off premiums receivable. With respect to property and casualty insurance, short-term health insurance and accident insurance contracts, premium income is recognised by the amounts of total premiums as agreed in the contracts.

Reinsurance premium income assumed is calculated in accordance with the terms agreed in the reinsurance contracts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Revenue (continued)

Initial policy fee and account management fee

The initial policy fee and account management fee include policy management fee, investment management fee, surrender income and other charges, which are collected at a fixed amount or as a certain percentage of the balance of the contract account; they are calculated as per the time and methods stated in relevant contracts or agreements and are recognised as revenue in the current period when they occur. Charges relating to rendering of future services which should be deferred and be recognised at the time of rendering are not included. The Group's initial charges, for the initial fees charged on contracts measured at amortised cost, are amortised to profit or loss using the effective interest method.

Initial policy fee and account management fee are presented in other operating income.

Interest income

Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

Management fee income

Management fee income is calculated in accordance with the calculation method specified in the contracts on an accrual basis. Management fees are recognised at agreed contractual basis rates if revenue recognition principles and fee accrual criteria are met.

28. Policy dividends expenditure

The policy dividends expenditure is the dividends payable by the Group to the policyholders based on the dividend distribution method for participating insurance products.

29. Leases

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

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

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

(1) the amount of the initial measurement of the lease liability;

(2) any lease payments made at or before the commencement date, less any lease incentives received;

(3) any initial direct costs incurred by the lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Leases (continued)

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

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

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

30. Government grants

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods regulated in government documents are recognised as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition, are recognised, as government grants related to assets, whereas the rest as government grants related to income.

Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted costs against related costs, expenses or losses in the period of recognising the related expenses or costs; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs directly in the current period. Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income. Government grants related to assets and recorded as deferred income are recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants measured at their nominal amounts are directly recognised in profit or loss for the current period. Where the related assets are sold, transferred, scraped or destroyed before the end of their useful lives, the undistributed deferred revenue shall be transferred to profit or loss for the period in which the assets are disposed. Government grants comprising of both assets-related portion and income-related portion are accounted separately, and those hard to distinguish are classified as income-related as a whole.

Government grants related to daily activities of the Group are included in other income or deducted against related costs or expenses in accordance with business nature. Government grants not related to daily activities of the Group are included in non-operating income or expenses.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Income tax

Income tax comprises current and deferred income tax. Except to the extent that the tax arises from a transaction or event which is recognised directly in equity, all the income tax should be expensed or credited to profit or loss as appropriate.

The Group measures the current income tax liabilities or assets formed in the current period and previous periods according to the income tax amount which is required to pay or return expectedly under the regulations of tax law.

The Group measures deferred income tax using the statement of balance sheet liability method according to the temporary difference between the carrying amount of an asset or liability at the end of the reporting period and its tax base, and the temporary difference between the carrying amount of an item not recognised as an asset or liability at the end of the reporting period and its tax base.

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

(1) The taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable income or deductible expenses.

(2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

(1) Where the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss.

(2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

At the balance sheet date, the Group measures the deferred income tax assets and deferred income tax liabilities according to tax laws and regulations and based on applicable tax rate occurred in the period when the assets are repossessed or the liabilities are liquidated expectedly, which reflects the influence of the income tax on expectedly repossessed assets or liquidated liabilities at the balance sheet date.

At the balance sheet date, the Group reviews the carrying amount of the deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. At the balance sheet date, the Group reassesses the unrecognised deferred income tax assets and recognises deferred income tax assets within the limit that the amount of income tax payable is sufficient to reverse all of or part of deferred income tax assets.

If the Group has the legal right to settle current income tax assets and current income tax liabilities through net amount, and the deferred income tax is relevant to the same taxpayer and the same tax collection and administration department, the net amount, obtained after the deferred income tax assets and the deferred income tax liabilities are offset, is presented.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

According to relevant Chinese laws and regulations, all employees of the Group within the territory of China must participate in employee social security plans, including pension schemes, medical insurance, housing fund and other welfare benefits, organised and administered by the governmental authorities. The Group's employees in some regions of China have also participated in the enterprise annuity scheme. For Hong Kong employees of the Group, the Group participates in the Mandatory Provident Fund Scheme in accordance with the contribution ratio required by corresponding regulations.

The Group's obligation to the above social securities is to pay social pooling insurance fees to social insurance authorities in accordance with the prescribed percentage of total wages. In addition, the Group is not liable for any significant legal obligation or constructive obligation to further pay employee retirement benefits. Above expenses are recognised in profit or loss in the period in which they occur.

The Group pays various benefits expenses for employees who accept voluntary retirement before the normal retirement date in line with China's national standard as approved by the Group from the month after the early retirement through the normal retirement date, including the retirement pensions, and various insurance coordination fees to local social insurance authorities etc. For early retirement benefits qualified for recognition, the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised by the Group as liabilities with a corresponding charge to the profit or loss for the current period.

The Group also operates deferred bonus plans for senior management and some of the key employees, which are accrued during the periods when employees provide services and are recognised as liabilities. The bonus is awarded based on the Group's annual performance appraisal indicators for the employees and the enterprises, and the payment is deferred.

33. Measured at fair value

Fair value is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on the measurement date. The Group measures relevant assets or liabilities at fair value. It is assumed that the sale of the assets or the transfer of liabilities is carried out in the principal market for the assets or liabilities. In case of no principal market, the Group assumes that the transaction is carried out in the most advantageous market for the assets or liabilities. The principal market (or the most advantageous market) is the trade market that the Group can enter on the measurement date. The Group adopts the assumptions that market participants use to maximise their economic benefits when pricing the assets or liabilities.

To measure non-financial assets at fair value, consider the ability of market participants to generate economic benefits by using the asset for optimal purpose, or to sell the asset to other market participants who are able to use it for optimal purpose.

The Group adopts the valuation technique that is applicable in the current circumstances and contains sufficient available data and other information supports, choosing inputs with features of assets or liabilities that are consistent with those market participants consider in related transactions of assets or liabilities, and should give priority to relevant observable inputs. Only when relevant observable inputs are not available or feasible, unobservable inputs are adopted.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

34. Contingent liabilities

Contingent liabilities are obligations arising from past events that may require the Group to assume. The Group does not recognise such obligations as they arise from events that cannot be fully controlled by the Group, or the outflow of economic benefits resulted from such obligations cannot be reliably measured. They are recognised as contingent liabilities when the above events that cannot be fully controlled by the Group occur or the outflow of economic benefits of such obligations can be reliably measured.

35. Summary of significant accounting judgements and accounting estimates

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

Significant judgements

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

(1) Classification of financial assets

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

(2) Unbundling and classification of hybrid contracts

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

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

(3) Measurement unit for insurance contracts

The Group shall make judgements on whether a group of insurance contracts' insurance risks are of the same nature. The result of such judgements affects the measurement results of insurance contract reserves.

(4) Provision for impairment of available-for-sale financial assets

The Group determines that provision for impairment of available-for-sale financial assets should be made when there has been a significant or prolonged decline in the fair value. The determination of what is significant or prolonged requires judgement of the management. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Summary of significant accounting judgements and accounting estimates (continued)

Significant judgements (continued)

(5) Determination of control over structured entities

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

Estimation uncertainty

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

(1) Measurement of insurance contract reserves

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

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

Unearned premium reserves

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

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2019 were from 3.43% to 4.80% and as at 30 June 2020 were from 3.22% to 4.80%.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. The discount rates used as at 31 December 2019 and as at 30 June 2020 were 5.00%.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Summary of significant accounting judgements and accounting estimates (continued)

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(a) Discount rates (continued)

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

(b) Mortality and morbidity

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

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

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

(c) Loss ratios

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

(d) Surrender rates

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

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

(e) Expenses assumptions

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

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

(f) Policy dividend assumptions

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Summary of significant accounting judgements and accounting estimates (continued)

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Claim reserves

The main assumption in measuring claim reserves is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses (Note XIII 1), average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period, but can also be further analysed by geographical area, as well as by significant business line and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss claim specialists estimated or separately projected in order to reflect their future development. In most cases, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claims, economic conditions, judicial decisions and legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures). And a reasonable estimate on the ultimate cost of claims will be made after considering all uncertainties involved.

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

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

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

IV. CHANGE IN ACCOUNTING ESTIMATES

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

As at 30 June 2020, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 4,236 million as at 30 June 2020 and profit before tax decreased by approximately RMB 4,236 million for the six months ended 30 June 2020.

V. TAXES

The main types of taxes and tax rates applicable to the Group in China are set out below:

Corporate income tax	-	25% on its taxable income under current tax laws and relevant regulations
Value-added tax ("VAT")	-	The taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) determined under current tax laws and relevant regulations, applicable tax rates: 3%, 5%, 6%, 9% or 13%
City maintenance and construction tax	-	1%, 5% or 7% of the VAT actually paid
Educational supplementary tax	-	3% of the VAT actually paid
Local educational supplementary tax	-	2% of the VAT actually paid

Pursuant to the Announcement on the Pre-tax Deduction Policy for the Commission and Brokerage Expenses of Insurance Enterprises issued by the Ministry of Finance and the State Administration of Taxation in May 2019 (Notice of the Ministry of Finance and the State Administration of Taxation No.72, 2019), the deductible commissions rate is increased to 18%, with allowing any excess amount to be carried forward to future years. The commission rate is calculated as insurance business related commission and brokerage expenses over the current year total premium income less surrenders. This announcement is effective for the 2018 annual income tax filing for insurance companies. The impact on tax adjustment for prior years of the period ended 30 June 2019 is detailed in Note VII 57.

The main types of taxes and tax rates of payable by the Group with regard to its overseas businesses are paid in accordance with relevant regulations of local tax laws.

The taxes to be paid by the Group will be verified by relevant tax authorities.

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2020 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital/ paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
CPIC Property	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd. ("CPIC H.K.")	Property and casualty insurance	Hong Kong	Hong Kong	HK$ 250,000 thousand	HK$ 250,000 thousand	100.00	-	100.00	
Shanghai Pacific Insurance Real Estate Co., Ltd. ("CPIC Real Estate")	Real estate	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Investment management	Hong Kong	Hong Kong	HK$ 50,000 thousand	HK$ 50,000 thousand	49.00	50.83	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2020 are as follows (continued):

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital/ paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
City Island Developments Limited ("City Island")	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	-	98.29	100.00	
Great Winwick Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Newscott Investments Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd. * ("Xinhui Real Estate")	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd. * ("Hehui Real Estate")	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Senior living properties investment and management, etc.	Shanghai	Shanghai	3,000,000	3,000,000	-	98.29	100.00	
CPIC Allianz Health Insurance Co., Ltd. ("CPIC Allianz Health")	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	-	77.05	
Anxin Agricultural Insurance Co., Ltd. ("Anxin")	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	-	51.35	52.13	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Medical consulting services, etc.	Shanghai	Shanghai	500,000	500,000	-	98.29	100.00	
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	510,000	-	98.29	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2020 are as follows (continued):

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital/ paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	530,000	-	98.29	100.00	(1)
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	290,000	-	98.29	100.00	(2)
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	-	-	98.29	100.00	(3)

* Subsidiaries of City Island

(1) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary set up by CPIC Life, has obtained the business license of legal entity with the unified social credit code of 91330185MA2GMQ5J3E on 31 May 2019. The registered capital is RMB 1,200 million. CPIC Life made the capital contribution of RMB 350 million and RMB 180 million in 2019 and 2020, respectively. CPIC Life has made the capital contribution of RMB 530 million as at 30 June 2020.

(2) Xiamen Project Company

Xiamen Project Company, a wholly-owned subsidiary set up by CPIC Life, has obtained the business license of legal entity with the unified social credit code of 91350200MA33L83Y9L on 6 March 2020. The registered capital is RMB 900 million. CPIC Life has made the capital contribution of RMB 290 million as at 30 June 2020.

(3) Pacific Care Home at Chengdu

Pacific Care Home at Chengdu, a wholly-owned subsidiary set up by CPIC Senior Living Investment, has obtained the business license of legal entity with the unified social credit code of 91510115MA64FB601H on 18 May 2020. The registered capital is RMB 60 million. CPIC Senior Living Investment has not yet made the capital contribution as at 30 June 2020.

2. As at 30 June 2020, entities no longer included in the Group's scope of consolidation:

(1) Ningbo Fenghua Xikou Garden Hotel Co., Ltd. (the "Xikou Garden Hotel"), a subsidiary of CPIC Life, was registered in Ningbo with a paid-in capital of RMB 27.28 million. Xikou Garden Hotel completed the liquidation and de-registration procedures in 2020.

(2) Taiji (Shanghai) InformationTechnology Co., Ltd.(the "Taiji Information Technology"), the CPIC Online Services's subsidiary, was registered in Shanghai with a paid-in capital of RMB 15 million. Taiji Information Technology completed the liquidation and de-registration procedures in 2020.

VI. SCOPE OF CONSOLIDATION (continued)

3. As at 30 June 2020, consolidated structured entities material to the Group are as follows:

Name	Collective Holding by the Group (%)	Product Scale (Units in RMB thousand)	Nature of business
Pacific - China Venture Capital Fund Equity Investment Plan	100.00	6,120,000	Investing in China Venture Capital Co., Ltd. through equity investment plan.
CPIC Zengfu Annually Open Pure Type Launching Securities Investment Fund	100.00	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund	100.00	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Jiangsu Communications Holding Co., Ltd. Debt Investment Plan (Phase I)	100.00	4,000,000	Investing in Taizhou Yangtze River Highway Bridge Project operated by Jiangsu Communications Holding Co., Ltd. through debt investment plan.
Pacific-China Nonferrous Metal Mining (Group) Co.,Ltd. ("CNMC") Debt Investment Plan (Phase I)	53.91	2,430,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.

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

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	30 June 2020		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	21,685	1.00000	21,685
	USD	1,961	7.07950	13,880
	HKD	409	0.91344	374
	Sub-total			35,939
Other cash balances	RMB	842	1.00000	842
	USD	10	7.07950	71
	Sub-total			913
Total				36,852

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Cash at bank and on hand (continued)

	Currency	31 December 2019		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	12,439	1.00000	12,439
	USD	125	6.97620	872
	HKD	644	0.89578	577
	Sub-total			13,888
Other cash balances	RMB	977	1.00000	977
	USD	1	6.97620	7
	Sub-total			984
Total				14,872

As at 30 June 2020, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 13,539 million (31 December 2019: amounted equivalent to RMB 779 million).

As at 30 June 2020, RMB 440 million (31 December 2019: RMB 371 million) in the Group's cash at bank and on hand balance were restricted for special-purpose use.

Bank deposits comprise current deposits and short-term term deposits. Interest income on current deposits is calculated according to the interest rate of current deposits. The period of short-term term deposits ranges from one day to three months depending on the cash demand of the Group. The interest income is calculated according to the corresponding interest rate of the term deposits.

