中国太平洋保险
China Pacific Insurance

2020
Annual 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.

Prelude to the 2020 Annual Report

There is no doubt that 2020 will go down in history as "an extraordinary year", reminiscent of the global spread of COVID-19, changing and complicated domestic and overseas situation, economic slow-down, and for those in the industry, cyclical shifts of the insurance sector......

During this special period, CPIC maintained a steady pace of development. In 2020, we successfully completed the issuance of GDR and listed them on the London Stock Exchange; CPIC P/C and CPIC Life piloted a long-term incentives scheme - "the Ever-green Plan"; we deepened participation in the Healthy China Initiative; we completed the 1st phase of 10bn-yuan deployment in retirement properties; we further promoted the marketisation of technology......

In 2020, we moved forward with decisive actions, and achieved an "extraordinary" year for CPIC.

1

On June 17, 2020, CPIC held a listing ceremony for the successful issuance of GDRs on LSE. This was the first time that a joint virtual listing ceremony had been held in Shanghai and London. On the trading floor of the SSE, representatives from the government, customers, investor representatives, employees, agents, and GDR issuing intermediaries gathered together. At the same time, guests from HM Treasury, London Stock Exchange, the Chinese Embassy in the UK and the City of London were connected virtually thousands of miles away.

At Beijing time 16:00 / London time 9:00am, CPIC Chairman Mr. KONG Qingwei, President Mr. FU Fan and guests jointly pushed the lever, marking the beginning of a new chapter in the development of the Company, a historic moment witnessed by guests from both Shanghai and London.

After the completion of the GDR issuance, CPIC became the first insurer simultaneously listed in Shanghai, Hong Kong and London, and the first insurer in China to issue GDRs. This was the first time that Chinese accounting standards have been used under the Shanghai-London Stock Connect mechanism. It is also the first time the Cornerstone investor mechanism was used in a Shanghai-London Stock Connect GDR issuance. At the time of listing, it was the largest GDR issuance in UK since 2015 and the largest London IPO in 2020.

There is an oil painting of the famous Swiss Alps Jungfrau hanging on the 18th floor of the CPIC Headquarters, which combines a magnificent view with artistic design. It's a special present to celebrate CPIC's successful GDR listing from Swiss Re.

During the GDR roadshow, global investors were excited about the issuance. The book was three times oversubscribed (excluding the cornerstone investment). Swiss Re, as a cornerstone investor, subscribed for 28,883,409 GDRs, or 25.87% of the total offering, with a lock-up period of three years.

At the listing ceremony on 17th June 2020, John Robert Dacey, Group CFO and Group Executive Committee Member, delivered a congratulatory speech via a pre-recorded video on behalf of Swiss Re.

"I'm very pleased for Swiss Re to participate in such a landmark transaction as a cornerstone investor. Despite the challenges brought by COVID-19, Swiss Re and many other institutional investors firmly believe in the long-term prospect of China's insurance market as well as CPIC's long-term success and resilience."

John Robert DACEY

Group CFO and Group Executive Committee Member, Swiss Re
Non-executive Director (pending regulatory approval), CPIC

Mr. DACEY said he was deeply impressed by CPIC's visionary, determined and smooth GDR project execution within such a short time-frame, adding that the listing not only represents a milestone in the history of China's capital market innovations and internationalization but also marks a strong start as CPIC embarks on the next 30-year journey.

"Swiss Re is a long-term partner with CPIC. I am confident that this GDR investment will usher in a new era of partnership for CPIC and Swiss Re as both organisations will further collaborate to capitalise on the increasing insurance awareness, industry digitalisation, and healthcare innovations in the post-COVID-19 era. Swiss Re looks forward to broadening our cooperation with CPIC across different commercial areas such as reinsurance, capital management, investment, technology and innovations in both China and overseas markets."

The first CPIC and Swiss Re Senior-Level Strategic Summit was held in Shanghai on 4th November 2020, with participants from Switzerland and Singapore attending virtually. CPIC and Swiss Re shared their views on the global economic trends, healthcare strategies, insurance investments, and international insurance business models. Swiss Re reiterated its stance to remain a long-term investor of CPIC and readiness to jointly embrace the new global trends through open and transparent communications and more proactive approaches.

May 2020, Central in Hong Kong, LIU was in the office anxiously following the latest development of quarantine requirement for travel between mainland and Hong Kong. The further extension of quarantine requirements may mean that he would not be able to attend in person the CPIC GDR listing ceremony in Shanghai.

As a representative of LSE based in Hong Kong, LIU worked across Asian and European time zones over the preceding few months on preparations to mark the potential milestone where LSE would welcome the second Chinese GDR issuer on the first anniversary of the launch of the "Shanghai-London Stock Connect", a key achievement for CPIC, LSE, for himself and everyone involved.

"It was an honor to welcome CPIC to London Stock Exchange and to see the Company further expand internationally. The successful raise of USD 1.965 billion is also a testament to the Company itself and the Shanghai-London Stock Connect Programme."

At the listing ceremony, when Mr. KONG Qingwei mentioned in his speech that the successful issuance and listing of CPIC GDR on LSE is not only a major historical event for the company itself, it will also serve as landmark events of "mutual trust, mutual assistance, interconnecting, and interaction" of capital markets between the East and the West. LIU, who was watching the ceremony via live video, agreed very much.

"Connecting Chinese listed companies with international pools of capital in London not only provide financing but also offer International investors access to the China growth story and an easier access to China A-shares through GDRs. The Shanghai-London Stock Connect programme is designed to connect investors and issuers of the West and the East, connecting the world's most international and the world's fastest growing capital markets. The successful issuance of China Pacific Insurance's GDR marks an important milestone for the continued co-operation between China's and the UK's capital markets. It also marks an important case study for more Shanghai-listed A-share companies or Chinese insurance companies to integrate into the global capital market via "Shanghai-London Stock Connect" in the future."

LIU Zhu

Senior Manager, Primary Markets
London Stock Exchange Group (LSEG)

CPIC GDR Project Team

Since the CPIC Headquarters building was put into use in September 2019, the lights in an office on the second floor was almost never turned off. The GDR project team composed of professionals from various teams such as the Board Office, investment relations, strategic research, risk and compliance, financial budgeting, investment, auditing, technology etc., had worked there day and night for 9 months.

"CPIC was established on the bank of the Huangpu River 29 years ago. After going through the start-up and development phases, it enters into a new stage. And the issuance of GDRs marked the new beginning." The project team was fully aware of the significance of the issuance to CPIC: issuance of GDRs on the Shanghai-London Stock Connect platform will help CPIC further diversify the composition of shareholders and improve its corporate governance; with ever-improving corporate governance, the Company's professional operating capabilities for its main business will surely be enhanced. At the same time, through listing in Shanghai, London, and Hong Kong simultaneously, the Company will further enhance its international influence and integrate into the global market, and share the development benefits of China's insurance industry with high-quality global capital under the background of China's continuous deepening of its opening-up.

Doing the right things in the right direction. During that nine months, the team raced against time and overcame many challenges such as the raging global pandemic, the pressure on the company's stock price, market fluctuations and uncertainties of international situation with a combination of efficiency, resilience and coordination, and eventually secured a decisive victory in the global offering of GDRs. It helped CPIC achieve its strategic goals of optimising its corporate governance structure and promoting internationalisation. In addition, with continuous innovation and exploration, this issuance set a number of records in the history of the Shanghai-London Stock Connect mechanism.

At Beijing time 16:00 / London time 9:00am on 17 June 2020, with the countdown, the listing and trading page of the GDRs appeared on the big screen, opening an exciting new chapter in the development history of CPIC. At that time, all the team members were filled with a sense of accomplishment.

After the listing ceremony, the team took a group photo with the Chairman. Although they didn't sleep at all the night before, you could see no tiredness but confident smile on their faces.

"This project required careful planning and implementation, effective communication, precise numbers and data, and would accept nothing but a huge success. We did it!"

2

In the past three years, CPIC achieved leapfrog development. In 2020, a key year for the Company to carry on and forge into the future, CPIC elected its new board of directors. On 12 May 2020, the Company held its 2019 SGM in Jiashan, Zhejiang Province, at which resolutions regarding the election of the members of the 9th board of directors and the 9th board of supervisors were approved.

"It's not only about pooling funds, but also pooling talents!" said Mr. KONG Qingwei, CPIC Chairman, at the listing ceremony of the Company's GDRs on 17 June 2020.

"The listing of our GDRs will help the Company optimize the structure of the board of directors continously, build a more professional, diversified and international board, and further enhance the decision-making capability of the Board and the Company's corporate governance."

The new Board has completed a development programme for health-related business for the next 5 years with specific goals; approved the establishment of a Fintech company to promote our marketisation of technology; launched a long-term incentive scheme - "the Ever-green Plan" in our life and P/C operations, furthur demonstrating our market-oriented focus. With our regular operation guarantee mechanism, international talent reserve and institutional building, CPIC continues to construct and optimise its internal support and service systems, and makes full use of the rich experience of the board members in long-term strategic planning, risk control through economic cycle, overseas investment and new business development to improve the strategic decision-making of the Company.

CPIC has always maintained a balanced and diversified board composition, with non-executive directors making up the majority. Only 2 of the 15 newly elected board members are executive directors, and up to 87% are non-executive directors, the highest proportion among listed insurers, thus forming effective checks and balances and supervision on the management. At the same time, the new Board has 4 female directors, over 25% of the total, a record high for the Company; non-executive directors are mainly from domestic and foreign long-term institutional investors. They all have in-depth understanding of and unique views on industry development.

Ms. LIANG Hong is currently President of the Institute of Innovation and Industry Studies of Hillhouse Capital. Previously, she successively served as Economist or Chief Economist with the International Monetary Fund, Goldman Sachs, and China International Capital Corporation Limited. On 21 August 2020, she attended CPIC's board meeting held in Xining, Qinghai Province for the first time as a proposed director.

"In an era of constant changes and uncertainties, we must stick to long-termism, believe in the long-term healthy development of the industry, remain customer-oriented, always pursue high-quality development through transformation and reform, and meet the challenges brought by external uncertainties with the certainty of our own development." This view of Mr. KONG Qingwei is shared by Ms. LIANG Hong.

"Long-termism - 'being a friend of time'- is also the values of Hillhouse. We believe that only by investing our time and energy in things that can produce long-term value, can we be rewarded by time and society. For enterprises and entrepreneurs, long-termism is a perspective that can help the company say no to zero-sum games and build up sustainable competitive advantages through efforts in continuous innovation and value creation. If you adhere to long-term development and value-creation, you will surely survive the challenges brought by uncertainties and withstand the test of time."

Ms. LIANG Hong

Non-executive Director of CPIC

Member of the Strategic and Investment Decision-making & ESG Committee

Member of the Technological Innovation and Consumer Rights Protection Committee

President of the Institute of Innovation and Industry Studies of Hillhouse Capital

ESG is always an issue of interest for Ms. LIANG. At the end of November 2020, at the ESG Leadership Forum jointly initiated by the City of London and the Green Finance Committee of China Society for Finance and Banking, as the co-chair of this forum, Ms. LIANG and other guests exchanged views on topics such as ESG investment and accelerating the transformation of the real economy.

Being an insurer simultaneously listed in Shanghai, Hong Kong and London requires CPIC to further improve its corporate governance. On the Board of CPIC level, an ESG top-level design is being constructed. "I am very pleased to see that the Board is the top decision-making body on ESG matters, supervising its implantation" said Ms. LIANG.

"China aims to achieve peak carbon emissions by 2030 and reach carbon neutrality by 2060. These goals put forward more specific ESG-related requirements for large financial institutions like CPIC, such as paying attention to and assessing the risks that climate change may bring to insured assets, calculating the Company's carbon footprint, formulating strategies and measures to reduce emissions, and planning the Company's timetable for achieving carbon neutrality. I believe the share of green finance investment, including green bonds and green equity funds, should be increased in the investment portfolio, so as to promote cross-cycle allocation of resources and technological innovation."

As a next step, CPIC will proactively benchmark against the best practices at home and abroad, continue to optimise its overall ESG work logic, formulate and improve ESG-related goals, management systems, and guidelines, etc., and actively promote the implementation of related initiatives at all levels to fully integrate ESG into the Company's operations. At the same time, multiple measures will be taken to optimise the contents and formats of relevant disclosures and improve the ESG rating.

Mr. JIANG Xuping

Independent Non-executive Director of CPIC

Chairman of the Technological Innovation and Consumer Rights Protection Committee

Member of the Audit Committee

Member of the Nomination and Remuneration Committee

Professor at Department of Marketing of the School of Economics and Management, Tsinghua University

On the Tsinghua Campus, after finishing a public lecture through live webcast, Mr. JIANG Xuping turned on his iPad and began to review the Board resolutions of CPIC.

In reponse to the needs of technological empowerment and "CPIC Service" brand building, the new Board of the Company has set up the Technological Innovation and Consumer Rights Protection Committee and become the first listed company in China to set up a special committee to coordinate and guide technological innovation at the Board level. Mr. JIANG Xuping was appointed as Chairman of the Committee. As a professor at the School of Economics and Management of Tsinghua University, JIANG has been deeply involved in such fields as online marketing, e-commerce, interactive marketing, business model innovation and enterprise informatization for many years. He is a senior expert in Internet marketing and management.

In July 2020, the first meeting of the Committee was held in Shanghai, at which the plan for the establishment of the CPIC Fintech Co., Ltd. was reviewed and approved. After that, the resolution was reviewed and approved at the Company's board meeting and shareholders' meeting. This marks an important step in the Company's technology marketization.

In Mr. JIANG's view, the establishment of a Fintech company is a necessary move to consolidate the Company's foundation.

"This is a self-revolution for CPIC, a development requirement in the new era, and an inevitable choice of the Company. Through this reform, I believe that the Company will further release its innovative potential, improve service quality, and realize market-oriented transformation in areas ranging from division to settlement, from delivery to operation."

During the in-depth communication with directors and the management, JIANG found that both the Board and its executive team share a clear common view that the Company should focus on customer service and keep improving service through technological empowerment to expand its development platform. To this end, CPIC Fintech Co., Ltd. adopts a development philosophy of "Customer first, resource integration, and innovative development".

The Company has rolled out a series of technology marketization reforms to enhance technological innovation and empowerment as well as financial innovation: optimized its technological governance structure and formed an overarching governance framework of "management, research and application"; started trial operation of CPIC Fintech Co., Ltd.; set up a scientific and technological system and a team of scientists; entered into technological strategic partnership with leading technology companies and universities, such as "CPIC-Jiaotong University AI Joint Laboratory", "CPIC-Fudan University Insurance Technology Joint Innovation Laboratory" and "CPIC-SHIE Insurance Finance Block Chain Laboratory"; launched programmes to pool leading technology talent in such fields as big data, cloud computing, Internet operations, and data security through market-based mechanisms; initiated the construction of four major mid-office platforms: technology, data, AI and API mid-office platforms, and strengthened infrastructure development and capacity output of mid-office platforms.

"Technological innovation is a core competitiveness of contemporary finance. The key to excel is not in technology itself, but in the integration of technology and business. Under the new economic model, technology provides strong support for product innovation and customer service and a broad stage for corporate development. In the future, business growth can no longer be achieved by merely expanding the size of the company and hiring more hands. More and stronger technological support will be needed. I hope to see that through strategic transformation and upgrading, CPIC empowers itself with technology to provide its customers with more convenient and attentive services and create greater value for the Company's development."

Note: On 26 March 2021, the 9th session of 9th board of directors agreed to change the name of Strategic and Investment Decision-making Committee to Strategic and Investment Decision-making & ESG Committee, and adjusted the members of special committees under the board of directors. Ms. LIANG Hong serves as member of the Strategic and Investment Decision-making & ESG Committee and member of the Technological Innovation and Consumer Rights Protection Committee. Mr. JIANG Xuping serves as Chairman of the Technological Innovation and Consumer Rights Protection Committee, member of the Audit Committee and member of the Nomination and Remuneration Committee.

3

In 2020, CPIC kicked off the implementation of its grand strategy for health business.

Deepening participation in the Healthy China Initiative, the board of directors made Group health business strategy for the 2020-2025 period, which put forward the development goal of "becoming a leading comprehensive health products and services provider in China" and a blueprint to guide the development and deployment of the Company's health business. Based on the top-level design, the Company made great efforts in promoting 4 platform projects including Internet-based medical care, off-line medical care, specialised health insurance company, and health industry funds to create a closed loop of medical and insurance service and integrate health management, insurance products and medical services to provide customers with health management services covering the entire life cycle.

The Company set up a special committee on the development of health industry at the Group level to comprehensively promote the implementation of its health service platforms and explore the Company's new growth areas; joined hands with Ruijin Hospital, and established Guangci CPIC Internet Hospital, marking an important step towards a full life-cycle health management model closely linked with insurance business; launched the online medical "1+N" product system, and released exclusive products for family doctors and breast diseases for the first time at the health forum of the 2020 CIIE; formulated promotion plans for offline medical partnerships, and piloted them in selected areas; invested in multiple projects such as the CPIC-Sequoia China Health Industry Fund, and built up a reserve of investment projects covering genetic testing, innovative drugs, medical equipment and services to push forward the development of the Company's health business.

The Company fosters new growth drivers in the health industry, and a health management system covering customers' entire lifecycle is taking shape.

One day in December 2020, LIU Long drove to the Lingang New Area of Shanghai Free Trade Zone. A month later, CPIC and Sequoia China held a fund launch ceremony there for their health industry strategic cooperation. Liu was closely involved in this cooperation.

The cooperation between CPIC and Sequoia China Fund began in 2015. At that time, CPIC had just begun its private equity fund investment business. As one of the world's most well-known and earliest venture capital institutions, Sequoia China became one of the first selected partners of CPIC. In the past five years, the cooperation between the two in the field of fund investment has progressed smoothly, with many projects getting listed.

"It took the two sides half a year to negotiate and finalise this cooperation. The two sides reached a high degree of consensus on investment philosophy, direction and strategy. We must truly integrate insurance funds with industrial capital to build a customer-centered health management system. This cooperation fully reflects CPIC's sense of mission and responsibility as it actively responds to the Healthy China initiative."

LIU Long

General Manager of Direct Investment Department, CPIC Life

In the future, with market-based platform for health industry funds, and giving full play to the advantages of long-term insurance funds, CPIC will focus on investment opportunities in the health industry chain which includes sectors such as biomedicine, medical equipment, medical services, and digital healthcare to create more space, stronger leverage and deeper empowerment for medical investment and industrial cooperation to promote the long-term deployment of the Company's health business.

"China's health industry has huge potential, and it's time to deepen our layout in this industry. The core elements of this industry such as hospitals, patients, pharmaceutical companies, and medical technology companies resonate with each other, and the in-depth participation of commercial insurance will inject strong impetus and vitality into the industry to achieve leapfrog development. With more than a hundred million insurance customers and long-term and stable insurance funds, CPIC is well-positioned to cooperate with industry leaders to jointly promote the long-term development of the health industry and its system as a long-termist insisting on value creation. This industry contains great opportunities and will be a new growth engine for the Company in the future."

On 27 September 2020, CPIC and Ruijin Hospital signed a cooperation agreement in Shanghai, officially kicking off the construction of GuangCi-CPIC Online Hospital. Since that day, WANG Lu, senior manager of the Company's budget department at that time, took on a new cap, member of the Preparatory Team of the GuangCi-CPIC Online Hospital project.

Since joined CPIC 14 years ago, WANG has accumulated a lot of experience in insurance and finance. But still she was a "novice" in the field of online medical service. Based on the Company's strategy for health business, she maintained an open mindset and studied a lot of industry information, proactively participated in internal and external communication and seminars, and quickly gained necessary knowledge about online medical care. Talking about the pain points of traditional medical and online medical services, she said: "online and offline medical services are usually separated from each other, commercial insurance and basic medical insurance are not really connected, and the patients do not have a comprehensive solution and need to deal with everything on their own ranging from registration, attendance and hospitalization; there is a serious waste of resources in Grade-A hospitals, and top-notch medical resources cannot be used to their fullest; there is a lack of incentives for doctors to improve their efficiency, and also a lack of effective implementation approaches for doctors to practice at multiple facilities; insurance companies have no real medical service network, let alone ways to control costs..."

In the eyes of WANG and her colleagues, building an Internet medical platform is an important starting point for CPIC to participate in solving the pain points in the medical market. "We need an approach that combines online with offline and build up an online medical platform with multi-party cooperation in treatment, medicine, insurance, technology and capital to provide customers with high-quality and reliable one-stop health solutions."

In October 2020, CPIC's online medical platform was formally established; on 7 November 2020, at the health forum of the 3rd CIIE, CPIC and Ruijin Hospital officially launched the GuangCi-CPIC Online Hospital and the online medical "1+N" product system; on 15 December 2020, the signing ceremony was held in Shanghai. Under the agreement, CPIC became a shareholder of Guang-Ci Memorial Hospital, a subsidiary of Ruijin Hospital; on 22 December 2020, GuangCi-CPIC Online Hospital was formally established...

The year end was approaching, and WANG was busy with preparing for the launch of the online hospital and planning the future of CPIC's online medical platform. "Our platform will focus on five aspects: 1. work closely with Ruijin Hospital and leading hospitals and doctors in key areas across the country to offer customers medical services both online and offline – enabling patients "get what they see"; 2. use the Internet to improve efficiency, establish our own cascaded diagnosis and treatment system, and accurately match medical resources; 3. direct the resources of leading hospitals and doctors to where they are really needed and develop standardized solutions for specific diseases; 4. empower the platform with AI and big data technologies to create and maintain core competitive advantages; 5. form a closed loop to make sure that the products and services of the platform can be paid by commercial insurance and basic medical insurance."

"Our aspiration is to offer convenient and caring medical services to every family and ensure the customer is accompanied by professional doctors during the entire service process. By combining family doctor service with insurance service, we can fully meet the needs of our customers, whether it's a minor illness or a serious one."

WANG Lu

Finance Director of Internet Medical Platform

Formerly, Senior Manager of the Preparatory Team (Budget Department) of the GuangCi-CPIC Online Hospital Project

Medical treatment localization, you get what you see

1. Online medical consultation
2. Offline treatment and surgery

SHEN Kunwei

Professor, Chief Physician, PhD Supervisor
Director of the Breast Disease Diagnosis and Treatment Center and Head of the Breast Surgery Department, Ruijin Hospital

SHEN Kunwei, a well-known breast disease expert, is known among his peers and patients for his rigorous scholarship, curing hands and kind heart. He is full of affection and responsibility in medical work. "As a doctor, you must not only possess the ability to treat your patients, but also be compassionate to truly understand the suffering of patients."

On 7 November 2020, GuangCi-CPIC Online Hospital released the "Caring for Women" breast health product for the first time at the 3rd CIIE. As a main designer of the product, SHEN said: "In 2020, there were 2.26 million new breast cancer cases and 690,000 deaths worldwide, and 416,400 new cases and 117,200 deaths in China. Breast cancer is replacing lung cancer as the deadliest cancer in the world. Currently, the main method of preventing breast disease is early screening. Standardised treatment after early diagnosis can mitigate the disease and greatly increase the survival rate. With the above-mentioned product and help from experts of Ruijin Hospital, we will create a new model of breast diseases diagnosis and treatment using Internet and cloud computing technologies, and deliver intelligent diagnosis and treatment and full-process management of breast diseases through multi-disciplinary clinical diagnosis supported by intelligent decision-making assistance and ward management based on intelligent human-machine dialogue. This product can not only standardise the diagnosis and treatment of breast diseases but also save patients a lot of trouble running back and forth between home and hospital, thus making medical service fairer, more inclusive and convenient." said SHEN.

According to SHEN, it is currently difficult to balance high-quality medical resources nationwide, and patients in different regions cannot enjoy the same standardised screening and treatment, while the birth of GuangCi-CPIC Online Hospital will change this situation.

"Take breast cancer as an example. Most patients need long-term treatment and follow-up visits. Online medical consultation and communication can help patients greatly reduce the waste of time and money caused by repeated trips to the hospital. It can also balance the medical resources between remote areas and major cities; Meanwhile, popularizing medical knowledge to the public through professional online hospitals can reduce the misleading impact of incorrect online information upon patients. "

"This online hospital jointly set up by CPIC and Ruijin Hospital based on the Internet and new-generation information technology can improve access to medical services, enhance the timeliness and accuracy of information transmission, and better meet the public needs for high-quality, homogeneous, and convenient medical services. It also reflects the health industry's social responsibility for promoting public health."

The online "treatment + medicine + insurance" model of CPIC's online medical platform can expand the width and depth of patients' access to medicine, and is an integrated solution to help patients reduce medical expenditures. In the future, expenditures not covered by basic medical insurance such as new treatment methods, special drugs, and use of expensive medical software and hardware will be covered by commercial insurance, which greatly eases the financial burdens of patients. As the public health needs are increasing and upgrading, commercial insurance will become more and more important in medical payments, and the value of online hospitals will also become more significant.

The exclusive breast disease product developed by GuangCi-CPIC Online Hospital opened up the path to connect commercial insurance with online medical services, and will provide an effective demonstration for the development of more online hospital exclusive products. CPIC's online medical platform will continue to enrich and improve its online product system, leverage its advantages in commercial insurance payment integration, customer resources, and institutional channels to solve the pain points of patients, hospitals, doctors, insurers and other parties, and provide customers with a high-quality and reliable one-stop medical health solution.

4

2020 is the final year for CPIC's first 3-Year Plan for pension investment business. After 3 years of hard work, CPIC Home, CPIC's high-end elderly care communities programme, has made huge progress, with roll-outs in Chengdu, Dali, Hangzhou, Xiamen, Nanjing and Shanghai. In addition, CPIC Miao Jian Kang and Shanghai Putuo International Health Community, the Company's two medical and elderly care projects were also implemented. Thus, a full spectrum of product and service offerings for different age groups is gradually taking shape. As of the end of 2020, a total floor space of 510,000 square meters came into operation, with 3,900 retirement apartments and 6,300 beds in construction, and 11,000 beds in reserve, ranking second in the insurance industry.

On top of this, CPIC AII is striving to build elderly care system and expanding and improving its CPIC Home programme across the country and continuously enrich services to create core competitiveness and build a "service+product" entry barrier for itself as a leader in the pension sector.

As a key member of the team, Sun Hui has always been on the front line to promote project implementation. In 2018, she played a major role in the implementation of the first CPIC Home project. In 2020, shortly after the lock-down of Wuhan due to COVID-19 was removed, she made multiple trips to the city for site selection and negotiation of the CPIC Home elderly care community project in Wuhan.

"According to the new plan, in the next three years, CPIC Home will continue to expand across the country to build 6 or 7 more high-end elderly care communities." said Sun Hui. She was confident about the upcoming challenges, adding "based on the implementation of the projects, we will innovate service provision to develop a one-stop elderly care system with CPIC Home supplemented by diversified elderly services."

CPIC AII gives full play to late-mover advantage and learns from others, aiming to build CPIC Home into "Chinese Elderly Care Community 2.0". To this end, on the one hand, it adopted the EPC model to strengthen the management of construction period, quality, safety and progress, and on the other hand, it attached great importance to specific hardware indicators, and greener, smarter, and more cultural construction standards, and sent people to the construction sites.

Luo Kun, a senior on-site manager from the Engineering Management Department, has been stationed at the construction site of the CPIC Home Chengdu Project since 2019.

"In the past year, we must not only overcome the impact of the pandemic and ensure the construction progress, but also strictly meet the safety, quality and pandemic prevention requirements." he said. In the concerted efforts of the team, the main structure of the Chengdu Project was completed within one year, and the first CPIC Home experience hall was delivered at the end of 2020.

CPIC AII Investment Development Team

At present, all the six projects in Chengdu, Dali, Hangzhou, Shanghai Dongtan, Shanghai Putuo, and Xiamen are at the full construction stage. While uniform standards in terms of product form, function setting, architectural design, public facilities, and interior decoration are adopted for those projects, for each project, adaptations are also made to local conditions to reflect the different local culture and style, thus integrating cultural elements into project design, construction and management.