2. Financial assets at fair value through profit or loss

	30 June 2020	31 December 2019
Debt investments		
Government bonds	40	11
Finance bonds	461	253
Corporate bonds	2,780	3,224
Wealth management products	14	11
Debt investment plans	3	3
Equity investments		
Funds	450	320
Stocks	156	237
Wealth management products	148	277
Investments in other equity instruments	6,438	595
Total	10,490	4,931

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 30 June 2020 amounted to RMB 6,603 million (31 December 2019: RMB 886 million). The rest are trading assets, with no material limitation in realisation.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Securities purchased under agreements to resell

	30 June 2020	31 December 2019
Securities - bonds		
Inter-bank market	26,688	25,028
Stock exchange	1,920	3,017
Total	28,608	28,045

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

4. Premium receivables

	30 June 2020	31 December 2019
Premium receivables	36,122	18,439
Less: Provision for bad debts	(847)	(523)
Net value	35,275	17,916

Premium receivables are analysed by category as follows:

	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	36,113	100%	(838)	2%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	9	0%	(9)	100%
	36,122	100%	(847)	2%

	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	18,430	100%	(514)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	9	0%	(9)	100%
	18,439	100%	(523)	3%

The aging of premium receivables and related provisions for bad debts are analysed below:

Aging	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	19,459	54%	(112)	19,347
3 months to 1 year (inclusive)	11,806	33%	(103)	11,703
Over 1 year	4,857	13%	(632)	4,225
Total	36,122	100%	(847)	35,275

Aging	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	6,981	38%	(45)	6,936
3 months to 1 year (inclusive)	8,099	44%	(73)	8,026
Over 1 year	3,359	18%	(405)	2,954
Total	18,439	100%	(523)	17,916

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Premium receivables (continued)

Premium receivables are analysed by line of products as follows:

Category	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	8,408	23%	(214)	8,194
Agricultural insurance	5,795	16%	(113)	5,682
Engineering insurance	2,288	6%	(93)	2,195
Liability insurance	2,025	6%	(95)	1,930
Commercial property insurance	1,127	3%	(68)	1,059
Accident insurance	542	2%	(65)	477
Automobile insurance	111	1%	(20)	91
Other insurances	3,780	10%	(179)	3,601
Sub-total	24,076	67%	(847)	23,229
Life and health insurance:				
Long-term insurance	7,499	21%	-	7,499
Short-term insurance	4,547	12%	-	4,547
Sub-total	12,046	33%	-	12,046
Total	36,122	100%	(847)	35,275

Category	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	7,120	39%	(128)	6,992
Agricultural insurance	2,426	13%	(87)	2,339
Engineering insurance	1,708	9%	(67)	1,641
Liability insurance	969	5%	(43)	926
Commercial property insurance	789	4%	(54)	735
Accident insurance	297	2%	(33)	264
Automobile insurance	58	1%	(17)	41
Other insurances	1,563	8%	(94)	1,469
Sub-total	14,930	81%	(523)	14,407
Life and health insurance:				
Long-term insurance	2,487	13%	-	2,487
Short-term insurance	1,022	6%	-	1,022
Sub-total	3,509	19%	-	3,509
Total	18,439	100%	(523)	17,916

The top five premium receivables of the Group are as follows:

	30 June 2020	31 December 2019
Total amount of the top five premium receivables	943	610
Total provision for bad debts	-	(1)
% of total balance of premium receivables	3%	3%

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Reinsurance receivables

	30 June 2020	31 December 2019
Reinsurance receivables	6,382	5,507
Less: Provision for bad debts	(173)	(167)
Net value	6,209	5,340

Reinsurance receivables are analysed by category as follows:

	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	6,103	96%	(128)	2%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	279	4%	(45)	16%
Total	6,382	100%	(173)	3%

	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,257	95%	(122)	2%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	250	5%	(45)	18%
Total	5,507	100%	(167)	3%

The aging of reinsurance receivables and related provisions for bad debts are analysed below:

Aging	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	5,226	82%	-	5,226
3 months to 1 year (inclusive)	879	14%	-	879
Over 1 year	277	4%	(173)	104
Total	6,382	100%	(173)	6,209

Aging	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	4,663	85%	-	4,663
3 months to 1 year (inclusive)	654	12%	-	654
Over 1 year	190	3%	(167)	23
Total	5,507	100%	(167)	5,340

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Reinsurance receivables (continued)

The details of the top five reinsurers/brokers of the reinsurance receivables of the Group are as follows:

Reinsurer/Broker	30 June 2020		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
China Property & Casualty Reinsurance Company Ltd.	937	15%	(1)
Munich Reinsurance Company	811	13%	-
Swiss Reinsurance Company Ltd.	730	11%	-
China Life Reinsurance Company Ltd.	504	8%	-
China Agricultural Reinsurance Pool	292	5%	-

Reinsurer/Broker	31 December 2019		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
China Property & Casualty Reinsurance Company Ltd.	746	14%	(1)
Munich Reinsurance Company	724	13%	-
China Life Reinsurance Company Ltd.	621	11%	-
Swiss Reinsurance Company Ltd.	594	11%	-
China Agricultural Reinsurance Pool	359	7%	-

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

6. Interest receivables

	30 June 2020	31 December 2019
Interest receivables from debt investments	12,563	13,398
Interest receivables from deposits	3,218	4,675
Interest receivables from loans	1,564	1,453
Interest receivables from securities purchased under agreements to resell	7	6
Sub-total	17,352	19,532
Less: Provision for bad debts	(44)	(39)
Net value	17,308	19,493

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

7. Term deposits

Term to maturity	30 June 2020	31 December 2019
Within 3 months (inclusive)	583	21,997
3 months to 1 year (inclusive)	7,795	2,939
1 to 2 years (inclusive)	11,290	15,800
2 to 3 years (inclusive)	78,030	16,470
3 to 4 years (inclusive)	55,470	41,080
4 to 5 years (inclusive)	24,000	48,770
Over 5 years	-	700
Total	177,168	147,756

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Available-for-sale financial assets

Available-for-sale financial assets are summarised by category as follows:

	30 June 2020	31 December 2019
Debt investments		
Government bonds	85,924	79,646
Finance bonds	37,929	41,683
Corporate bonds	181,244	183,083
Wealth management products	3,009	2,985
Equity investments		
Funds	51,572	48,425
Stocks	98,389	90,373
Wealth management products	1,327	452
Preferred shares	13,763	13,621
Investments in other equity instruments	52,936	51,554
Total	526,093	511,822

Related information of available-for-sale financial assets is analysed as follows:

	30 June 2020	31 December 2019
Debt investments		
Fair value	308,106	307,397
Including: Amortised cost	299,731	301,451
Accumulated amount recognised in other comprehensive income	9,836	6,567
Total impairment provisions	(1,461)	(621)
Equity investments		
Fair value	217,987	204,425
Including: Cost	193,583	182,766
Accumulated amount recognised in other comprehensive income	26,781	23,707
Total impairment provisions	(2,377)	(2,048)
Total		
Fair value	526,093	511,822
Including: Amortised cost/Cost	493,314	484,217
Accumulated amount recognised in other comprehensive income	36,617	30,274
Total impairment provisions	(3,838)	(2,669)

9. Held-to-maturity financial assets

	30 June 2020	31 December 2019
Debt investments		
Government bonds	130,676	109,730
Finance bonds	97,096	100,276
Corporate bonds	75,790	85,288
Sub-total	303,562	295,294
Less: Provision for impairment	(138)	(47)
Net Value	303,424	295,247

As at the balance sheet date, the Group's intention and ability to hold these assets were evaluated by itself and proved unchanged.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Investments classified as loans and receivables

	30 June 2020	31 December 2019
Debt investments		
Finance bonds	2,000	2,000
Debt investment plans	176,758	151,446
Wealth management products	164,752	138,528
Preferred shares	32,000	32,000
Loans	770	236
Sub-total	376,280	324,210
Less: Provision for impairment	(323)	(197)
Net Value	375,957	324,013

As at 30 June 2020, CPIC Asset Management, a subsidiary of the Company, had 86 existing debt investment plans issued by it with a total value of RMB 124.283 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 61.529 billion were recognised on the Group's consolidated financial statement (As at 31 December 2019, CPIC Asset Management, a subsidiary of the Company, had 81 existing debt investment plans issued by it with a total value of RMB 117.469 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 54.941 billion were recognised on the Group's consolidated financial statement). As at 30 June 2020, Changjiang Pension, a subsidiary of the Company, had 60 existing debt investment plans issued by it with a total value of RMB 102.872 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 35.281 billion were recognised on the Group's consolidated financial statement (As at 31 December 2019, Changjiang Pension, a subsidiary of the Company, had 57 existing debt investment plans issued by it with a total value of RMB 101.912 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 34.816 billion were recognised on the Group's consolidated financial statement). Meanwhile, as at 30 June 2020, the Group also had investments in debt investment plans classified as loans and receivables launched by other insurance asset management companies with a book value of approximately RMB 79.948 billion (As at 31 December 2019: approximately RMB 61.689 billion). The amount of debt investment plans guaranteed by a third party or by pledge that invested by the Group is about RMB 128.812 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure to loss in the debt investment plans is limited to their carrying amounts.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments

	30 June 2020							
	Investment cost	Opening balance	Increase/ (Decrease) in the current period	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance
Equity method:								
Joint venture								
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui")	11	12	-	-	-	-	-	12
Taiyi (Shanghai) Information Technology Co., Ltd. ("Taiyi Information Technology")	5	2	-	-	-	-	-	2
Hangzhou Dayu Internet Technology Co., Ltd. ("Dayu Technology")	3	6	-	-	-	-	-	6
Aizhu (Shanghai) Information Technology Co., Ltd. ("Aizhu Information")	1	-	-	-	-	-	-	-
Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes")	25	13	-	3	-	-	-	16
Shanghai Dabaoguisheng Information Technology Co., Ltd. ("Dabaoguisheng")	10	7	-	1	-	-	-	8
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea")	6	5	-	-	-	-	-	5
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,834	-	-	-	-	-	9,834
Sub-total	9,896	9,879	-	4	-	-	-	9,883

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

	30 June 2020							
	Investment cost	Opening balance	Increase/ (Decrease) in the current period	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance
Equity method:								
Associate								
Shanghai Juche Information Technology Co., Ltd. ("Juche")	3	9	-	1	-	-	-	10
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	17	34	-	2	-	-	-	36
Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital")	100	66	-	(4)	-	-	-	62
Shanghai Dedao Co., Ltd. ("Dedao")	5	1	-	-	-	-	-	1
Shanghai Xingongying Information Technology Co., Ltd. ("Xingongying")	81	58	-	(2)	-	-	-	56
Shanghai Heji Business Management LLP. ("Heji")	200	477	(300)	4	-	-	(5)	176
Changjiang Pension - China National Chemical Corporation Infrastructure Debt investment plan ("CHEMCHINA Debt Investment Plan")	2,160	2,164	-	58	-	-	(58)	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt investment plan ("Sichuan Railway Investment Plan")	250	250	-	7	-	-	(7)	250
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt investment plan ("Yunnan Energy Investment Plan")	3,610	3,617	-	110	-	-	(111)	3,616
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,514	-	125	-	-	(61)	2,578
Beijing More Health Technology Group Co., Ltd.("Beijing Miaoyijia")	413	387	-	(19)	-	-	-	368
Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang")	474	486	-	8	-	-	-	494
Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health")	500	500	-	(15)	-	-	-	485
Zhejiang Xin'an Shuzhi Technology Co., Ltd. ("Xin'an Technology")	9	-	9	-	-	-	-	9
Sub-total	10,238	10,563	(291)	275	-	-	(242)	10,305
Total	20,134	20,442	(291)	279	-	-	(242)	20,188

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

On 8 May 2020, the shareholders of Xingongying changed and its total registered capital increased from RMB 3.106 million to RMB 3.112 million. After this change, CPIC Property's shareholding in Xingongying became 6.27%, and CPIC Online Services's shareholding in Xingongying became 0.67% respectively.

On 14 April 2020, additional capital contributions from another shareholder of Jiaxing Yishang increased the paid-in capital of Jiaxing Yishang from RMB 500 million to RMB 500.501 million. After this capital injection, CPIC Life's shareholding in Jiaxing Yishang is diluted to 94.72%.

Pursuant to the Notice of Shanghai Heji Business Management Limited Liability Partnership's payment to limited partners for the distribution of proceeds during the second phase of the project, Heji returned the paid-in capital of CPIC Property of RMB 300 million in March 2020, the total paid-in capital of Heji became RMB 202 million. CPIC Property's shareholding in Heji decreased from 99.60% to 99.01%.

On 7 May 2020, Pacific Medical & Healthcare, a subsidiary of CPIC Life, entered into an investment cooperation agreement of Xin'an Technology with Quzhou Financial Holdings Group Co., Ltd. and some other investment companies. Pacific Medical & Healthcare purchased 9% shares of Xin'an Technology with a consideration of RMB 6.7086 million and then subscribed additional shares of Xin'an Technology proportionally with a consideration of RMB 2.25 million. On 23 June 2020, Xin'an Technology completed the relevant industrial and commercial modification registration and the total registered capital increased to RMB 13.354 million.

As at 30 June 2020, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal represe-ntative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Binjiang-Xiangrui	Limited liability company	Shanghai	Gu Jun	Real estate	150,000	30,000	91310101062588014A	-	35.16	35.70
Taiyi Information Technology	Limited liability company	Shanghai	Yang Yong	Used car information service platform	10,000	10,000	91310113342291872F	-	48.00	48.00
Dayu Technology	Limited liability company	Hangzhou	Ji Wei	Technical development, technical service and technical consulting	13,333	13,333	913301083524659446	-	20.25	20.25
Aizhu Information	Limited liability company	Shanghai	Qiao Yifeng	Network technology, technical consulting and technical service	10,000	6,950	91310113MA1GKNGFXL	-	35.00	35.00
Euler Hermes	Limited liability company	Shanghai	Sun Haiyang	Insurance sales	50,000	50,000	91310000MA1FL24D4M	-	50.24	50.00
Dabao guisheng	Company limited by shares	Shanghai	Wu Aijun	Third party operation services of insurance industry	100,000	22,200	91310000MA1FL3QM0A	-	33.42	34.00
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Wei Lin	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	-	68.80	57.14
Pacific Orpea (Note 2)	Limited liability company	Shanghai	Wei Lin	Operation and management of pension industry, technical consulting	10,000	10,000	91310115MA1K48AQ73	-	55.04	60.00

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

As at 30 June 2020, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal represe-ntative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Juche	Limited liability company	Shanghai	Dai Yang	Internet	5,882	5,882	91310113350805140T	-	37.42	37.80
Zhongdao	Limited liability company	Shanghai	Liu Yi	Road rescue	63,000	58,000	91310113069319140A	-	26.37	26.67
Zhizhong Hospital	Limited liability company	Shanghai	Chen Jianping	Oncology, medical laboratory, clinical fluid, etc.	500,000	500,000	91310115080068637C	-	15.41	20.00
Dedao	Limited liability company	Shanghai	Qiu Jianmin	Computer information technology, technical development in the field of automotive software technology, etc.	20,000	20,000	91310104MA1FR16T89	-	25.00	25.00
Xingongying (Note 3)	Limited liability company	Shanghai	Zhang Wenjian	Technical development in the field of computer information technology, technical consulting, etc.	3,112	3,112	91310104087809549Q	-	6.85	6.94
Beijing Miaoyijia	Limited liability company	Beijing	Bu Jiangyong	Information transmission, software and information technology services	75,009	69,190	91110105MA0029NRX0	-	19.66	20.00
Lianren Digital Health	Company limited by shares	Shanghai	Dai Zhong	Information technology services	2,000,000	2,000,000	91310000MA1FL70Y4L	-	24.57	25.00
Xin'an Technology (Note 4)	Limited liability company	Quzhou	Li Xin	Network technology development services	13,354	13,354	91330800798592681F	-	8.85	9.00
Heji (Note 5)	LLP	Shanghai	Not applicable	Enterprise management, industrial investment, investment management, asset management and consulting, etc.	Not applicable	202,000	91310109MA1G58GG51	-	97.53	

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

As at 30 June 2020, details of associates of the Group are as follows (continued):

Name	Type of enterprise	Place of registration/ Major business location	Legal represe-ntative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
CHEMCHINA Debt Investment Plan (Note 6)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,000,000	Not applicable	-	70.55	
Sichuan Railway Investment Plan (Note 7)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	600,000	Not applicable	-	38.17	
Ningbo Zhilin (Note 8)	LLP	Ningbo	Not applicable	Investment management and asset management	Not applicable	2,684,798	91330206MA290G5B4K	-	88.46	
Yunnan Energy Investment Plan (Note 9)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,800,000	Not applicable	-	92.94	
Jiaxing Yishang (Note 10)	LLP	Jiaxing	Not applicable	Equity investment	Not applicable	500,501	91330402MA2BCWUX4C	-	93.10	

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

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

Note 3: According to the articles of association of Xingongying, CPIC Property has significant influence over Xingongying by accrediting a director to the company. Therefore, Xingongying is accounted under equity method.

Note 4: According to the articles of association of Xin'an Technology, Pacific Medical & Healthcare has significant influence over Xin'an Technology by accrediting a director to the company. Therefore, Xin'an Technology is accounted under equity method.

Note 5: CPIC Property holds over 50% shares of Heji. Since CPIC Group cannot direct the relevant activities of Heji according to the partnership agreement of Heji, Heji is accounted under equity method.

Note 6: CPIC Life and Changjiang Pension hold over 50% shares of CHEMCHINA Debt Investment Plan. Since CPIC Group cannot direct the relevant activities of CHEMCHINA Debt Investment Plan according to the Agreement of Investment Plan, CHEMCHINA Debt Investment Plan is accounted under equity method.

Note 7: CPIC Life and Changjiang Pension hold shares of Sichuan Railway Investment Plan. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Plan. Since CPIC Group has significant influence over Sichuan Railway Investment Plan, Sichuan Railway Investment Plan is accounted under equity method.

Note 8: CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot direct the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.

Note 9: CPIC Life and Changjiang Pension hold over 50% shares of Yunnan Energy Investment Plan. Since CPIC Group cannot direct the relevant activities of Yunnan Energy Investment Plan according to the Agreement of Investment Plan, Yunnan Energy Investment Plan is accounted under equity method.

Note 10: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot direct the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

Summarised financial information for joint ventures:

	30 June 2020			31 December 2019		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Binjiang-Xiangrui	2,010	1,866	144	2,083	1,915	168
Taiyi Information Technology	4	-	4	4	-	4
Dayu Technology	74	43	31	57	25	32
Aizhu Information	12	12	-	11	11	-
Euler Hermes	36	5	31	31	6	25
Dabaoguisheng	40	24	16	33	20	13
Ruiyongjing Real Estate	14,956	908	14,048	14,285	237	14,048
Pacific Orpea	9	-	9	9	-	9

As at 30 June 2020, there was no impairment in the Group's long-term equity investments.

For unrecognised commitments in relation to the investments in joint ventures, please refer to Note XII.

Summarised financial information for significant associates:

	As at 30 June 2020/ For the six months ended 30 June 2020			
	Total assets as at 30 June	Total liabilities as at 30 June	Total revenue for the current period	Net profit for the current period
Ningbo Zhilin	2,921	26	60	53
CHEMCHINA Debt Investment Plan	3,007	2	88	81
Yunnan Energy Investment Plan	3,809	2	119	116

Summarised financial information for other associates:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net loss	(158)	(92)
Other comprehensive income	-	-
Total comprehensive loss	(158)	(92)
Total comprehensive (loss)/income attributable to the Group	(18)	4
Total carrying amount of the Group's investment	1,947	1,787

12. Restricted statutory deposits

	30 June 2020	31 December 2019
Opening balance	6,658	6,738
Movements for the current period	-	(80)
Ending balance	6,658	6,658

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Restricted statutory deposits (continued)

	30 June 2020		
	Amount	Storage	Period
CPIC Property			
China Minsheng Bank	1,162	Term deposits	5 years
China Zheshang Bank	1,100	Term deposits	5 years
Industrial Bank	440	Term deposits	5 years and 1 month
Bank of Communications	368	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
Bank of Communications	250	Term deposits	5 years and 1 month
Bank of Shanghai	200	Term deposits	5 years
China CITIC Bank	100	Term deposits	5 years
Sub-total	3,894		
CPIC Life			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Agricultural Bank of China	320	Term deposits	3 years
Bank of Nanjing	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
Sub-total	1,684		
Changjiang Pension			
Bank of Hangzhou	300	Term deposits	5 years and 1 month
Bank of Communications	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Sub-total	600		
CPIC Allianz Health			
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	340		
Anxin			
China CITIC Bank	60	Term deposits	3 years
Agricultural Bank of China	60	Term deposits	3 years
Shanghai Pudong Development Bank	10	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	140		
Total	6,658		

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Restricted statutory deposits (continued)

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Investment properties

	Buildings
Cost:	
1 January 2019	10,592
Additions	11
Transfer from fixed assets, net	35
31 December 2019	10,638
Additions	2
30 June 2020	10,640
Accumulated depreciation:	
1 January 2019	(2,050)
Charge for the year	(334)
Transfer to fixed assets, net	29
31 December 2019	(2,355)
Charge for the period	(164)
30 June 2020	(2,519)
Carrying amount:	
30 June 2020	8,121
31 December 2019	8,283

The fair values of investment properties of the Group as at 30 June 2020 amounted to RMB 11,647 million, which were estimated by the Group based on the independent appraisers' valuations (31 December 2019: RMB 11,887 million).

14. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost:				
1 January 2019	16,218	1,152	5,403	22,773
Procurement	82	64	712	858
Transfers from construction in progress	1,921	-	-	1,921
Transfers to investment properties, net	(35)	-	-	(35)
Disposals	(43)	(69)	(483)	(595)
31 December 2019	18,143	1,147	5,632	24,922
Procurement	17	7	87	111
Transfers from construction in progress	346	-	-	346
Disposals	-	(12)	(210)	(222)
30 June 2020	18,506	1,142	5,509	25,157
Accumulated depreciation:				
1 January 2019	(3,585)	(770)	(3,351)	(7,706)
Depreciation charge	(549)	(104)	(699)	(1,352)
Transfers from investment properties, net	(29)	-	-	(29)
Disposals	15	64	473	552
31 December 2019	(4,148)	(810)	(3,577)	(8,535)
Depreciation charge	(297)	(50)	(371)	(718)
Disposals	-	12	205	217
30 June 2020	(4,445)	(848)	(3,743)	(9,036)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Fixed assets (continued)

	Buildings	Motor vehicles	Other equipment	Total
Provision for impairment loss:				
1 January 2019, 31 December 2019, and 30 June 2020	(9)	-	-	(9)
Carrying amount:				
30 June 2020	14,052	294	1,766	16,112
31 December 2019	13,986	337	2,055	16,378

As at 30 June 2020, the Group's motor vehicles and other equipment with a cost of RMB 2,504 million (31 December 2019: RMB 2,535 million) are fully depreciated but still in use.

15. Construction in progress

The Group's construction in progress mainly comprises office building construction projects, and the movements are detailed as follows:

	30 June 2020								
Item	Budget	Opening balance	Increase in the current period	Transfer to fixed assets in the current period	Transfer to intangible assets in the current period	Transfer to long-term prepaid expenses in the current period	Disposal	Ending balance	% of project investment in budget
Office building in Guangdong	979	853	-	-	-	-	-	853	87%
Office building in Hubei	284	256	2	-	-	-	-	258	91%
Office building in Liaoning	350	320	2	(164)	-	-	-	158	92%
Office building in Sichuan	524	119	29	-	-	-	-	148	28%
Office building in Jiangsu	129	83	5	-	-	-	-	88	68%
Office building in Zhejiang	384	17	57	-	-	-	-	74	19%
Office building in Hebei	44	36	-	-	-	-	-	36	82%
Office building in Hunan	27	25	-	-	-	-	-	25	93%
Office building in Guizhou	92	62	1	(53)	-	-	-	10	68%
Office building in Jilin	145	115	14	(129)	-	-	-	-	89%
Others	258	101	12	-	(3)	-	-	110	43%
		1,987	122	(346)	(3)	-	-	1,760	

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

Item	31 December 2019								
	Budget	Opening balance	Increase in the current year	Transfer to fixed assets in the current year	Transfer to intangible assets in the current year	Transfer to long-term prepaid expenses in the current year	Disposal	Ending balance	% of project investment in budget
Office building in Guangdong	961	816	53	(16)	-	-	-	853	90%
Office building in Liaoning	346	316	4	-	-	-	-	320	92%
Office building in Hubei	284	208	48	-	-	-	-	256	90%
Office building in Jilin	128	103	12	-	-	-	-	115	90%
Office building in Jiangsu	393	289	19	(225)	-	-	-	83	78%
Office building in Guizhou	246	187	20	(145)	-	-	-	62	84%
Office building in Hebei	66	23	38	(25)	-	-	-	36	92%
Office building in Hunan	541	365	148	(488)	-	-	-	25	95%
Office building in Jiangxi	155	131	6	(136)	-	-	-	1	88%
Office building in Shandong	114	90	1	(42)	-	(49)	-	-	37%
Office building in Chengdu	180	154	23	(177)	-	-	-	-	98%
Office building in Xinjiang	22	14	3	(17)	-	-	-	-	77%
Office building in Shanxi	75	57	15	(72)	-	-	-	-	96%
Office building in Beijing	256	236	7	(243)	-	-	-	-	95%
Office building in Hainan	187	139	21	(160)	-	-	-	-	86%
Office building in Anhui	37	28	2	(30)	-	-	-	-	81%
Others	478	230	185	(145)	(34)	-	-	236	80%
		3,386	605	(1,921)	(34)	(49)	-	1,987	

The capital sources of the Group's construction in progress are all self-owned funds, and there is no capitalised interest expenses in the balance of construction in progress.

There was no such case as the recoverable amount was lower than the carrying amount of the construction in progress at the end of the period, thus no provision for impairment of construction in progress was required.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost:				
1 January 2019	3,769	1	3	3,773
Increase	1,753	3	14	1,770
Decrease	(136)	-	-	(136)
31 December 2019	5,386	4	17	5,407
Increase	529	-	1	530
Decrease	(153)	-	(1)	(154)
30 June 2020	5,762	4	17	5,783
Accumulated depreciation:				
1 January 2019	-	-	-	-
Depreciation charge	(1,293)	(1)	(3)	(1,297)
Decrease	20	-	-	20
31 December 2019	(1,273)	(1)	(3)	(1,277)
Depreciation charge	(742)	(1)	(2)	(745)
Decrease	123	-	-	123
30 June 2020	(1,892)	(2)	(5)	(1,899)
Carrying amount:				
30 June 2020	3,870	2	12	3,884
31 December 2019	4,113	3	14	4,130

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

17. Intangible assets

	Land use rights	Software use rights	License	Total
Cost:				
1 January 2019	355	5,227	646	6,228
Increase	350	994	-	1,344
Transfers from construction in progress	-	34	-	34
Disposals	-	(1)	-	(1)
31 December 2019	705	6,254	646	7,605
Increase	279	185	-	464
Transfers from construction in progress	-	3	-	3
30 June 2020	984	6,442	646	8,072
Accumulated Amortisation:				
1 January 2019	(11)	(3,331)	-	(3,342)
Amortisation	(14)	(597)	-	(611)
31 December 2019	(25)	(3,928)	-	(3,953)
Amortisation	(12)	(376)	-	(388)
30 June 2020	(37)	(4,304)	-	(4,341)
Carrying amount:				
30 June 2020	947	2,138	646	3,731
31 December 2019	680	2,326	646	3,652

There was no such case as the recoverable amount was lower than the carrying amount of the intangible assets at the end of the period, thus no provision for impairment of intangible assets was required.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Goodwill

	30 June 2020			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Sub-total	1,357	-	-	1,357
Less: Provision for impairment	-	-	-	-
Net value	1,357	-	-	1,357

	31 December 2019			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Sub-total	1,357	-	-	1,357
Less: Provision for impairment	-	-	-	-
Net value	1,357	-	-	1,357

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 30 June 2020, there is no indication that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is less than its carrying amount, thus no impairment loss is recognised.

19. Deferred income tax assets and liabilities

	30 June 2020		31 December 2019	
Deferred income tax assets	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract reserves	945	3,780	513	2,052
Changes in fair value of financial instruments	(575)	(2,300)	(389)	(1,556)
Provision for asset impairment	179	716	193	772
Others	578	2,312	543	2,172
Sub-total	1,127	4,508	860	3,440
Deferred income tax liabilities	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract reserves	938	3,752	754	3,016
Changes in fair value of financial instruments	(4,632)	(18,528)	(3,827)	(15,308)
Commission and brokerage expenses	638	2,552	473	1,892
Provision for asset impairment	944	3,776	594	2,376
Adjustment in fair value arising from acquisition of subsidiaries	(904)	(3,616)	(921)	(3,684)
Others	(153)	(612)	16	64
Sub-total	(3,169)	(12,676)	(2,911)	(11,644)
Net value	(2,042)	(8,168)	(2,051)	(8,204)

Deferred income tax assets and liabilities of the Group presented above reflect the net amount after each taxpayer's offsetting within their entity level.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Deferred income tax assets and liabilities (continued)

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract reserves	Fair value	Commissions and brokerage expenses	Provision for asset impairments	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
1 January 2019	995	(604)	641	448	-	(949)	680	1,211
Recognised in profit or loss	272	(229)	(168)	339	-	28	(121)	121
Recognised in equity	-	(3,383)	-	-	-	-	-	(3,383)
31 December 2019	1,267	(4,216)	473	787	-	(921)	559	(2,051)
Recognised in profit or loss	616	(97)	165	336	-	17	(134)	903
Recognised in equity	-	(894)	-	-	-	-	-	(894)
30 June 2020	1,883	(5,207)	638	1,123	-	(904)	425	(2,042)

As at 30 June 2020, there was no significant deductible temporary differences and deductible losses that were not recognised as deferred income tax assets.