"For the Chengdu Project, we integrated the 'half town, half forest' design with the local urban style. This ecology + humanity design won the Golden Brick Awards, the 'Oscar Award' in the US construction industry; the Dali International Elderly Care Community, another CPIC Home project, is a vacation resort-type elderly care community in China that focuses on"vacation + health + fitness". Set in the beautiful landscape of Dali, it's designed to be a home for the elderly with love; the Hangzhou International Elderly Care Community, the first CCRC project in the Yangtze River Delta, not only boasts a natural "oxygen bar" and abundant scenery, but also reflects the exquisite life style of Hangzhou inherited from ancient times; our project in Xiamen, the hometown of overseas Chinese, is a high-end coastal community rich in Minnanese culture, with features in ecology, health, tourism; our Shanghai Dongtan Project is located on the "Island of Longevity". In this project, we instilled the local artistic conception into modern design, and integrated the functions of vacation, leisure, and health care; the Shanghai Putuo Project dwells on the bank of the Suzhou River and is a garden-like modern health community surrounded by green trees and flowing water, where the elderly can have a"classy" lifestyle.

With construction in full swing for those projects, our full spectrum of product and service offerings for different age groups is gradually turning into reality.

"We are building the team while simultaneously preparing for the opening of the experience hall. This is quite a job for us." said Lu Yue, general manager of the Chengdu Project. He and his team worked closely with the CPIC AII to ensure smooth progress of the preparation work. They had been busy with things such as decorating the experience hall, purchasing facilities and equipment, confirming the tour route and guide script, finalising and optimising the launch plan, implementing government requirements, etc. Only after the experience hall was unveiled as planned, and the first batch of customers received the residence certificates, did Lu feel relieve.

As the person in charge of the project launch, Wang Wenxuan made the launch plan meticulously. "We will display the Chengdu community to the public in the brightest way." said Wang. Unfortunately, in December 2020, only 4 days before the opening, the pandemic broke out again in Chengdu, which disappointed all team members and many potential customers. But Wang and his colleagues quickly remade the plan within just two days, changing the opening ceremony originally scheduled to be held off-line to an on-line one. "On the opening day, the number of online viewers exceeded 100,000. In this way, we informed more potential customers and agents of this community." said Wang.

As the first elderly care community to open in the future, Chengdu International Elderly Care Community has attracted much attention. In terms of hardware, CPIC AII cooperated with world-class design, construction and management teams and applied many latest technologies like green architecture and smart elderly care in this project; for software, the community is designed to offer its residents colorful cultural and recreational activities besides basic high quality services. In particular, big focus has been placed on health management that the elderly cares most. There is a health management centre in the community, with a professional and experienced medical team consisting of experts in internal medicine, traditional Chinese medicine, rehabilitation, etc., to provide chronic disease management and health risk intervention for the elderly. Meanwhile, we are proactively exploring green channel services in the Grade-A hospitals in Chengdu International Medical City to realize two-way referral system. After the opening, the community will operate regular shuttle buses to and from those hospitals to better meet the medical needs of the elderly. In the future, it will provide remote consultation and expert diagnosis and treatment services to the elderly in the community through the GuangCi CPIC Internet Hospital jointly established by CPIC and Ruijin Hospital.

"Our community will officially come into operation on the National Day in 2021. We will welcome 800 households of elders with our best services."

Preparatory Team of "CPIC Home" Chengdu International Elderly Care Community Project

LYU Yilin

Aged 42, living in Shanghai
Senior Financial Planner

CPIC Home procatively forges a full spectrum of product and service offerings for different age groups, which provides a comfortable environment, professional health care services and rich recreational activities to the elderly so that they can not only receive all kinds of care services but also enjoy an elegant lifestyle and wonderful experience. Based on the elderly care community and elderly care services, CPIC launched a comprehensive solution of "insurance products + elderly care community + professional services". This model also solves the problems on the payment and supply sides for elderly customers, thus wining wide-ranging recognition from the society. As of 31 December 2020, more than 10,000 resident certificates have been issued, corresponding to the total premiums payable exceeding RMB 22 billion.

As a financial planner, LV Yilin has done a lot of financial planning for clients, of which retirement planning is an indispensable part. She has also made plans for her own retirement life early. "First, the community environment and service must be good, and there must be friendly neighbors for me to socialize with. Secondly, I want to be able to change my living environment from time to time."

In her view, middle age is the time for one to plan his/her retirement life, "I have certain financial base, and know what kind of life I want to live after my retirement." she added. The CPIC Home elderly care communities in Shanghai will be an ideal choice for her.

The Chongming Dongtan community and Putuo community, after completion, will form a linkage. "I think that in the future, from time to time, I will spend some time at Chongming Dongtan to appreciate the natural and cultural beauty of the Chongming Eco-Island and enjoy the star-rated hotel-style service after retirement. That will greatly benefit my body and mind."

In the CPIC Home planning, in addition to services suitable for newly-retired "young elders", there are much more: "middle-aged" elders can choose to live in the Chongming Dongtan Nursing Centre for a long time, receiving elderly care services with both Chinese and Western standards and enjoying their life on the "Longevity Island"; the elderly with disabilities can be transferred to the Putuo International Health and Care Community through an exclusive channel to receive professional medical and health care services. Putuo community is also more geographically convenient for relatives of the elders to visit.

CPIC Home communities provide high-quality elderly care services to everyone, from age 55 to 99 and beyond.

Contact us

IR team

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2020

Annual Report

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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Financial report

Cautionary Statements:

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 annual report are true, accurate and complete and that there is no false representation, misleading statement or material omission in this report; and they severally and jointly accept responsibility for the contents of this report.

II. The Company's 2020 Annual Report was considered and approved at the 9th session of the 9th board of directors on 26 March 2021, which 14 directors were required to attend and all of them attended in person. For the purposes of the United Kingdom's Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.1.12(3), each of the Directors of the Company named in "Directors, supervisors and senior management" of this report, to the best of his or her knowledge, confirm that:(1) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and (2) the annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

III. PricewaterhouseCoopers Zhong Tian LLP audited the 2020 financial statements and issued the standard unqualified auditor's report.

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 annual report.

V. The profit distribution for 2020 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.2 per share (tax included) and 30th Anniversary Special Dividend of RMB0.1 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of dividend in aggregate will be RMB12,506,443,891.50 yuan. The remaining retained profits will be carried forward to 2021. No capital reserve was transferred to the share capital during the year. No capital reserve was transferred to the share capital during the year. The above-said profit distribution plan is to be approved at the shareholders' general meeting.

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, please refer to the Section "Corporate governance" 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

Corporate information

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: SU Shaojun

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: 中國太保

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

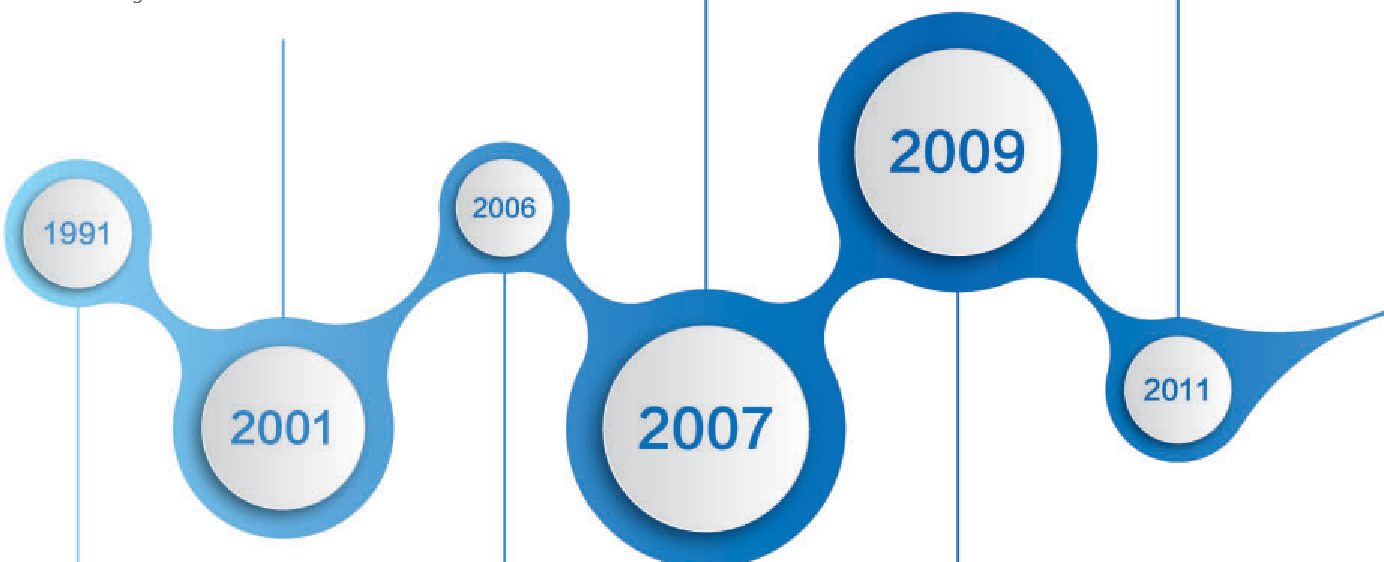
Signing Certified Public Accountants:
PENG Runguo, ZHANG Jiong

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.
"CPIC Fund"	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Anxin Agricultural"	China Pacific Anxin Agricultural Insurance Co., Ltd. (former Anxin Agricultural Insurance Co., Ltd., renamed in December 2020), a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Health"	Pacific Health Insurance Co., Ltd. (former CPIC Allianz Health Insurance Co., Ltd., renamed in March 2021), a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"C-ROSS"	China Risk Oriented Solvency System
"CBIRC"	China Banking and 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
"ESG"	Environmental, Social and Governance
"RMB"	Renminbi
"pt"	Percentage point

History



13 May 1991, established in Shanghai as China's first joint-stock commercial insurance company licensed to conduct nationwide business.

Completed restructuring and spin-off of life and P/C operations. Established China Pacific Insurance (Group) Co., Ltd., with 100% ownership of China Pacific Property Insurance Company Limited and China Pacific Life Insurance Company Limited, put in place a Group-centralised governance structure, marking an important step towards rule-based, efficient, market-oriented and modernised business management.

Established Pacific Asset Management Company Limited, marking the beginning of specialised investment management.

Conducted an IPO on the SSE (601601. SH), marking a key step in establishing market-based capital replenishment mechanisms; formulated the business philosophy of "focusing on insurance, promoting and realising sustainable value growth", laying a solid foundation for a top-notch composite insurance group.

Completed an IPO on the SEHK (2601. HK), putting in place a diversified ownership structure with domestic and foreign shareholders contributing their strengths and sharing the risks, which boosted market-driven, professional and internationalised development of the Company.

Acquired controlling stake in Changjiang Pension Insurance Company Limited, marking a key step in building specialised pension fund management capabilities.

Launched the "Customer-oriented" Transformation 1.0, centring on "understanding customer needs, improving customer interface and enhancing customer experience" to foster competitiveness for sustainable development.

2012

Conducted a private placement of H-shares with world-renowned long-term sovereign funds, further strengthening capital and optimising shareholding structure.

2013

Opened a branch office of CPIC P/C in Tibet, and with this, the Company has presence in all provincial-level administrative regions of China's mainland, marking the establishment of an extensive, nationwide service network covering both urban and rural areas.

2014

CPIC P/C acquired shares of Anxin Agricultural Insurance Co. Ltd., the first specialised agricultural insurer in China. With follow-on capital injection, we became a majority shareholder of the subsidiary, which was renamed China Pacific Anxin Agricultural Insurance Co. Ltd. in December 2020.

Established CPIC Allianz Health Insurance Company Limited, holding controlling shares. This marked the prelude to specialised business operation of health insurance. With changes to strategic deployment in health business by CPIC Group, the subsidiary obtained approval of CBIRC in March 2021 to rename as Pacific Health Insurance Co. Ltd.

After years of efforts, CPIC Group has obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension insurance, health insurance, agricultural insurance and asset management, with balanced development of various business segments along the insurance value chain, enabling it to provide comprehensive risk solutions and wealth management services to its customers.

2017

Launched Transformation 2.0, setting the targets of "becoming the best in customer experience, business quality and risk control capabilities", and the vision of "industry leadership in healthy and steady development". Rolled out transformation projects centring on core business, growth opportunities and organisational health, in a bid to drive long-term development.

2018

Acquired majority stake in CPIC Fund Management Co., Ltd., and conducted mutual fund management business via this subsidiary.

2020

Completed the issuance and admission of GDRs (Global Depositary Receipts) on the LSE (CPIC.LSE), and became the first insurance company simultaneously listed in Shanghai, Hong Kong and London, achieving, apart from raising capital, further progress in diversification of shareholding structure, and continued improvement in market-based and modernised governance mechanisms.

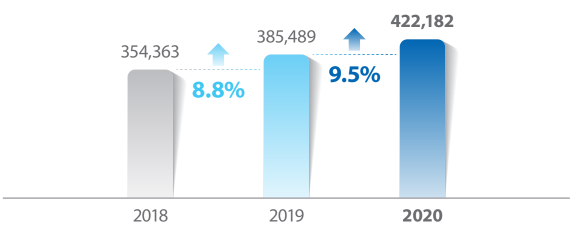
The 9th Board of Directors promoted the Ever-green Plan, a long-term incentive system, in a bid to stimulate organisational vitality. Established CPIC Fintech to promote marketisation of technology; vigorously deployed along health and retirement business, fostering competitiveness for sustainable development.

Business overview

Group Operating Results

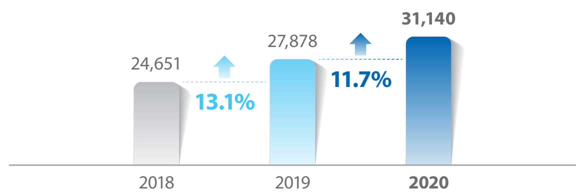
Group operating income

Unit: RMB million



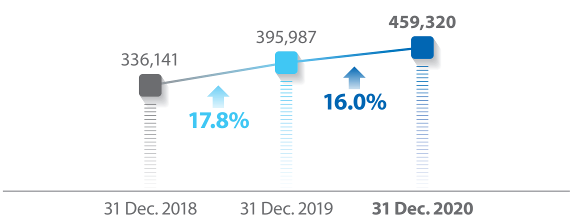
Group OPAT [note1,2]

Unit: RMB million



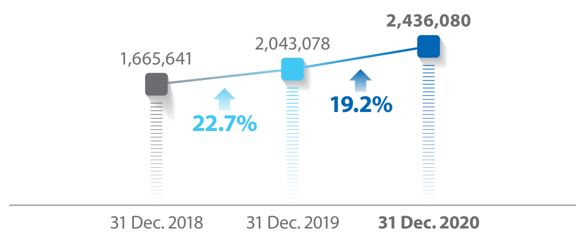
Group EV

Unit: RMB million



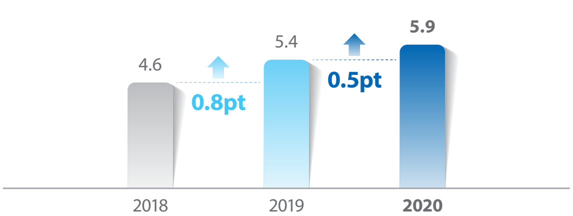
Group AuM

Unit: RMB million



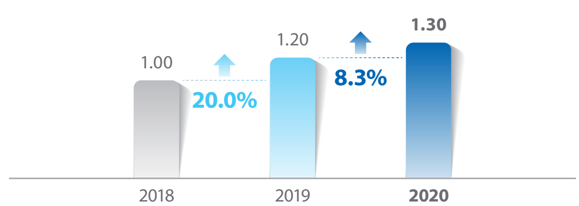
Total investment yield

Unit: %



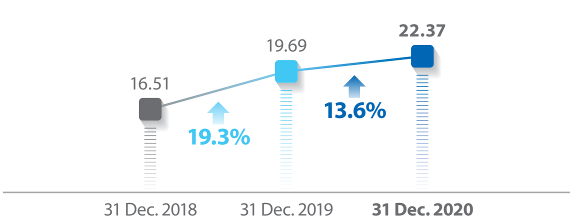
Dividend per share [note3]

Unit: RMB



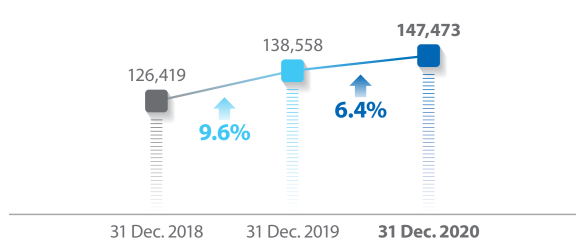
Net assets per share [note1]

Unit: RMB



Group number of customers [note4]

Unit: '000



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. Subject to SGM approval.
4. 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.

Key indicators

Unit: RMB million

Group operating income
422,182 +9.5%

GWPs – CPIC Life
211,952 -0.3%
GWPs – CPIC P/C
147,734 +11.1%

Group OPAT attributable to shareholders of the parent
31,140 +11.7%

Group embedded value
459,320 +16.0%

Group net profit attributable to shareholders of the parent
24,584 -11.4%

Group comprehensive solvency margin ratio
288% -7pt

CPIC Life 242%
CPIC P/C 276%

NBV of life business
17,841 -27.5%

NBV margin of life business
38.9% -4.4pt

Growth rate of Group investments' net asset value
7.5% +0.2pt

Group total investment yield
5.9% +0.5pt

Group net investment yield
4.7% -0.2pt

Group number of customers ('000)
147,473 +8,915

Combined ratio of P/C business[note 1]
99.0% +0.6pt

Total dividend per share [note 2]
RMB 1.3 yuan (tax included)

Notes:
1. Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.
2. Subject to SGM approval.

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 vast 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 of specialised business operation in the insurance business. Our life/health insurance business centres on protection, deepen the model of "products + services", accelerates product innovation and the building of a multi-tiered service system to drive sustainable growth of customer value. The property and casualty insurance persists in enhancement of customer operation capabilities, strengthens business quality control to achieve industry leadership in premium growth and underwriting profitability. As for investment, we put in place the system of asset liability management (ALM) through economic cycles, adhere to prudent, value and long-term investing, and enhance mechanisms to curb cost of liabilities, with sustained improvement in industry-leading, liability-based strategic asset allocation (SAA) capabilities and specialised investment expertise. In 2020, in the face of the COVID-19 pandemic, we pro-actively stepped up on-line and off-line integration, innovated products and services to seize opportunities arising from the resumption of work and business, achieved steady business development and further improvement in specialised business operation.

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 modernised corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. Through GDR issuance on the LSE, we optimised shareholding structure, which paved the way for continued improvement in corporate governance and decision-making systems and capabilities, with 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. We optimised technology governance structure, introduced market-based reform so that technology & innovation can be a more powerful enabler. In response to trends and dynamics of the industry, we pro-actively invested in emerging business segments such as health care and elderly care, with progress in establishing a value chain for full life cycle coverage, and the new "products + services" model. We seek to stimulate organisational vitality through adoption of "the Ever-green Plan", a long-term incentive system. We established an innovative on-line corporate university so that knowledge and wisdom can pass from generation to generation and drive sustainable development of the Company.

Responsibility

Committed to our responsibility to society, customers and shareholders, we vigorously participate in national initiatives, serve the needs of the real economy and peoples' aspirations for a better life, and promote the brand image of "Responsible, Smart and Caring" CPIC Service. We use insurance to fulfil our social responsibilities, pioneering in the fight against the pandemic, poverty and natural disasters. We implement ESG philosophies, promote green financing, take part in "Carbon Peaking" and "Carbon Neutrality" to contribute to the Green China Initiative. We conduct charitable activities as part of our branding, showing care for the vulnerable and underprivileged communities. 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.

Honours and awards

- CPIC Group was listed on Fortune Global 500 for the 10th consecutive year, ranking 193rd, up 6 places from 2019.
- CPIC Group ranked 132nd among the World's 500 Most Valuable Brands in 2020, and 6th among the World's 100 Most Valuable Insurance Brands in 2020 released by Brand Finance, with brand value exceeding USD 14 billion, an increase of 31% from previous year.
- CPIC Group won the Company of the Year Award in Corporate Social Responsibility for the 11th consecutive year by China Business Network.
- CPIC P/C and CPIC Life both won top A rating for the 5th consecutive year in the regulatory evaluation of business operation of insurance companies. CPIC P/C and CPIC Life both won the Service Institution of the Year Award at the 2020 China Insurance Service Innovation Summit held by China Banking and Issuance News.
- CPIC P/C and CPIC P/C Inner Mongolia Branch both were awarded the honorary title of "National Excellent Organization for Poverty Alleviation" by CPC Central Committee and the State Council for their pioneering efforts and outstanding results in fighting poverty with insurance.
- CPIC Life won the honorary title of Excellent Life Insurance Company of the Year of the 2020 China Golden Tripod Award organised by National Business Daily.
- CPIC AMC and Changjiang Pension were honored as Best Insurance Asset Management Company of the Year 2020 and Best Pension Management Company of the Year 2020 respectively in the 2020 China Asset Management Annual Meeting & Jinbei Awards Ceremony hosted by the 21st Century Economic Daily.
- CPIC Health was awarded the 2020 Customer Satisfaction Brand for March 15th the Consumer Rights Protection Day by China's Foundation of Consumer Rights Protection.
- CPIC Anxin Agricultural's Agriculture-related Financial and Insurance Service System Project was granted the 2020 China Insurance Ark Award by the People's Daily and the Securities Daily.

Chairman’s statement

Dear shareholders:

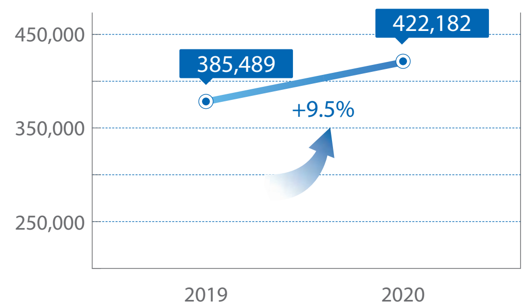
There is no doubt that 2020 will go down in history as "an extraordinary year", reminiscent of the global spread of COVID-19, changing and complicated domestic and overseas situation, economic slow-down, and for those in the industry, cyclical shifts of the insurance sector. All these were common challenges to business leaders, and a test of their will and wisdom. Despite increasing uncertainties, in the past year, we moved ahead in the right direction, and achieved an "extraordinary" year for CPIC.

Results-driven, we translated declarations into deeds. The Board, with KPIs in mind, focused on delivery and rallied efforts on the operation of the core business of insurance. Group operating income exceeded RMB400 billion, with rapid growth of net operating profits (OPAT) and embedded value (EV), and steady increase in assets under management (AuM), marking a step-up in the company's development.

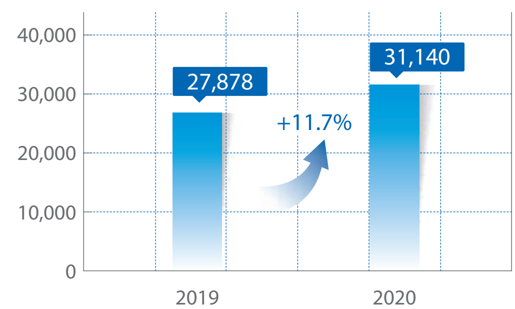
The core business segments maintained healthy momentum of growth. On the life insurance side, in the face of COVID-19, we accelerated on-line and off-line integration, enhanced the "role-model" effect of high-performing agents, pushed for the integration of products and health management, elderly care and wealth management services. As for property and casualty insurance, we pro-actively responded to the challenges of the pandemic and the comprehensive reform of automobile insurance, and successfully fostered renewal business as its key growth driver. On the other hand, non-auto insurance business vigorously supported China's effort to resume work and business, focused on emerging business lines, with agricultural insurance maintaining rapid growth. In investment, we adhered to value, long-term and prudent investing, stepped up system-building for a Group-integrated investment middle platform, enhanced investment management capabilities, and delivered sound investment results for the year.

We are always committed to ensure that our shareholders can share in the growth of the Company. In 2020, in spite of formidable challenges, the Board recommended annual cash dividend of RMB1.2 per share and 30th Anniversary

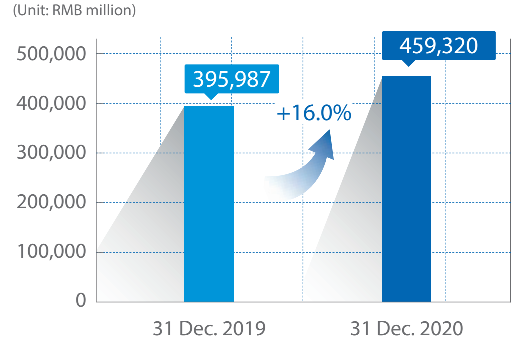
Group operating income
(Unit: RMB million)



Group OPAT note1
(Unit: RMB million)

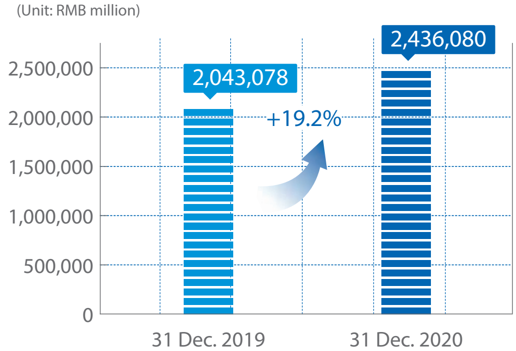


Group EV
(Unit: RMB million)



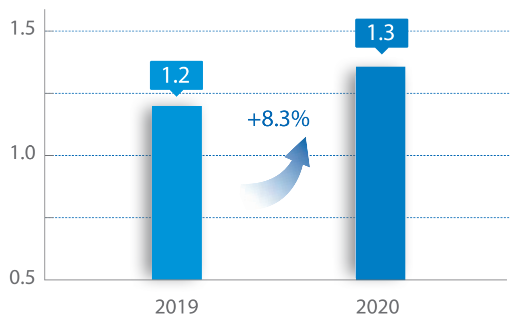
Group AuM

(Unit: RMB million)



Dividend per share note2

(Unit: RMB)



Special Dividend of RMB0.1 per share[note2], with a pay-out ratio of 50.9%. Since our listing more than a decade ago, the annual average pay-out ratio reached 47.6%, testifying to our commitment of giving back to our investors.

Our business operation has been an inseparable part of the effort to promote social development and meet people's aspirations for a better life. In the face of the pandemic, as a leading insurer in China, we supported thousands of Chinese firms in their effort to resume normal business. As the only officially-designated insurance sponsor, we have provided insurance protection for China International Import Expo (CIIE) for 3 years on end. We signed a co-operation agreement with the organiser of the 2022 Hangzhou Asian Games, and became its official insurance partner. About 110,000 CPIC employees donated for the afforestation of the Sanjiangyuan, or origin of the Yangtze River, the Yellow River and Lancang River. We deepened the insurance-based poverty elimination mechanism with our own characteristics, and successfully lifted several rural townships and villages out of poverty, 9 months ahead of the schedule. Our poverty-reduction programmes cumulatively covered a total of 7.62 million people of documented impoverished households, and provided a total of RMB3.08 trillion in sum assured to poverty-stricken areas, doing our share in China's fight against poverty. We have taken concrete steps to enhance "CPIC Service" that is responsible, smart and caring, so as to contribute to national strategies and the lot of the Chinese people.

We achieved a number of milestones in reform and change in 2020. The issuance of GDR on the LSE made us the first insurer listed in Shanghai, Hong Kong and London. The optimisation of ownership structure paved the way for improvement in governance and strategies. The new Board consists of leading experts in various areas, and these new members, with advanced philosophies and an international vision, will contribute to a more professional, market-oriented and international board.

People is key to our long-term success. We launched "the Ever-green Plan" on a trial basis in our life and P/C operations, focusing on key positions, top-performing employees and front-line units, with mechanisms of deferred payment, claw-backs so as to offer both incentives and checks, laying a sound foundation for talent recruitment and retention. We particularly deepened mechanism for the cultivation of young employees, used multiple ways to identify those with potential, and strived to build an on-line corporate university driven by technology, open for sharing and integrated in content. This will stimulate organisational vitality and ensure sustainable development of the Company.

We completed the 1st phase of 10bn-yuan deployment in retirement properties. There are 7 projects up and running in Chengdu, Dali, Hangzhou, Shanghai, Xiamen and Nanjing, with a total floor space of 510,000 square meters, 6,300 beds under construction and 11,000 beds in the pipeline. With this, we have initially achieved a nationwide deployment in retirement properties, and a full spectrum of product and service offerings for different age groups, laying a solid foundation for our elderly care service known as "CPIC Home". We have issued over 10,000 certificates of admission into our CPIC Home communities.