20 Other assets

		30 June 2020	31 December 2019
Other receivables	(1)	14,398	10,405
Improvements of right-of-use assets		873	1,000
Dividends receivable		579	28
Loans	(2)	-	-
Others		1,163	964
Total		17,013	12,397

(1) Other receivables

	30 June 2020	31 December 2019
Receivable from securities sold but not settled	6,973	3,963
Due from related parties*	1,614	1,614
Due from external undertakings	1,328	1,042
Due from agents	329	276
Deposits	182	182
Co-insurance receivables	107	123
Prepaid tax	4	4
Others	4,064	3,403
Sub-total	14,601	10,607
Less: Provision for bad debts	(203)	(202)
Net value	14,398	10,405

* As at 30 June 2020, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB 1,614 million (31 December 2019: RMB 1,614 million), which accounting for 11% (31 December 2019: 15%) of the total other receivables.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,656	39%	(198)	4%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	8,945	61%	(5)	0%
Total	14,601	100%	(203)	1%

	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,012	47%	(197)	4%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	5,595	53%	(5)	0%
Total	10,607	100%	(202)	2%

The aging of other receivables and related provisions for bad debts are analysed as follows:

Aging	30 June 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	11,703	80%	-	11,703
3 months to 1 year (inclusive)	820	6%	(13)	807
1 to 3 years (inclusive)	562	4%	(52)	510
Over 3 years	1,516	10%	(138)	1,378
Total	14,601	100%	(203)	14,398

Aging	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,846	74%	-	7,846
3 months to 1 year (inclusive)	622	6%	(12)	610
1 to 3 years (inclusive)	618	6%	(58)	560
Over 3 years	1,521	14%	(132)	1,389
Total	10,607	100%	(202)	10,405

The top five other receivables of the Group are as follows:

	30 June 2020	31 December 2019
Total amount of the top five other receivables	2,707	2,056
Total provision for bad debts	(12)	(12)
% of total other receivables	19%	19%

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Other assets (continued)

(2) Loans

	30 June 2020	31 December 2019
Guaranteed loans	7	7
Sub-total	7	7
Less: Provision for losses on loans	(7)	(7)
Net value	-	-

Since all loans of the Group were past due and expected unrecoverable, provision for losses on loans was made in full amount.

21. Provision for impairment of assets

	30 June 2020				
	Opening balance	Charge for the period	Reversal	Written-off and others	Ending balance
Provision for bad debts	931	368	(14)	(18)	1,267
- Premium receivables	523	356	(14)	(18)	847
- Reinsurance receivables	167	6	-	-	173
- Interest receivables	39	5	-	-	44
- Other receivables	202	1	-	-	203
Provision for impairment of available-for-sale financial assets	2,669	2,237	(17)	(1,051)	3,838
- Debt instruments	621	810	(17)	47	1,461
- Equity instruments	2,048	1,427	-	(1,098)	2,377
Provision for impairment of held-to-maturity financial assets	47	138	-	(47)	138
Provision for impairment of investments classified as loans and receivables	197	126	-	-	323
Provision for losses on loans	7	-	-	-	7
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	41	-	-	-	41
Total	3,921	2,869	(31)	(1,116)	5,643

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Provision for impairment of assets (continued)

	31 December 2019				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	826	181	(66)	(10)	931
- Premium receivables	377	159	(5)	(8)	523
- Reinsurance receivables	162	6	(1)	-	167
- Interest receivables	27	12	-	-	39
- Other receivables	260	4	(60)	(2)	202
Provision for impairment of available-for-sale financial assets	1,603	2,135	(40)	(1,029)	2,669
- Debt instruments	298	363	(40)	-	621
- Equity instruments	1,305	1,772	-	(1,029)	2,048
Provision for impairment of held-to-maturity financial assets	-	47	-	-	47
Provision for impairment of investments classified as loans and receivables	-	197	-	-	197
Provision for losses on loans	7	-	-	-	7
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	41	-	-	-	41
Total	2,506	2,560	(106)	(1,039)	3,921

For the six months ended 30 June 2020, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 1,098 million (in 2019: RMB 1,029 million). The ending balance of the provision for impairment of available-for-sale financial assets has been included in the carrying amount of available-for-sale financial assets.

22. Securities sold under agreements to repurchase

	30 June 2020	31 December 2019
Securities - bonds		
Inter-bank market	84,806	64,588
Stock exchange	15,418	13,778
Total	100,224	78,366

As at 30 June 2020, the Group's bonds with par value of approximately RMB 90,714 million (31 December 2019: RMB 69,468 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 30 June 2020 the Group's exchange-traded standardised bonds of approximately RMB 15,418 million (31 December 2019: RMB 13,778 million) were pledged for the securities sold at Shanghai and Shenzhen stock exchange under agreements to repurchase.

23. Reinsurance payables

	30 June 2020	31 December 2019
Within 1 year (inclusive)	8,552	4,305
Over 1 year	344	238
Total	8,896	4,543

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Reinsurance payables (continued)

The details of the top five reinsurers/brokers of the reinsurance payables of the Group are as follows:

Reinsurer/Broker	30 June 2020	
	Ending balance (including accrual)	% of total balance
China Property & Casualty Reinsurance Company Ltd.	1,176	13%
Munich Reinsurance Company	961	11%
Swiss Reinsurance Company Ltd.	624	7%
China Life Reinsurance Company Ltd.	578	6%
China Agricultural Reinsurance Pool	506	6%

Reinsurer/Broker	31 December 2019	
	Ending balance (including accrual)	% of total balance
China Life Reinsurance Company Ltd.	705	16%
Munich Reinsurance Company	635	14%
Swiss Reinsurance Company Ltd.	514	11%
China Property & Casualty Reinsurance Company Ltd.	218	5%
SCOR	121	3%

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

24. Employee benefits payable

	1 January 2020	Increase	Decrease	30 June 2020
Wages and salaries, bonus, allowances and subsidies	4,560	8,806	(10,492)	2,874
Staff welfare	8	407	(407)	8
Social security contributions	69	925	(899)	95
Housing funds	8	544	(543)	9
Labour union funds	55	182	(133)	104
Employee education funds	478	108	(4)	582
Deferred bonus to management	72	-	(5)	67
Early retirement benefits	323	155	(63)	415
Total	5,573	11,127	(12,546)	4,154

	1 January 2019	Increase	Decrease	31 December 2019
Wages and salaries, bonus, allowances and subsidies	4,110	18,219	(17,769)	4,560
Staff welfare	5	930	(927)	8
Social security contributions	85	3,168	(3,184)	69
Housing funds	7	1,051	(1,050)	8
Labour union funds	62	325	(332)	55
Employee education funds	372	221	(115)	478
Deferred bonus to management	73	-	(1)	72
Early retirement benefits	258	170	(105)	323
Total	4,972	24,084	(23,483)	5,573

The Group had no significant non-monetary benefits and compensation for termination of employment.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Taxes payable

	30 June 2020	31 December 2019
Corporate income tax	2,527	549
Unpaid VAT	448	387
Withholding individual income tax	142	138
Others	821	1,092
Total	3,938	2,166

26. Policyholders' deposits and investment contract liabilities

	30 June 2020	31 December 2019
Opening balance	75,576	62,325
Deposits received	9,603	17,028
Interest credited	1,902	3,005
Deposits withdrawn	(3,651)	(8,058)
Fees deducted for initial policy charge and account management	(80)	(224)
Others	472	1,500
Ending balance	83,822	75,576

	30 June 2020	31 December 2019
Expire within 1 year (inclusive)	2,300	1,225
Expire within 1 to 3 years (inclusive)	2,389	2,337
Expire within 3 to 5 years (inclusive)	1,578	1,049
Expire within more than 5 years	77,555	70,965
Total	83,822	75,576

The above policyholders' deposits and investment contract liabilities included the investment part unbundled from universal insurance contracts and significant contracts that had not been determined as insurance contracts as per insurance risk testing, and the majority of them had a maturity of more than five years and involved insignificant insurance liabilities.

27. Unearned premium reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2019	49,333	122	49,455
Increase	151,275	848	152,123
Decrease	(138,966)	(637)	(139,603)
31 December 2019	61,642	333	61,975
Increase	90,206	699	90,905
Decrease	(78,518)	(522)	(79,040)
30 June 2020	73,330	510	73,840

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Unearned premium reserves (continued)

The Group's unearned premium reserves split by term to maturity are listed below:

Term to maturity	30 June 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	61,211	77	61,288
Over 1 year	12,119	433	12,552
Total	73,330	510	73,840

Term to maturity	31 December 2019		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	51,515	138	51,653
Over 1 year	10,127	195	10,322
Total	61,642	333	61,975

28. Claim reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2019	38,385	479	38,864
Increase	82,320	535	82,855
Decrease - claims	(78,879)	(336)	(79,215)
31 December 2019	41,826	678	42,504
Increase	45,162	334	45,496
Decrease - claims	(38,942)	(148)	(39,090)
30 June 2020	48,046	864	48,910

The Group's claim reserves split by term to maturity are listed below:

Term to maturity	30 June 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	35,447	502	35,949
Over 1 year	12,599	362	12,961
Total	48,046	864	48,910

Term to maturity	31 December 2019		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	30,345	399	30,744
Over 1 year	11,481	279	11,760
Total	41,826	678	42,504

The claim reserves under direct insurance contracts are as follows:

	30 June 2020	31 December 2019
Incurred and reported claim reserves	35,371	31,651
IBNR reserves	10,881	9,276
Claim expense reserves	1,794	899
Total	48,046	41,826

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Life insurance reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2019	787,283	1	787,284
Increase	156,111	59	156,170
Decrease			
- Claims	(41,779)	(1)	(41,780)
- Early termination	(10,479)	-	(10,479)
31 December 2019	891,136	59	891,195
Increase	106,642	280	106,922
Decrease			
- Claims	(23,271)	-	(23,271)
- Early termination	(4,947)	(8)	(4,955)
30 June 2020	969,560	331	969,891

The Group's life insurance contract reserves split by term to maturity are as follows:

Term to maturity	30 June 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	41,045	-	41,045
1 to 5 years (inclusive)	31,429	-	31,429
Over 5 years	897,086	331	897,417
Total	969,560	331	969,891

Term to maturity	31 December 2019		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	41,526	-	41,526
1 to 5 years (inclusive)	40,495	-	40,495
Over 5 years	809,115	59	809,174
Total	891,136	59	891,195

30. Long-term health insurance reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2019	44,068	-	44,068
Increase	36,450	-	36,450
Decrease			
- Claims	(7,546)	-	(7,546)
- Early termination	(625)	-	(625)
31 December 2019	72,347	-	72,347
Increase	19,984	-	19,984
Decrease			
- Claims	(3,451)	-	(3,451)
- Early termination	(399)	-	(399)
30 June 2020	88,481	-	88,481

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Long-term health insurance reserves (continued)

The Group's long-term health insurance reserves split by term to maturity are as follows:

Term to maturity	30 June 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	506	-	506
1 to 5 years (inclusive)	522	-	522
Over 5 years	87,453	-	87,453
Total	88,481	-	88,481

Term to maturity	31 December 2019		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	447	-	447
1 to 5 years (inclusive)	460	-	460
Over 5 years	71,440	-	71,440
Total	72,347	-	72,347

31. Bonds payable

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 5.10% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%.

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 4.99% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

Issuer	31 December 2019	Issuance	Amortisation of bond premium or discount	Redemption in current period	30 June 2020
CPIC Property	9,988	-	2	-	9,990

32. Other liabilities

		30 June 2020	31 December 2019
Other payables	(1)	20,723	17,100
Accrued expenses		2,342	1,720
Insurance security fund		761	701
Others		1,352	1,292
Total		25,178	20,813

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Other liabilities (continued)

(1) Other payables

	30 June 2020	31 December 2019
Payables related to asset-backed securities	5,850	4,540
Payables for securities purchased but not settled	5,235	3,488
Payables to third-party investors of consolidated structured entities	2,613	2,250
Payables to be claimed by customers	1,820	1,548
Deposits	1,061	1,136
Payables for purchases	760	1,249
Coinsurance payable	582	393
Reimbursement payables	351	371
Compulsory automobile insurance rescue fund	300	266
Payables for construction and purchasing office building	254	260
Others	1,897	1,599
Total	20,723	17,100

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

33. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2020		Increase of number of shares		30 June 2020	
	Number of shares	percentage of shareholding	Newly issued	Others	Number of shares	percentage of shareholding
I. Shares with selling restrictions						
Shares held by domestic non-state-owned legal persons	-	0%	-	-	-	0%
Sub-total	-	0%	-	-	-	0%
II. Shares without selling restrictions						
Ordinary shares denominated in RMB (Note I)	6,286	69%	514	-	6,800	71%
Foreign shares listed overseas	2,776	31%	-	-	2,776	29%
Sub-total	9,062	100%	514	-	9,576	100%
III. Total	9,062	100%	514	-	9,576	100%

34. Capital reserves

	30 June 2020	31 December 2019
Capital premium (Note I)	77,900	65,860
Impact of capital injection to subsidiaries etc.	2,127	2,142
Impact of other changes in the equity of investees accounted for using the equity method	31	31
Transaction with non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	78,675	66,650

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

35. Surplus reserves

	Statutory surplus reserve (the "SSR")
1 January 2019, 31 December 2019 and 30 June 2020	4,835

36. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group's subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

	General reserves
1 January 2019	11,642
Appropriations	2,687
31 December 2019	14,329
Appropriations	36
30 June 2020	14,365

37. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under CASs and the amount determined under Hong Kong Financial Reporting Standards, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

(1) Making up for losses brought forward from prior years;

(2) Appropriating to SSR at 10% of the net profit;

(3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and

(4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

Pursuant to the resolution of the 24th meeting of the 8th Board of Directors of the Company held on 20 March 2020, a final dividend of approximately RMB10,874 million (equivalent to RMB 1.2 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan was approved by the general meeting of shareholders of the Company on 12 May 2020.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

37. Profit distribution and retained profits (continued)

Of the Group's retained profits in the consolidated financial statements, RMB 15,035 million as at 30 June 2020 (31 December 2019: RMB 12,576 million) represents the Company's share of its subsidiaries' surplus reserve fund.

According to the resolution of the 10th meeting of the 6th Board of Directors of CPIC Property on 20 April 2020, CPIC Property proposed to appropriate RMB 2.5 billion of discretionary surplus reserve from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 8 May 2020.

38. Non-controlling interests

	30 June 2020	31 December 2019
CPIC Property	625	599
CPIC Life	1,362	1,447
Changjiang Pension	1,314	1,290
CPIC Funds	503	495
CPIC Allianz Health	284	269
Anxin	804	793
Total	4,892	4,893

39. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Property and casualty insurance:		
Automobile insurance	48,038	46,144
Agricultural insurance	6,319	4,335
Liability insurance	4,953	3,704
Health insurance	4,833	2,729
Commercial property insurance	3,671	3,532
Other insurances	9,934	8,714
Sub-total	77,748	69,158
Life insurance:		
Individual insurance		
- Life insurance	55,138	48,374
- Participating insurance	70,234	79,015
- Universal insurance	49	52
- Short-term accident and health insurance	5,288	4,959
Group insurance		
- Life insurance	271	237
- Short-term accident and health insurance	7,869	6,014
Sub-total	138,849	138,651
Total	216,597	207,809

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

39. Gross written premiums (continued)

(2) The Group's gross written premiums with the top five customers is listed below:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Gross written premiums of the top five customers	1,473	1,189
% of gross written premiums	0.7%	0.6%

40. Net change in unearned premium reserves

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Unearned premium reserves		
- Direct insurance contracts	11,686	12,280
- Assumed reinsurance contracts	177	183
Sub-total	11,863	12,463
Unearned premium reserves recovered from reinsurers		
- Direct insurance contracts	(1,738)	(1,237)
- Assumed reinsurance contracts	(120)	(113)
Sub-total	(1,858)	(1,350)
Net	10,005	11,113

41. Investment income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net gains on disposal of stock investments	6,597	2,313
Net gains on disposal of fund investments	719	234
Net gains on disposal of bond investments	404	85
Interest on securities purchased under agreements to resell	139	178
Interest income from debt investments	23,329	21,476
Interest income from other fixed-interest investments	5,857	5,266
Fund dividend income	613	500
Stock dividend income	1,510	1,340
Income from other equity investments	1,480	741
Share of profits of associates and joint ventures	279	277
Others	16	(2)
Total	40,943	32,408

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

42. (Losses)/gains arising from changes in fair value

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Bond investments	(126)	45
Fund investments	12	373
Derivatives	-	(1)
Stock investments	(22)	510
Wealth management products and other equity instruments	(278)	(29)
Total	(414)	898

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

43. Other operating income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Income from assets management fee	1,059	700
Rental income from investment properties	384	382
Amortisation of initial policy fee and account management fee	80	78
Others	505	436
Total	2,028	1,596

44. Gains on disposal of assets

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Gains on disposal of fixed assets	1	1

45. Surrenders

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Individual life insurance		
- Direct insurance contracts	5,332	5,039
- Reinsurance contracts	8	-
Group life insurance		
- Direct insurance contracts	14	33
Total	5,354	5,072

46. Claims

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Indemnity		
- Direct insurance contracts	38,942	36,236
- Assumed reinsurance contracts	148	130
Sub-total	39,090	36,366
Payment upon maturity - direct insurance contracts	13,986	12,267
Payment of annuity - direct insurance contracts	8,128	10,421
Payment upon death, injury or medical treatment - direct insurance contracts	4,607	4,830
Payment upon death, injury or medical treatment - reinsurance contracts	1	-
Total	65,812	63,884

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

46. Claims (continued)

The breakdown of the Group's claims by types of insurance is as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Property and casualty insurance:		
Automobile insurance	24,977	25,008
Agricultural insurance	2,465	1,586
Commercial property insurance	1,351	1,155
Health insurance	1,829	1,171
Liability insurance	1,410	1,119
Other insurances	3,125	2,438
Sub-total	35,157	32,477
Life insurance:		
Individual insurance		
- Life insurance	7,116	10,144
- Participating insurance	19,292	17,030
- Universal insurance	25	40
- Short-term accident and health insurance	1,121	1,093
Group insurance		
- Life insurance	248	262
- Participating insurance	39	41
- Universal insurance	2	1
- Short-term accident and health insurance	2,812	2,796
Sub-total	30,655	31,407
Total	65,812	63,884

47. Changes in insurance contract reserves

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Changes in claim reserves		
- Direct insurance contracts	6,220	2,779
- Assumed reinsurance contracts	181	(54)
Sub-total	6,401	2,725
Changes in life insurance reserves		
- Direct insurance contracts	73,034	67,909
- Assumed reinsurance contracts	272	-
Sub-total	73,306	67,909
Changes in long-term health insurance reserves		
- Direct insurance contracts	16,134	14,700
Total	95,841	85,334

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Changes in insurance contract reserves (continued)

The particulars of changes in claim reserves under direct insurance contracts are as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Incurred and reported claim reserves	3,720	1,947
IBNR reserves	1,605	755
Claim expense reserves	895	77
Total	6,220	2,779

48. Insurance contract reserves recovered from reinsurers

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Recovery of claim reserves		
- Direct insurance contracts	644	783
- Assumed reinsurance contracts	229	202
Recovery of life insurance reserves		
- Direct insurance contracts	(39)	(196)
Recovery of long-term health insurance reserves		
- Direct insurance contracts	568	296
Total	1,402	1,085

49. Taxes and surcharges

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
City maintenance and construction tax	185	159
Educational surcharge	135	109
Others	190	178
Total	510	446

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

50. Commission and brokerage expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Fee		
Property and casualty insurance		
Automobile insurance	6,858	6,369
Liability insurance	721	590
Accident insurance	627	539
Commercial property insurance	518	504
Health insurance	303	243
Other insurances	541	554
Sub-total	9,568	8,799
Life insurance	588	753
Total	10,156	9,552
Commission		
Commission expenses for single premium policy	707	589
First-year commission expenses for regular premium policy	7,030	11,660
Renewal commission expenses for regular premium policy	4,726	5,165
Total	12,463	17,414
Total of fee and commission expenses	22,619	26,966

51. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Payroll and welfare benefits	9,807	9,934
Advertising expenses (including business publicity expenses)	3,079	2,590
Professional service fees	2,018	1,613
General office expenses	1,251	1,592
Prevention expenses	795	662
Insurance guaranty fund	769	183
Depreciation of right-of-use assets	723	575
Depreciation of fixed assets	683	626
Amortisation of intangible assets	388	272
Labour costs	340	385
Property management fee	289	283
Consulting fees	206	192
Amortisation of other long-term assets	188	159
Compulsory automobile rescue fund	143	141
Rent for short-term and low-value asset leases	76	171
Transportation expenses	70	95
Travel expenses	57	110
Audit fee	16	15
Taxes	3	3
Others	3,080	1,964
Total	23,981	21,565

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Interest expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Securities sold under agreements to repurchase	775	958
Unclaimed policy dividend	355	351
Debts	254	297
Interest on lease liabilities	68	70
Others	79	104
Total	1,531	1,780

53. Other operating expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Interest expenses for policyholders' investment contract liabilities	1,902	1,659
Depreciation of investment properties	164	158
Amortisation of fee and commission for acquiring policyholders' investment contract	3	1
Others	572	530
Total	2,641	2,348

54. Asset impairment losses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Provision for available-for-sale financial assets impairment, net	2,220	1,077
Provision for held-to-maturity financial assets impairment, net	138	-
Provision for investments classified as loans and receivables impairment, net	126	-
Provision for bad debts, net	354	431
Total	2,838	1,508

55. Non-operating income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Government subsidies unrelated to ordinary activities	5	7
Others	14	18
Total	19	25

56. Non-operating expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Charitable donations and commercial sponsorship	26	17
Government fines & confiscations and liquidated damages	6	4
Overdue tax payment and fines	1	1
Others	6	24
Total	39	46

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

57. Income tax

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Current income tax	3,942	(2,087)
Deferred income tax	(903)	46
Total	3,039	(2,041)

The relationship between income tax expenses and total profit is shown below:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Total profit	17,630	14,485
Taxes calculated at the statutory tax rate of 25%	4,408	3,621
Income tax adjustment for prior years (Note V)	(124)	(4,887)
Non-taxable income	(1,594)	(1,099)
Non-deductible expenses	167	135
Others	182	189
Income tax calculated at applicable tax rates	3,039	(2,041)

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

58. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to shareholders of the parent by the weighted average number of ordinary shares in issue during the six-month period ended 30 June 2020.

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Consolidated net profit for the period attributable to shareholders of the parent	14,239	16,183
Weighted average number of ordinary shares in issue (million)	9,085	9,062
Basic earnings per share (RMB Yuan)	1.57	1.79

The weighted average number of ordinary shares in issue has been adjusted to reflect the impact of the issuance of 102,873,300 GDRs in June 2020, representing 514,366,500 A shares of the Company (Note I).

(2) Diluted earnings per share

Diluted earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the adjusted weighted average number of ordinary shares based on assuming full exercise of the over-allotment option as below. According to the over-allotment option arrangement under the issuance of GDRs, the stabilising manager may require the Company to additionally issue no more than 10,287,300 GDRs, representing 51,436,500 A shares, by exercising the over-allotment option.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

58. Earnings per share (continued)

(2) Diluted earnings per share (continued)

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Consolidated net profit for the period attributable to shareholders of the parent	14,239	16,183
Weighted average number of ordinary shares in issue (million)	9,085	9,062
Adjustment for:		
Assumed vesting of the over-allotment option	-	-
Weighted average number of ordinary shares for diluted earnings per share	9,085	9,062
Diluted earnings per share (RMB Yuan)	1.57	1.79

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

59. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2020	Attributable to the Company - net of tax	30 June 2020	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current period	Amount recognised in impairment loss of available-for-sale financial assets in current period	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	12,952	2,456	15,408	11,987	(8,019)	2,220	(2,771)	(894)	2,456	67
Exchange differences on translation of foreign operations	(3)	11	8	11	-	-	-	-	11	-
Total	12,949	2,467	15,416	11,998	(8,019)	2,220	(2,771)	(894)	2,467	67

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2019	Attributable to the Company - net of tax	30 June 2019	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current period	Amount recognised in impairment loss of available-for-sale financial assets in current period	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	2,808	5,826	8,634	14,084	(2,771)	1,077	(4,491)	(1,954)	5,826	119
Exchange differences on translation of foreign operations	(16)	3	(13)	3	-	-	-	-	3	-
Total	2,792	5,829	8,621	14,087	(2,771)	1,077	(4,491)	(1,954)	5,829	119

60. Cash paid relating to other operating activities

Significant payments related to other operating activities are listed below:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Surrenders	5,346	5,072
Advertising expenses (including business publicity expenses)	3,079	2,590
Professional service fees	2,018	1,613
General office expenses	1,251	1,592
Prevention expenses	795	662
Labour costs	340	385
Property management fee	289	283
Consulting fees	206	192

61. Cash and cash equivalents

	30 June 2020	31 December 2019
Cash:		
Cash at bank readily available for payments	35,499	13,517
Other cash balances readily available for payments	913	984
Cash equivalents:		
Investments with an initial term within 3 months	28,608	28,045
Total	65,020	42,546

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

62. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net profit	14,591	16,526
Add: Asset impairment losses	2,838	1,508
Changes in insurance contract reserves - net	94,439	84,249
Net change in unearned premium reserves	10,005	11,113
Changes in insurance premium reserves	169	98
Depreciation of fixed assets and investment properties	882	822
Depreciation of right-of-use assets	745	591
Amortisation of intangible assets	388	272
Amortisation of other long-term assets	190	161
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(1)	(1)
Investment income	(40,943)	(32,408)
Losses/(gains) arising from changes in fair value	414	(898)
Interest expenses	1,176	1,429
Exchange (gains)/losses	(25)	75
Deferred income tax	(903)	46
Increase in operating receivables	(19,542)	(15,215)
Increase/(decrease) in operating payables	2,862	(3,563)
Net cash flows from operating activities	67,285	64,805

(2) Net increase in cash and cash equivalents:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Cash at the end of the period	36,412	22,156
Less: Cash at the beginning of the period	(14,501)	(15,026)
Cash equivalents at the end of the period	28,608	16,906
Less: Cash equivalents at the beginning of the period	(28,045)	(23,095)
Net increase in cash and cash equivalents	22,474	941

VIII. SEGMENT INFORMATION

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

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

The Group's operating segments are listed as follows:

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

VIII. SEGMENT INFORMATION (continued)

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

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

For the six months ended 30 June 2020, gross written premiums from transactions with the top five external customers amounted to 0.7% (for the six months ended 30 June 2019: 0.6%) of the Group's total gross written premiums (Note VII 39).

Item	For the six months ended 30 June 2020							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Net premiums earned	132,699	59,827	135	17	59,979	-	92	192,770
Including: Net premiums earned from third parties	132,278	60,425	67	-	60,492	-	-	192,770
Net premiums earned within the Group	421	(598)	68	17	(513)	-	92	-
Other income	46	23	-	-	23	59	-	128
Investment income	35,548	3,660	17	-	3,677	21,039	(19,321)	40,943
Losses arising from changes in fair value	(126)	(2)	-	-	(2)	(286)	-	(414)
Exchange gains/(losses)	6	42	(1)	-	41	(22)	-	25
Other operating income	1,215	140	1	-	141	2,695	(2,023)	2,028
Gains on disposal of assets	-	1	-	-	1	-	-	1
Operating income	169,388	63,691	152	17	63,860	23,485	(21,252)	235,481
Surrenders	(5,354)	-	-	-	-	-	-	(5,354)
Claims	(30,824)	(35,095)	(104)	42	(35,157)	-	169	(65,812)
Less: Claims recoveries from reinsurers	1,231	4,159	51	(42)	4,168	-	(167)	5,232
Changes in insurance contract reserves	(90,282)	(5,668)	(12)	(11)	(5,691)	-	132	(95,841)
Less: Insurance contract reserves recovered from reinsurers	730	907	(4)	11	914	-	(242)	1,402
Others	(32,693)	(23,750)	(62)	-	(23,812)	(2,900)	1,947	(57,458)
Operating expenses	(157,192)	(59,447)	(131)	-	(59,578)	(2,900)	1,839	(217,831)
Operating profit	12,196	4,244	21	17	4,282	20,585	(19,413)	17,650
Add: Non-operating income	6	12	-	-	12	1	-	19
Less: Non-operating expenses	(7)	(16)	-	-	(16)	(16)	-	(39)
Profit before tax	12,195	4,240	21	17	4,278	20,570	(19,413)	17,630
Less: Income tax	(1,477)	(1,059)	(9)	-	(1,068)	(256)	(238)	(3,039)
Net profit for the period	10,718	3,181	12	17	3,210	20,314	(19,651)	14,591
Supplementary information:								
Capital expenditure	183	143	-	-	143	958	-	1,284
Depreciation and amortisation	557	501	-	-	501	1,147	-	2,205
Provision for asset impairment	2,153	536	-	-	536	149	-	2,838
30 June 2020								
Segment assets	1,369,990	195,263	1,343	(152)	196,454	141,231	(22,210)	1,685,465
Segment liabilities	1,319,703	152,842	791	(143)	153,490	17,623	(7,041)	1,483,775

VIII. SEGMENT INFORMATION (continued)

Item	For the six months ended 30 June 2019							
	Life and health nsurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Net premiums earned	134,059	51,080	129	3	51,212	-	214	185,485
Including: Net premiums earned from third parties	133,940	51,571	(26)	-	51,545	-	-	185,485
Net premiums earned within the Group	119	(491)	155	3	(333)	-	214	-
Other income	5	17	-	-	17	51	-	73
Investment income	28,532	2,827	17	-	2,844	16,804	(15,772)	32,408
Gains/(losses) arising from changes in fair value	923	1	-	-	1	(26)	-	898
Exchange losses	-	(75)	-	-	(75)	-	-	(75)
Other operating income	1,164	90	1	-	91	2,191	(1,850)	1,596
Gains on disposal of assets	-	-	-	-	-	1	-	1
Operating income	164,683	53,940	147	3	54,090	19,021	(17,408)	220,386
Surrenders	(5,072)	-	-	-	-	-	-	(5,072)
Claims	(31,559)	(32,440)	(132)	93	(32,479)	-	154	(63,884)
Less: Claims recoveries from reinsurers	904	3,841	54	(93)	3,802	-	(155)	4,551
Changes in insurance contract reserves	(82,904)	(2,346)	(30)	(20)	(2,396)	-	(34)	(85,334)
Less: Insurance contract reserves recovered from reinsurers	326	742	29	20	791	-	(32)	1,085
Others	(35,458)	(21,050)	(44)	-	(21,094)	(2,465)	1,791	(57,226)
Operating expenses	(153,763)	(51,253)	(123)	-	(51,376)	(2,465)	1,724	(205,880)
Operating profit	10,920	2,687	24	3	2,714	16,556	(15,684)	14,506
Add: Non-operating income	7	13	-	-	13	5	-	25
Less: Non-operating expenses	(23)	(11)	-	-	(11)	(12)	-	(46)
Profit before tax	10,904	2,689	24	3	2,716	16,549	(15,684)	14,485
Less: Income tax	1,711	684	(3)	-	681	(176)	(175)	2,041
Net profit for the period	12,615	3,373	21	3	3,397	16,373	(15,859)	16,526
Supplementary information:								
Capital expenditure	431	300	-	-	300	206	-	937
Depreciation and amortisation	537	417	-	-	417	892	-	1,846
Provision for asset impairment	640	816	-	-	816	52	-	1,508
31 December 2019								
Segment assets	1,272,861	168,757	1,225	(161)	169,821	102,806	(17,155)	1,528,333
Segment liabilities	1,206,005	128,029	668	(145)	128,552	16,971	(6,515)	1,345,013

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	30 June 2020		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	470	1.00000	470
	USD	1,811	7.07950	12,818
	HKD	9	0.91344	8
	Sub-total			13,296
Other cash balances	RMB	84	1.00000	84
Total				13,380

	Currency	31 December 2019		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	69	1.00000	69
	HKD	9	0.89578	8
	Sub-total			77
Other cash balances	RMB	6	1.00000	6
Total				83

As at 30 June 2020, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 12,826 million (31 December 2019: amounted equivalent to RMB 8 million).