We deepened participation in the Healthy China Initiative. The Board reviewed and approved the development programme of health business. The document articulated positioning of the business, set out concrete measures and provided guidelines for deployment in the sector. We have set up a Special Committee on the Development of Health Industry, responsible for implementation of relevant initiatives and plans, as well as identification of key levers of growth. We have made substantial progress in certain priority areas. We joined hands with Ruijin Hospital, a top-notch health care provider in China, and established Guangci CPIC Internet Hospital, marking an important step towards a full life-cycle health management model closely linked with insurance business. We entered into strategic partnership with Sequoia Capital to promote long-term investment along the health value chain such as bio-pharmaceutical, medical appliances, medical care and tele-medicine.

We made further progress in marketisation of technology. We continued to optimise the governance structure for technology, and put in place an overarching governance framework covering management, research and application. We launched CPIC Fintech. We also formed strategic partnerships with leading technology firms and institutions of higher learning, and set up 3 innovation labs in collaboration with Shanghai Jiaotong University, Fudan University and Shanghai Insurance Exchange, focusing on AI, insurance technology and block-chain respectively. We used market-based mechanisms in the recruitment of leading experts of technology, including those specialising in big data, cloud computing, Internet operation and cyber security, with initial success in the establishment of a team of scientists.

We yielded tangible results in 2020. Next, we will prepare and foster new drivers of growth for the long-term future.

Thirty years ago, CPIC was established in Shanghai, as one of the earliest commercial insurance companies in China. It was named after the Pacific Ocean, which reminds people of vastness. In the past 3 decades, we grew in tandem with China's insurance market, and in the process we devoted ourselves to education of the public, raising people's awareness of insurance. At the same time, "Focus, Prudence, Dynamism and Responsibility" have gradually become our key differentiators.

Looking ahead to the next 30 years, we aspire to be "a long-race runner" of the insurance industry, and that calls for a long-term view in our business strategies, long-term commitments in customer services and long-term effort in reform and transformation.

At the recent board meeting, we initiated top-level design centring on new development philosophies. The Board special committees were reshuffled, with the establishment of a Strategic and Investment Decision-Making & ESG Committee. We will emulate best practices of ESG in China and overseas, incorporate philosophies of sustainable development into business operation to boost high-quality development in environment, society and governance. What we are doing will instil new vitality into our business philosophy, our culture and our DNA, and stimulate long-term growth.

The year 2021 remains challenging: the pandemic is still raging around the world, and the global economic recovery is far from being secured. But under the leadership of the Board, we are confident that we can overcome difficulties and mitigate external risks and uncertainties by securing our own development in 2021. In terms of business strategy, life insurance will focus on fostering new growth drivers as part of the "Changhang Programme". In particular, we will continue to improve the quality and productivity of the agency force, diversify value-added services and enhance digital empowerment. As for property and casualty insurance, we will emulate top players of the industry, continuously enhance underwriting profitability to sharpen competitive edge for long-term development. Investment will focus on improving asset allocation through economic cycles and enhancing research and risk control capabilities. In the meantime, we will continue to prioritise, striving for further progress in corporate governance, organisational reform, deployment in health and retirement sectors, marketisation of technology and collaborative development of key areas.

The year 2021 marks our 30th anniversary, an opportune moment for us to embark on a new stretch of journey, given the combination of experience on the market in the past 30 years and the readiness to embrace reform and change.

Notes:

1. Attributable to shareholders of the parent.
2. Subject to SGM approval.

KONG Qingwei

Chairman of the Board of Directors

CPIC Group

Operating results

Operating results

Highlights of accounting and operation data

1

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

Unit: RMB million

Key accounting data	2020	2019	Changes (%)	2018
Operating income	422,182	385,489	9.5	354,363
Profit before tax	29,238	27,966	4.5	28,008
Net profit[note]	24,584	27,741	(11.4)	18,019
Net profit net of non-recurring profit or loss[note]	24,569	22,915	7.2	18,084
Net cash flows from operating activities	108,063	111,795	(3.3)	89,449
	31 December 2020	31 December 2019	Changes (%)	31 December 2018
Total assets	1,771,004	1,528,333	15.9	1,335,959
Equity[note]	215,224	178,427	20.6	149,576

Note: Attributable to shareholders of the parent.

Unit: RMB

Key accounting indicators	2020	2019	Changes (%)	2018
Basic earnings per share[note 1]	2.63	3.06	(14.1)	1.99
Basic earnings per share net of non-recurring profit or loss[note 1]	2.63	2.53	4.0	2.00
Diluted earnings per share[note 1]	2.63	3.06	(14.1)	1.99
Weighted average return on equity (%)[note 1]	12.6	16.9	(4.3 pt)	12.6
Weighted average return on equity net of non-recurring profit or loss (%)[note 1]	12.5	14.0	(1.5 pt)	12.6
Net cash flows per share from operating activities[note 2]	11.55	12.34	(6.4)	9.87
	31 December 2020	31 December 2019	Changes (%)	31 December 2018
Net assets per share[note 1]	22.37	19.69	13.6	16.51

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

Unit: RMB million

Key accounting data by quarter	For the three months from 1 January to 31 March 2020	For the three months from 1 April to 30 June 2020	For the three months from 1 July to 30 September 2020	For the three months from 1 October to 31 December 2020
Operating income	138,211	97,270	106,439	80,262
Net profit[note]	8,388	5,851	5,409	4,936
Net profit net of non-recurring profit or loss[note]	8,394	5,769	5,427	4,979
Net cash flows from operating activities	43,621	23,664	14,590	26,188

Note: Attributable to shareholders of the parent.

2 Non-recurring items

Unit: RMB million

Non-recurring items	2020
Gains on disposal of non-current assets	4
Government grants recognised in current profit or loss	182
Custody fees of entrusted operation	42
Other net non-operating income and expenses other than aforesaid items	(193)
Effect of income tax relating to non-recurring profit or loss	(18)
Net non-recurring profit or loss attributable to non-controlling interests	(2)
Total	15

3 Other key financial and regulatory indicators

Unit: RMB million

Indicators	31 December 2020/ 2020	31 December 2019/ 2019
The Group		
Investment assets[note 1]	1,648,007	1,419,263
Investment yield (%)[note 2]	5.9	5.4
CPIC Life		
Net premiums earned	203,848	204,340
Growth rate of net premiums earned (%)	(0.2)	3.3
Net claims	55,934	55,011
Surrender rate (%)[note 3]	1.2	1.1
CPIC P/C		
Net premiums earned	121,835	104,587
Growth rate of net premiums earned (%)	16.5	6.1
Net claims	71,894	60,633
Unearned premium reserves	63,706	56,643
Claim reserves	40,772	37,026
Combined ratio (%)[note 4]	99.0	98.3
Loss ratio (%)[note 5]	61.4	60.2

Notes:

1. Investment assets include cash at bank and on hand, etc.
2. Total investment yield = (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. 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 + gross written premiums 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 31 December 2020 and 31 December 2019 and the net profit of the Group for the years 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 CPIC Anxin Agricultural, and specialised health insurance products & health management services through CPIC 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 2020, China's insurance market realised a premium income of RMB4,525.734 billion, up 6.1% from 2019. Of this, premium from life/health insurance companies amounted to RMB3,167.364 billion, a growth of 6.9%, and that from property and casualty insurance companies RMB1,358.369 billion, up 4.4%. 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	31 December 2020	31 December 2019	Changes (%)	Main reason for the changes
Cash at bank and on hand	20,878	14,872	40.4	Timing difference
Financial assets at fair value through profit or loss	12,473	4,931	153.0	Increase in the investment
Securities purchased under agreements to resell	14,327	28,045	(48.9)	Timing difference
Reinsurance receivables	8,180	5,340	53.2	Growth in insurance business and timing difference
Term deposits	192,966	147,756	30.6	Growth in investment and timing difference
Premium received in advance	27,983	21,000	33.3	Growth in insurance business and timing difference
Taxes payable	3,211	2,166	48.2	Growth in insurance business
Long-term health insurance reserves	98,796	72,347	36.6	Growth in insurance business
Insurance premium reserves	207	349	(40.7)	Use of catastrophic risk reserve of agricultural insurance
Deferred income tax liabilities	5,055	2,911	73.7	Increase in taxable temporary differences
Other liabilities	34,180	20,813	64.2	Increase in payables related to asset-backed securities, etc.
Other comprehensive income	22,340	12,949	72.5	Change in fair value for available-for-sale financial assets

Income statement items	2020	2019	Changes (%)	Main reason for the changes
Premiums from reinsurance assumed	4,890	998	390.0	Growth in insurance business
Net change in unearned premium reserves	(5,684)	(11,913)	(52.3)	Change in insurance business
Gains arising from changes in fair value	81	801	(89.9)	Change in market value of financial assets held for trading
Exchange (losses)/gains	(1,428)	56	(2,650.0)	Fluctuation of exchange rate
Insurance contract reserves recovered from reinsurers	1,021	1,490	(31.5)	Change in insurance business
Expenses for reinsurance assumed	(1,336)	(455)	193.6	Growth in insurance business
Asset impairment losses	(4,394)	(2,454)	79.1	Increase in impairment losses
Income tax	(3,886)	388	(1,101.5)	Effect of tax policy change in 2019 on the final settlement and payment for the 2018 fiscal year

2

Performance overview

We focused on the core business of insurance, persisted in value growth, believed in the long-term, deepened the customer-oriented strategic transformation, pursued high quality development and delivered solid business results and sustained increase in overall strength.

I. Performance highlights

During the reporting period, Group operating income amounted to RMB422.182 billion, of which, gross written premiums (GWPs) reached RMB362.064 billion, a growth of 4.2% compared with that of 2019. Group net profits[note 1] reached RMB24.584 billion, down by 11.4%, with Group OPAT [notes 1,2] of RMB31.140 billion, a growth of 11.7%. Group EV amounted to RMB459.320 billion, an increase of 16.0% from the end of 2019. Of this, value of in-force business[note 3] reached RMB201.942 billion, up by 7.7%. Life insurance business delivered RMB17.841 billion in new business value (NBV), down by 27.5% compared with that of 2019, with an NBV margin of 38.9%, down by 4.4pt. Property and casualty insurance business[note 4] recorded a combined ratio of 99.0%, up by 0.6pt. Growth rate of Group investments' net asset value rose by 0.2pt to 7.5%. As of the end of the reporting period, Group total number of customers amounted to 147.47 million, an increase of 8.91 million from the end of 2019.

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

> CPIC Life realised RMB17.841 billion in NBV, down by 27.5%, with an NBV margin of 38.9%, down by 4.4pt. Given the focus on business quality, the NBV margin of the individual customer business stood at 54.9%.

> OPAT of life insurance reached RMB25.875 billion, up by 16.7%; the residual margin of life insurance amounted to RMB351.077 billion, a growth of 6.5% from the end of 2019.

> CPIC Life GWPs amounted to RMB211.952 billion, down by 0.3%. Of this, renewal business realised a growth of 5.5%.

Property and casualty business[note 4] maintained underwriting profitability, with top-line growth leading in industry.

> The combined ratio was 99.0%, up by 0.6pt. Of this, loss ratio stood at 61.5%, up by 1.1pt, and expense ratio 37.5%, down by 0.5pt.

> GWPs amounted to RMB149.722 billion, an increase of 11.2%. Of this, non-auto business grew by 29.9% and accounted for 35.9% of total property and casualty insurance GWPs, up by 5.2pt.

> Automobile insurance enhanced customer retention to push for a shift of growth drivers. Emerging business lines such as health, agricultural and liability insurance maintained rapid development. Of this, agricultural business realised RMB9.442 billion in direct business premiums[note 5], a growth of 39.3%, with a fast increase in market share.

Persisted in asset allocation through economic cycles and based on profiles of liabilities, with solid investment results.

> The share of fixed income investments stood at 78.3%, down by 2.1pt from the end of 2019; that of equity investments 18.8%, up by 3.1pt, and of this, core equity investments[note 6] accounted for 10.2% of total investment assets, an increase of 1.9pt from the end of 2019.

> With continued effort to extend asset duration, enhance investment research capabilities and the Tactical Asset Allocation (TAA) process, growth rate of Group investments' net asset value reached 7.5%, up by 0.2pt from 2019. Total investment yield was 5.9%, up by 0.5pt, with net investment yield of 4.7%, down by 0.2pt.

> Group AuM amounted to RMB2,436.080 billion, an increase of 19.2% from the end of 2019. Of this, third-party AuM amounted to RMB788.073 billion, an increase of 26.3%.

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

II. Key performance indicators

Unit: RMB million

Indicators	As at 31 December 2020 /for the period between January and December in 2020	As at 31 December 2019 /for the period between January and December in 2019	Changes (%)
Key value indicators			
Group embedded value	459,320	395,987	16.0
Value of in-force business[note 1]	201,942	187,585	7.7
Group net assets[note 2]	215,224	178,427	20.6
NBV of CPIC Life	17,841	24,597	(27.5)
NBV margin of CPIC Life (%)	38.9	43.3	(4.4pt)
Combined ratio of CPIC P/C (%)	99.0	98.3	0.7pt
Growth rate of Group investments' net asset value (%)	7.5	7.3	0.2pt
Key operating indicators			
GWPs	362,064	347,517	4.2
CPIC Life	211,952	212,514	(0.3)
CPIC P/C	147,734	132,979	11.1
Group number of customers ('000)[note 3]	147,473	138,558	6.4
Average number of insurance policies per customer	2.09	1.95	7.2
Monthly average agent number ('000)	749	790	(5.2)
Surrender rate of CPIC Life (%)	1.2	1.1	0.1pt
Total investment yield (%)	5.9	5.4	0.5pt
Net investment yield (%)	4.7	4.9	(0.2pt)
Third-party AuM	788,073	623,815	26.3
CPIC AMC	253,227	194,766	30.0
Changjiang Pension	483,060	395,277	22.2
Key financial indicators			
Net profit attributable to shareholders of the parent	24,584	27,741	(11.4)
CPIC Life	18,642	20,530	(9.2)
CPIC P/C	5,209	5,910	(11.9)
Basic earnings per share (RMB yuan)[note 2]	2.63	3.06	(14.1)
Net assets per share (RMB yuan)[note 2]	22.37	19.69	13.6
Comprehensive solvency margin ratio (%)			
CPIC Group	288	295	(7pt)
CPIC Life	242	257	(15pt)
CPIC P/C	276	293	(17pt)

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 the COVID-19 pandemic, NBV growth was under pressure. CPIC Life stepped up on-line and off-line integration in business operation, promoted the restructuring of the agency force, enhanced the “role-model” effect of high-performing agents, and strived to establish a multi-tiered service system based on customer segmentation. CPIC Health boosted product and service innovations, deepened Group strategy of synergic development, and recorded rapid business growth.

I. CPIC Life

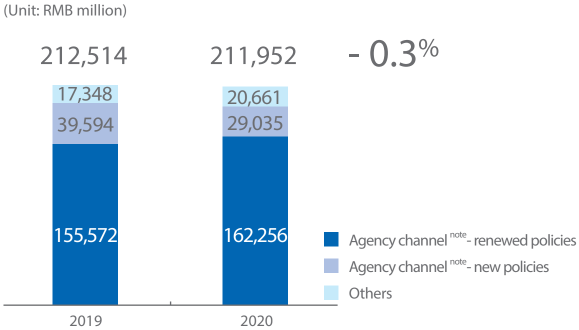
(I) Business analysis

In 2020, CPIC Life reported RMB211.952 billion in GWPs, a decrease of 0.3% compared with that of 2019. Due to the decline of new business premiums, the NBV fell by 27.5% to RMB17.841 billion. As a result of decreased share of first year premiums (FYPs) from individual customer business, the NBV margin fell by 4.4pt to 38.9%. Given the focus on business quality, the NBV margin of the individual customer business stood at 54.9%.

Going forward, CPIC Life, with a belief in long-termism, will persist in high-quality development, promote transformation & innovation, push forward the “Changhang Programme” in an all-around way, maintain steady NBV growth and a solid market position, diversify distribution channels, accelerate digitalisation and the deployment in health and retirement business, stimulate organisational vitality, further improve incentive systems, ensure compliance and effective risk control, and strive to become a life insurance company with the best customer experience.

GWPs of CPIC Life

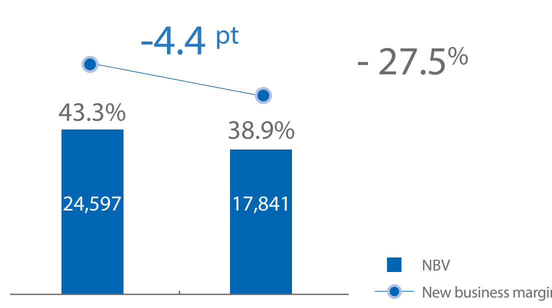
(Unit: RMB million)



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 12 months ended 31 December	2020	2019	Changes (%)
Individual customers	201,992	204,521	(1.2)
Agency channel	191,291	195,166	(2.0)
New policies	29,035	39,594	(26.7)
Regular premium business	21,977	33,000	(33.4)
Renewed policies	162,256	155,572	4.3
Other channels[note]	10,701	9,355	14.4
Group clients	9,960	7,993	24.6
Total GWPs	211,952	212,514	(0.3)

Note: Other channels include bancassurance, insurance brokerage, direct sales by employees, telemarketing & internet sales, etc.

(1) Business from individual customers

For the reporting period, CPIC Life realised RMB201.992 billion in GWPs from individual customers, down by 1.2%. Of this, new policies from the agency channel amounted to RMB29.035 billion, down by 26.7%, and renewal business RMB162.256 billion, an increase of 4.3%. GWPs from the agency channel accounted for 90.3% of total GWPs, a decrease of 1.5pt from 2019.

In 2020, monthly average performing ratio of agents was 57.8%, down by 1.0pt compared with that of 2019, with monthly average FYP per agent of RMB3,259 yuan, down by 22.6%, mainly due to the impact of COVID-19 pandemic, which disrupted the off-line recruitment, distribution and fundamental management activity of the agency force. To address these challenges, CPIC Life deepened the on-line and off-line integration of the operational mode, enhanced the “role-model” effect of high-performing agents, promoted the restructuring of the agency force, strived to establish a multi-tiered service system based on customer segmentation, stepped up integration of insurance and health management, elderly care and wealth management so as to meet diverse needs of customers and pursue high-quality development.

For 12 months ended 31 December	2020	2019	Changes (%)
Monthly average agent number ('000)	749	790	(5.2)
Monthly average FYP per agent (RMB)	3,259	4,212	(22.6)
Monthly average performing ratio of agents (%)	57.8	58.8	(1.0pt)
Average number of new long-term life insurance policies per agent per month	1.58	1.51	4.6

(2) Business from group clients

In pursuit of high-quality development, CPIC Life focused on core customer segments of group business, effectively controlled expenses and risks through business and service innovations, and delivered improved profitability as evidenced by a lower combined ratio. In 2020, the business segment realised RMB9.960 billion in GWPs, up by 24.6%. It vigorously contributed to China’s social health insurance system by engaging in government-sponsored business such as critical illness programmes, third-party administration (TPA) of social insurance, long-term care insurance and supplementary medical insurance, which, during the reporting period, covered over 125 million people, cumulatively responded to nearly 18 million service requests, and paid out a total of RMB19 billion in claims. There was cumulatively a total of 43 managed care programmes, covering over 30 million people under the social security system in 35 cities of 12 provinces.

2. Analysis by product types

CPIC Life focuses on both traditional and participating products. For the reporting period, traditional business generated RMB95.864 billion in GWPs, up 14.5%. Of this, long-term health insurance contributed RMB46.106 billion, up 5.0%. Participating business delivered RMB97.318 billion in GWPs, down by 12.7%, due to adjustment of product strategies in the context of market-oriented pricing.

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
GWPs	**211,952**	**212,514**	**(0.3)**
Traditional	95,864	83,689	14.5
Long-term health	46,106	43,900	5.0
Participating	97,318	111,521	(12.7)
Universal	101	104	(2.9)
Tax-deferred pension	75	75	-
Short-term accident and health	18,594	17,125	8.6

Information of the top five products in 2020

For 12 months ended 31 December

Unit: RMB million

Ranking	Name	Type	GWPs	Sales channel
1	Jin You Ren Sheng Whole Life A (2014) 金佑人生终身寿险（分红型）A 款（2014 版）	Participating	16,504	Individual customer business
2	Jin Nuo Ren Sheng Critical Illness (2018) 金诺人生重大疾病保险（2018 版）	Traditional	7,881	Individual customer business
3	Jin You Ren Sheng Whole Life A (2017) 金佑人生终身寿险（分红型）A 款（2017 版）	Participating	6,703	Individual customer business
4	Group medical insurance for critical illness of rural and urban residents (A) 城乡居民大病团体医疗保险（A 型）	Traditional	5,261	Group client business
5	Ju Bao Pen Annuity 聚宝盆年金保险（分红型）	Participating	5,131	Individual customer business

3. Policy persistency ratio

For 12 months ended 31 December	2020	2019	Changes
Individual life insurance customer 13-month persistency ratio (%)[note 1]	85.7	90.3	(4.6pt)
Individual life insurance customer 25-month persistency ratio (%)[note 2]	85.1	89.2	(4.1pt)

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 continued to decline, due to the change to product mix, agency force retention, coupled with the impact of the pandemic, with the 13-month and 25-month persistency ratios at 85.7% and 85.1% 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 12 months ended 31 December	2020	2019	Changes (%)
GWPs	**211,952**	**212,514**	**(0.3)**
Henan	24,118	24,702	(2.4)
Jiangsu	21,301	21,649	(1.6)
Shandong	17,616	17,509	0.6
Zhejiang	14,953	15,365	(2.7)
Hebei	13,087	13,318	(1.7)
Guangdong	11,759	12,212	(3.7)
Hubei	8,971	9,170	(2.2)
Heilongjiang	8,962	9,001	(0.4)
Shanxi	8,500	9,026	(5.8)
Sichuan	6,855	7,034	(2.5)
Subtotal	136,122	138,986	(2.1)
Others	75,830	73,528	3.1

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Net premiums earned	203,848	204,340	(0.2)
Investment income[note 1]	75,548	59,876	26.2
Exchange (losses)/gains	(89)	17	(623.5)
Other operating income	2,283	2,330	(2.0)
Gains on disposal of assets	4	13	(69.2)
Other income	45	30	50.0
Operating income	**281,639**	**266,606**	**5.6**
Surrenders	(14,421)	(11,089)	30.0
Claims	(59,577)	(57,769)	3.1
Less: claims recoveries from reinsurers	3,644	2,758	32.1
Net change in insurance contract reserves	(132,775)	(118,988)	11.6
Commission and brokerage expenses	(21,359)	(28,886)	(26.1)
Operating and administrative expenses	(15,037)	(14,938)	0.7
Other expenses[note 2]	(21,743)	(18,318)	18.7
Operating expenses	**(261,268)**	**(247,230)**	**5.7**
Operating profit	20,371	19,376	5.1
Net of non-operating income and expenses	(72)	(93)	(22.6)
Income tax	(1,657)	1,247	(232.9)
Net profit	**18,642**	**20,530**	**(9.2)**

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

Investment income for the reporting period was RMB75.548 billion, up by 26.2%, mainly because of increase in gains from securities trading and interest income on bond investments.

Claims amounted to RMB59.577 billion, up by 3.1%.

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Claims	**59,577**	**57,769**	**3.1**
Traditional	15,627	18,846	(17.1)
Long-term health	7,902	7,408	6.7
Participating	34,071	30,404	12.1
Universal	60	73	(17.8)
Tax-deferred pension	-	-	/
Short-term accident and health	9,819	8,446	16.3
Claims	**59,577**	**57,769**	**3.1**
Indemnity	9,819	8,446	16.3
Payment upon maturity and survival	24,745	22,660	9.2
Payment of annuity	14,530	16,676	(12.9)
Payment upon death, injury or medical treatment	10,483	9,987	5.0

Commission and brokerage expenses for the reporting period amounted to RMB21.359 billion, down by 26.1%, 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 12 months ended 31 December	2020	2019	Changes (%)
Commission and brokerage expenses	**21,359**	**28,886**	**(26.1)**
Traditional	15,843	20,462	(22.6)
Long-term health	8,353	13,507	(38.2)
Participating	3,054	5,757	(47.0)
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	2,462	2,667	(7.7)

Income tax for the reporting period was RMB1.657 billion, mainly due to adjustment of tax deductible policies on commissions 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 2020. Excluding the above-mentioned factor, income tax for the reporting period would have decreased by 24.1% from the same period of 2019.

As a result, CPIC Life recorded a net profit of RMB18.642 billion, down by 9.2%.

II. CPIC Health

The subsidiary leveraged its strengths as a specialised provider of health insurance and management services, and strived to provide its customers with more comprehensive products and services, delivered in a faster and more convenient way, to contribute to the fight against the pandemic and promote the branding of CPIC Service. In the meantime, it seized opportunities of the implementation of Group health business strategy, focused on innovation in expertise and building of professional capabilities, vigorously explore paths of transitioning while maintaining rapid business growth. For the reporting period, it realised RMB6.818 billion in GWPs and health management fee income, a growth of 44.5%, and net profit of RMB116 million.

CPIC Health seized the window of opportunity of China's health insurance market, continuously enhanced professional capability-building. In product innovation, in response to the call for insurance supply-side reform, it differentiated in health insurance, supported CPIC Life and CPIC P/C in their effort to improve product line-up, deepened the mechanism of "health insurance + health services", helped with customer retention via the provision of full-cycle service, boosted the business development and enhanced customer experience of both CPIC Life and CPIC P/C, with a growth of 34.0% and 106.0% respectively for life insurance and P/C insurance collaboration business in 2020; at the same time, it continued to promote product innovation based on medical big data, and achieved initial success in development of products for single illnesses or covering the insured with prior conditions, tapping into a potentially 10-billion yuan market. In respect of operational risk control, it made further progress in smart underwriting, interaction of medical data, self-service claims handling, and self-service post-sale services through empowerment from data and technology, with continued effort in high-tech incubation and commercialisation. As for health management, the subsidiary stepped up sharing of medical and health care resources, improved the full life-cycle health management system, enhanced operational capabilities in health service, expanded the network of care provider partnerships to provide service to the entire Group.

4
Property and casualty insurance

CPIC P/C[note] introduced effective steps to mitigate the impact of COVID-19 pandemic, and achieved rapid growth in premium. It enhanced the capability of customer acquisition and retention of automobile insurance to promote the shift of growth drivers, persisted in business quality control, with stability in the combined ratio; non-auto business focused on the support for resumption of business and work, maintained rapid development of emerging business lines, with a sustained increase in share of business.

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

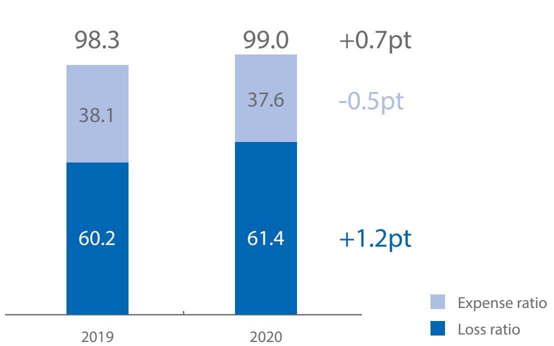
I. CPIC P/C

(I) Business analysis

In the face of the pandemic and comprehensive reform of automobile insurance, CPIC P/C focused on disease control and prevention and the resumption of business and work. It enhanced the system of customer acquisition and retention, intensified technological empowerment to improve capabilities of high-quality development in an all-around way. During the reporting period, it recorded GWPs of RMB147.734 billion, up by 11.1%, with a combined ratio of 99.0%, an increase of 0.7pt from 2019. Of this, the loss ratio stood at 61.4%, up 1.2pt, and the expense ratio 37.6%, down by 0.5pt.

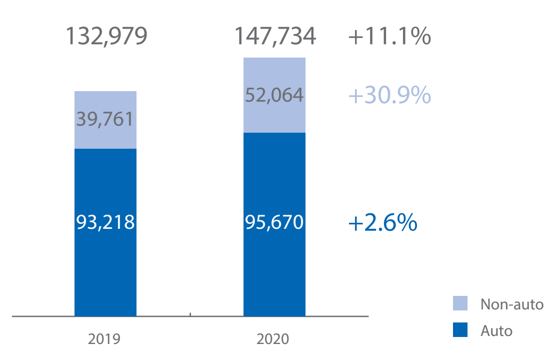
Combined ratio of CPIC P/C

(Unit: %)



GWPs of CPIC P/C

(Unit: RMB million)



1. Analysis by lines of business

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
GWPs	**147,734**	**132,979**	**11.1**
Automobile insurance	95,670	93,218	2.6
Compulsory automobile insurance	23,906	21,938	9.0
Commercial automobile insurance	71,764	71,280	0.7
Non-automobile insurance	52,064	39,761	30.9
Health insurance	8,886	5,146	72.7
Liability insurance	8,784	6,097	44.1
Agricultural insurance	8,649	5,975	44.8
Guarantee insurance	6,682	5,616	19.0
Others	19,063	16,927	12.6

(1) Automobile insurance

In 2020, CPIC P/C reported GWPs of RMB95.670 billion from automobile business, a growth of 2.6%, with a combined ratio of 97.9%, the same as that of 2019. Of this, loss ratio stood at 60.5%, down by 0.3pt and expense ratio rose by 0.3pt to 37.4%.