2. Financial assets at fair value through profit or loss

	30 June 2020	31 December 2019
Debt investments		
Corporate bonds	9	10

Financial assets at fair value through profit or loss are all financial assets held for trading, and there is no significant restriction on the realisation of investments.

3. Securities purchased under agreements to resell

	30 June 2020	31 December 2019
Securities - bonds		
Inter-bank market	1,460	108
Stock exchange	60	-
Total	1,520	108

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

4. Term deposits

Term to maturity	30 June 2020	31 December 2019
2 to 3 years (inclusive)	4,200	500
3 to 4 years (inclusive)	1,500	-
4 to 5 years (inclusive)	2,800	1,500
Total	8,500	2,000

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Available-for-sale financial assets

Available-for-sale financial assets are summarised by category as follows:

	30 June 2020	31 December 2019
Debt investments		
Government bonds	4,136	4,085
Finance bonds	2,571	2,544
Corporate bonds	16,286	17,035
Equity investments		
Funds	3,223	3,048
Stocks	2,264	2,209
Investments in other equity instruments	219	222
Total	28,699	29,143

Related information of available-for-sale financial assets is analysed as follows:

	30 June 2020	31 December 2019
Debt investments		
Fair value	22,993	23,664
Including: Amortised cost	22,402	23,151
Accumulated amount recognised in other comprehensive income/(loss)	732	583
Total impairment provisions	(141)	(70)
Equity investments		
Fair value	5,706	5,479
Including: Cost	5,107	5,059
Accumulated amount recognised in other comprehensive income/(loss)	710	573
Total impairment provisions	(111)	(153)
Total		
Fair value	28,699	29,143
Including: Amortised cost/Cost	27,509	28,210
Accumulated amount recognised in other comprehensive income/(loss)	1,442	1,156
Total impairment provisions	(252)	(223)

6. Held-to-maturity financial assets

	30 June 2020	31 December 2019
Debt investments		
Corporate bonds	-	300

The Company's intention and ability to hold these assets were evaluated by itself at the balance sheet date and proved unchanged.

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Investments classified as loans and receivables

	30 June 2020	31 December 2019
Debt investments		
Wealth management products	6,555	7,855
Debt investment plans	7,044	4,594
Total	13,599	12,449

8. Long-term equity investments

	30 June 2020	31 December 2019
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	39,908	39,908
CPIC Asset Management	1,360	1,360
CPIC H.K.	240	240
CPIC Real Estate	115	115
CPIC Investment (H.K.)	21	21
CPIC Online Services	200	200
CPIC Allianz Health	1,310	1,310
Consolidated structured entities	1,401	1,401
Total	64,979	64,979

The Company does not have any other items that substantially constitute net investment in subsidiaries.

9. Investment properties

	Buildings
Cost:	
1 January 2019	4,400
Transfer to fixed assets, net	(67)
31 December 2019	4,333
30 June 2020	4,333
Accumulated depreciation:	
1 January 2019	(928)
Provision	(141)
Transfer to fixed assets, net	67
31 December 2019	(1,002)
Provision	(70)
30 June 2020	(1,072)
Carrying amount:	
30 June 2020	3,261
31 December 2019	3,331

The fair values of investment properties of the Company as at 30 June 2020 amounted to RMB 5,260 million (31 December 2019: RMB 5,392 million), which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Allianz Health charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

10. Other assets

	30 June 2020	31 December 2019
Receivables from subsidiaries	1,060	1,000
Dividends receivable	68	48
Receivables from securities sold but not settled	60	34
Improvements of right-of-use assets	15	15
Prepayments for construction	10	8
Others	87	86
Total	1,300	1,191

11. Securities sold under agreements to repurchase

	30 June 2020	31 December 2019
Securities - bonds		
Inter-bank market	560	1,540
Stock exchange	1,144	-
Total	1,704	1,540

As at 30 June 2020, the Group's bonds with par value of approximately RMB 600 million (31 December 2019: RMB 1,687 million) were pledged for inter-bank securities sold under agreements to repurchase.

As at 30 June 2020, the Company's standardised bonds of approximately RMB 1,144 million (31 December 2019: none) were pledged for securities sold at stock exchange under agreements to repurchase.

12. Other liabilities

	30 June 2020	31 December 2019
Payables related to issuance of new shares	279	-
Payables for purchasing office buildings	150	4
Payables to subsidiaries	25	151
Others	806	673
Total	1,260	828

13. Capital reserves

	30 June 2020	31 December 2019
Capital premium (Note I)	77,900	65,860
Asset evaluation appreciation	301	301
Others	3	3
Total	78,204	66,164

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IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Investment income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net gains/(losses) on sales of stock investments	145	(74)
Net gains on sales of bond investments	2	7
Net gains on sales of fund investments	44	7
Interest income from securities purchased under agreements to resell	3	2
Interest income from debt investments	853	764
Interest income from other fixed-interest investments	105	14
Stock dividend income	38	28
Fund dividend income	11	34
Income from other equity investments	23	-
Dividend income from subsidiaries	18,683	15,353
Total	19,907	16,135

15. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2020	Attributable to the Company-net of tax	30 June 2020	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current period	Amount recognised in impairment loss of available-for-sale financial assets in current period	Less: Income tax expenses	Attributable to the Company-net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	867	214	1,081	346	(192)	132	(72)	214

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2019	Attributable to the Company-net of tax	30 June 2019	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current period	Amount recognised in impairment loss of available-for-sale financial assets in current period	Less: Income tax expenses	Attributable to the Company-net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	56	608	664	658	67	86	(203)	608

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

16. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net profit	19,140	15,589
Add: Asset impairment losses	133	87
Depreciation of fixed assets and investment properties	208	206
Depreciation of right-of-use assets	30	-
Amortisation of intangible assets	58	37
Amortisation of other long-term assets	6	5
Investment income	(19,907)	(16,135)
Gains arising from changes in fair value	-	(5)
Interest expenses	37	36
Exchange losses	22	-
Deferred income tax	15	(19)
Increase in operating receivables	(99)	(179)
Decrease in operating payables	(254)	(269)
Net cash flows used in operating activities	(611)	(647)

(2) Net increase/(decrease) in cash and cash equivalents:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Cash at the end of the period	13,380	188
Less: Cash at the beginning of the period	(83)	(93)
Cash equivalents at the end of the period	1,520	-
Less: Cash equivalents at the beginning of the period	(108)	(320)
Net increase/(decrease) in cash and cash equivalents	14,709	(225)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

During the reporting period, the Company's major related parties comprise:

(1) Subsidiaries of the Company;

(2) Investors who exerts significant influence on the Company;

(3) Joint ventures and associates of the Company;

(4) Key management personnel of the Company and close family members of such individuals;

(5) Enterprise annuity fund established by the Group; and

(6) A legal entity or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company, is not a related party to the Company.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company

Name of investee	Registered capital			Shares or equities held		
	1 January 2020	Movements for the current period	30 June 2020	1 January 2020	Movements for the current period	30 June 2020
CPIC Property	19,470	-	19,470	98.50%	-	98.50%
CPIC Life	8,420	-	8,420	98.29%	-	98.29%
CPIC Asset Management	2,100	-	2,100	99.67%	-	99.67%
Changjiang Pension	3,000	-	3,000	61.10%	-	61.10%
CPIC H.K.	HKD 250 million	-	HKD 250 million	100.00%	-	100.00%
CPIC Real Estate	115	-	115	100.00%	-	100.00%
CPIC Investment (H.K.)	HKD 50 million	-	HKD 50 million	99.83%	-	99.83%
City Island	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Newscott Investments Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Xinhui Real Estate	USD 15,600 thousand	-	USD 15,600 thousand	98.29%	-	98.29%
Hehui Real Estate	USD 46,330 thousand	-	USD 46,330 thousand	98.29%	-	98.29%
CPIC Online Services	200	-	200	100.00%	-	100.00%
Tianjin Trophy	354	-	354	98.29%	-	98.29%
CPIC Senior Living Investment	3,000	-	3,000	98.29%	-	98.29%
CPIC Allianz Health	1,700	-	1,700	77.05%	-	77.05%
Anxin	700	-	700	51.35%	-	51.35%
Pacific Medical & Healthcare	500	-	500	98.29%	-	98.29%
CPIC Funds	150	-	150	50.83%	-	50.83%
Pacific Insurance Agency	50	-	50	100.00%	-	100.00%
Chengdu Project Company	1,000	-	1,000	98.29%	-	98.29%
Hangzhou Project Company	1,200	-	1,200	98.29%	-	98.29%
Xiamen Project Company	-	900	900	-	98.29%	98.29%
Pacific Care Home at Chengdu	-	60	60	-	98.29%	98.29%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shanghai Haiyan Investment Management Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai Tobacco Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Taiyi Information Technology	Joint venture of the Company
Dayu Technology	Joint venture of the Company
Aizhu Information	Joint venture of the Company
Euler Hermes	Joint venture of the Company
Dabaoguisheng	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Pacific Orpea	Joint venture of the Company
Juche	Associate of the Company
Zhongdao	Associate of the Company
Zhizhong Hospital	Associate of the Company
Dedao	Associate of the Company
Xingongying	Associate of the Company
Heji	Associate of the Company
Ningbo Zhilin	Associate of the Company
Beijing Miaoyijia	Associate of the Company
Jiaxing Yishang	Associate of the Company
Lianren Digital Health	Associate of the Company
Xin'an Technology	Associate of the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Allianz Health's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment's enterprise annuity plan	Enterprise annuity fund established by the Group
Anxin's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund's enterprise annuity plan	Enterprise annuity fund established by the Group

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

Name of entity	Relationship with the Company
Hwabao WP Fund Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Orient Securities Company Limited	Company of which the Group's related natural persons serve as directors or senior management personnel
Haitong Securities Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Shanghai Rural Commercial Bank Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Taikang Insurance Group Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Haitong Securities Co., Ltd.	1	1
Shanghai Rural Commercial Bank Co., Ltd.	1	1
Shanghai State-Owned Assets Operation Co., Ltd.	1	-
China United Network Communications Co., Ltd.[Note]	-	6
Commercial Aircraft Corporation of China, Ltd.[Note]	-	3
China United Network Communications Group Co., Ltd.[Note]	-	2
	3	13

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. For the six months ended 30 June 2020, premiums from related parties accounted for 0.001% (for the six months ended 30 June 2019: 0.01 %).

(2) Fund subscription and redemption transactions

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Hwabao WP Fund Management Co., Ltd.	1,030	191

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(3) Bond trading

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Orient Securities Company Limited	-	2,352
Haitong Securities Co., Ltd.	-	58
Shanghai Rural Commercial Bank Co., Ltd.	-	52
Hankou Bank Co., Ltd.[Note]	-	69
	-	2,531

(4) Pledged repo transactions

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Shanghai Rural Commercial Bank Co., Ltd.	2,362	5,903
Hankou Bank Co., Ltd.[Note]	-	300
Taikang Insurance Group Co., Ltd.	-	100
	2,362	6,303

(5) Transaction of asset management products

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Orient Securities Company Limited	11	-
Hwabao Trust Co., Ltd.	-	52
Hwabao Investments Co., Ltd.	-	4
	11	56

(6) Pension products business

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Shanghai Rural Commercial Bank Co., Ltd.	-	8

(7) Distribution of cash dividends

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Shenergy (Group) Company Limited	1,693	1,368
Hwabao Investments Co., Ltd.	1,541	1,284
Shanghai State-Owned Assets Operation Co., Ltd.	703	567
Shanghai Haiyan Investment Management Co., Ltd.	634	530
	4,571	3,749

(8) Deposits

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Shanghai Rural Commercial Bank Co., Ltd.	40	110

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(9) Remuneration of key management

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Salary and other benefits	9	10

(10) The related transactions between the Group and the established enterprise annuity fund during the periods are as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Contribution to the enterprise annuity plan	230	138

(11) The major related transactions between the Group and joint ventures during the periods are as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Rental fees for leasing office buildings of Binjiang-Xiangrui	37	-
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	-	9
Total	37	9

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the periods are as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Purchase of insurance contracts		
CPIC Property	9	6
Rental income from office building		
CPIC Property	21	20
CPIC Life	7	16
Changjiang Pension	2	2
CPIC Senior Living Investment	2	2
CPIC Allianz Health	1	1
Total	33	41
Shared service centre fee		
CPIC Life	110	139
CPIC Property	108	136
CPIC Allianz Health	5	7
CPIC Asset Management	5	5
CPIC Senior Living Investment	1	1
CPIC Online Services	1	-
Changjiang Pension	1	1
Total	231	289

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the periods are as follows (continued):

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Asset management fee		
CPIC Asset Management	14	13
Medical examination fee		
CPIC Allianz Health	-	2
Cash dividends received		
CPIC Life	16,552	-
CPIC Property	1,918	-
CPIC Asset Management	213	-
Total	18,683	-

The rent of the office building charged by the Company from CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Allianz Health is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Life, CPIC Property, CPIC Assets Management, CPIC Allianz Health, CPIC Senior Living Investment, CPIC Online Services and Changjiang Pension is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The asset management fee charged by CPIC Assets Management to the Company shall be determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The medical examination fee paid by the Company to CPIC Allianz Health is determined at the price negotiated by both parties.

(2) The major related transactions between the Company and other related parties of the Group during the periods are as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Fund subscription and redemption transactions		
Hwabao WP Fund Management Co., Ltd.	10	10

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	30 June 2020	31 December 2019
Dividends receivable		
CPIC H.K.	46	45
Other receivables		
CPIC Allianz Health	775	774
CPIC Property	144	130
CPIC Life	133	92
CPIC Senior Living Investment	4	2
CPIC Asset Management	3	2
Changjiang Pension	1	-
Total	1,060	1,000
Other payables		
CPIC Asset Management	15	26
CPIC Property	9	9
Changjiang Pension	1	1
Total	25	36

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables between the Group and its joint ventures are as follows:

	30 June 2020	31 December 2019
Other receivables		
Binjiang-Xiangrui	1,614	1,614

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

XI. CONTINGENCIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 30 June 2020, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

XII. COMMITMENTS

		30 June 2020	31 December 2019
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)	4,602	3,485
Authorised, but not contracted for	(1)(2)(3)(5)	6,207	3,115
		10,809	6,600

As at 30 June 2020, major projects with capital commitments are as follows:

(1) The Company resolved to establish IT Backup Centre and Customer Support Centre in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB 2,000 million. As at 30 June 2020, the cumulative amount incurred by the Company amounted to RMB 1,718 million. Of the balance, RMB 23 million was disclosed as a capital commitment contracted but not provided for and RMB 259 million was disclosed as a capital commitment authorised but not contracted for.

(2) CPIC Property and a third party bade for the use right of the land located at Huangpu District, Shanghai. And in February 2013, two parties set up a project company named Binjiang-Xiangrui as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB 2,090 million. As at 30 June 2020, the cumulative amount incurred by CPIC Property amounted to RMB 1,626 million. Of the balance, RMB 109 million was disclosed as a capital commitment contracted but not provided for and RMB 355 million was disclosed as a capital commitment authorised but not contracted for.

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XII. COMMITMENTS (continued)

(3) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of the project is approximately RMB 19,500 million. The registered capital of the joint venture is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to the joint venture, which are estimated to be approximately RMB 5,450 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 15,285 million. As at 30 June 2020, the cumulative amount incurred by CPIC Life amounted to RMB 10,605 million. Of the balance, RMB 2,230 million was disclosed as a capital commitment contracted but not provided for and RMB 2,450 million was disclosed as a capital commitment authorised but not contracted for.

(4) CPIC Life and a third party jointly established Jiaxing Yishang. The total investment of this project approximated RMB 950 million. As at 30 June 2020, the cumulative amount incurred by the CPIC Life amounted to RMB 474 million. Of the balance, RMB 476 million was disclosed as a capital commitment contracted but not provided for.

(5) CPIC Life obtained the use rights of three parcels of land respectively located at Wenjiang District in Chengdu, Sichuan, at Lin'an District in Hangzhou, Zhejiang, and at Jimei District in Xiamen, Fujian, and set up three project companies named Chengdu Project Company, Hangzhou Project Company, and Xiamen Project Company accordingly as the owners of the land use rights to the parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the three projects is approximately RMB 5,501 million. As at 30 June 2020, the cumulative amount incurred amounted to RMB 1,153 million. Of the balance, RMB 1,280 million was disclosed as a capital commitment contracted but not provided for and RMB 3,068 million was disclosed as a capital commitment authorised but not contracted for.

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risks

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected;

Severity risk - the possibility that the cost of the events will differ from those expected;

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

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risks (continued)

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

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

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

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(2) Concentration of insurance risks

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

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note VII 39.

(3) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in determining insurance contract reserves and in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumptions and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group has measured the impact on insurance contract reserves of long-term life insurance contract reserves using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances.

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

	30 June 2020				
	Changes in assumptions	Impact on long-term life insurance reserves (Decrease)/ Increase	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves (Decrease)/ Increase	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(15,428)	-1.62%	(7,496)	-8.47%
	- 25 basis points	16,690	1.75%	8,113	9.16%
Mortality rate	+10%	2,273	0.24%	(158)	-0.18%
	-10%	(2,275)	-0.24%	173	0.20%
Morbidity rate	+10%	578	0.06%	16,570	18.73%
	-10%	(615)	-0.06%	(17,023)	-19.24%
Surrender rate	+10%	(2,525)	-0.26%	815	0.92%
	-10%	2,772	0.29%	(746)	-0.84%
Expenses	+10%	6,006	0.63%	984	1.11%
	-10%	(6,006)	-0.63%	(984)	-1.11%
Policy dividend	+5%	17,388	1.82%	(117)	-0.13%

	31 December 2019				
	Changes in assumptions	Impact on long-term life insurance reserves (Decrease)/ Increase	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves (Decrease)/ Increase	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(14,399)	-1.64%	(6,882)	-9.51%
	- 25 basis points	15,557	1.77%	7,454	10.30%
Mortality rate	+10%	2,016	0.23%	(111)	-0.15%
	-10%	(2,014)	-0.23%	125	0.17%
Morbidity rate	+10%	445	0.05%	15,651	21.63%
	-10%	(472)	-0.05%	(16,071)	-22.21%
Surrender rate	+10%	(2,528)	-0.29%	1,016	1.40%
	-10%	2,784	0.32%	(962)	-1.33%
Expenses	+10%	5,793	0.66%	1,010	1.40%
	-10%	(5,793)	-0.66%	(1,010)	-1.40%
Policy dividend	+5%	16,961	1.93%	(103)	-0.14%

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for claim reserves is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (e.g. changes in market factors such as one-off events, public attitudes to claims, economic conditions, and changes in internal factors such as portfolio mix, policy conditions and claims handling procedures). In addition, judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Sensitivities

Changes in above key assumptions will affect the claim reserves for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

A respective percentage change in average claim costs or claim numbers alone results in a similar percentage change in claim reserves. When other assumptions remain unchanged, a 5% increase in average claim costs will result in an increase of approximately RMB 1,839 million and RMB 220 million in net outstanding claim reserves for property and casualty and short-term life insurance as at 30 June 2020 (31 December 2019: RMB 1,588 million and RMB 195 million).

As at 30 June 2020, the development table of gross claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2016	2017	2018	2019	For the six months ended 30 June 2020	Total
Estimate of ultimate claim cost as of:						
End of current year/period	57,960	59,974	64,450	71,637	36,843	
One year later	57,071	57,147	64,051	71,631		
Two years later	55,725	55,300	63,954			
Three years later	55,167	55,092				
Four years later	55,081					
Current estimate of cumulative claims	55,081	55,092	63,954	71,631	36,843	282,601
Cumulative payments to date	(53,937)	(52,755)	(59,128)	(58,772)	(17,678)	(242,270)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,283
Outstanding claim reserves						43,614

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

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

As at 30 June 2020, the development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2016	2017	2018	2019	For the six months ended 30 June 2020	Total
Estimate of ultimate claim cost as of:						
End of current year/period	50,934	52,415	56,073	62,405	32,606	
One year later	50,251	50,539	55,809	62,299		
Two years later	49,406	48,720	55,673			
Three years later	48,841	48,509				
Four years later	48,717					
Current estimate of cumulative claims	48,717	48,509	55,673	62,299	32,606	247,804
Cumulative payments to date	(47,885)	(46,646)	(51,992)	(51,613)	(15,808)	(213,944)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						2,924
Outstanding claim reserves						36,784

As at 30 June 2020, the development table of gross claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2016	2017	2018	2019	For the six months ended 30 June 2020	Total
Estimate of ultimate claim cost as of:						
End of current year/period	2,496	3,301	4,112	4,628	2,026	
One year later	2,488	3,189	3,796	4,273		
Two years later	2,473	3,231	3,810			
Three years later	2,480	3,235				
Four years later	2,478					
Current estimate of cumulative claims	2,478	3,235	3,810	4,273	2,026	15,822
Cumulative payments to date	(2,477)	(3,222)	(3,712)	(3,752)	(877)	(14,040)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,514
Outstanding claim reserves						5,296

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

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

As at 30 June 2020, the development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2016	2017	2018	2019	For the six months ended 30 June 2020	Total
Estimate of ultimate claim cost as of:						
End of current year/period	2,438	3,068	3,355	3,058	1,060	
One year later	2,414	2,960	3,210	2,782		
Two years later	2,365	2,993	3,264			
Three years later	2,374	2,954				
Four years later	2,370					
Current estimate of cumulative claims	2,370	2,954	3,264	2,782	1,060	12,430
Cumulative payments to date	(2,368)	(2,942)	(3,078)	(2,596)	(535)	(11,519)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,498
Outstanding claim reserves						4,409

2. Financial instrument risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

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

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

(1) Currency risk

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

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the US Dollars or the HK Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities by major currency:

	30 June 2020				
	RMB	USD (in RMB)	HKD (in RMB)	Other Currencies (in RMB)	Total
Financial assets:					
Cash at bank and on hand	22,527	13,951	374	-	36,852
Financial assets at fair value through profit or loss	10,388	-	102	-	10,490
Securities purchased under agreements to resell	28,608	-	-	-	28,608
Premium receivables	34,511	699	65	-	35,275
Reinsurance receivables	4,860	1,146	203	-	6,209
Interest receivables	17,286	17	5	-	17,308
Policy loans	59,307	-	-	-	59,307
Term deposits	175,986	1,182	-	-	177,168
Available-for-sale financial assets	519,059	4,057	2,618	359	526,093
Held-to-maturity financial assets	303,173	251	-	-	303,424
Investments classified as loans and receivables	375,957	-	-	-	375,957
Restricted statutory deposits	6,658	-	-	-	6,658
Others	15,530	125	80	-	15,735
Sub-total	1,573,850	21,428	3,447	359	1,599,084
Financial liabilities:					
Securities sold under agreements to repurchase	100,224	-	-	-	100,224
Commissions and brokerage payable	5,428	-	-	-	5,428
Reinsurance payables	8,300	365	231	-	8,896
Interest payable	417	-	-	-	417
Claims payable	21,885	29	-	-	21,914
Policyholder dividend payable	24,112	-	-	-	24,112
Policyholders' deposits and investment contract liabilities	83,822	-	-	-	83,822
Bonds payable	9,990	-	-	-	9,990
Lease liabilities	3,464	-	14	-	3,478
Others	20,291	400	46	-	20,737
Sub-total	277,933	794	291	-	279,018
Net amount	1,295,917	20,634	3,156	359	1,320,066

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2019			
	RMB	USD (in RMB)	HKD (in RMB)	Total
Financial assets:				
Cash at bank and on hand	13,416	879	577	14,872
Financial assets at fair value through profit or loss	4,759	-	172	4,931
Securities purchased under agreements to resell	28,045	-	-	28,045
Premium receivables	17,325	566	25	17,916
Reinsurance receivables	4,295	914	131	5,340
Interest receivables	19,474	13	6	19,493
Policy loans	57,194	-	-	57,194
Term deposits	146,940	816	-	147,756
Available-for-sale financial assets	505,447	4,143	2,232	511,822
Held-to-maturity financial assets	294,997	250	-	295,247
Investments classified as loans and receivables	324,013	-	-	324,013
Restricted statutory deposits	6,658	-	-	6,658
Others	10,791	137	80	11,008
Sub-total	1,433,354	7,718	3,223	1,444,295
Financial liabilities:				
Securities sold under agreements to repurchase	78,366	-	-	78,366
Commissions and brokerage payable	4,364	-	-	4,364
Reinsurance payables	4,143	222	178	4,543
Interest payable	516	-	-	516
Claims payable	21,712	-	-	21,712
Policyholder dividend payable	25,447	-	-	25,447
Policyholders' deposits and investment contract liabilities	75,576	-	-	75,576
Bonds payable	9,988	-	-	9,988
Lease liabilities	3,650	-	18	3,668
Others	16,691	368	45	17,104
Sub-total	240,453	590	241	241,284
Net amount	1,192,901	7,128	2,982	1,203,011

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

Exchange rates used by the Group by major currencies:

	30 June 2020		31 December 2019	
	USD	HKD	USD	HKD
Exchange rate	7.07950	0.91344	6.97620	0.89578

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in exchange rates, and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency as at the dates indicated.

USD and HKD to RMB exchange rate	30 June 2020	
	Impact on profit before tax	Impact on equity
+5%	880	1,207
-5%	(880)	(1,207)

USD and HKD to RMB exchange rate	31 December 2019	
	Impact on profit before tax	Impact on equity
+5%	223	506
-5%	(223)	(506)

The impact on equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks arising from interest rate risk on interest-bearing financial instruments.

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

	30 June 2020					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	3,073	-	-	-	33,779	36,852
Debt investments at fair value through profit or loss	2,024	907	362	5	-	3,298
Securities purchased under agreements to resell	28,608	-	-	-	-	28,608
Policy loans	59,307	-	-	-	-	59,307
Term deposits	8,338	89,320	79,470	-	40	177,168
Available-for-sale debt investments	63,946	56,483	32,648	155,029	-	308,106
Held-to-maturity financial assets	9,949	19,437	26,346	247,692	-	303,424
Investments classified as loans and receivables	34,491	56,906	131,631	152,929	-	375,957
Restricted statutory deposits	540	3,216	2,902	-	-	6,658
Financial liabilities:						
Securities sold under agreements to repurchase	100,224	-	-	-	-	100,224
Policyholders' deposits and investment contract liabilities	2,300	2,389	1,578	77,555	-	83,822
Bonds payable	-	-	-	9,990	-	9,990

	31 December 2019					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	358	-	-	-	14,514	14,872
Debt investments at fair value through profit or loss	2,154	732	595	21	-	3,502
Securities purchased under agreements to resell	28,045	-	-	-	-	28,045
Policy loans	57,194	-	-	-	-	57,194
Term deposits	24,796	32,270	89,850	700	140	147,756
Available-for-sale debt investments	66,380	52,207	42,656	146,154	-	307,397
Held-to-maturity financial assets	16,236	16,793	28,406	233,812	-	295,247
Investments classified as loans and receivables	55,478	61,527	73,504	131,504	2,000	324,013
Restricted statutory deposits	404	2,638	3,616	-	-	6,658
Financial liabilities:						
Securities sold under agreements to repurchase	78,366	-	-	-	-	78,366
Policyholders' deposits and investment contract liabilities	1,225	2,337	1,049	70,965	-	75,576
Bonds payable	-	-	-	9,988	-	9,988

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

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities

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

Sensitivities on fixed-rate financial instruments

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

Change in RMB interest rate	30 June 2020	
	Impact on profit before tax	Impact on equity
+50 basis points	(32)	(5,947)
-50 basis points	32	6,549

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

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet dates.