CPIC P/C proactively adapted to challenges such as the comprehensive reform of automobile insurance, slow-down of new vehicle sales and the impact of COVID-19 pandemic, strived to translate the comprehensive reform into a strategic opportunity, persisted in high-quality development, enhanced risk screening, deepened customer acquisition and retention and promoted on-line business operation in an all-around way, which delivered tangible benefits. Its market share increased for successive years, with a stable combined ratio and improved renewal ratio for commercial automobile insurance.

Going forward, CPIC P/C will focus on customer acquisition & retention and platform-based operation and centre its efforts on customers, integration and technology. To be specific, it will enhance risk control, improve business quality, promote customer acquisition & retention, step up technological empowerment and intensify claims management.

(2) Non-automobile insurance

CPIC P/C vigorously coped with the challenge of COVID-19, supported China's national strategies such as the target of "ensuring stability in 6 areas and protection in 6 priorities", contributed to the real economy and people's welfare, accelerated the development of emerging business lines and continued to enhance risk control. For the reporting period, it recorded GWPs of RMB52.064 billion, up by 30.9%, with a combined ratio of 101.9%, up by 2.0pt. Of the major business lines, health insurance, liability insurance and agricultural insurance maintained rapid growth, with accident insurance recording great improvement in underwriting profitability.

Health insurance seized opportunities arising from the upgrading of consumption and government supportive policies, diversified the supply of personal lines health insurance products, gradually expanded the scope of business of government-sponsored insurance, contributed to China's social health insurance system, pushed for rapid development of long-term care and health insurance for poverty alleviation. In 2020, health insurance reported RMB8.886 billion in GWPs, a growth of 72.7%.

Liability insurance focused on improving people's life, innovation in public administration and the real economy, and accelerated development of business in food safety, environmental protection, large high-tech machinery, and new materials. The business line delivered RMB8.784 billion in GWPs for 2020, up by 44.1%.

Agricultural insurance, in spite of the pandemic, seized opportunities of government supportive policies, leveraged new platforms, pressed ahead with innovation, emulated industry leaders, and realised profitable, sustainable development driven by intensive management and continued improvement of strategies in geography, business lines, customers and management. In 2020, the business line delivered RMB8.649 billion in GWPs, up by 44.8%.

Guarantee insurance persisted in "Value, Integration and Prudence", achieved steady development while ensuring control of risks. Of this, personal lines business accounted for over 90%; it continued to enhance the risk control systems, improved risk management capabilities via technological innovation, with stable business quality and healthy premium growth. Commercial lines focused on business of security deposit substitute, with business risk overall under control. In 2020, guarantee insurance reported GWPs of RMB6.682 billion, up by 19.0%, with a combined ratio of 98.1%, realising underwriting profitability.

Going forward, CPIC P/C will continue to step up product innovations, optimise service supply, focus on the development of emerging lines, increase digitalisation, and push for an all-around upgrading of customer operation capabilities. At the same time, the subsidiary will continue with the building of risk control systems, increase the use of technology, strengthen business quality control, so as to drive healthy and rapid development of the business.

(3) Key financials of major business lines

Unit: RMB million

For 12 months ended 31 December 2020						
Name of insurance	GWPs	Amounts insured	Claims	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	95,670	36,225,463	56,071	63,417	1,849	97.9
Health insurance	8,886	180,940,237	5,222	4,490	(944)	113.8
Liability insurance	8,784	67,996,791	3,780	6,784	(61)	101.1
Agricultural insurance	8,649	307,341	6,264	2,916	7	99.9
Guarantee insurance	6,682	147,899	2,248	9,120	80	98.1

2. Top 10 regions for GWPs

CPIC P/C attaches great importance to the strategic opportunity arising from China's regional development initiatives, implements differentiated regional strategies for differentiated competition.

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
GWPs	**147,734**	**132,979**	**11.1**
Guangdong	17,539	15,540	12.9
Jiangsu	15,940	14,348	11.1
Zhejiang	13,764	12,992	5.9
Shanghai	10,945	10,067	8.7
Shandong	8,313	7,449	11.6
Beijing	6,928	6,811	1.7
Hebei	5,505	4,734	16.3
Henan	5,306	4,578	15.9
Hunan	5,303	4,650	14.0
Hubei	5,236	4,832	8.4
Subtotal	94,779	86,001	10.2
Others	52,955	46,978	12.7

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Net premiums earned	121,835	104,587	16.5
Investment income[note1]	6,834	5,631	21.4
Exchange (losses)/gains	(249)	44	(665.9)
Other operating income	225	314	(28.3)
Gains on disposal of assets	2	1	100.0
Other income	31	30	3.3
Operating income	**128,678**	**110,607**	**16.3**
Claims	(81,908)	(69,432)	18.0
Less: claims recoveries from reinsurers	10,014	8,799	13.8
Net change in insurance contract reserves	(3,010)	(2,392)	25.8
Changes in insurance premium reserves	105	87	20.7
Commission and brokerage expenses	(18,277)	(18,064)	1.2
Operating and administrative expenses	(33,689)	(26,876)	25.3
Other expenses[note 2]	5,004	3,401	47.1
Operating expenses	**(121,761)**	**(104,477)**	**16.5**
Operating profit	6,917	6,130	12.8
Net of non-operating income and expenses	(29)	(5)	480.0
Income tax	(1,679)	(215)	680.9
Net profit	**5,209**	**5,910**	**(11.9)**

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 expense, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period amounted to RMB6.834 billion, up by 21.4%, mainly attributable to higher gains from securities trading.

Claims reached RMB81.908 billion, up 18.0%, mainly as a result of business growth.

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Claims	**81,908**	**69,432**	**18.0**
Automobile insurance	56,071	51,095	9.7
Non-automobile insurance	25,837	18,337	40.9

Commission and brokerage expenses amounted to RMB18.277 billion, a growth of 1.2% and representing 12.4% of total GWPs, down by 1.2pt, largely due to decrease in commission rates of automobile insurance.

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Commission and brokerage expenses	**18,277**	**18,064**	**1.2**
Automobile insurance	12,384	13,235	(6.4)
Non-automobile insurance	5,893	4,829	22.0

Operating and administrative expenses amounted to RMB33.689 billion, an increase of 25.3%, and accounting for 22.8% of GWPs, up 2.6pt from 2019, mainly because of increased investment in technology and customer service, and adjustment of statutory insurance security fund.

This, coupled with the impact of adjustment of policies on deductibles for corporate income tax in 2019, resulted in a net profit of RMB5.209 billion in 2020, a decrease of 11.9% from 2019.

II. CPIC Anxin Agricultural

In 2020, committed to the high-quality development objectives, CPIC Anxin Agricultural continued to cement its branding as a specialised provider of agricultural insurance, underpinned by innovation and transformation, deepening of integration and empowerment of technology. It delivered RMB1.473 billion in GWPs, up by 2.9%. Of this, agricultural insurance reported GWPs of RMB925 million, a growth of 0.5%, with a combined ratio of 96.5%, down by 3.3pt. It reported net profit of RMB151 million, up by 45.2%.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2020, its total assets stood at RMB1.545 billion, with net assets of RMB514 million. GWPs for the reporting period amounted to RMB724 million, with a combined ratio of 105.4%, and a net profit of RMB6 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 2020, Group AuM totalled RMB2,436.080 billion, rising 19.2% from the end of 2019. Of this, Group in-house investment assets amounted to RMB1,648.007 billion, a growth of 16.1%, and third-party AuM RMB788.073 billion, an increase of 26.3%, with a management fee income of RMB2.385 billion, up by 46.8% from 2019.

Unit: RMB million

	31 December 2020	31 December 2019	Changes (%)
Group AuM	**2,436,080**	**2,043,078**	**19.2**
Group in-house investment assets	1,648,007	1,419,263	16.1
Third-party AuM	788,073	623,815	26.3
CPIC AMC	253,227	194,766	30.0
Changjiang Pension	483,060	395,277	22.2

II. Group in-house investment assets

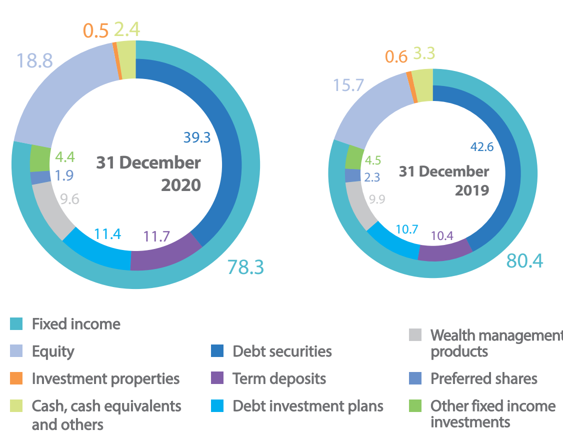
During the reporting period, China delivered a GDP growth of 2.3%, the only country with positive growth among the major economies of the world, demonstrating resilience in the face of the challenge of COVID-19. On the capital markets, interest rates fell sharply and then came back to year-beginning levels amid effective control of the pandemic and economic recovery. The equity market plummeted at the year beginning due to the pandemic, and then rallied sharply, with volatility in the second half of the year. ChiNext and STAR markets were leading in the rally.

With the guidance of SAA, we conducted TAA with flexibility, seized market opportunities and achieved stable investment results which were higher than the cost of liabilities. Given expectations of lower interest rates, we increased strategic allocation into long-term T-bonds and local government bonds to extend asset duration. Given increasing credit risk on the fixed income market, we maintained prudence in credit risk exposure, enhanced credit risk control and took effective steps to mitigate credit risk.

In investment concentration, our investments are concentrated in financial services, communications & transport, real estate, infrastructure, and the energy sector like power, thermos and gas, with relatively strong resilience in the face of risks. Our equity investments spread across a wide range of instruments; as for fixed income assets, the debt issuers boasted strong overall strength, and our main counter-parties included China State Railway Group Co., Ltd., large commercial state-owned banks and State Grid Corporation of China.

Group consolidated investment portfolios

(Unit: %)



(I) Consolidated investment portfolios

Unit: RMB million

	31 December 2020	Share (%)	Share change from the end of 2019 (pt)	Changes (%)
Group investment assets (total)	**1,648,007**	**100.0**	-	**16.1**
By investment category				
Fixed income investments	1,290,629	78.3	(2.1)	13.0
- Debt securities	648,475	39.3	(3.3)	7.2
- Term deposits	192,966	11.7	1.3	30.6
- Debt investment plans	187,443	11.4	0.7	23.8
- Wealth management products[note 1]	157,751	9.6	(0.3)	11.6
- Preferred shares	32,000	1.9	(0.4)	-
- Other fixed income investments[note 2]	71,994	4.4	(0.1)	12.3
Equity investments	310,249	18.8	3.1	39.7
- Equity funds	40,953	2.5	0.6	55.1
- Bond funds	19,138	1.2	(0.1)	5.3
- Stocks	127,286	7.7	1.3	40.5
- Wealth management products[note 1]	1,446	0.1	-	98.4
- Preferred shares	13,131	0.8	(0.2)	(3.6)
- Other equity investments[note 3]	108,295	6.5	1.5	49.2
Investment properties	7,866	0.5	(0.1)	(5.0)
Cash, cash equivalents and others	39,263	2.4	(0.9)	(16.6)
By investment purpose				
Financial assets at fair value through profit or loss[note 4]	12,613	0.7	0.4	155.8
Available-for-sale financial assets	596,158	36.2	0.1	16.5
Held-to-maturity financial assets	329,360	20.0	(0.8)	11.6
Long-term equity investments	24,443	1.5	0.1	19.6
Loans and other investments[note 5]	685,433	41.6	0.2	16.8

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 and derivative financial assets, etc.
4. Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss, and derivative financial assets on financial statements.
5. 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.

1. By investment category

As of the end of the reporting period, the share of debt securities was 39.3%, a drop of 3.3pt from the end of 2019. Of this, treasury bonds, local government bonds and financial bonds issued by policy banks made up 17.5% of total investment assets, up by 1.3pt from the end of 2019, with an average duration of 16.4 years, extended by 1.2 years versus the end of 2019. Moreover, 99.8% of enterprise bonds and financial bonds issued by non-policy banks had a debt/ issuer rating of AA/A-1 or above. Out of these, the share of AAA reached 93.1%. 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. We vigorously pushed for the establishment of a Group integrated credit-rating system. In the selection of 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 boasted sound financial strength, with the overall credit risk under control.

The share of equity investments stood at 18.8%, up by 3.1pt from the end of 2019. Of this, stocks and equity funds accounted for 10.2% of total investment assets, up by 1.9pt versus 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, increased allocation into equity assets and realised solid investment performance, supporting the core business of insurance.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB356.422 billion, accounting for 21.6% of total investment assets, rising 0.7pt 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. 99% NPFIs had external credit-ratings, and of these, the share of AAA reached 94.9%, and that of AA+ and above 99.9%. 54.6% 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. In 2020, there were no new defaults, with credit risk manageable overall.

Mix and distribution of yields of non-public financing instruments

Sectors	Share of investments (%)	Nominal yield (%)	Average duration (year)	Average remaining duration (year)
Infrastructure	37.2	5.3	7.1	5.4
Real estate	18.4	5.3	6.4	4.6
Non-bank financial institutions	17.8	4.9	5.1	3.7
Communications & transport	12.8	5.4	9.2	6.5
Energy and manufacturing	7.2	5.4	6.3	3.9
Others	6.6	5.9	8.0	5.6
Total	**100.0**	**5.3**	**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 155.8% from the end of 2019, mainly because of increased allocation in unlisted equities. AFS financial assets increased by 16.5%, mainly as a result of increased investments in listed stocks and funds. HTM financial assets grew by 11.6% from the end of 2019, mainly due to increased investments in government bonds. Long-term equity investments grew by 19.6% from the end of 2019, mainly due to increased investments in structured entities. Loans and other investments rose by 16.8%, 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 RMB67.159 billion, up by 9.6%. This stemmed mainly from increased interest income from fixed income investments. Net investment yield reached 4.7%, down by 0.2pt compared with that of 2019.

Total investment income amounted to RMB83.997 billion, up by 25.4%, mainly attributable to increase in gains from securities trading and interest income from fixed income investments, with total investment yield at 5.9%, up by 0.5pt. Growth rate of investments' net asset value rose by 0.2pt to 7.5%.

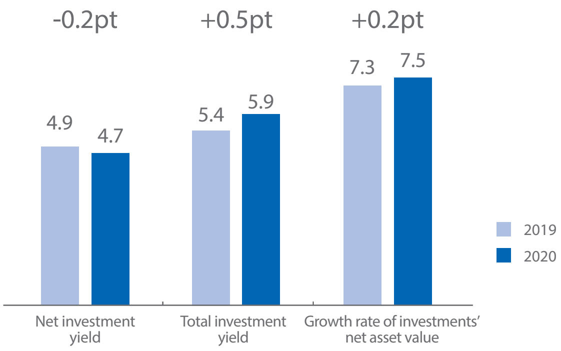
Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Interest income from fixed income investments	59,624	54,857	8.7
Dividend income from equity investments	6,790	5,664	19.9
Rental income from investment properties	745	754	(1.2)
Net investment income	**67,159**	**61,275**	**9.6**
Gains from securities trading	19,462	6,174	215.2
Gains arising from changes in fair value	81	801	(89.9)
Charge of impairment losses on investment assets	(4,242)	(2,339)	81.4
Other income[note 1]	1,537	1,067	44.0
Total investment income	**83,997**	**66,978**	**25.4**
Net investment yield (%)[note 2]	4.7	4.9	(0.2pt)
Total investment yield (%)[note 2]	5.9	5.4	0.5pt
Growth rate of investments' net asset value (%)[note 2,3]	7.5	7.3	0.2pt

Notes:
1. Other income includes interest income on cash at bank and on hand and 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.

Group consolidated investment yields

(Unit: %)



(III) Total investment yield on a consolidated basis

Unit: %

For 12 months ended 31 December	2020	2019	Changes
Total investment yield	**5.9**	**5.4**	**0.5pt**
Fixed income investments[note]	4.9	5.1	(0.2pt)
Equity investments[note]	10.1	6.3	3.8pt
Investment properties[note]	9.6	9.3	0.3pt
Cash, cash equivalents and others[note]	1.3	1.7	(0.4pt)

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

III. Third-party AuM

(I) CPIC AMC

In the face of COVID-19 and the ensuing economic shocks, CPIC AMC persisted in the prevention of major risks, and effectively mitigated the adverse impact of the pandemic through support of the real economy. As of the end of the reporting period, its third-party AuM amounted to RMB253.227 billion, an increase of 30.0% from the end of 2019.

In alternative investment, the company centred on needs of national strategies and the real economy, looked for opportunities of "big projects and major co-operation". It focused on high-quality clients such as large SOEs under the central government, key SOEs under provincial governments, and key enterprises in urban economic centres, with investment in sectors of infrastructure, nuclear power, rail transit systems and high-tech parks, covering the Yangtze River Delta Region and the Greater Bay Area of Guangdong, Hong Kong and Macao. In particular, it supported the integration of the Yangtze River Delta Region and the building of the Greater Bay Area via investing in the debt investment plans of Jiangsu Communications Holding Group, China South Power Grid and China Power Construction respectively. To facilitate economic recovery and social development of areas most affected by the pandemic, it contacted, at the earliest possible time, owners of partnership projects in Hubei Province, and met their funding needs. In 2020, it registered a total of 33 alternative investment products involving an amount of RMB96.825 billion, a growth of 98.6% and maintaining industry leadership.

It launched a series of portfolio-based products with distinctive insurance asset management features, marking initial success in their branding. Under the guidelines of "market-based, product-driven and systematic development", the company faithfully implemented new regulatory rules, and steadily translated its insurance fund investment capabilities and strategies into development of portfolio-based insurance asset management products. The company reviewed the product positioning, leveraged its differentiating strengths and issued products in multiple classes, such as "fixed income +", liquidity management and strategic asset allocation, which were well received by its institutional clients. As of the end of the reporting period, the subsidiary reported RMB191.322 billion in third-party asset management products and AuM combined, an increase of 49.4% from the end of 2019.

(II) Changjiang Pension

Under the guidance of Transformation 2.0 objectives and vision, Changjiang Pension closely followed national strategies, enhanced CPIC Service, stayed focused on the core business of pension fund management, continued to improve core competencies in trustee service and investment research, increased incentives for people via organisational restructuring and innovation in mechanisms, made forward-looking deployment in fin-tech with digitalisation at the core, strived to formulate an integrated risk control system aligned with pension fund management, fully participated in the fight against the pandemic and pressed ahead with the transitioning towards high-quality development. As of the end of 2020, its third-party assets under trustee management amounted to RMB243.074 billion, up 63.8% from the end of 2019; third-party assets under investment management reached RMB483.060 billion, an increase of 22.2%.

It realised the goal of "nationwide presence" in pension business. In the first pillar, it maintained leadership, on a comparable basis, in AuM and investment performance of social security pension funds. As for the second pillar, the company provided service to 32 occupational annuity programmes at the central and provincial government level, with industry-leading performance for 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 maintained industry leadership in group pension business, and launched a TPA programme of retirees for payments extra to the social security system, the first of its kind in China, and a fund-based Employee Ownership Plan. These innovations supported firms in compensation management and reform of incentive systems. In the third pillar, Changjiang Pension continued to deliver solid investment performance for the tax-deferred pension schemes; in the light of regulatory trends, it pushed for transitioning of alternative business. In 2020, the company registered RMB73.1 billion in alternative insurance asset management products, and since its inception, it has cumulatively channelled RMB150 billion in direct funding to the real economy, playing its part in boosting China's economic development.

6

Customer operation

Since the launch of Transformation 2.0, we persisted in customer-centric business philosophy, pressed ahead with strategic transformation, and leveraged our strength as an insurer with a full range of insurance-related licenses and deployment in asset management, health and retirement business. Given the objective of delivering "integrated service to one customer via one interface", we are committed to providing comprehensive, tailor-made product & service solutions which are easy and convenient to use, so as to enhance customer experience and steadily increase customer value.

I. Individual customer operation

We implemented the customer operation strategy, strived to meet, in a "one-stop" way, diverse needs of our customers for insurance products and services, delivering caring "CPIC Service". The width and depth of service provided to individual customers have been continuously improved in recent years. As of the end of 2020, the number of customers with sum assured (SA) exceeding RMB300,000 on critical illness (CI) products of CPIC Life reached 4.73 million, up by 17.1% from the year beginning, and the number of customers with sum assured of a million yuan and above on Third-party Liability (TPL) of automobile insurance amounted to 17.15 million, a jump of 31.9% from the year beginning.

	2020	2019	2018	2017
Number of customers with SA exceeding RMB300,000 on CI products of CPIC Life (million)	4.73	4.04	2.99	1.74
Number of customers with SA of a million yuan and above on TPL of automobile insurance of CPIC P/C (million)	17.15	13.00	9.68	6.03

We persisted in an innovation-driven mode, deepened comprehensive operation of individual customers, built a middle platform of collaborative operation for individual customers to boost the connectivity of accounts and data while ensuring customer data security, which helped us to achieve integration of products, services and tools. With profound insights into customers' diverse needs, we provided personalised product & service recommendations based on customer segmentation, with steady increase in average number of insurance policies per customer and number of customers with multiple insurance policies, pointing to enhanced customer loyalty. As of the end of 2020, Group average number of insurance policies per individual customer reached 2.09, an increase of 7.2% from the year beginning; the number of individual customers with 2 insurance policies and above amounted to 31.66 million, up by 23.3% from the year beginning.

Leveraging our strength as an insurer with a full range of insurance-related licenses, we put in place work mechanisms for collaboration across business segments and diversified the systems. We upgraded the one-stop platform for individual customer operation to provide life insurance agents with tools for sales across business lines and customer services spanning full processes, empowering integrated on-line operation of the agency force. Based on big data, we established a customer labelling system, achieving precision in customer segment selection and leads allocation. In recent years, the penetration of cross-sell of individual customers has been on steady increase. As of the end of the reporting period, the number of individual customers holding insurance policies of multiple Group subsidiaries reached 10.24 million, a growth of 22.5% versus year-beginning.

	2020	2019	2018	2017	2016
Average number of insurance policies per individual customer[note 1]	2.09	1.95	1.83	1.73	1.64
Number of individual customers holding 2 insurance policies and above[note 2] (million)	31.66	25.68	20.26	15.81	13.91
Number of individual customers holding insurance policies of multiple Group subsidiaries[note 2] (million)	10.24	8.36	5.61	3.48	2.32

Notes:
1. Based on applicants of in-force insurance policies.
2. Based on applicants of in-force insurance policies of one year or above.

We continued to deepen the model of “products + services”, accelerated product innovation and the building of a multi-tiered service system. Given the deployment in health and retirement business, our professional elderly care service under “CPIC Home” retirement communities has delivered tangible benefits in the engagement of high-end customers. In response to the surge in demand for on-line health management service in the context of COVID-19, we enhanced the infrastructure of health management system, with “CPIC Blue Passports”, a health management programme, covering nearly 13 million customers, and “Tele-doctors” 2 million customers. We continuously diversified the system of services for automobile insurance customers to support life insurance agents in providing full life-cycle service to them, involving 2.05 million service deliveries in 2020.

We value feedbacks from customers, and strived to promote innovation and efficiency in customer services to enhance customer experience. We introduced the Net Promotional Score (NPS), a leading tool for customer experience evaluation in the world, established step-by-step a closed-loop management system for customer experience, which helped us gain insights into the pain spots and take effective measures to enhance service quality. We built a digital platform for the monitoring of NPS, which enabled us to closely track customer feedbacks post key business journey interactions. In 2020, we received 1.47 million feedbacks from customers, which were instrumental in improvement of operational management and products & services.

Based on insights into customer experience, we focused on enhancing service capabilities and efficiency to improve convenience in service requests, speed in service responses and transparency in service processes. CPIC P/C used “CPIC AI”, a smart tool for loss assessment, which realised evaluation of losses within seconds, and graded claims payment, with the turnaround for payment as short as less than 2 minutes for small claims cases of automobile insurance. CPIC Life focused on R&D and roll-out of smart processes covering insurance application, claims management and post-sale customer services, achieved complete on-line process for insurance application and a much expedited claims turnaround on medical insurance due to direct connection of data, with average turnaround of 2.6 hours.

II. Group customer operation

To achieve the goal of “One Company, One-stop Service”, we vigorously pushed forward collaboration within the Group, promoted sharing of group customers and centralised use of products, services and expertise, deepened organisational support, enhanced management innovation and system operation, so as to build capabilities in the provision of comprehensive solutions catering for needs of group customers. We introduced differentiated management of strategic accounts and key accounts. For the former, the Group co-ordinates business development by subsidiaries; as for the latter, we promote collaborative business development across subsidiaries based on market-oriented mechanisms.

At the Group level, we set up the cluster of key accounts, including central ministries and commissions, provincial/municipal governments, enterprises under the administration of central government, SOEs, major state-owned banks, joint-stock banks, securities firms, urban commercial banks, firms listed among China’s Top 500, industry leading companies, and local champions. As of the end of 2020, we signed agreements with 103 partners for strategic cooperation, up by 33.8% from the end of 2019; entered into strategic partnership with 75% of provinces/municipalities (provinces, autonomous regions, municipalities under the central government, cities with vice-provincial status), an increase of 11.2pt from the end of 2019.

On the back of solid performance in group customer operation, we have consolidated our strengths in traditional business lines such as agricultural insurance, government-sponsored critical illness insurance, long-term care insurance, occupational annuity, while delivering continued progress in emerging business such as inherent defect insurance (IDI) and green insurance. At the same time, we continuously explored the path to deliver insurance solutions to employees and their families via our corporate/government clients. Given the surge in demand for health protection post the pandemic, we combined insurance with services, customised health tips for key accounts, and tailor-made health management services for strategic accounts.

7

ESG

I. ESG philosophies and management

(I) ESG philosophies

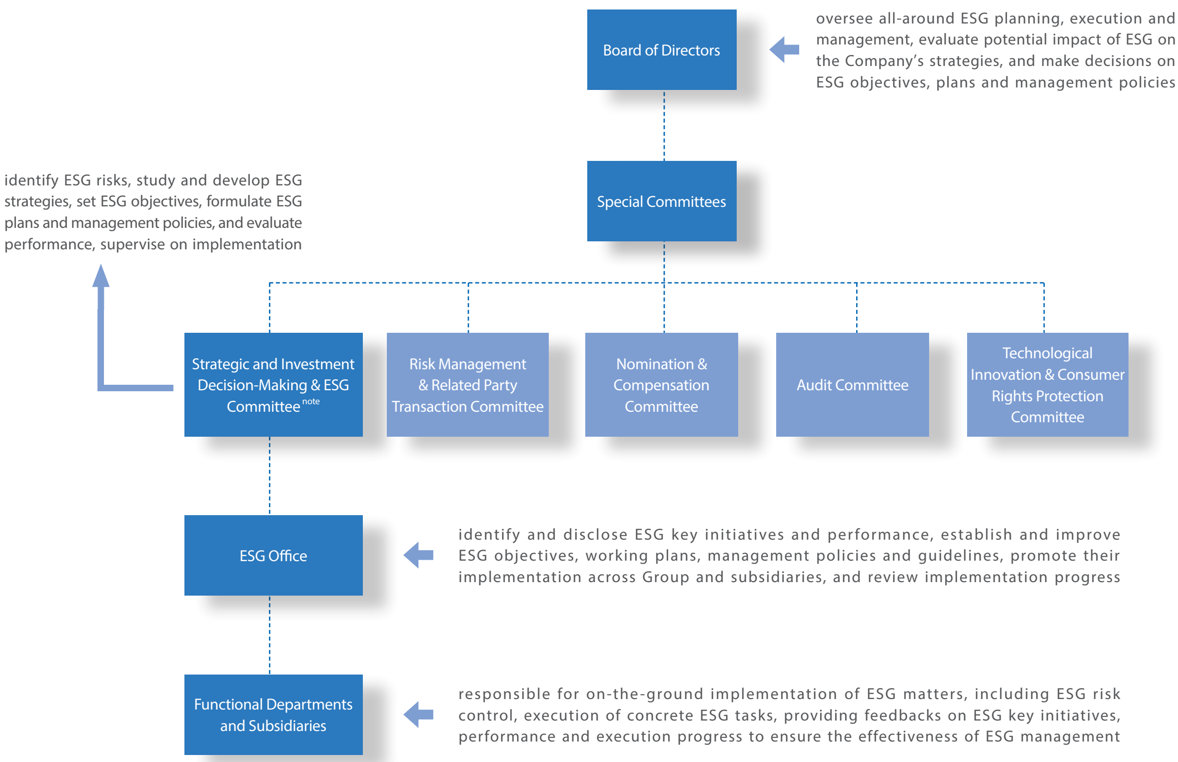
In recent years, climate change has become more severe, highlighting the urgency of low carbon and reduction in emissions. COVID-19 raised global attention on public health care. The Chinese government has put forward the target of achieving the peak carbon emissions by 2030, and carbon neutrality by 2060. China's 14th 5-year Development Programme expressly calls for adherence to New Development Philosophies, building a New Development Pattern and a substantial shift of the mode of development. In such context, ESG philosophies, which integrate environment, society and governance, have become increasingly important.

Our vision is to be "the best in customer experience, business quality and risk control capabilities, achieving industry leadership in healthy and steady development". We adhere to high-quality development, focus on insurance, and persist in "value, long-term and prudent investing", all of which are in line with ESG philosophies. We are committed to creating value for customers, employees, shareholders, society, business partners and environment, translating social responsibility into drivers of sustainable development.

We practice energy-saving and emission reduction, enhance disaster mitigation and loss reduction, support green transitioning through sustainable insurance, responsible investment and green operation. We support national initiatives and the real economy, focus on the fight against COVID-19 and poverty, promote social benefits and protection of customer and employee rights and interests. We optimise the corporate governance system, push for risk management integration and improve anti-corruption rules & procedures.

(II) ESG governance

We incorporated ESG philosophies into business management, set up ESG top-level design and governance structure based on needs of business development. With the Board as the top decision-making body, we push for the integration of ESG philosophies into day-to-day business operation by functional departments and subsidiaries, to ensure the effectiveness of ESG management.



Note: On 26 March 2021, the 9th session of 9th board of directors agreed to change the name of Strategic and Investment Decision-Making Committee to Strategic and Investment Decision-Making & ESG Committee and revised its working rules accordingly.

II. Alignment with the United Nations Sustainable Development Goals (SDGs)

In September 2015, the United Nations passed the 2030 Sustainable Development Agenda, floating 17 sustainable development goals. To facilitate their implementation in China, the Chinese government issued Country-specific Programme for Implementing 2030 Sustainable Development Agenda of China in September 2016.

In 2020, we aligned business operation and related projects of the Company with SDGs by priority, and clearly defined the connection between our business operation and sustainable development, which points to direction of our ESG effort going forward.

SDGs	Our actions
1 NO POVERTY	Centred on insurance and deepened insurance-based long-term mechanisms for poverty reduction with CPIC characteristics, focusing on officially-designated poverty-stricken regions, extremely impoverished areas, and "pair-up" regions with Shanghai and the Company. Fully leveraged our strengths in talent, expertise and resources, utilised insurance to cope with poverty, focused on lifting people out of poverty and preventing poverty, fulfilling our social responsibility.
2 ZERO HUNGER	Developed multiple innovative agricultural insurance products combining insurance and futures, covering against catastrophes, offering price, income and quality protection. Upgraded the e-Agricultural System to boost agricultural production through risk protection.
3 GOOD HEALTH AND WELL-BEING	Continuously optimised the health care and retirement security system, served the 3 pillars of pension system, strived to improve elderly care and build a service system of "insurance + retirement + health"; committed to creating a healthy and safe work-place via diverse cultural events and training; provided sound financial support to companies, helping them combat the pandemic and resume business, doing our share in the national initiative of ensuring "stability in 6 areas and protection in 6 priorities".
4 QUALITY EDUCATION	Long-term commitment to education of children, and donated to total over 60 primary schools across China; organised volunteers to teach in rural areas on a regular basis, and improved conditions of schools in impoverished regions; actively promoted co-operation with firms and the academia, deeply involved in education and training of specialists in finance and insurance.
7 AFFORDABLE AND CLEAN ENERGY	Long-term commitment in energy mix optimisation, contributing to an environmentally-friendly society via underwriting and investment in clean energy industries, with development of innovative products for clean energy.
8 DECENT WORK AND ECONOMIC GROWTH	Strictly abided by national laws & regulations, continued to improve welfare benefits, occupational training and career advancement paths on the basis of protecting employee rights and interests, to ensure inclusive development of the Company; promoted the stability and sustainable development of agents by means of technological empowerment, improvement in training and benefits; expanded campus recruitment to create jobs, focusing on impoverished areas in particular.

SDGs	Our actions
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Pursued innovation in products and services in industries of aerospace & astronautics, ship-building, new materials and life sciences to facilitate domestic industry upgrading; developed customised products to mitigate financing difficulties of SMEs.
11 SUSTAINABLE CITIES AND COMMUNITIES	Keeping tabs on social and economic development needs and upholding central insurance value proposition, we expanded the scope of products and services in life/health insurance, P/C insurance and insurance asset management in a bid to contribute to a better life of the Chinese people and sustained urbanisation.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Actively employed new technologies and developed on-line products and services, optimised processes and improved transparency of processes in sales, application, and claims handling, providing strong support to agents .
13 CLIMATE ACTION	Innovated multiple weather index insurance, catastrophe insurance products to mitigate risks in climate-vulnerable areas; intensified effort in green financing, and offered risk solutions to investment & financing and operation of environment protection, energy saving and clean energy projects; advocated green buildings and paperless work-place, donated for afforestation to reduce carbon footprints and conserve nature.
15 LIFE ON LAND	Developed public liability insurance against losses caused by wildlife, and forest insurance, which promoted bio-diversity while lowering social risks.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Committed to eliminating all forms of corruption and bribery, and establishing an effective, responsible and transparent governance system. Give back to stakeholders with a strong sense of responsibility, while ensuring sustainable value growth of the Company.
17 PARTNERSHIPS FOR THE GOALS	Actively participated in strategic partnerships with governments and companies, supported national strategies, real economy and promoted people's well-being; deeply involved in industry dialogues and exchanges, ready to share our own experience and strive for industry leadership in healthy and steady development.

III. ESG practice

> Sustainable insurance products

We increased research into and investment in climate change and catastrophe risk mitigation, and developed a "Risk Radar" accessible to meteorological centres and earthquake bureaus. Rolled out weather index insurance programmes in 24 provinces/municipalities, offering cover against losses caused by climate change worth over RMB1.46 billion in SA to 53,000 rural households. As of the end of 2020, we cumulatively provided environmental liability insurance to over 4,360 firms in China, with SA exceeding RMB7.9 billion. We underwrote China's first environmental liability insurance for public areas, and business of many large firms in the power-generation sector such as China Nuclear Group and the National Energy Group, cumulatively providing SA of RMB938.3 billion for renewable energy.

> Responsible investment

We innovated mode of responsible investment with insurance characteristics, and focused on projects in environmental protection, renewable energy, energy conservation, resettlement of shanty town, and new infrastructure, so as to provide funding to economic and social transitioning. We directly invested in green projects via debt investment plans, equity investment plans, asset-backed plans and industry funds. Besides, we made indirect investments, especially via green bonds, to support development of green finance. As of the end of 2020, we invested RMB39.751 billion in renewable energy, RMB13.7 billion in water conservation and RMB864 million in environment protection.

> Green operation

At the end of May 2020, our employees donated for afforestation of Sanjiangyuan, or origin of the Yangtze River, the Yellow River and Lancang River, planting 50,000 saplings covering about 67 hectares, which are projected to absorb 15,000 tons of CO2 in the next 30 years. In compliance with The Work Plan for GHG Emission Control during the 13th 5-year Development Period issued by the State Council, we advocated green travelling, improved efficiency in working and company vehicle use, and promoted green buildings in Luojing and Chengdu Data Centres to reduce carbon footprints, with targets and measures in discharge intensity, waste disposal sorting ratio, energy efficiency and water intensity.

> Combating COVID-19

In 2020, in the face of COVID-19, we leveraged our strengths in risk protection and rolled out special programmes to support the fight against the pandemic in 35 most affected provinces and municipalities, offering over RMB2.8 billion in SA to more than 12,000 companies, while putting in place mechanisms for regular services.

- Launched guarantee insurance for financing against pledge of collateral to support micro, small and medium sized firms in their effort to resume business, involving SA of nearly RMB4 billion. Provided discounted or free insurance for 100,000 micro, small and medium sized firms in 11 regions, also extended the duration and reduced renewal premiums for certain firms. The Company cumulatively invested in RMB1.64 billion of anti-pandemic bonds.

- Innovated comprehensive insurance solutions to mitigate disruption to supply chain of farm produce and launched price insurance for eggs, vegetables and milk, as well as income insurance for wheat. Issued more than 0.33 million insurance policies in food safety insurance covering food production, food processing, food circulation and restaurants, involving over RMB430 billion in SA.

- Donated specific insurance against COVID-19 to those fighting the pandemic at the frontline, involving nearly 10 million public health and medical professionals, police and people ensuring supply of basic necessities, with SA totally RMB1.2 trillion.

> Supporting national initiatives

We leveraged our expertise in risk management, financial compensation, social administration and financing to boost China's opening up, promote regional development, support rural revitalisation, and contribute to a new economic development pattern. Provided one-stop comprehensive risk solutions spanning P/C, life and health insurance and integrated risk management to the 3rd CIIE, with SA totalling RMB884.8 billion. Since 2017, we have offered cumulatively more than RMB800 billion in SA in over 100 countries for the Belt & Road Initiative. To boost the integration of the Yangtze River Delta Region, we signed green insurance strategic cooperation agreements with local governments, set up green funds for environmental protection, so as to facilitate transitioning towards green industries. We innovated critical illness and medical insurance products customised for the Greater Bay Area. To support the Rural Revitalisation Initiative, we developed 732 agricultural insurance products, and in total over 3,000 insurance products, with innovations of income insurance, "insurance + futures" and "agricultural insurance +", providing RMB468.6 billion in SA to 30.04 million rural households.

> Social medical insurance

We were involved in the building of China's social medical insurance system to improve public health. We conducted social medical insurance TPA, government-sponsored critical illness insurance, supplementary medical insurance and long-term care insurance, involving a total of 225 local governments in 277 programmes, covering 125 million people. To be specific, we conducted government-sponsored critical illness programmes in 54 prefectures/municipalities of 15 provinces, covering 92 million people, with cumulative pay-out totalling RMB15.9 billion via 14.27 million claims cases. In the face of population ageing, we have cumulatively conducted 59 TPA programmes since 2016, covering 38 prefectures/municipalities of 19 provinces; long-term care insurance served over 35 million people, involving more than 1 million claims cases. Besides, we also carried out the Huiminbao, or affordable supplementary medical insurance.

> Poverty alleviation

The Company deepened insurance-based poverty alleviation mechanisms with CPIC characteristics to better contribute to the country's poverty alleviation campaign. It paired up with 2 rural townships and 3 rural villages in the Inner Mongolia Autonomous Region and Yunnan Province and succeeded in lifting them out of poverty 9 months ahead of plan. As of the end of 2020, its poverty alleviation programmes covered about 7.62 million registered impoverished households nationwide and provided a total of RMB 3.08 trillion in sum assured to poverty-stricken areas.

> Donations

We donated to a total of 110 projects on poverty elimination, fight against COVID-19 and education. We were a sponsor of the "Magnolia Foundation" in Hong Kong, donating RMB40.72 million in total. We launched "CPIC Blue Foundation" in Shanghai, a charitable foundation devoted to elderly people with cognitive impairment. We donated a total of 64 primary schools across China, with employees volunteering for on-site teaching for 13 years on end. We currently boast over 7,000 volunteers, with total length of service of 45,000 hours.

> Consumer rights protection

We are committed to consumer rights protection, and have established, as per laws and regulations such as The Law of Consumer Rights Protection, a Work Commission on Consumer Rights Protection to co-ordinate effort in the area. Our life and P/C companies have issued Provisions on Handling of Insurance Consumer Complaints respectively in 2020, explicitly defining the procedures, division of responsibilities and deadlines for the handling of consumer complaints. We drafted rules on intellectual property rights (IPR) protection, covering the acquisition, application, protection and management of IPRs, and have been granted 17 patents in software copyright.

> Corporate governance

As per relevant laws and regulations such as The Company Law of the PRC, The Securities Law of the PRC and The Insurance Law of the PRC, we put in place a governance system consisting of the SGM, the board of directors, the board of supervisors and senior management, with co-operation, co-ordination and checks and balances between the top authority, the decision-making body, the body responsible for oversight and that of execution. We have formed a relatively sound governance structure through deepening of Group centralised management framework, optimised in-house resources allocation and enhanced communications with the capital market. For details please refer to the Section "Corporate Governance" of this report.

> Employee rights and development

- Labour standards. We set out explicit rules on age, professional competence, compensation & dismissal, recruitment & promotion, working hours, leave, equal opportunities, diversity and anti-discrimination requirements in our labour standards. We provide more job opportunities and support local employment. There is no child labour in the Company. We do not encourage voluntary extension of working hours and there is no forced labour. We strictly abide by The Labour Law of the PRC, and do not discriminate against candidates due to their gender, ethnic groups, marital status, religion. We are committed to providing equal career development opportunities. The Administration Department and Legal & Compliance Department are responsible for management of whistle-blowing or lodging of complaints by employees. We formulated regulations on compensation, ensuring that the monthly salary paid is not lower than national or local statutory minimum requirements.

- Employee benefits. We are committed to creating a safe work-place, free from occupational hazards for our employees. We made proper policies for the protection of female employees. We organised physical exercises, health lectures, first-aid training, fire drills and psychological counselling for employees to foster a healthy and comfortable work environment. In 2020, there was no major work-place accidents.

- Employee development. We established a comprehensive employee training system, with a series of policies, rules and guidelines for career development. We launched an on-line corporate university, providing shared services in training, accreditation of qualifications and innovative empowerment.

> Anti-corruption

We formulated Provisional Regulations on Anti-fraud Work, Management Rules on Money Laundering, and Provisional Regulations on Conflict of Interest between Related People, in a bid to prevent and combat misconduct or illegal behaviours such as bribery, blackmailing, frauds and money laundering. Drafted Policies on Irregular Whistle-blowing, Disciplinary Rules on Misconduct of Employees and Provisions on Accountability in Misconduct & Breaches of Laws and Regulations, which allowed for whistle-blowing via letters, e-mail or telephone calls on corruption and frauds. We continued to conduct training in anti-money laundering and anti-corruption, with enrollments for anti-embezzlement training reaching 12,691 people, and total length of the training amounting to 9,514.6 hours.

> Supply-chain management

We formulated Policies on Centralised Purchases, Rules on Management of Suppliers, Provisional Implementation Rules on Management of Suppliers, stepped up co-ordination with suppliers, and enhanced their ESG capability. We continued to improve the full life-cycle management of the supply chain, strengthened the identification and control of environmental and social risks, gave priority to suppliers with sound ESG performance. We convene annual meetings of suppliers, advocating ESG policies. In 2020, we did not terminate co-operation with any suppliers due to major adverse impact on economy, society, and environment.

8

Analysis of specific items

I. Consolidated income statement

Unit: RMB million

For 12 months ended 31 December	2020	2019	Main reasons for the changes
CPIC Life	18,642	20,530	Increase in investment income and change of tax policy
CPIC P/C	5,209	5,910	Increase in investment income and change of tax policy
CPIC Group and eliminations, etc.	733	1,301	Effect of exchange (losses)/gains
Net profit attributable to shareholders of the parent	24,584	27,741	Increase in investment income and change of tax policy

II. Liquidity analysis

(I) Cash flow statement

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
Net cash flows from operating activities	108,063	111,795	(3.3)
Net cash flows used in investing activities	(136,068)	(96,855)	40.5
Net cash flows from/(used in) financing activities	21,448	(10,544)	(303.4)
Effects of exchange rate changes on cash and cash equivalents	(1,222)	29	(4,313.8)
Net (decrease)/increase in cash and cash equivalents	(7,779)	4,425	(275.8)

Net cash flows from operating activities decreased by 3.3% for the year ended 31 December 2020, amounted to RMB108.063 billion, mainly attributable to increase in cash paid for claims under direct insurance contracts.

Net cash flows used in investing activities increased by 40.5% for the year ended 31 December 2020, amounted to RMB136.068 billion, mainly attributable to increase in cash paid to acquire investments.

Net cash flows of financing activities changed from outflows for the year ended 31 December 2019 to inflows during the same period of 2020, mainly attributable to increase in cash received from capital contributions.

(II) Gearing ratio

	31 December 2020	31 December 2019	Changes
Gearing ratio (%)	87.8	88.3	(0.5pt)

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

(III) Liquidity analysis

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

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

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

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

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

III. Items concerning fair value accounting

Unit: RMB million

	31 December 2020	31 December 2019	Changes	Impact of fair value changes on profits[note]
Financial assets at fair value through profit or loss	12,473	4,931	7,542	(59)
Available-for-sale financial assets	596,158	511,822	84,336	(3,925)
Derivative financial assets	140	-	140	140
Total	**608,771**	**516,753**	**92,018**	**(3,844)**

Note: Impact of fair value changes on profits 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.

IV. Structured entities controlled by the Group

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

V. Significant changes of key financial indicators and reasons for such changes

Unit: RMB million

	31 December 2020/ 2020	31 December 2019/ 2019	Changes (%)	Main reasons
Total assets	1,771,004	1,528,333	15.9	Business expansion
Total liabilities	1,550,169	1,345,013	15.3	Business expansion
Total equity	220,835	183,320	20.5	Profit for the period, fair value change on AFS financial assets and issuance of GDRs
Operating profit	29,377	28,067	4.7	Business expansion
Net profit attributable to shareholders of the parent	24,584	27,741	(11.4)	Increase in investment income and change of tax policy

VI. Solvency

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

Unit: RMB million

	31 December 2020	31 December 2019	Reasons for change
CPIC Group			
Core capital	500,766	453,838	Profit for the period, capital raising, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	510,766	463,838	Profit for the period, capital raising, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	177,288	157,481	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	282	288	
Comprehensive solvency margin ratio (%)	288	295	
CPIC Life			
Core capital	377,203	357,883	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	377,203	357,883	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	155,860	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	44,208	38,900	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	54,208	48,900	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	19,672	16,713	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	225	233	
Comprehensive solvency margin ratio (%)	276	293	
CPIC Health			
Core capital	1,294	1,084	Profit for the period and change of fair value of investment assets
Actual capital	1,294	1,084	Profit for the period and change of fair value of investment assets
Minimum required capital	949	702	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	136	155	
Comprehensive solvency margin ratio (%)	136	155	
CPIC Anxin Agricultural			
Core capital	1,821	1,684	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	1,821	1,684	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	614	557	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	297	303	
Comprehensive solvency margin ratio (%)	297	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.

VII. Sensitivity analysis

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 the 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

	2020 / 31 December 2020	
Market value	Impact on profit before tax	Impact on equity
+10%	18	10,416
-10%	(18)	(10,416)

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.

VIII. 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 31 December 2020, insurance contract reserves of CPIC Life amounted to RMB1,118.370 billion, representing an increase of 15.0% from the end of 2019. Those of CPIC P/C amounted to RMB104.478 billion, up 11.5% from the end of 2019. The rise in insurance contract reserves was mainly caused by business growth and accumulation of insurance liabilities.

We also perform reserve adequacy tests as 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			31 December 2020
			Claims	Early termination	Others	
CPIC Life						
Unearned premium reserves	4,500	18,594	-	-	(18,994)	4,100
Claim reserves	4,472	10,634	(9,819)	-	-	5,287
Life insurance reserves	891,195	174,235	(41,735)	(13,501)	-	1,010,194
Long-term health insurance reserves	72,345	35,387	(8,023)	(920)	-	98,789
CPIC P/C						
Unearned premium reserves	56,643	147,734	-	-	(140,671)	63,706
Claim reserves	37,026	85,654	(81,908)	-	-	40,772

IX. Reinsurance business

In 2020, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
CPIC Life	**8,643**	**7,771**	**11.2**
Traditional	3,481	3,694	(5.8)
Long-term health	2,583	2,832	(8.8)
Participating	332	441	(24.7)
Universal	59	62	(4.8)
Tax-deferred pension	-	-	/
Short-term accident and health	4,771	3,574	33.5
CPIC P/C	**20,244**	**17,228**	**17.5**
Automobile	6,315	6,249	1.1
Non-automobile	13,929	10,979	26.9

In 2020, premiums from reinsurance assumed are set out below:

Unit: RMB million

For 12 months ended 31 December	2020	2019	Changes (%)
CPIC Life	**3,493**	**150**	**2,228.7**
Traditional	3,493	150	2,228.7
Long-term health	1	-	/
Participating	-	-	/
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	-	-	/
CPIC P/C	**1,017**	**747**	**36.1**
Automobile	-	-	/
Non-automobile	1,017	747	36.1

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

Unit: RMB million

	31 December 2020	31 December 2019	Changes (%)
CPIC Life			
Reinsurers' share of unearned premium reserves	1,206	1,067	13.0
Reinsurers' share of claim reserves	379	246	54.1
Reinsurers' share of life insurance reserves	1,812	1,881	(3.7)
Reinsurers' share of long-term health insurance reserves	11,126	10,459	6.4
CPIC P/C			
Reinsurers' share of unearned premium reserves	7,692	6,283	22.4
Reinsurers' share of claim reserves	6,853	6,117	12.0

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).

X. Main subsidiaries & associates and equity participation

As of the end of 2020, the Company's main subsidiaries, associates and equity participation are set out as below:

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%	184,066	45,346	5,209
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%	1,484,364	93,747	18,642
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%	5,559	3,856	620
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%	4,393	3,631	489

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
Pacific 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%	9,384	1,410	116
China Pacific 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%	4,040	1,679	151
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%	732	568	69

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.

XI. Top five customers

During the reporting period, the top 5 customers accounted for approximately 0.6% of the Company's GWPs, and none of them constituted related parties of the Company.

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

XII. 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.

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Outlook

I. Market environment and business plan

There are great uncertainties in the pandemic situation and market environment. The 5th Plenary Session of the 19th Party Congress made a major decision to establish a new development pattern of “mutual reinforcement of domestic and international cycles with the former at the core”, ushering in the era of high-quality development, defined by higher efficiency, better quality and improved equity. In the long-term, economic development, rising per capita income, demographic shifts, change of government roles and innovation in public administration will continue to drive sustainable development of China’s insurance industry. The COVID-19 pandemic further raised public awareness of and stimulated demand for insurance and health care service. Overall, China remains one of the most dynamic and fastest-growing insurance markets of the world.

Going forward, with a vision of “achieving leadership in healthy and steady development of the insurance industry”, and the targets of “being the best in customer experience, business quality and risk control capabilities”, the Company will focus on the long-term, continue to deepen transformation, promote the establishment of long-term incentive systems, marketisation of technology, platform development of health-related business, specialisation of investment management and modernisation of corporate governance, so as to foster core competitiveness for the future. It will step up deployment in key sectors such as health business, regional integration initiatives and big data to boost new development drivers. Meanwhile, it will 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, uncertainties are still rising. The global spread of COVID-19 and complicated international economic and political landscape will pose new challenges. Global trade and investment contracted considerably, disrupting world economic recovery. At the same time, the pandemic has a profound impact on China’s economy. Resumption of business and work will run in tandem with the control and prevention of the pandemic, forming a new normal. 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, complicated by 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. Amendments to critical illness morbidity and administrative rules on health insurance, the launch of comprehensive reform of automobile insurance, issuance of new regulations on Internet 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 as new technologies are increasingly important drivers of development. Domestic insurance players will face more intense competitions as a result of increased opening-up of the industry.

Thirdly, in respect of its business operation, the Company is facing a relatively high catastrophe risk and risk of large claims arising from extreme weather, natural disasters and artificial accidents, 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 even higher standards of compliance and 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 & innovation. In particular, we will step up analysis of macroeconomic trends, early-warning and mitigation of key risks, enhance customer insights and risk selection through technology empowerment, accelerate innovation in products and services, and continuously optimise resource-allocation; 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 31 December 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 one year's sales of China Pacific Life Insurance Co., Ltd. ("CPIC Life") as of 31 December 2020, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;

> a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of one year's sales of CPIC Life as of 31 December 2020;

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

Opinion

As a result of our review of the embedded value of CPIC Group as of 31 December 2020 and the value of one 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;

> 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 one year's sales of CPIC Life as of 31 December 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 annual 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 annual 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
Stanley Lu, FSA
26th February 2021

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2020 Embedded Value Annual 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 31 December 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 annual 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 one 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 one year's sales in the 12 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 CBIRC. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of one 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 one 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 one 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 one 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 one 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 One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2020, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2020 at a risk discount rate of 11%.

Unit: RMB million

Valuation Date	31 December 2020	31 December 2019
Group Adjusted Net Worth	**257,378**	**208,402**
Adjusted Net Worth of CPIC Life	**135,898**	**114,677**
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	217,617	203,392
Cost of Required Capital Held for CPIC Life	(12,167)	(12,548)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	205,451	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	**201,942**	**187,585**
Group Embedded Value	**459,320**	**395,987**
CPIC Life Embedded Value	**341,348**	**305,521**

Valuation Date	31 December 2020	31 December 2019
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	20,058	28,533
Cost of Required Capital Held	(2,217)	(3,936)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**17,841**	**24,597**

Note 1: Figures may not be additive due to rounding

Note 2: 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 one year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

III. Key Valuation Assumptions

In determining the embedded value as at 31 December 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 one year's sales of CPIC Life as at 31 December 2020:

(I) Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of one 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 2020 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 One Year's Sales

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

Unit: RMB million

	First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Required Capital Held	
	2020	2019	2020	2019
Total	45,903	56,773	17,841	24,597
Of which: Traditional	19,112	26,620	15,242	20,741
Participating	7,079	9,205	1,756	2,228

V. Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2019 to 31 December 2020.

Unit: RMB million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2019**	**305,521**	
2	Expected Return on Embedded Value	27,753	Expected returns on the 2019 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2020
3	Value of One Year's Sales	17,841	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2020
4	Investment Experience Variance	6,530	Reflects the difference between actual and assumed investment return in 2020
5	Operating Experience Variance	(679)	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(881)	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	2,536	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	(245)	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(16,840)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	(186)	
11	**Embedded Value of the life business at 31 December 2020**	**341,348**	
12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2019**	**99,138**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	39,713	
14	Shareholder dividends	(10,874)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	(157)	Reflects the change in value of assets not valued on a market value basis
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2020**	**127,820**	
17	Minority interests relating to equity and market value adjustments	(9,848)	Minority interests on Embedded Value as at 31 December 2020
18	**Group Embedded Value as at 31 December 2020**	**459,320**	
19	**Embedded Value as at 31 December 2020 per share (RMB)**	**47.74**	

Note 1: Figures may not be additive due to rounding

VI. 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 one year's sales of CPIC Life as at 31 December 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 one 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 One Year's Sales After Cost of Required Capital Held
Base	**205,451**	**17,841**
Risk discount rate "+50 basis points"	198,062	17,065
Risk discount rate "-50 basis points"	213,448	18,676
Investment return "+50 basis points"	237,937	19,975
Investment return "-50 basis points"	172,511	15,707
Mortality "+10%"	204,270	17,687
Mortality "-10%"	206,629	17,995
Morbidity "+10%"	199,123	16,820
Lapse and surrender rates "+10%"	206,591	17,510
Lapse and surrender rates "-10%"	204,190	18,168
Expenses "+10%"	202,029	16,733

Corporate governance

Corporate governance

Report of the board of directors and significant events

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Results and distributions

The net profits for the year 2020 included in the audited financial statements of the parent company, prepared in accordance with the PRC GAAP, were RMB18.810 billion. According to the Articles of Association and other applicable regulations, if the cumulative amount of statutory surplus reserves reaches 50% and above of the Company's registered capital, no net profit shall be set aside as surplus reserves for the following years. The statutory surplus reserves set aside by the Company for 2020 were RMB279,170,727.50 yuan. The balance of statutory surplus reserve has reached 50% or more of the registered capital of the Company. Taking into account the retained profits brought forward from the previous year, the retained profits of the Company at the end of 2020 included in the financial statements, prepared in accordance with the PRC GAAP, were RMB40.323 billion.