Change in RMB interest rate	30 June 2020	
	Impact on profit before tax	Impact on equity
+50 basis points	98	98
-50 basis points	(98)	(98)

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

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 30 June 2020, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 3,819 million (31 December 2019: RMB 3,183 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 30 June 2020 and 31 December 2019. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

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

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

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

	30 June 2020						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	36,852	-	-	-	-	-	36,852
Debt investments at fair value through profit or loss	3,298	-	-	-	-	-	3,298
Securities purchased under agreements to resell	28,608	-	-	-	-	-	28,608
Premium receivables	30,895	-	-	-	-	4,380	35,275
Reinsurance receivables	6,133	-	-	-	-	76	6,209
Interest receivables	17,308	-	-	-	-	-	17,308
Policy loans	59,307	-	-	-	-	-	59,307
Term deposits	177,168	-	-	-	-	-	177,168
Available-for-sale debt investments	304,607	-	-	-	-	3,499	308,106
Held-to-maturity financial assets	303,162	-	-	-	-	262	303,424
Investments classified as loans and receivables	375,816	-	-	-	-	141	375,957
Restricted statutory deposits	6,658	-	-	-	-	-	6,658
Others	15,507	-	-	-	-	228	15,735
Total	1,365,319	-	-	-	-	8,586	1,373,905

	31 December 2019						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	14,872	-	-	-	-	-	14,872
Debt investments at fair value through profitor loss	3,502	-	-	-	-	-	3,502
Securities purchased under agreementsto resell	28,045	-	-	-	-	-	28,045
Premium receivables	15,806	-	-	-	-	2,110	17,916
Reinsurance receivables	5,327	-	-	-	-	13	5,340
Interest receivables	19,493	-	-	-	-	-	19,493
Policy loans	57,194	-	-	-	-	-	57,194
Term deposits	147,756	-	-	-	-	-	147,756
Available-for-sale debt investments	305,424	-	-	-	-	1,973	307,397
Held-to-maturity financial assets	294,992	-	-	-	-	255	295,247
Investments classified as loans and receivables	323,746	-	-	-	-	267	324,013
Restricted statutory deposits	6,658	-	-	-	-	-	6,658
Others	10,830	-	-	-	-	178	11,008
Total	1,233,645	-	-	-	-	4,796	1,238,441

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

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

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

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	30 June 2020					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	33,778	3,077	-	-	-	36,855
Financial assets at fair value through profit or loss	61	391	2,422	7,083	799	10,756
Securities purchased under agreements to resell	-	28,623	-	-	-	28,623
Premium receivables	8,772	17,086	9,417	847	-	36,122
Reinsurance receivables	-	6,382	-	-	-	6,382
Policy loans	-	60,871	-	-	-	60,871
Term deposits	-	17,823	183,849	-	-	201,672
Available-for-sale financial assets	249	32,248	160,442	279,532	201,357	673,828
Held-to-maturity financial assets	-	23,015	99,232	432,515	-	554,762
Investments classified as loans and receivables	-	43,676	257,135	187,637	-	488,448
Restricted statutory deposits	-	714	6,442	-	-	7,156
Others	2,689	11,680	1,616	-	-	15,985
Sub-total	45,549	245,586	720,555	907,614	202,156	2,121,460

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	30 June 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Securities sold under agreements to repurchase	-	100,333	-	-	-	100,333
Commissions and brokerage payable	1,097	3,074	1,152	105	-	5,428
Reinsurance payables	-	8,552	344	-	-	8,896
Claims payable	21,804	110	-	-	-	21,914
Policyholder dividend payable	24,112	-	-	-	-	24,112
Policyholders' deposits and investment contract liabilities	-	9,881	27,592	107,773	-	145,246
Bonds payable	-	505	2,226	11,762	-	14,493
Lease liabilities	-	1,341	2,153	300	-	3,794
Others	1,852	18,885	-	-	-	20,737
Sub-total	48,865	142,681	33,467	119,940	-	344,953
Net amount	(3,316)	102,905	687,088	787,674	202,156	1,776,507

	31 December 2019					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	14,514	358	-	-	-	14,872
Financial assets at fair value through profit or loss	63	231	2,452	1,621	879	5,246
Securities purchased under agreements to resell	-	28,061	-	-	-	28,061
Premium receivables	4,194	5,746	7,850	649	-	18,439
Reinsurance receivables	-	5,490	17	-	-	5,507
Policy loans	-	58,647	-	-	-	58,647
Term deposits	-	35,021	137,314	700	-	173,035
Available-for-sale financial assets	263	33,753	167,461	284,590	183,261	669,328
Held-to-maturity financial assets	-	29,029	96,981	404,187	-	530,197
Investments classified as loans and receivables	-	62,932	188,337	165,689	-	416,958
Restricted statutory deposits	-	807	7,030	-	-	7,837
Others	1,887	7,773	1,623	-	-	11,283
Sub-total	20,921	267,848	609,065	857,436	184,140	1,939,410

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Securities sold under agreements to repurchase	-	78,503	-	-	-	78,503
Commissions and brokerage payable	715	2,217	1,321	111	-	4,364
Reinsurance payables	-	4,306	237	-	-	4,543
Claims payable	21,705	7	-	-	-	21,712
Policyholder dividend payable	25,447	-	-	-	-	25,447
Policyholders' deposits and investment contract liabilities	-	8,636	24,484	101,810	-	134,930
Bonds payable	-	505	2,176	12,064	-	14,745
Lease liabilities	-	1,341	2,369	358	-	4,068
Others	1,616	15,082	406	-	-	17,104
Sub-total	49,483	110,597	30,993	114,343	-	305,416
Net amount	(28,562)	157,251	578,072	743,093	184,140	1,633,994

3. Operational risk

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

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

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

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

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

XIII. RISK MANAGEMENT (continued)

4. Mismatching risk of assets and liabilities

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

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

5. Capital management risk

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

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

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

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

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to the above solvency rules:

Group	30 June 2020	31 December 2019
Core capital	485,527	453,838
Actual capital	495,527	463,838
Minimum required capital	171,167	157,481
Core solvency margin ratio	284%	288%
Comprehensive solvency margin ratio	289%	295%

CPIC Property	30 June 2020	31 December 2019
Core capital	40,872	38,900
Actual capital	50,872	48,900
Minimum required capital	18,484	16,713
Core solvency margin ratio	221%	233%
Comprehensive solvency margin ratio	275%	293%

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XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

CPIC Life	30 June 2020	31 December 2019
Core capital	366,003	357,883
Actual capital	366,003	357,883
Minimum required capital	150,960	139,354
Core solvency margin ratio	242%	257%
Comprehensive solvency margin ratio	242%	257%

CPIC Allianz Health	30 June 2020	31 December 2019
Core capital	1,142	1,084
Actual capital	1,142	1,084
Minimum required capital	919	702
Core solvency margin ratio	124%	155%
Comprehensive solvency margin ratio	124%	155%

Anxin	30 June 2020	31 December 2019
Core capital	1,725	1,684
Actual capital	1,725	1,684
Minimum required capital	629	557
Core solvency margin ratio	274%	303%
Comprehensive solvency margin ratio	274%	303%

XIV. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 5 for the Group's consolidation consideration related to structured entities.

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

XIV. STRUCTURED ENTITIES (continued)

As at 30 June 2020, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	30 June 2020				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by related parties	350,952	-	-	-	Management fee
Insurance asset management products managed by related parties	327,681	102,216	102,891	102,323	Investment income and management fee
Securities investment funds managed by related parties	46,351	6,305	6,496	6,496	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	105,314	109,237	108,906	Investment income
Trust products managed by third parties	Note 1	156,398	156,419	156,074	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	4,392	4,534	4,533	Investment income
Securities investment funds managed by third parties	Note 1	37,848	42,740	42,740	Investment income
Total		412,473	422,317	421,072	

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

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

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 33).

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

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

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

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

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

	30 June 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	303,424	328,099	295,247	317,317
Investments classified as loans and receivables	375,957	376,046	324,013	324,104
Financial liabilities:				
Bonds payable	9,990	11,008	9,988	10,703

The Group has not disclosed fair values for certain policyholders' deposits and investment contract liabilities with DPF because no proper fair value valuation techniques are available.

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

XVI. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

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

The levels of the fair value hierarchy are as follows:

(1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

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

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

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	30 June 2020			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	122	34	-	156
- Funds	366	84	-	450
- Bonds	2,614	667	-	3,281
- Others	-	148	6,455	6,603
	3,102	933	6,455	10,490
Available-for-sale financial assets				
- Stocks	93,621	4,768	-	98,389
- Funds	32,602	18,970	-	51,572
- Bonds	25,491	277,418	2,188	305,097
- Others	-	6,773	64,262	71,035
	151,714	307,929	66,450	526,093
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	6,833	321,266	-	328,099
Investments classified as loans and receivables (Note XV)	-	2,139	373,907	376,046
Investment properties (Note VII 13)	-	-	11,647	11,647
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	11,008	11,008

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	196	41	-	237
- Funds	230	90	-	320
- Bonds	2,572	916	-	3,488
- Others	-	277	609	886
	2,998	1,324	609	4,931
Available-for-sale financial assets				
- Stocks	84,308	6,065	-	90,373
- Funds	31,104	17,321	-	48,425
- Bonds	22,112	280,326	1,974	304,412
- Others	-	5,810	62,802	68,612
	137,524	309,522	64,776	511,822
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	7,948	309,114	255	317,317
Investments classified as loans and receivables (Note XV)	-	2,141	321,963	324,104
Investment properties (Note VII 13)	-	-	11,887	11,887
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,703	10,703

For the six months ended 30 June 2020, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. For the six months ended 30 June 2020, the Group transferred the bonds with a carrying amount of RMB 8,040 million from Level 1 to Level 2 and RMB 8,495 million from Level 2 to Level 1.

In 2019, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2019, the Group transferred the bonds with a carrying amount of RMB 7,113 million from Level 1 to Level 2 and RMB 6,286 million from Level 2 to Level 1.

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	30 June 2020						
	Beginning of period	Increase	Decrease	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gain recognised in other comprehensive income/(loss)	End of peiod
Financial assets at fair value through profit or loss							
- Wealth management products	11	3	-	-	-	-	14
- Debt investment plans	3	-	-	-	-	-	3
- Other equity investments	595	6,120	-	-	(277)	-	6,438
Available-for-sale financial assets							
- Preferred shares	13,621	-	-	-	-	142	13,763
- Other equity investments	49,181	5,788	(7,270)	-	(69)	2,869	50,499
- Finance Bonds	1,974	246	-	-	-	(32)	2,188

	31 December 2019						
	Beginning of year	Increase	Decrease	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gain recognised in other comprehensive income/(loss)	End of year
Financial assets at fair value through profit or loss							
- Wealth management products	5	6	-	-	-	-	11
- Debt investment plans	2	1	-	-	-	-	3
- Other equity investments	581	14	-	-	-	-	595
Available-for-sale financial assets							
- Preferred shares	7,765	5,725	-	-	-	131	13,621
- Other equity investments	37,330	9,057	-	-	(8)	2,802	49,181
- Finance Bonds	-	-	-	1,974	-	-	1,974

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 4.00% to 7.74%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square meters per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

XVII. EVENTS AFTER THE BALANCE SHEET DATE

In July 2020, the UBS AG London Branch (as the stabilizing manager) partially exercised the over-allotment option as agreed in the Prospectus dated 12 June 2020 issued by the Company, which required the Company to issue an additional 8,794,991 shares of GDRs with USD17.60 per share, the number of corresponding new underlying A shares is 43,974,955. The above A shares were listed on the Shanghai Stock Exchange on 9 July 2020 (Beijing time), after which the issued capital of the Company was increased to approximately RMB 9,620 million, and the change in registered capital is still in process.

Pursuant to the resolution of the CPIC Life's 5th meeting of investment decision-making committee held in 2020, CPIC Life proposed to invest RMB 339 million to set up the Pacific Care Home Development (Nanjing) Co., Ltd. ("Nanjing Project Company"). Nanjing Project Company is a wholly-owned subsidiary of CPIC Life with the registered capital of RMB 220 million. As at the date of the approval of these financial statements, CPIC Life has made the capital contribution of RMB 59 million.

Pursuant to the approval of the management of CPIC Senior Living Investment, a subsidiary of the Company, CPIC Senior Living Investment intends to invest RMB 310 million to set up the CPIC (Dali) Nursing Home Co., Ltd. ("Dali Nursing Home"). The registered capital of Dali Nursing Home is RMB 608 million, of which 51% is subscribed by CPIC Senior Living Investment and the amount of capital is RMB 310 million. As at the date of the approval of these financial statements, CPIC Senior Living Investment has made the capital contribution of RMB 80 million.

Pursuant to the resolution of the CPIC Life's 9th meeting of investment decision-making committee held in 2020, CPIC Life proposed to invest RMB 379 million to set up the CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai Senior Care Project Company"). Shanghai Senior Care Project Company is a wholly-owned subsidiary of CPIC Life with the registered capital of RMB 250 million. As at the date of the approval of these financial statements, CPIC Life has not yet made the capital contribution.

The COVID-19 pandemic outbroke and continued to spread in China and around the world since early 2020. The COVID-19 pandemic has brought uncertainty to business operations and the overall economy in China and most parts of the world. The financial statements have reflected the known impact of the COVID-19 pandemic on the financial position as at 30 June 2020 and on the operating results and cash flows for the six months ended 30 June 2020 of the Group. Since the beginning of the second quarter, although China's economic and social operation has gradually got back on track despite prevention and control measures applied, it remains largely uncertain how things will develop with the global pandemic of the COVID-19. As a result of the foregoing, the Group's operating results and financial condition could be adversely affected. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group.

The Group does not have other significant post balance sheet events.

XVIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 21 August 2020.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	For the six months ended 30 June 2020		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	7.7%	1.57	1.57
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	7.7%	1.56	1.56

	For the six months ended 30 June 2019		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	10.1%	1.79	1.79
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	7.1%	1.25	1.25

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net profit attributable to shareholders of the parent	14,239	16,183
Add/(less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(133)	(80)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(1)	(1)
Effect of one-off adjustment to profit or loss for the current period in accordance with the requirement of taxation and accounting laws and regulations	-	(4,881)
Other net non-operating income and expenses other than aforesaid items	25	28
Effect of income tax relating to non-recurring profit or loss	30	15
Net profit less non-recurring gains	14,160	11,264
Less: Net non-recurring profit or loss attributable to non-controlling interests	3	81
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	14,163	11,345

II. DESCRIPTION OF THE DIFFERENCE BETWEEN PREPARATION OF THE FINANCIAL STATEMENTS UNDER PRC GAAP AND HKFRS

The Group has prepared the interim consolidated financial statements in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods, and in accordance with the disclosure requirements set out in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission (hereafter collectively referred to as "CASs and disclosure requirements").

The Group has also prepared the interim condensed consolidated financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs").

The net profit for the six months ended 30 June 2020 and that for the six months ended 30 June 2019, and the shareholders' equity as at 30 June 2020 and that as at 31 December 2019 listed in the consolidated financial statements prepared by the Group in accordance with CASs and disclosure requirements are the same as those listed in the interim condensed consolidated financial information prepared by the Group in accordance with HKFRSs.

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