Therefore, the profit distribution for 2020 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.2 per share (tax included) and 30th Anniversary Special Dividend of RMB0.1 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of dividend in aggregate will be RMB12,506,443,891.50 yuan. The remaining retained profits will be carried forward to 2021. No capital reserve was transferred to the share capital during the year.

After cash dividend distribution, the Group's solvency ratio dropped by approximately 7pt, but still quite high and meeting the requirements under "C-ROSS".

No capital reserve was transferred to the share capital during any of the last three years.

The above profit distribution proposal is subject to shareholders' approval at the general meeting.

Dividend distributions for the past three years are as follows:

Unit: RMB million

Year of dividend distribution	Cash dividend (including tax)[note](1)	Net profit attributable to the dividend distribution year[note](2)	Payout ratio (%)(3) = (1)/(2)
2020	12,506	24,584	50.9
2019	10,874	27,741	39.2
2018	9,062	18,019	50.3

Note: Total dividend per share for 2020 including annual cash dividend and the 30th Anniversary Special Dividend; attributable to shareholders of the parent.

Under the Articles of Association, the Company is committed to providing reasonable returns to its shareholders. Its profit distribution policy should be consistent and stable. The Company may make interim profit distribution, and give first priority to cash dividend.

The Articles of Association also stipulates that the accumulated cash dividend pay-outs in the recent 3 years shall not be less than 30% of the accumulated profits of the Company during the same period except when 1) the Company's solvency adequacy ratio fails to meet CBIRC minimum requirement, 2) wars or natural catastrophes have a major impact on its business performance and financial results, 3) there are major changes in its operating environment which have a major impact on its business performance and financial results, 4) there are significant adverse developments in the Company's operation, or 5) laws, regulations and ordinances stipulate otherwise.

The Company may adjust its profit distribution policy. Any such adjustment shall be proposed as a resolution of the board of directors on the basis of prudent studies and deliberations, with the issuance of opinions by independent directors, before being submitted as a special resolution to the general meeting for approval. The Board and the general meeting should hear and give full consideration of the opinions of the Company's independent directors and investors, ensuring diverse channels of communication with them and readily subject themselves to their oversight on this matter.

The Company's cash dividend policy complies with the Articles of Association, contains clear and specific standards and pay-out ratios, and was formulated on the basis of proper decision-making procedures and mechanisms, considering opinions of the Company's independent directors and offering protection of the legitimate rights and interests of its minority shareholders. The conditions for and the procedures of the amendments to the Company's profits distribution policy are also transparent and compliant.

According to the provisions in the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2012] No. 85) (《关于实施上市公司股息红利差别化个人所得税政策有关问题的通知》(财税 [2012]85 号)) the Notice on Issues Regarding Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2015] No.101) (《关于上市公司股息红利差别化个人所得税政策有关问题的通知》(财税 [2015]101 号)), for individuals and securities investment funds holding the A shares of the Company, if the term of shareholding (a period from the date when the shareholder acquires the listed shares on public offering and transferring markets to the date one day before the shares are transferred and settled) exceeds one year, temporarily, the dividend incomes are exempted from individual income taxes; for individual shareholders, if the term of shareholdings within one year (inclusive), the Company, temporarily, will not withhold and pay any individual income taxes on their behalf; instead, the tax amount payable shall be calculated by the Shanghai Branch of China Securities Depository & Clearing Corporation Limited based on the term of shareholding, and the relevant equity custodian will deduct such amount from the individual's personal funds account and transfer it to the Shanghai Branch of China Securities Depository & Clearing Corporation Limited, who will then transfer it to CPIC within the first 5 working days of the following month. Within the month after receiving such amount, CPIC will, within the statutory declaration period, make the tax filing and payment to the competent tax authorities.

For individual shareholders of the Company, if the term of shareholding is within one month (inclusive), all the dividend incomes thereof are counted as taxable income at the effective tax rate of 20%; if the term of shareholding is between one month and one year (inclusive), temporarily, 50% of the dividend incomes are counted as taxable income at the effective tax rate of 10%; if the term of shareholding exceeds one year, temporarily, the dividend incomes are exempted from individual income taxes.

For QFII shareholders of CPIC, according to the provisions in the Notice on Issues Regarding Withholding and Payment of Corporate Income Taxes when PRC Resident Enterprises Distribute Dividends, Bonuses and Interests to the QFII (GuoShui Han [2009] No. 47) (《关于中国居民企业向 QFII 支付股息、红利、利息代扣代缴企业所得税有关问题的通知》(国税函 [2009]47 号)) issued by State Administration of Taxation, CPIC withholds and pays corporate income taxes at a uniform tax rate of 10%. If the dividend incomes obtained by QFII shareholders are entitled to the treatment as stipulated in tax treaties (arrangements), application for tax refund can be submitted by themselves to the competent tax authorities after the acquisition of such dividends according to regulations of the above mentioned Notice.

For investors of the SEHK (including enterprises and individuals) investing in the A shares of the Company listed on SSE (the "Shanghai Stock Connect"), the dividends received by them will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited as the nominee account holding such A shares. Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《财政部、国家税务总局、证监会关于沪港股票市场交易互联互通机制试点有关税收政策的通知》(财税 [2014]81 号)), the Company will withhold income tax at the rate of 10% on behalf of those investors and will undertake the reporting procedures on the tax withholding and payment with the tax authorities.

For investors of Shanghai Stock Connect who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (PRC), in respect of the dividends received by eligible investors who invest in the Company's GDRs listed on LSE, the Company will withhold and pay income tax at the rate of 10%. Citibank and National Association, as the nominal holders of domestic underlying A Shares corresponding to GDRs, receive the cash dividends distributed by the Company. If the dividend incomes obtained by GDR Investors are entitled to the treatment as stipulated/agreed in relevant tax treaties, applications for tax credit can be submitted on their own to the competent tax authorities according to regulations.

For other A share shareholders of the Company (including institutional investors), the taxes on their dividends incomes shall be paid on their own.

2

Fulfillment of the undertakings

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

3

Appointment of auditors

Pursuant to the resolution of the 2019 annual general meeting, PricewaterhouseCoopers Zhong Tian LLP was engaged by the Company as the auditor of financial statements under PRC GAAP and the auditor for the internal control for 2020. PricewaterhouseCoopers was engaged by the Company as the auditor of financial statements under HKFRS of the Company for the year 2020.

The year 2020 was the 7th consecutive year when PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers served as the Company's auditors.

The financial statements prepared in accordance with PRC GAAP have been audited by PricewaterhouseCoopers Zhong Tian LLP and the certified public accountants signing the report are Mr. PENG Runguo and Mr. ZHANG Jiong.

The remuneration paid to the auditors for provision of annual financial statements auditing service and internal control auditing service for 2020 was RMB24.6709 million and RMB2.7800 million, respectively.

4

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 31 December 2020, the Group used information currently available to determine the above assumptions. Mainly due to change of 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 RMB11.733 billion as at 31 December 2020 and profit before tax decreased by approximately RMB11.733 billion for 2020.

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

Related party Transactions

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 pledge-style 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 consideration and approval any more. The categorized summary of the daily related party transactions related to fund utilisation and financial products business for the year of 2020 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 31 December 2020	Percentage (%) of the Amount of Transactions of the Same Type
1	Hwabao WP Fund Management Co., Ltd.	Transaction of Fund Subscription and Redemption	1,500	1,289	0.48%
2	Shanghai Rural Commercial Bank Co., Ltd.	Transaction of Pledge-style Repo	210,000	2,362	0.02%
3		Bank Deposit		105	0.05%
4		Bond Trading		99	0.02%
5	Orient Securities Company Limited	Transaction of Asset Management Products	6,500	11	0.00%
6	Taikang Life Insurance Co., Ltd.	Transaction of Pledge-style Repo	1,500	40	0.00%
7	Haitong Securities Company Limited	Bond Trading	6,500	910	0.15%
8	Related Natural Persons	Sales of Personal Pension Assurance Products	100	1.2	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 the shareholders' general meeting, and were summarized in categories and disclosed in the annual report of the Company pursuant to the Listing Rules of the SSE and other regulatory provisions.

10
Material contracts

Entrusted investment management. Investment is one of the main businesses of the Company, and the Company adopts a model of entrusted investment management. At present, a diversified entrusted investment management structure has been developed which is based on the internal managers within CPIC and supplemented by external managers. The internal investment managers include CPIC AMC and Changjiang Pension; external investment managers include professional investment management agencies such as fund companies and securities firms and asset management companies. The Company selects investment managers based on the investment objectives and risk characteristics of a specific account or asset class, as well as investment manager's capabilities, and appropriately mitigates risks through the diversification and decentralization of asset types, investment strategies, and investment managers. The Company would sign an entrusted investment management agreement with the investment managers, and guide their investment behaviour through investment guidelines, dynamic tracking communication, performance evaluation and other measures, and take targeted risk management measures based on the profile of investment assets.

Save as disclosed above, during the reporting period, the Company did not have any material contracts which were required to be disclosed.

11
Corporate social responsibilities

Environment information

Giving full play to the advantages of being a highly professional insurance company, CPIC uses high-tech risk management service tools to respond to the challenges of climate change and reduce climate-related losses. In 2020, it further strengthened green operations and developed green finance, and proactively reduced carbon emission to contribute to ecological civilisation. It also set up a meteorological disaster emergency plan and promoted environmental liability insurance. As of the end of 2020, it had provided environmental liability insurance for more than 4,360 companies nationwide, with total sum assured exceeding RMB 7.9 billion yuan. It set up a green insurance system and underwrote China's first public area environmental liability insurance. This insurance guarantees the safety of the public environment and is conducive to the healthy and stable development of the regional economy. Moreover, the Company promoted the work safety liability + environmental liability insurance among enterprises to help them stay green, safe and energy-efficient. The Company included compensation for damage to ecological environment into the insurance coverage, and complied environmental liability insurance evaluation guidelines to provide a scientific basis for risk assessment; planted about 50,000 tree seedlings of 9 species including spruce, sabina chinensis, and poplar in the "Sanjiangyuan Forest for Public Welfare" with funds donated by CPIC, covering an area of 67 hectare. 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, setting up an example for garden-style afforestation in plateau areas. The public welfare forest will absorb 15,000 tons of carbon dioxide in the next 30 years. For this project, the Company was awarded the "Special Contribution Award for Afforestation in Qinghai Province" by CPC Qinghai Provincial Committee and Qinaghai Provincial Government.

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℃, or lower than 26℃ 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.

CPIC has formulated systemic environmental performance indicators and regularly tracks and collects data. The Company is not a high-pollution enterprise. In 2020, CPIC received neither punishment due to environmental violations nor any environmental complaint.

For details of the Company's fulfillment of social responsibilities, please refer to the website of the SSE (www.sse.com.cn) and the Company's Corporate Social Responsibility Report to be disclosed on the website of the SEHK (www.hkexnews.hk) and LSE (www.londonstockexchange.com).

12

Performance of duties by the Board of Directors

Details of the performance of duties by the Board of Directors and its special committees during the reporting period are set out in the Section "Corporate governance" of this report.

13

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 (CBRIC 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 USD 1,965.4 million. According to requirements of the Provision on the Supervision and Administration of Depository Receipts 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 can be redeemed into A shares of the Company from 20 October 2020 (London time).

14

Principal business

We are a leading comprehensive insurance group in the PRC, providing, through our subsidiaries, a broad range of life insurance, property and casualty insurance, specialised health insurance and pension products and services to individual and institutional customers throughout the country. We also manage and deploy our insurance funds as well as third party assets through our subsidiaries.

15

Reserves

Details for reserves (including general reserves, other comprehensive income and retained profits) are shown in note VII-35,36,37,38 and 60 to the financial statements.

16

Property and equipment and investment properties

Details for property and equipment and investment properties are shown in note VII-15, 16 and 14 to the financial statements.

17

Financial summary

Summary of financial information is shown in the Section "Highlights of accounting and operation data" of this report.

18

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. 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. The total proceeds raised from the Issuance of GDRs were USD1,965,361,921.60. As verified by the PwC ZT Yan Zi (2020) No. 0858 issued by PricewaterhouseCoopers Zhong Tian LLP, the funds raised from the initial offering were fully received on 22 June 2020, and the funds raised from the Over-allotment were fully received on 9 July 2020. The difference between the balance of proceeds unused at the end of the reporting period and the total amount of proceeds raised is mainly the interest income generated by the raised funds and the deduction of issuance-related expenses.

As of the end of the reporting period, details of use of the above-said proceeds 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 1,965,361,921.60	-	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 1,945,356,114.87	To be used in line with the Company's business development and market situation.

19

Events after the balance sheet date

Events after the balance sheet date are shown in note XVII to the financial statements.

20

Bank borrowings

The Company had no bank borrowings other than the bond issued by CPIC P/C, and securities sold under agreements to repurchase of its investment business. For details of the bond issuance, please refer to note VII-32 to the financial statement.

21

Charitable and other donations

During the reporting period, the Company made charitable and other donations totalling approximately RMB57.9537 million.

22

Share capital and sufficient public float

The changes in the Company's share capital are shown in the Section "Changes in the share capital and shareholders' profile" of this report.

Based on the information that is publicly available and within the knowledge of the directors as at the latest practicable date prior to the printing of this report, since 12 January 2011, not less than 25% of the total issued share capital of the Company was held in public hands and not less than 15% of the H share capital of the Company was held in public hands, which is consistent with the requirements under Hong Kong Listing Rules to maintain a minimum public float.

23

Management contract

During the reporting period, the Company did not enter into any management contract by which a person or entity undertakes the management and administration of the whole or any substantial part of any business of the Company.

24

Directors, supervisors and senior management

Biographies of the Company's current directors, supervisors and senior management are shown in the Section "Directors, supervisors, senior management and employees" of this report.

25

Directors' and supervisors' interests in competing businesses

So far as the Company is aware, during the reporting period, none of the Company's directors or supervisors has any interests in businesses which, directly or indirectly, compete with the Company's businesses.

26

Directors' and supervisors' service contracts and remunerations

None of the Company's directors or supervisors has entered into any service contract with the Company or its subsidiaries which is not terminable within one year, or terminable only when receiving compensation other than the statutory compensation.

Details for the directors' and supervisors' remunerations are shown in the Section "Directors, supervisors, senior management and employees" of this report.

27

Special committees of the Board of Directors

The board of directors of the Company established five special 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. See the Section "Corporate governance" of this report for details of the special committees of the board of directors.

28

Directors' and supervisors' interests in material transactions, arrangements or contracts

So far as the Company is aware, during the reporting period, the Directors and Supervisors of the Company did not have any material interest, whether directly or indirectly, in any transaction, arrangement or contract which was significant to the Company's business and which was entered into by the Company or any of its subsidiaries. None of the Directors or Supervisors of the Company has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

29

Directors' and supervisors' rights to subscribe for shares or bonds

The Company did not grant to any directors, supervisors or their respective spouses or children under 18 years of age any rights to subscribe for or to acquire shares or bonds of the Company or its subsidiaries.

30

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 31 December 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 SEHK 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.

31

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 31 December 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	307,065,188 (L)	11.06 (L)	3.19 (L)
中国人寿保险（集团）公司 note 2	Beneficial owner	H shares	5,228,000 (L)	0.19 (L)	0.05 (L)
	Interest of corporation controlled by 中国人寿保险（集团）公司	H shares	245,830,000 (L)	8.86 (L)	2.56 (L)
中国人寿保险股份有限公司	Beneficial owner	H shares	250,110,800 (L)	9.01 (L)	2.60 (L)
JPMorgan Chase & Co. note 3	Interest of corporation controlled by JPMorgan Chase & Co.	H shares	36,894,004 (L) 24,319,200 (S)	1.33 (L) 0.88 (S)	0.38 (L) 0.25 (S)
	Investment manager	H shares	47,808,400 (L)	1.72 (L)	0.50 (L)
	Person having a security interest in shares	H shares	2,873,499 (L)	0.10 (L)	0.03 (L)
	Approved lending agent	H shares	86,641,557 (L) 86,641,557 (P)	3.12 (L) 3.12 (P)	0.90 (L) 0.90 (P)
上海国际集团有限公司 note 4	Beneficial owner	H shares	161,338,400 (L)	5.81 (L)	1.68 (L)
	Interest of corporation controlled by 上海国际集团有限公司	H shares	6,183,600 (L)	0.22 (L)	0.06 (L)
BlackRock, Inc. note 5	Interest of corporation controlled by Blackrock, Inc.	H shares	165,325,706 (L) 357,000 (S)	5.96 (L) 0.01(S)	1.72 (L) 0.00(S)

(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 31 December 2020, Schroders Plc is deemed or taken to be interested in a total of 307,065,188 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	307,065,188 (L)
Schroder International Holdings Limited	306,766,388 (L)
Schroder Investment Management (Hong Kong) Limited	146,605,618 (L)
Schroder Investment Management (Singapore) Ltd	75,329,000 (L)
Schroder Investment Management Limited	54,919,200 (L)
Schroder Investment Management Limited	29,912,570 (L)
Schroder Investment Management North America Limited	29,912,570 (L)
Schroder Wealth Holdings Limited	298,800 (L)
Schroder & Co. Limited	298,800 (L)

(L) denotes a long position

2. Pursuant to Part XV of the SFO, as at 31 December 2020, 中国人寿保险（集团）公司 is deemed or taken to be interested in a total of 251,058,000 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	245,680,000 (L)
中国人寿保险（海外）股份有限公司	150,000 (L)

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as at 31 December 2020, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 174,217,460 H shares (long position), 24,319,200 H shares (short position) and 86,641,557 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
China International Fund Management Co., Ltd.	698,600 (L)
JPMorgan Asset Management (Taiwan) Limited	792,600 (L)
J.P. Morgan AG	58,843 (L)
J.P. Morgan Securities LLC	382,401 (L) 16,800 (S)
JPMORGAN CHASE BANK, N.A. - LONDON BRANCH	86,641,557 (L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	10,024,600 (L)
J.P. Morgan Investment Management Inc.	24,866,200 (L)
JPMorgan Chase Bank, National Association	4,001,200 (L)
JPMorgan Asset Management (Asia Pacific) Limited	7,425,200 (L)
J.P. MORGAN SECURITIES PLC	39,326,259 (L) 24,302,400 (S)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	698,600 (L)
JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	10,723,200 (L)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	10,723,200 (L)
JPMorgan Asset Management Holdings Inc.	43,807,200 (L)
JPMorgan Chase Holdings LLC	44,189,601 (L) 16,800 (S)
JPMorgan Asset Management (Asia) Inc.	8,217,800 (L)
J.P. Morgan International Finance Limited	39,385,102 (L) 24,302,400 (S)
JPMorgan Chase Bank, National Association	126,026,659 (L) 24,302,400 (S)
J.P. Morgan Broker-Dealer Holdings Inc.	382,401 (L) 16,800 (S)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	39,326,259 (L) 24,302,400 (S)

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

4. Pursuant to Part XV of the SFO, as at 31 December 2020, 上海国际集团有限公司 is deemed or taken to be interested in a total of 167,522,000 H shares (long position) of the Company. The details of the shareholding interests of the subsidiary directly or indirectly controlled by 上海国际集团有限公司 are set out below:

Name of controlled subsidiary	Number of shares
上海国际集团（香港）有限公司	6,183,600 (L)

(L) denotes a long position

5. Pursuant to Part XV of the SFO, as at 31 December 2020, BlackRock, Inc. is deemed or taken to be interested in a total of 165,325,706 H shares (long position) and 357,000 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	1,313,200 (L)
BlackRock Investment Management, LLC	1,313,200 (L)
BlackRock Holdco 2, Inc.	164,012,506 (L) 357,000 (S)
BlackRock Financial Management, Inc.	157,293,540 (L) 357,000 (S)
BlackRock Financial Management, Inc.	6,718,966 (L)
BlackRock Holdco 4, LLC	96,035,405 (L) 306,600 (S)
BlackRock Holdco 6, LLC	96,035,405 (L) 306,600 (S)
BlackRock Delaware Holdings Inc.	96,035,405 (L) 306,600 (S)
BlackRock Institutional Trust Company, National Association	37,464,205 (L) 306,600 (S)
BlackRock Fund Advisors	58,571,200 (L)
BlackRock Capital Holdings, Inc.	79,200 (L)
BlackRock Advisors, LLC	79,200 (L)
BlackRock International Holdings, Inc.	61,178,935 (L) 50,400 (S)
BR Jersey International Holdings L.P.	61,178,935 (L) 50,400 (S)
BlackRock Lux Finco S.à r.l.	10,488,209 (L)
BlackRock Japan Holdings GK	10,488,209 (L)
BlackRock Japan Co., Ltd.	10,488,209 (L)
BlackRock Holdco 3, LLC	47,590,200 (L) 50,400 (S)
BlackRock Canada Holdings LP	302,400 (L)
BlackRock Canada Holdings ULC	302,400 (L)
BlackRock Asset Management Canada Limited	302,400 (L)
BlackRock Australia Holdco Pty. Ltd.	1,211,600 (L)
BlackRock Investment Management (Australia) Limited	1,211,600 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	12,377,135 (L)
BlackRock HK Holdco Limited	12,124,335 (L)
BlackRock Asset Management North Asia Limited	1,636,126 (L)
BlackRock Cayman 1 LP	47,287,800 (L) 50,400 (S)
BlackRock Cayman West Bay Finco Limited	47,287,800 (L) 50,400 (S)
BlackRock Cayman West Bay IV Limited	47,287,800 (L) 50,400 (S)

Name of controlled subsidiary	Number of shares
BlackRock Group Limited	47,287,800 (L) 50,400 (S)
BlackRock Finance Europe Limited	26,934,243 (L)
BlackRock (Netherlands) B.V.	1,462,400 (L)
BlackRock Advisors (UK) Limited	265,200 (L)
BlackRock International Limited	1,599,231 (L)
BlackRock International Limited	355,800 (L)
BlackRock Group Limited-Luxembourg Branch	18,398,526 (L) 50,400 (S)
BlackRock Luxembourg Holdco S.à r.l.	18,398,526 (L) 50,400 (S)
BlackRock Investment Management Ireland Holdings Limited	18,135,126 (L)
BlackRock Asset Management Ireland Limited	18,135,126 (L)
BLACKROCK (Luxembourg) S.A.	245,400 (L) 50,400 (S)
BlackRock Investment Management (UK) Limited	11,380,148 (L)
BlackRock Investment Management (UK) Limited	13,826,495 (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	11,205,948 (L)
BlackRock Life Limited	1,599,231 (L)
BlackRock (Singapore) Limited	252,800 (L)
BlackRock UK Holdco Limited	18,000 (L)
BlackRock Asset Management (Schweiz) AG	18,000 (L)

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

Save as disclosed above, as at 31 December 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.

32

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.

33

Pre-emptive rights

According to the relevant PRC laws and under the Articles of Association, none of the Company's shareholders have any pre-emptive rights, and the Company does not have any arrangement in respect of share options.

34

Permitted indemnity provisions

During the reporting period and up to the date of this report, the Company has undertaken and maintained a collective liability insurance policy covering, among others, all directors of the Company.

35

Business review

A fair review of the business of the Company, the principal risks and uncertainties facing the Company, particulars of important events affecting the Company and the outlook of the Company's business are provided in Sections "Chairman's statement", "Operation overview", "Review and analysis of operating results" and the relevant notes to financial statements in the Section "Financial report" of this report. In addition, more details regarding the Company's performance by reference to financial key performance indicators, compliance with relevant laws and regulations which have a significant impact on the Company, as well as relationships with major stakeholders are provided in Sections "Chairman's statement", "Operation overview", "Review and analysis of operating results", "Directors, supervisors, senior management and employees" and "Corporate governance" of this report.

Changes in the share capital and shareholders' profile

1

Changes in the share capital

(I) Table of the share capital

The table below shows 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 reserve	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	558,341,455	-	-	-	558,341,455	6,845,041,455	71.15
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	2,775,300,000	30.63	-	-	-	-	-	2,775,300,000	28.85
(4) Others	-	-	-	-	-	-	-	-	-
Total	9,062,000,000	100.00	558,341,455	-	-	-	558,341,455	9,620,341,455	100.00
3. Total number of shares	9,062,000,000	100.00	558,341,455	-	-	-	558,341,455	9,620,341,455	100.00

(II) Changes in share capital

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). 102,873,300 GDRs (excluding the over-allotment option) were issued in the Initial Offering, representing 514,366,500 newly-issued underlying A shares of the Company. After this offering and before the exercise of over-allotment option, the share capital of the Company changes to 9,576,366,500 shares. For details, please refer to the announcement in relation to the admission to trading on the London Stock Exchange dated 22 June 2020.

During the stabilisation period, the stabilising manager required the Company to additionally issue 8,794,991 GDRs by exercising the over-allotment option. 43,974,955 newly issued PRC domestic underlying A shares of the Company represented by the Over-allotment GDRs were listed on the SSE on 9 July 2020 (Beijing time). After the Over-allotment, the share capital of the Company changed from 9,576,366,500 to 9,620,341,455 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 dated 9 July 2020.

According to relevant domestic regulatory requirements, the GDRs issued in Initial Offering and under Over-allotment cannot be converted into A shares of the Company during the period from 22 June 2020 (London time) to 19 October 2020 (London time). After the expiration of the lock-up period, the GDRs can be converted into A shares and sold on the SSE. The upper limit of A shares that the GDRs can be converted into is 558,341,455 shares. When there are increases or decreases in the number of GDRs due to the Company's bonus shares, share splits or mergers, and adjustments in the conversion ratio, the corresponding upper limit will be adjusted accordingly.

(III) The impact of share changes on financial indicators such as earnings per share and net assets per share of the most recent year and the most recent period

During the reporting period, a total of 111,668,291 GDRs were issued, representing a total of 558,341,455 newly issued PRC domestic underlying A shares of the Company, thus change the share capital of the Company from 9,062,000,000 to 9,620,341,455 shares. Please refer to "(II) Changes in share capital" of this Section for details.

The above mentioned newly issued shares is only a small portion of the Company's share capital and imposes no significant impact on such financial indicator of the Company as 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

Issue and listing of securities

(I) Securities issuance during the reporting period:

Unit: share currency: USD

Category	Date of Issuance	Offer price	Number of GDRs	Date of Listing	Number of GDRs approved for trading	Termination Date of Trading
GDRs	17 June 2020	17.60	102,873,300 GDRs (Representing 514,366,500 A shares)	22 June 2020	102,873,300	-
GDRs under Over-allotment	17 June 2020	17.60	8,794,991 GDRs (Representing 43,974,955 A shares)	9 July 2020	8,794,991	-

Securities issuance during the reporting period: 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 for trading (the "Initial Offering") on 22 June 2020 (London time). 102,873,300 GDRs (excluding the over-allotment option) were issued in the Initial Offering, representing 514,366,500 newly-issued underlying A shares of the Company; during the stabilisation period, the stabilising manager exercised the over-allotment option by requiring the Company to additionally issue 8,794,991 GDRs. 43,974,955 newly issued PRC domestic underlying A shares of the Company represented by the Over-allotment GDRs were listed on the SSE on 9 July 2020 (Beijing time); A total of 111,668,291GDRs were issued, representing a total of 558,341,455 newly issued PRC domestic underlying A shares of the Company.

(II) Changes in total number of shares, shareholder structure, and assets and liabilities of the Company

During the reporting period, as the GDRs issued by the Company and listed on the LSE, the share capital of the Company changed from 9,062,000,000 to 9,620,341,455 shares, of which: 6,845,041,455 A shares, accounting for 71.15% of the share capital; 2,775,300,000 H shares, accounting for 28.85% of the share capital. For details of the changes in the Company’s assets and liabilities, please refer to “Significant changes of key financial indicators and reasons for such changes” and the financial report.

(III) Shares held by employees

As at the end of the reporting period, no shares issued by the Company have been placed to its employees.

3

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

A total number of 114,746 shareholders (including 110,324 A shareholders and 4,422 H shareholders) at the end of the reporting period.
Total number of shareholders as at the end of February 2021:103,217 (including 98,887 A shareholders and 4,330 H shareholders)

Shares held by top ten shareholders at the end of the reporting period

Names of the shareholders	Percentage of the shareholding	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares subject to pledge or lock-up period	Types of shares
HKSCC Nominees Limited	28.82%	2,772,724,629	+19,994	-	-	H Share
Shenergy (Group) Co., Ltd.	13.79%	1,326,776,782	-	-	-	A Share
Hwabao Investment Co., Ltd.	13.35%	1,284,277,846	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	5.09%	490,133,083	-15,509,356	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	4.87%	468,828,104	-	-	-	A Share
Citibank, National Association	3.22%	309,864,125	+309,864,125	-	-	A Share
China Securities Finance Co., Ltd.	2.82%	271,089,922	-	-	-	A Share
Shanghai Jiushi (Group) Co., Ltd.	2.61%	250,949,460	-	-	-	A Share
HKSCC	1.48%	142,736,487	+10,164,647	-	-	A Share
Central Huijin Investment Ltd.	1.15%	110,741,200	-	-	-	A Share
Description of related relations or concerted action 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 relationship or acting in concert relationship 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 Program.
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. The EB was redeemed at maturity on 8 December 2020 and was exchanged into 57,809,823 A shares of the Company by the EB holders. As of the end of the reporting period, the remaining 54,190,177 A shares of the guarantee and trust assets were released from guarantee.
6. Citibank, National Association is the depository of the Company's GDRs, and the underlying A shares of the Company represented by the GDRs have been registered under it; the GDRs issued in the Initial Offering and under the Over-allotment cannot be converted into A shares of the Company during the period from 22 June 2020 (London time) to 19 October 2020 (London time). According to Citibank, National Association, as of the end of the reporting period, the remaining number of the GDRs is 61,972,825, which is 55.50% of the number of GDRs issued, being 111,668,291 GDRs as approved by the China Securities Regulatory Commission.

(II) Particulars of substantial shareholders

The ownership structure of the Company is diversified. The ultimate controllers of the Company's substantial shareholders do not exercise control over the Company and the Company has no controlling shareholder or de facto controllers.

As at the end of the reporting period, our substantial shareholders were:

1. Shenergy (Group) Co., Ltd.

Shenergy Group Co., Ltd. was established on 18 November 1996 with a registered capital of RMB20 billion. Its legal representative is HUANG Dinan. Its main businesses include investment in, development and management of electricity and energy industries, investment in natural gas resources, investment in urban gas pipeline networks, investment and management of real estate and high-tech industries, real industry investment, asset operation, and domestic trade (excluding special provisions).

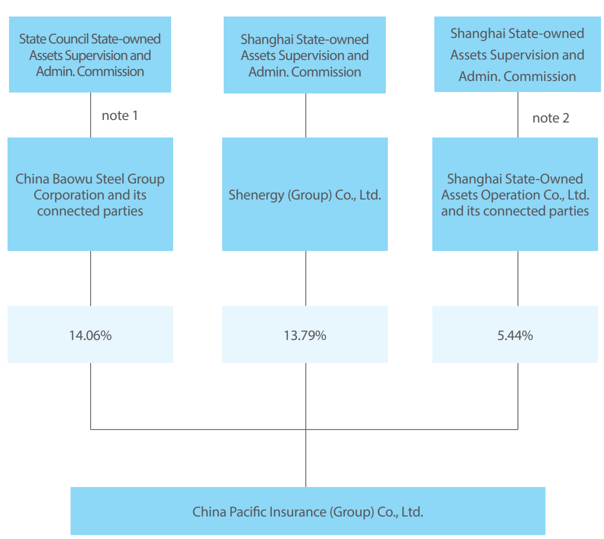
2. Hwabao Investment Co., Ltd.

Hwabao Investment Co., Ltd. was established on 21 November 1994 and has a registered capital of RMB9.369 billion, with HU Aimin as its legal representative. Its main businesses include investment and investment management in the metallurgy industry and relevant industries, investment consulting, business consulting service (excluding brokerage) and property title brokerage. Hwabao Investment Co., Ltd. is a wholly owned subsidiary of China Baowu Steel Group Corporation.

3. Shanghai State-Owned Assets Operation Co., Ltd.

Shanghai State-Owned Assets Operation Co., Ltd. was established on 24 September 1999 with a registered capital of RMB5.5 billion. Its legal representative is ZHOU Lei. Its main businesses include entrepreneurial investments, capital operations, acquisition, enhancement and transfer of assets, enterprise and asset custody, debt restructuring, property title brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its scope of businesses, as well as the provision of guarantee related to its asset management and capital operation businesses.

The following chart sets forth the connection between the Company and the ultimate controllers of our substantial shareholders as at the end of the reporting period:



Notes:

1. China Baowu Steel Group Corporation and its subsidiary, Hwabao Investment Co., Ltd., hold in aggregate 1,353,096,253 A Shares in the Company, representing 14.06% of the entire share capital of the Company.
2. Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary, Shanghai Guoxin Investment and Development Co., Ltd., hold in aggregate 523,157,234 A Shares in the Company, representing 5.44% of the entire share capital of the Company.

Directors, supervisors, senior management and employees

1

Directors, supervisors and senior management

(I) Summary

Unit: RMB 10,000

Name	Position	Gender	Date of birth	Term of office	Total remuneration payable from the Company (before tax)
Incumbent Directors, Supervisors and Senior Management					
KONG Qingwei	Chairman and executive director	M	Jun. 1960	Since Jun. 2017	104.8
FU Fan	Executive director	M	Oct. 1964	Since Jun. 2020	121.7
	President			Since Mar. 2020	
HUANG Dinan	Non-executive director and vice chairman	M	Dec. 1966	Since Jun. 2019	Note 5
WANG Tayu	Non-executive director	M	Oct. 1970	Since Jun. 2017	30
WU Junhao	Non-executivedirector	M	Jun. 1965	Since Jul. 2012	Note 5
CHEN Ran	Non-executive director	M	Jan. 1984	Since Jan. 2021	Note 5
ZHOU Donghui	Non-executive director	M	Apr. 1969	Since Jan. 2021	Note 5
LIANG Hong	Non-executive director	F	Oct. 1968	Since Feb. 2021	Note 5
LU Qiaoling	Non-executive director	F	Mar. 1966	Since Mar. 2021	Note 5
LIU Xiaodan	Independent non-executive director	F	Jun. 1972	Since Jan. 2021	Note 5
CHEN Jizhong	Independent non-executive director	M	Apr. 1956	Since Jul. 2019	Note 5
LAM Tyng Yih, Elizabeth	Independent non-executive director	F	Oct. 1964	Since Jul. 2019	35
WOO Ka Biu, Jackson	Independent non-executive director	M	Sept. 1962	Since Mar. 2021	Note 5
JIANG Xuping	Independent non-executive director	M	May 1955	Since Aug. 2019	32.9
ZHU Yonghong	Chairman of board of supervisors and shareholder representative supervisor	M	Jan. 1969	Since Jul. 2018	Note 5
JI Zhengrong	Shareholder representative supervisor	M	Dec. 1963	Since Apr. 2019	96.8
	Vice chairman of board of supervisors			Since Aug. 2019	
LU Ning	Shareholder representative supervisor	M	Sept. 1968	Since Jul. 2018	Note 5
GU Qiang	Employee representative supervisor	M	Jan. 1967	Since Jan. 2021	Note 7
ZHAO Yonggang	Vice president	M	Nov. 1972	Since Dec. 2018	139.3
YU Bin	Vice president	M	Aug. 1969	Since Oct. 2018	140.6
MA Xin	Vice president	M	Apr. 1973	Since Dec. 2018	138.0
	Board secretary			Jun. 2015 – Mar. 2021	
SUN Peijian	Chief risk officer	M	Sept. 1963	Since Mar. 2021	Note 7
ZHANG Yuanhan	CFO	M	Nov. 1967	Since Jun. 2019	533.1
	Chief actuary			Since Jan. 2013	
ZHANG Weidong	Chief risk officer	M	Oct. 1970	Jun. 2016 – Mar. 2021	293.9
	compliance responsible person			Since Jun. 2016	
	Chief legal councilor			Since Oct. 2018	

Name	Position	Gender	Date of birth	Term of office	Total remuneration payable from the Company (before tax)
Benjamin DENG	Chief investment officer	M	Nov. 1969	Since Dec. 2018	493.7
QIAN Zhonghua	Chief internal auditor and chief auditing officer	M	Jul. 1962	Since Oct. 2019	345.6
SU Shaojun	Board Secretary	M	Feb.1968	Since Mar. 2021	Note 7
Departed Directors, Supervisors and Senior Management					
KONG Xiangqing	Non-executive director	M	Sept. 1967	Jun. 2017 – May 2020	12.5
SUN Xiaoning	Non-executive director	F	Mar. 1969	Jul. 2013 – May 2020	Note 5
LI Qiqiang	Non-executive director	M	Nov. 1971	Aug. 2019 – May 2020	12.5
CHEN Xuanmin	Non-executive director	M	Feb. 1965	Jun. 2017 – May 2020	Note 5
LEE Ka Sze, Carmelo	Independent non-executive director	M	May 1960	Nov. 2015 – May 2020	12.5
GAO Shanwen	Independent non-executive director	M	Sept. 1971	Aug. 2014 – May 2020	14.6
ZHANG Xinmei	Shareholder representative supervisor	F	Nov. 1959	Dec. 2015 – May 2020	Note 5
JIN Zaiming	Employee representative supervisor	M	Jun. 1961	May 2018 – May 2020	73.8
PAN Yanhong	Executive vice president	F	Aug. 1969	Oct. 2018 – May 2020	63.1
RONG Guoqiang	Chief technology officer	M	Nov. 1962	Jan. 2019 – May 2020	196.4
Total					**2,890.8**

Notes:

1. Total remuneration payable (before tax) listed in this table includes basic salaries, bonuses, allowances, subsidies, employee welfare and various insurance premiums, provident funds, annuities, and other forms of remuneration received from the Company payable in 2020. According to Provisional Guidelines on Compensation Management of Insurance Companies (Bao Jian Fa (2012) No. 63) and relevant policies and rules of the Company, performance-related remuneration of the Company's senior management takes the form of deferred payment, which is included in total remuneration payable (before tax) listed in this table.
2. Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
3. According to relevant policies, the final amounts of remunerations of the chairman, president, vice chairman of the board of supervisors, and vice presidents are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
4. The compensation for the Company's directors, supervisors and senior management was calculated based on their actual term of office during the reporting period.
5. Mr. HUANG Dinan, Ms. SUN Xiaoning, Mr. WU Junhao, Mr. CHEN Xuanmin, Mr. ZHU Yonghong, Ms. ZHANG Xinmei, and Mr. LU Ning do not take any allowances. Mr. CHEN Jizhong does not take any allowances temporarily. During the reporting period, the terms of office of Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LIANG Hong, Ms. LU Qiaoling, Ms. LIU Xiaodan and Mr. WOO Ka Biu, Jackson did not take effect, and hence no allowances were took by them.
6. During the reporting period, according to related party stipulated under the Listing Rules of the SSE, Mr. HUANG Dinan and Mr. WU Junhao received remuneration from Shenergy (Group) Co., Ltd.; Mr. CHEN Ran received remuneration from Shanghai Ouyeel Financial Information Service Co., Ltd.; Mr. ZHOU Donghui received remuneration from Shanghai Haiyan Investment Management Co., Ltd; Ms. LU Qiaoling received remuneration from China Baowu Steel Group Corporation Limited; Ms. LIU Xiaodan received remuneration from Chenyi Investment (Beijing) Co., Ltd.; Mr. WOO Ka Biu, Jackson received remuneration from Kailey Enterprises Limited; Mr. KONG Xiangqing received remuneration from Hwabao WP Fund Management Co., Ltd. and Hwabao Trust Co., Ltd.; Ms. SUN Xiaoning received remuneration from the Government of Singapore Investment Consulting (Beijing) Co., Ltd.; Mr. LI Qiqiang received remuneration from Hwabao Trust Co., Ltd; Mr. LEE Ka Sze, Carmelo received dividend from Woo, Kwan, Lee & Lo; Mr. ZHU Yonghong received remuneration from China Baowu Steel Group Corporation Limited and Ms. ZHANG Xinmei received remuneration from Shanghai Jiushi (Group) Co., Ltd.
7. The appointment qualification of Mr. GU Qiang was approved by CBIRC in January 2021. The appointment qualifications of Mr. Sun Peijian and Mr. Su Shaojun were approved by CBIRC in March 2021.
8. In May 2020, Mr. KONG Xiangqing, Ms. SUN Xiaoning, Mr. LI Qiqiang, and Mr. CHEN Xuanmin no longer served as non-executive director of the Company; Mr. LEE Ka Sze, Carmelo and Mr. GAO Shanwen no longer served as independent non-executive director of the Company; Ms. ZHANG Xinmei no longer served as shareholder representative supervisor of the Company; Mr. JIN Zaiming no longer served as employee representative supervisor of the Company; in May 2020, Ms. PAN Yanhong no longer served as executive vice president of the Company and Mr. RONG Guoqiang no longer served as chief technology officer of the Company due to the expiry of their terms. Due to the work arrangement, Mr. LU Guofeng, the proposed shareholder representative supervisor, resigned in July 2020.
9. The Company disclosed information regarding part of the compensation of the chairman of the board of directors and the vice chairman of the board of supervisors for 2019 in the 2019 Annual Report. The actual approved compensation of the aforementioned personnel is as follows, part of which is subject to deferred payment under applicable rules and regulations:

Unit: RMB 10,000

Name	Position	Total remuneration payable from the Company (before tax) in 2019
KONG Qingwei	Chairman and executive director	170.0
JI Zhengrong	Vice chairman of the board of supervisors and employee representative supervisor	116.8

(II) Shareholdings

Unit: share

Name	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
ZHAO Yonggang	A share	-	17,200	-	17,200	Secondary market transaction
YU Bin	A share	5,900	-	-	5,900	-
	H share	-	26,600	-	26,600	Secondary market transaction
MA Xin	A share	-	4,300	-	4,300	Secondary market transaction
	H share	-	16,400	-	16,400	Secondary market transaction
SUN Peijian	A share	66,125		30,000	36,125	Secondary market transaction
PAN Yanhong	A share	113,000	-	-	113,000	-

Notes:

1. The term of office of Mr.SUN Peijian became effective in March 2021. The changes of Mr. SUN's shareholding shown in the table above all occurred before his term of office.

2. In May 2020, due to the expiry of her term of office, Ms. PAN Yanhong no longer served as executive vice president of the Company.

(III) Professional background and biographies

1. Directors

The biographies of the incumbent directors of the Company are as follows:

Mr. KONG Qingwei currently serves as Chairman and an executive director of the Company. Previously, Mr. KONG served as deputy general manager of Shanghai Bund House Exchange Co., Ltd., general manager of the Housing Exchange Headquarter 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, Party secretary of the Financial Working Committee of the CPC of the city of Shanghai, chairmen of Shanghai Guosheng (Group) Co., Ltd and CPIC Life. Mr. KONG holds a master's degree.

Mr. FU Fan currently serves as executive director and president of the Company, director of CPIC AMC, chairman and general manager of CPIC Capital Company Limited. Previously, Mr. FU served as assistant general manager, and 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 Operation Co., Ltd., and director and general manager of Shanghai International Group Co., Ltd. Mr. FU holds a master's degree.

Mr. HUANG Dinan 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 currently serves as non-executive director of the Company, investment director of Shanghai International Group Co., Ltd., general manager of No. 1 Division of Investment Management Department 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, 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., assistant president and vice president of Shanghai State-owned Assets Operation Co., Ltd., chairman of Shanghai Guoxin Investment and Development Co., Ltd., executive director of Shanghai Chenggao Asset Management Co., Ltd., executive director and general manager of Shanghai Guozhi Properties Development Co., Ltd., vice chairman 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 currently serves as non-executive director of the Company, directors 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.

Mr. CHEN Ran currently serves as non-executive director of the Company, and director and president 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 No. 1 Division of Marketing Department 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 holds a bachelor's degree.

Mr. ZHOU Donghui currently serves as non-executive director of the Company, general manager of Shanghai Haiyan Investment Management Co., Ltd., 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), and vice chairman and director of Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd., vice chairman and director of Shanghai Deqiang Industrial Co., Ltd., and supervisor of China Aviation Development Commercial Aviation Engine Co., Ltd. Previously, Mr. ZHOU was 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.

Ms. LIANG Hong currently serves as non-executive director of the Company and 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 currently serves as non-executive director of the Company, general manager of the Industry and Finance Development Centre and the Capital Operation 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., and supervisor of Magang (Group) Holding Co., Ltd. Previously, 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., deputy general manager of Baosteel Engineering Technology Group Co., Ltd, director of Baosteel Group Finance Co., Ltd., and general manager of the Financial Department of China Baowu Steel Group Corporation Limited. Ms. LU holds a master's degree, and has the title of senior accountant, certified public accountant, and auditor.

Ms. LIU Xiaodan currently serves as independent non-executive director of the Company, 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). Previously, 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. CHEN Jizhong 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.

Ms. LAM Tyng Yih, Elizabeth 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's degree in accounting, and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. WOO Ka Biu, Jackson, currently serves as independent non-executive director of the Company, CEO of Challenge Capital Management Limited, consultant of Guantao Law Firm (Hong Kong), director of Kailey Enterprises Limited and Fong Fun Enterprises Limited and independent non-executive director of Henderson Land Development Company Limited listed on the SEHK (stock code: 00012), honorary member of the Board of Trustees of Tsinghua University, notary public entrusted by the Ministry of Justice of the People's Republic of China, a practising solicitor member on the panel of the Solicitors' Disciplinary Tribunal in the Hong Kong Special Administrative Region, member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of Securities and Futures Commission of Hong Kong, member of the Main Board and GEM Listing Review Committee of the The Stock Exchange of Hong Kong Limited, honorary advisor of the Hong Kong Financial Reporting Council and member of the Oversight, Policy and Governance Committee. Mr. WOO was a member of the Public Shareholders' Rights Group of Securities and Futures Commission of Hong Kong, a member of the Investigation Committee of the Hong Kong Financial Reporting Council, chairman of Beijing Guantao Zhongmao Law Firm (International), a partner of Ashurst 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 & 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), non-executive director of Sun Hung Kai Properties Limited (stock code: 00016) and Henderson Investment Limited listed on SEHK (stock code: 00097), and alternative director of Sir Po-shing Woo. Mr. WOO holds a master's degree, and is a Qualified Solicitor in the Supreme Courts of Hong Kong, England and Wales and the Australian Capital Territory, and a licensee of the Securities and Futures Commission of Hong Kong.

Mr. JIANG Xuping 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 director of the Company are as follows:

Mr. John Robert DACEY, American, 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.

2. Supervisors

Mr. ZHU Yonghong 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 Baoteel Finance Co., Ltd., director of Hwabao Trust 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., director of Hubei United Development & Investment Co., Ltd, chairman of Hwabao Trust Co., Ltd., and chairman of Wuhan Iron and Steel (Group) Kunming Iron and Steel Co., Ltd., chairman of Hwabao Trust Co., Ltd. Mr. ZHU holds a doctor's degree and the title of senior accountant.

Mr. JI Zhengrong 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 currently serves as shareholder representative 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's degree.

Mr. GU Qiang currently serves as employee representative supervisor of the Company, chairman of the board of supervisors of CPIC AMC and chairman of the board of supervisors of Changjiang Pension, supervisor of CPIC Health. 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 CPIC Anxin Agricultural. 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.

3. Senior management

Mr. KONG Qingwei currently serves as Chairman of the Company. Please refer to the Section headed "1. Directors" above for the details of his biography.

Mr. FU Fan currently serves as President of the Company. Please refer to the Section headed "1. Directors" above for the details of his biography.

The biographies of the rest senior managements of the Company are as follows:

Mr. ZHAO Yonggang 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 currently serves as vice president of the Company and 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 currently serves as vice president of the Company, chairman of CPIC Health, and directors 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 , director on transformation matters and board secretary of the Company. Mr. MA has a master's degree.

Mr. SUN Peijian currently serves as chief risk officer of the Company, chairmen of board of supervisors of CPIC Life and CPIC P/C, and director of CPIC Capital Company Limited. Previously, he served as assistant general manager, deputy general manager, general manager of Reinsurance Department of the Company, assistant general manager, deputy general manager, compliance responsible person, chief compliance officer and vice president of the Company, and directors of CPIC P/C, CPIC Life and CPIC AMC, general manager and chairman of CPIC Health. Mr. SUN has a master's degree.

Mr. ZHANG Yuanhan is chief actuary and CFO of the Company, chief actuary of CPIC Health, directors of CPIC P/C, CPIC Life, CPIC AMC and CPIC Capital Company Limited 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 currently serves as compliance responsible person and chief legal councilor 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, general manager of the Risk Management Department and chief risk officer of the Company. Mr. ZHANG holds a bachelor's degree.

Mr. Benjamin DENG currently serves as chief investment officer of the Company, chief investment officer of CPIC HK, and directors of CPIC Life, CPIC AMC and CPIC Capital Company Limited. Mr. DENG's previous stints include official of the Personnel Department of the Ministry of Foreign Trade and Economic Cooperation, midoffice 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 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.

Mr. SU Shaojun currently serves as board secretary and deputy director on transformation matters of the Company, director of CPIC Capital Company Limited. Previously, he served as assistant general manager and deputy general manager of Underwriting Department, deputy general manager and general manager of Beijing branch, general manager of Development Planning Department, head of the Board office, head of the Board of Supervisors' Office, general manager of Telemarketing Department of CPIC P/C, head of Strategic Research Department of the Company. Mr. SU holds a doctor's degree and a title of senior engineer.

(IV) Positions in corporate shareholders

Name	Shareholder	Position held	Term
HUANG Dinan	Shenergy (Group) Co., Ltd.	Chairman	Since 2018
WU Junhao	Shenergy (Group) Co., Ltd.	General manager of the Financial Management Department	Since 2020
ZHOU Donghui	Shanghai Haiyan Investment Management Co., Ltd.	General manager	Since 2015
LIANG Hong	Hillhouse Capital	President of the Institute of Innovation and Industry Studies	Since 2020
LU Qiaoling	China Baowu Steel Group Corporation	General manager of the Financial Department	2018-2021
	China Baowu Steel Group Corporation	General manager of the Industry and Finance Development Centre and the Capital Operation Department	Since 2021
	Hwabao Investment Co., Ltd.	Chairman of the board of supervisors	Since 2019
ZHU Yonghong	China Baowu Steel Group Corporation	Chief accountant	Since 2016
	China Baowu Steel Group Corporation	Board secretary	Since 2018
	Hwabao Investment Co., Ltd.	Chairman	2017-2020
LU Ning	Yunnan Hehe(Group) Co., Ltd.	Head of the Financial Assets Department	Since 2017

(V) Positions in other entities

Name	Other entities	Position held	Term
HUANG Dinan	Shanghai Society for Electric Engineering	Chairman	Since 2004
WANG Tayu	Shanghai International Group Co., Ltd.	Investment director	Since 2021
	Shanghai International Group Co., Ltd.	General manager of No. 1 Division of Investment Management Department	Since 2017
	Shanghai Xieyi Asset Management Co., Ltd.	Director, gengeral manager	Since 2017
	AVIC Capital Co., Ltd.	Director	Since 2019
	Shanghai Rural Commercial Bank Co., Ltd.	Director	2018-2020
WU Junhao	China Everbright Bank Co., Ltd.	Supervisor	Since 2009
	Shanghai ICY Capital Co., Ltd.	Chairman of the board of supervisors	Since 2021
	Shanghai Chenyi New Energy Venture Capital Co., Ltd.	Director	Since 2011
	Orient Securities Company Limited	Director	Since 2011
	Chengdu Xinshen Venture Company	Director	Since 2011
	Shanghai Shenery Chengyi Equity Investment Co., Ltd.	Chairman of the board of supervisors	Since 2016
CHEN Ran	Shanghai Ouyeel Financial Information Service Co., Ltd.	President	Since 2019
	Shanghai Ouyeel Financial Information Service Co., Ltd.	Director	Since 2018
	Shanghai Ouyeel Pawn Co., Ltd.	Chairman	Since 2019
	Easternpay Information & Technology Co., Ltd.	Executive director	Since 2019
	China United SME Guarantee Corporation	Director	Since 2018
ZHOU Donghui	Orient Securities Company Limited	Non-executive director	Since 2020
	Haitong Securities Co., Ltd.	Non-executive director	Since 2020
	Shanghai Tobacco Machinery Co. , Ltd.	Vice chairman, director	Since 2015
	Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd.	Vice chairman, director	Since 2015
	Shanghai Deqiang Industrial Co., Ltd.	Vice chairman, director	Since 2015
	China Aviation Development Commercial Aviation Engine Co., Ltd.	Supervisor	Since 2015
LIANG Hong	China International Capital Corporation Limited	Member of the Management Committee, head of the Research Department	2008-2020
LU Qiaoling	Baosteel Group Finance Co., Ltd.	Director	2019-2020
	Baowu Group Guangdong Shaoguan Iron and Steel Co., Ltd.	Chairman of the board of supervisors	Since 2017
	Ouye Yunshang Co., Ltd.	Chairman of the board of supervisors	Since 2017
	Magang (Group) Holding Co., Ltd.	Supervisor	Since 2019
	Baowu Equipment Intelligent Technology Co., Ltd.	Chairman of the board of supervisors	Since 2019
LIU Xiaodan	Chenyi Investment (Beijing) Co., Ltd.	General manager	Since 2019
	Chenyi Fund Management (Beijing) Co., Ltd.	Chairman	Since 2019
LAM Tyng Yih, Elizabeth	HK Agency for Volunteer Service	Director, Honorary Treasurer	Since 2012

Name	Other entities	Position held	Term
WOO Ka Biu, Jackson	Challenge Capital Management Limited	CEO	Since 2015
	Guantao Law Firm (Hong Kong)	Consultant	Since 2014
	Kailey Enterprises Limited	Director	Since 1992
	Fong Fun Company Limited	Director	Since 1991
	Henderson Land Development Company Limited	Independent non-executive director	Since 2012
	Po Leung Kuk Hong Kong	Member of the Selection Committee	Since 2014
	Shun Tak Faternal Association	Director	Since 2013
	Shun Tak Fraternal Association Seaward Woo College	Member of the Board of Trustees	Since 2000
	The Hong Kong Jockey Club	Member of the Selection Committee	Since 2004
	Lok Sin Tong Hong Kong	Committee member	Since 2007
	Riding for the Disabled Association Ltd.	Chairman of the Rehabilitation Committee, member of the Selection Committee	Since 2015
	Hong Kong Riding for the Disabled Association Equestrian Academy Limited	Vice chairman and director	Since 2014
	UNICEF Hong Kong	Member of the audit committee	Since 2018
	HKJC Racing Club Co., Ltd.	Chairman of the Horse Management Board	Since 2019
	Zhuoyi Horse Racing Management Co., Ltd.	Director	Since 2019
	Tsinghua University	Honorary member of the Board of Trustees	Since 2012
	Ministry of Justice of the People's Republic of China	Entrusted Notary Public	Since 2012
	Panel of the Solicitors' Disciplinary Tribunal in the Hong Kong Special Administrative Region	Member (Practising Solicitor)	Since 2011
	Securities and Futures Commission of Hong Kong	Member of the Takeovers and Mergers Committee and Takeover Appeals Committee	Since 2019
	The Stock Exchange of Hong Kong Limited	Member of the Main Board and GEM Listing Review Committee	Since 2019
	Securities and Futures Commission of Hong Kong	Member of the Public Shareholders' Rights Group	2018-2020
	Hong Kong Financial Reporting Council	Honorary advisor	Since 2019
	Hong Kong Financial Reporting Council	Member of the Oversight, Policy and Governance Committee	Since 2020
	Hong Kong Financial Reporting Council	Member of the Investigation Committee	2019-2020
JIANG Xuping	Tsinghua University	Professor, Department of Marketing, School of Economics and management	Since 2002
		Researcher at the Research Centre for Contemporary Management	Since 2003
		Researcher at the Centre for Corporate Governance	Since 2007
	Guizhou Forerunner College	Dean of the School of Internet Marketing and Management (volunteer)	Since 2012
ZHU Yonghong	Hwabao WP Fund Management Co., Ltd.	Chairman	Since 2020
	Hwabao Trust Co., Ltd.	Director	Since 2018
	Baosteel Group Finance Co., Ltd.	Chairman	Since 2018
	Baoshan Iron and Steel Co., Ltd.	Chairman of the board of supervisors	Since 2017
	Wuhan Iron and Steel (Group) Kunming Iron and Steel Co., Ltd.	Chairman	2016-2020
	Hwabao Trust Co., Ltd.	Chairman	2018-2020
LU Ning	Hongta Innovation Investment Co., Ltd.	Director	Since 2018
	Yunnan Flower Industry Investment Management Co., Ltd.	Director	Since 2018
	Yunnan Tourism Co., Ltd.	Director	Since 2019

(VI) Determination and basis for determination of remuneration

The remuneration of directors and supervisors is determined by the Shareholders and the SGM, while the remuneration of the senior management is determined by the Nomination and Remuneration Committee of the Board and submitted to the board of directors for approval.

The Company determines the remuneration of directors, supervisors and senior management based on factors such as the Company's business results, the line-up of positions, risk management and performance appraisal results while considering market remuneration benchmarks provided by human resources consulting service.

2

Employees

As at the end of the reporting period, a total of 110,940 employees, including those from CPIC Group and its major subsidiaries, have signed employment contracts with the Company. Their expertise and educational background are set out below:

(I) Expertise

Expertise	Head count	Percentage
Management	7,523	6.78%
Professional	42,497	38.31%
Marketing	60,920	54.91%
Total	110,940	100.00%

(II) Education background

Education background	Head count	Percentage
Master's degree or above	4,661	4.20%
Bachelor's degree	58,809	53.01%
Other	47,470	42.79%
Total	110,940	100.00%

(III) Remuneration policies and trading programs for employees

The Company has established a remuneration mechanism that is position-specific, performance and market-oriented and risk-linked, based on specific positions and performance of the employees with reference to the market conditions. The basic remuneration of our employees is determined based on their positions, duty performances and working experience. The performance-related remuneration of our employees is linked to the results performance of the Company and is determined and paid according to the results of operation of the Company and their individual performance. The Company also provides its employees with benefits and allowance according to applicable regulations of China and industry standards.

Based on the overall requirements of Transformation 2.0, the Company further implemented its talent development strategy to build a corporate innovation platform. Positioning as a learning capacity development centre, the Company strengthened the application of new technologies such as 5G, AI, stepped up the construction of training platforms, and promoted online training and training. It strives to become a learning organization that can turn learning into productivity, thus improving its long-term capability building.

Corporate governance

1

Corporate governance

In 2020, in strict compliance with Company Law of the PRC, Securities Law of the PRC, Insurance Law of the PRC and other applicable laws of the PRC, relevant government ordinances and regulations, and drawing on international best practices, the Company continued to improve the centralised management structure based on realignment of resources and enhanced interaction with the capital market, and strengthen internal and external supervision to improve the soundness, effectiveness and transparency of management, putting in place a sound corporate governance with effective coordination and a sound system of checks and balances.

The board of directors is committed to continuous improvement of the Company's corporate governance by enhancing the integrated management mechanisms and systems. While maintaining the right of self-management of its subsidiaries as independent legal entities, the Group also promoted the centralisation of governance of the Company's subsidiaries at the group level, given the fact that the Company was listed as a group. The subsidiaries of the Company have also established a system structure that satisfies the requirements of the Company's operation and has formulated unified and consistent governance systems that meet all kinds of needs. Through the classification of subsidiaries, the Company has adopted differentiated management of its subsidiaries, fully covering the corporate governance structure under the Group.

The SGM, board of directors, board of supervisors and the senior management fulfiled their functions independent of one another, exercised their rights respectively in accordance with the Articles of Association, coordinating and balancing among each other to ensure the smooth operation of the Company. The SGM is composed of all shareholders. The board of directors implements the resolutions made by the SGM and exercises the decision-making power of the Company, responsible for the overall leadership of the Group; while the senior management, under the leadership of the president, is responsible for the day-to-day management of the Company's businesses and implementation of the strategies approved by the Board. The board of supervisors is responsible to the SGM, and exercises the duties of supervising the directors and senior executives and reviewing the financials of the Company. The Company also put in place mechanisms to ensure smooth communication between the board of directors, the board of supervisors and the management, creating an enabling environment for the Board and the board of supervisors to perform their duties and keep abreast of the Company's situation.

(I) Shareholders and the SGM

Shareholders are the investors of the Company. To equally safeguard shareholder's rights, the Company sets out detailed provisions on shareholder's rights and how to realize them in the Articles of Association, and takes seriously the dividend policy, shareholders' investment return and their right to earnings. The Company also focused on communication with shareholders to help them make informed decisions.

Under the Articles of Association, the main responsibilities of the SGM are, among others, to formulate the Company's strategic direction and investment plans, elect and replace directors and supervisors other than those who are also the Company's employees and decide their remuneration, consider and approve the annual budgets and accounts, profit distribution plans and loss compensation plans of the Company, adopt proposals regarding any increase or decrease in the registered capital of the Company and any merger, separation, dissolution or liquidation or change of corporate form of the Company, consider and approve the listing of all or any part of the shares on any stock exchange as well as any proposed issuance of bonds or other securities of the Company, adopt proposals regarding the appointment and dismissal of the accountant of the Company, conduct statutory audit of the Company's financial reports on a regular basis, and amend the Articles of Association.

The Articles of Association and the Procedural Rules for the SGM also contain detailed rules for convening extraordinary sessions and specific procedures for putting forward proposals at such meetings. Under Article 71(3) of the Articles of Association and Article 6(3) and Article 7 of the Procedural Rules for SGM, shareholders holding 10% or above of total voting shares issued by the Company individually or jointly may sign and submit a request in writing to the board of directors for an extraordinary session of shareholder's meeting or a classified SGM. Upon receipt of such a request, the board of directors shall decide whether to convene a general meeting or a classified SGM based on the actual situation according to the laws, administrative regulations and the Articles of

Association. Pursuant to Articles 68(12) and 73 of the Articles of Association and Articles 12 and 13 of the Procedural Rules for SGMs, shareholders holding 3% or above (including 3%) of the total voting shares issued by the Company individually or jointly may put forward temporary proposals, but they must submit the proposal to the convener in writing ten days prior to the holding of general meeting. If the shareholder entitled to submit proposals has any objection towards the decision of the Board for not including his/her proposal in the agenda of the general meeting, he/she may request a separate extraordinary session of shareholder's meeting according to the procedures as set out in the Procedural Rules for SGMs. The contact information for shareholders' enquiry regarding the affairs of Company is set out in the Section "Corporate information and definitions" of this report.

In 2020, the Company held 2 shareholders' general meetings:

The 2019 shareholders' annual general meeting was held in Jiashan on May 12, 2020, which considered and approved the Resolution regarding the Report of Board of Directors of China Pacific Insurance (Group) Co., Ltd. for the year 2019, etc. Details of the resolutions were set out in the announcements published on the websites of SSE, SEHK and the Company.

On 21 August 2020, the Company held its first extraordinary general meeting of 2020 in Xining and considered and approved the Resolution regarding the Establishment of CPIC Fintech Co., Ltd., etc. Details of the resolutions were set out in the announcements published on the websites of SSE, SEHK, LSE, and the Company.

The attendance of directors was as follows:

Name of directors	No. of general meetings convened	Attendance in person	Percentage of attendance (%)	Remarks
Executive directors				
KONG Qingwei	2	2	100	
FU Fan	1	1	100	
Non-executive directors				
HUANG Dinan	2	2	100	
WANG Tayu	2	1	50	Unable to attend the 2019 SGM for work reasons.
WU Junhao	2	2	100	
Independent non-executive directors				
CHEN Jizhong	2	2	100	
LAM Tyng Yih, Elizabeth	2	2	100	
JIANG Xuping	2	2	100	
Former non-executive directors				
KONG Xiangqing	1	0	0	Unable to attend the 2019 SGM for work reasons.
SUN Xiaoning	1	0	0	Unable to attend the 2019 SGM for work reasons.
LI Qiqiang	1	0	0	Unable to attend the 2019 SGM for work reasons.
CHEN Xuanmin	1	1	100	
LEE Ka Sze, Carmelo	1	1	100	
GAO Shanwen	1	1	100	

Notes:

1. On May 12, 2020, at the 2019 SGM of the Company, Mr. KONG Qingwei and Mr. FU Fan were elected as executive directors of the 9th board of directors; Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. ZHOU Donghui and Ms. LU Qiaoling were elected as non-executive directors of the 9th board of directors; Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms.LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping were elected as independent non-executive directors; and Mr. KONG Xiangqing, Ms. SUN Xiaoning, Mr. LI Qiqiang, Mr. CHEN Xuanmin, Mr. LEE Ka Sze, Carmelo, Mr. GAO Shanwen no longer served as directors of the Company.
2. On 21 August 2020, at the first extraordinary session of shareholder's meeting of 2020, Mr. CHEN Ran, Ms. LIANG Hong, and Mr. John Robert DACEY were elected as directors of the 9th board of directors.
3. The appointment qualification of Mr. FU Fan was approved by the China Banking and Insurance Regulatory Commission in June 2020. The appointment qualifications of Mr. CHEN Ran, Mr. ZHOU Donghui and Ms. LIU Xiaodan were approved by the China Banking and Insurance Regulatory Commission in January 2021. The appointment qualification of Ms. LIANG Hong was approved by the China Banking and Insurance Regulatory Commission in February 2021. The appointment qualifications of Ms. LU Qiaoling and Mr. WOO Ka Biu, Jackson were approved by the China Banking and Insurance Regulatory Commission in March 2021. The appointment application of Mr. John Robert Dacey is subject to approval of China Banking and Insurance Regulatory Commission.

The notification, convening, and proceeding of the general meetings and the procedures followed for voting were in compliance with the Company Law of the PRC, the Articles of Association and applicable regulations.

The SGM has set up an effective communication channel with the shareholders so that their voices can be heard and their advice heeded, ensuring shareholders' rights to information, participation and voting in respect of any significant issues of the Company. This created a positive atmosphere for the shareholders to take part in the decision-making process of the Company and exercise their rights equally.

In strict compliance with regulatory rules and requirements on corporate governance and the protection of minority investors, the Company continued to improve its corporate governance and investor communication mechanisms to fulfill its responsibilities to shareholders. To better protect the interests of minor investors, we added stipulations on voting rights to select independent directors to the Articles of Association, and fully adopted measures such as online voting in SGMs, and the separate vote counting and public disclosure for minority investors.

(II) Directors, Board of Directors and committees of the Board of Directors

On 12 May 2020, the Company held its 2019 SGM and elected its 9th board of directors. On 21 August 2020, the Company held the first extraordinary session of shareholder's meeting of 2020 and additional directors of the 9th board of directors were elected at this meeting (for biographies of the directors please see the Section "Directors, supervisors, senior management and employees"). At present, the Board consists of 15 incumbent and proposed directors. Among them, there are 2 executive directors: Mr. KONG Qingwei and Mr. FU Fan; 8 non-executive directors: Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LIANG Hong, Ms. LU Qiaoling and Mr. John Robert DACEY (among them, the qualification of Mr. John Robert DACEY is yet to be approved by the China Banking Regulatory Commission); 5 independent non-executive directors: Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson and Mr. JIANG Xuping. The term of office of the current board of directors is three years. On 12 May 2020, at the 1st session of the 9th board of directors of the Company, Mr. KONG Qingwei and Mr. HUANG Dinan were elected as chairman and vice chairman of the 9th board of directors respectively. At present, there are 5 independent non-executive directors on the Board, exceeding one-third of all directors. The number of directors and composition of the Board comply with applicable regulatory requirements as well as requirements of the Articles of Association of the Company.

The number of independent non-executive directors of the company's board of directors has reached one third of the number of directors, and the number and member structure of the board of directors are in compliance with the regulatory policies and the company's Articles of Association.

Under the Articles of Association, the Board of Directors shall be accountable to the SGM and exercise, among others, the following powers: to convene SGMs, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or decreases in the registered share capital and issue and listing of other securities of the Company, appointment or dismissal of President, appointment or dismissal of board secretary based on Chairman's nomination, appointment or dismissal of Chief Internal Auditor and Head of Audit based on Chairman or Audit Committee's nomination, appointment, dismissal and remuneration of Vice President, Chief Actuary, Chief Legal Councillor, Chief Risk Officer, Chief Technology Officer, Chief Investment Officer, CFO, Chief Compliance Officer and other senior executives based on President's nomination and develop the basic policies and systems of the Company.

So far as the Company is aware, no financial, business, family or other material/relevant relationship exists among its board members. In particular, there are none between chairman and president.

During the reporting period, save as disclosed below, the Company has complied with all the code provisions and substantially all of the recommended best practices of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (https://en-rules.hkex.com.hk/sites/default/files/net_file_store/HKEX4476_3828_VER10.pdf).

In 2019, after the former president Mr. HE Qing resigned, Mr. FU Fan was appointed as the president of the Company and his appointment qualification has been approved by CBIRC in March 2020. The Board has designated Mr. KONG Qingwei, Chairman of the Board, as the temporary person-in-charge to act on behalf of the president prior to the tenure of office of Mr. FU Fan. According to the Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. After considering the principles under Code Provision A.2.1 of the Corporate Governance Code and examining the Company's situation that the appointment qualification of the president shall be approved by the CBIRC, the Board is of the view that such temporary arrangement is able to provide the Company with effective management and, at the same time, protect the shareholders' rights to the greatest extent. Since March 2020, Mr. KONG Qingwei serves as Chairman of the Board, and Mr. FU Fan serves as President of the Company. The chairman is responsible for presiding over the general meeting of shareholders and the board of directors and performing other duties as delegated by the board of directors, while the president is responsible to the board of directors, and preside over the management of the company. The division of responsibilities between the chairman and president of the Company is stated in the Articles of Association.

1. Attendance of board meetings

In 2020, the Board held 10 meetings. All directors duly performed their duties and attended the meetings in person or by proxy. They made informed decisions to safeguard the interests of the Company and their shareholders as a whole. The attendance of directors is as follows:

Names of directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
Executive director					
KONG Qingwei	10	10	0	0	
Fu Fan	6	6	0	0	
Non-executive directors					
HUANG Dinan	10	9	1	0	Unable to attend the 7th session of the 9th board of directors for other business engagement and Mr. KONG Qingwei was appointed to attend and vote at the meeting on his behalf.
WANG Tayu	10	10	0	0	
WU Junhao	10	10	0	0	
Independent non-executive directors					
CHEN Jizhong	10	10	0	0	
LAM Tyng Yih, Elizabeth	10	10	0	0	
JIANG Xuping	10	10	0	0	
Outgoing directors					
KONG Xiangqing	2	2	0	0	
SUN Xiaoning	2	2	0	0	
LI Qiqiang	2	2	0	0	
CHEN Xuanmin	2	1	1	0	Unable to attend the 25th session of the 8th board of directors due to other business engagement and Mr. KONG Qingwei was appointed to attend and vote at the meeting on his behalf.
LEE Ka Sze, Carmelo	2	2	0	0	
GAO Shanwen	2	2	0	0	

Notes:

1. On 12 May 2020, at the 2019 SGM of the Company, Mr. KONG Qingwei and Mr. FU Fan were elected as executive directors of the 9th board of directors; Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. ZHOU Donghui and Ms. LU Qiaoling were elected as non-executive directors of the 9th board of directors; Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms.LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping were elected as independent non-executive directors; and Mr. KONG Xiangqing, Ms. SUN Xiaoning, Mr. LI Qiqiang, Mr. CHEN Xuanmin, Mr. LEE Ka Sze, Carmelo, Mr. GAO Shanwen no longer served as directors of the Company.
2. On 21 August 2020, at the first extraordinary session of shareholder's meeting of 2020, Mr. CHEN Ran, Ms. LIANG Hong, and Mr. John Robert DACEY were elected as directors of the 9th board of directors.
3. The appointment qualification of Mr. FU Fan was approved by the China Banking and Insurance Regulatory Commission in June 2020. The appointment qualifications of Mr. CHEN Ran, Mr. ZHOU Donghui and Ms. LIU Xiaodan were approved by the China Banking and Insurance Regulatory Commission in January 2021. The appointment qualification of Ms. LIANG Hong was approved by the China Banking and Insurance Regulatory Commission in February 2021. The appointment qualifications of Ms. LU Qiaoling and Mr. WOO Ka Biu, Jackson were approved by the China Banking and Insurance Regulatory Commission in March 2021. The appointment qualification of Mr. John Robert Dacey is subject toapproval of CBIRC.

2. Board meetings and resolutions

The Board held 10 meetings in 2020 (for details please refer to the announcements published on the websites of SSE, SEHK and the Company):

(1) On 20 March 2020, the Company held the 24th session of the 8th board of directors in Shanghai, at which resolutions including The Resolution in Relation to the Report the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2019 were considered and approved.

(2) On 24 April 2020, the Company held the 25th session of the 8th board of directors in Shanghai, at which resolutions including The Resolution on the First Quarter Report for 2020 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 12 May 2020, the Company held the 1st session of the 9th board of directors in Jiashan, at which resolutions including The Resolution on the Candidates for Special Committees of the 9th Board of Directors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 15 May 2020, the Company held the 2nd session of the 9th board of directors in Shanghai, at which resolutions including The Resolution Regarding the Appointment of Mr. ZHAO Yonggang as Vice President of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 24 June 2020, the Company held the 3rd session of the 9th board of directors by communications, at which resolutions including The Resolution on the Formulation of Work Rules of the Technological Innovation and Consumer Rights Protection Committee of the Board of Directors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(6) On 21 July 2020, the Company held the 4th session of the 9th board of directors in Shanghai, at which resolutions including The Resolution on the Establishment of CPIC Fintech Co., Ltd. were considered and approved.

(7) On 21 August 2020, the Company held the 5th session of the 9th board of directors in Xining, at which resolutions including The Resolution on the 2020 Interim Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(8) On 9 October 2020, the Company held the 6th session of the 9th board of directors by communications, at which The Resolution on the Adjustment of the Technological Operation Departments of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(9) On 30 October 2020, the Company held the 7th session of the 9th board of directors in Shanghai, at which resolutions including The Resolution on the Third Quarter Report for 2020 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(10) On 29 December 2020, the Company held the 8th session of the 9th board of directors in Shanghai, at which resolutions including The Resolution on the Daily Related Party Transactions of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

3. Implementation of the resolutions of the SGM by the Board of Directors

In 2020, all the Company's board members fully implemented the resolutions passed by the SGM including those on profit distribution plan for 2019, and the engagement of auditors for 2020, accomplishing all the tasks delegated and assigned by the SGM with due diligence and in compliance with relevant laws and regulations and the provisions under the Articles of Association.

The Company distributed a cash dividend of RMB 1.20 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2019 approved at the 2019 SGM. The implementation of this distribution plan was completed in June 2020.

4. Corporate governance functions of the Board

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) To develop and review the Company's policies and practices on corporate governance and make recommendations;

(2) To review and monitor the training and continuous professional development of directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct applicable to the employees and directors of the Company;

(5) To review the Company's compliance with Corporate Governance Code and disclosure requirements in the Corporate Governance Report; and

(6) To review and monitor the Company's risk management and internal control systems.

During the reporting period, the Board fulfilled the above corporate governance functions. In accordance with the State Council's decision on adjusting the notice period for Chinese companies listed on overseas market holding shareholders' meetings, the Administrative Measures for Equities of Insurance Companies revised by CBIRC, and its actual situation, the Company revised such documents as the Articles of Association, Rules of Procedures for Shareholders' Meeting, Measures for the Evaluation of Directors' Due Diligence, and Measures for the Administration of Related Party Transactions, and made adjustments to matters such as the setting of special committees under the board of directors, the size of the board of supervisors, the notice period for holding shareholders' meetings, accountability of directors and supervisors, and management of related party transactions. Meanwhile, in light of the adjustments to the setting of special committees under the board of directors, the Company formulated the Work Rules of the Technological Innovation and Consumer Rights Protection Committee and the Work Rules of the Risk Management and Related Party Transactions Control Committee.

The Board has completed the annual review of the effectiveness of the Company's risk management and internal control systems for the year ended 31 December, 2020 (including those of the Company's key subsidiaries), and continuously oversees the issuers' risk management and internal control systems, including financial monitoring, operational monitoring and compliance monitoring. In this regard, the board of directors has obtained confirmation from the management on the effectiveness and completeness of the Company's risk management and internal control systems and procedures. (For details of the risk management & internal control and inside information control of the Company, please refer to the corresponding sections of this chapter.)

The Board had reviewed the Company's risk management and internal control systems, and considered them to be effective and sufficient.

5. Performance of duties by the special committees under the Board of Directors

In 2020, the Company adjusted the setting of the special committees under the new board of directors: set up the Technological Innovation and Consumer Rights Protection Committee to actively respond to the needs of technological empowerment and "CPIC Service" brand building, and also to stimulate the management to carry out work in technological innovation and consumer rights protection; changed the Risk Management Committee to Risk Management and Related Party Transactions Control Committee to strengthen the management of related party transactions and prevent related party transaction risks. At the end of the reporting period, the board of directors had 5 special committees, namely, the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management and Related Party Transactions Control Committee, and the Technological Innovation and Consumer Rights Protection Committee, which conduct in-depth studies on specific issues and submit their recommendations to the board of directors for consideration.

(1) Performance of duties by the Strategic and Investment Decision-Making Committee of the Board of Directors

The primary duties of the Strategic and Investment Decision-Making Committee are, among others, to study and advise on the long-term development strategies of the Company and its subsidiaries; review the investment decision-making procedures and delegation mechanism as well as the management of insurance funds; study and advise on material investments decisions or proposals, material capital management projects and asset management projects.

In 2020, the Strategic and Investment Decision-Making Committee held 6 meetings and provided comments and suggestions on such matters as profit distribution, execution of Company's development plans, asset allocation plan, amendment of the Company's Articles of Association and establishment of CPIC Fintech Co., Ltd. The attendance of its members is as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
KONG Qingwei (chairman)	Chairman and executive director	6	6	0	0
HUANG Dinan	Non-executive director	6	6	0	0
CHEN Jizhong	Independent non-executive director	3	3	0	0
Outgoing members					
SUN Xiaoning	Non-executive director	3	3	0	0
LI Qiqiang	Non-executive director	3	3	0	0
GAO Shanwen	Independent non-executive director	3	3	0	0

Note: On 24 June 2020, at the 3rd session of the 9th board of directors, Mr. KONG Qingwei, Mr. HUANG Dinan, and Mr. CHEN Jizhong were elected as members of the new Strategic and Investment Decision-Making Committee of the Board of Directors. Since 12 May 2020, Ms. SUN Xiaoning, Mr. LI Qiqiang, and Mr. GAO Shanwen were longer members of the committee.

(2) Performance of duties by the Audit Committee of the Board of Directors

The primary duties of the Audit Committee are, among other things, to nominate external auditors; review the Company's basic internal audit systems and to make recommendations to the Board; approve the Company's annual audit plan and budget; supervise the independence of the Company's internal audit department; review the financial information of the Company and its disclosure; evaluate the completeness and effectiveness of the Company's internal control system on a regular basis; hear the reports and assess the performance of the Internal Audit Responsible Person regularly and make recommendations to the board of directors; and review accounting policies and practices of the Company and its subsidiaries.

The primary duties of the Audit Committee are, among other things, to evaluate the completeness and effectiveness of the Company's internal control system on a regular basis to ensure the effective operation of the internal control system. The Audit Committee hears the annual internal control assessment report from the Chief Internal Auditor every year, obtains assurance from the management on the effectiveness and completeness of the Company's internal control system, and reviews the effectiveness of the internal control system. Meanwhile, members of the Audit Committee, from time to time, communicate with the Chief Internal Auditor and other senior managers on the internal control situation, and through participation in relevant meetings of the audit centre, keep close contact with the audit centre, to continuously monitor the completeness and effectiveness of the internal control system.

In 2020, the Audit Committee held 6 meetings and reviewed, among other things, the Company's 2019 annual report, the interim report and quarterly reports for 2020, the internal control evaluation report and the internal audit plan. Its composition and the attendance of its members are as follows:

Name of members	Position	No. of Committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
LAM Tyng Yih, Elizabeth (chairman)	Independent non-executive director	6	6	0	0
WU Junhao	Non-executive director	6	6	0	0
JIANG Xuping	Independent non-executive director	6	6	0	0
Outgoing members					
CHEN Xuanmin	Non-executive director	4	4	0	0
CHEN Jizhong	Independent non-executive director	4	4	0	0

Note: On 12 May 2020, at the 1st session of the 9th board of directors, Ms. LAM Tyng Yih, Elizabeth, Mr. WU Junhao, and Mr. JIANG Xuping were elected as members of the new Audit Committee under the Board. Mr. CHEN Xuanmin and Mr. CHEN Jizhong ceased to serve as members of the committee.

The Audit Committee discussed with the external auditors and agreed on the schedule for the auditing of the Company's financial statements for 2020 based on the plan for the preparation of the Company's annual report. It held a meeting to review the financial statements prepared by the Company and issued its opinions in writing prior to the commencement of the audit by the external auditors, and maintained adequate and timely communication with the auditors during the process. The committee also convened to review the financial statements of the Company after the external auditors issued their preliminary opinions, and issued its opinions in writing. At its 2nd meeting of the year, it formed a resolution on the submission of the Company's annual report to the Board for approval.

In 2020, the Audit Committee submitted a report on the overview of auditing by external auditors for the year 2019 to the Board. In this report, it expressed satisfaction with the overall performance of the auditors. At its 1st meeting in 2020, the Committee formed a resolution to submit a resolution regarding the engagement of external auditors to the Board for consideration and approval.

The committee pays close attention to the internal control of the Company and objectively assesses the Company's financial position and internal control procedures through two independent communications with external auditors each year. It also provides guidance in relation to the Company's internal audit and takes part in the appraisal and evaluation of the annual performance of the internal audit department.

(3) Performance of duties by the Nomination and Remuneration Committee of the Board of Directors

The primary duties of the Nomination and Remuneration Committee are, among others, to provide recommendations to the Board with respect to the remuneration and performance management policy and structures for directors and senior management; conduct examination and evaluation of the performance of duties and annual performance of the directors and the senior management; review the selection and appointment system for the directors and senior management and provide recommendations to the Board; evaluate candidates of senior management positions nominated by the president; and review the policy on diversity of board members.

In the Articles of Association, the Company has clarified the nomination policy for board directors: the board of directors of the Company, the Nomination and Remuneration Committee, and the shareholders who hold more than 3% of the Company's shares individually or collectively are entitled to nominating candidates for directors. Among them, the independent directors may be nominated by the Nomination and Remuneration Committee, the board of supervisors, and shareholders who hold more than 1% of the Company's shares individually or collectively, or by other means as determined by CBIRC. According to the Work Rules of the Nomination and Remuneration Committee, the procedures for nominating board directors mainly include: the Nomination and Remuneration Committee consolidates a list of candidates for directors, collects detailed information including their occupation, education, title, work experience and part-time jobs and creates written documents based on that; the committee solicits the nominee's consent to the nomination, convenes a committee meeting, and conducts qualification review of relevant candidates based on director's appointment requirements; the committee submits its appointment recommendations and other relevant materials to the Board, and follows up on it as per the Board's resolutions and feedback. The Company has complied with the above policy during the nomination process for directors.

The Company also focuses on the diversity of board member nominations. The Company believes that diversity of board members has brought a broad vision and rich and high-level professional experience to the Company, which is conducive to promoting decision-making and improving corporate governance. For that, the Company has incorporated the diversity policy into the terms of reference of the Nomination and Remuneration Committee. In assessing the Board composition, the Nomination and Remuneration Committee and the Board would take into account various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination and Remuneration Committee would discuss and agree on measurable objectives for achieving diversity on the Board, and where necessary recommend them to the Board for adoption.

The Company has complied with requirement set out in the Corporate Governance Code regarding the diversity of board members. In 2020, when nominating directors, the Company focused on building a professional, diversified and balanced high-quality board of directors to further improve the Board's decision-making capabilities in different professional fields. Taking advantage of our GDR issuance, the 9th board of directors brought on board a number of experts from home and abroad, valuing directors' capability in high-level strategy making, forward-looking decision-making and risk management. At present, the Company's board of directors is diversified in terms of gender, region, and professional background: there are 11 male directors and 4 female directors; there are 12 directors from mainland China and 3 from Hong Kong or overseas; there are 3 directors with accounting background, 1 with legal background, and 11 with professional backgrounds in finance, management, and new technologies, etc.

In 2020, the Nomination and Remuneration Committee held 7 meetings to review resolutions on the performance evaluation results of the Company for 2019, the performance appraisal plan of the senior management for 2020, the appointment of senior management, the nomination of director candidates, and the long-term incentive plans of CPIC P/C and CPIC Life, etc. The attendance of the members of the Nomination and Remuneration Committee is as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
JIANG Xuping (chairman)	Independent non-executive director	5	5	0	0
CHEN Jizhong	Independent non-executive director	5	5	0	0
LAM Tyng Yih, Elizabeth	Independent non-executive director	5	5	0	0
Outgoing members					
GAO Shanwen (chairman)	Independent non-executive director	2	2	0	0
KONG Xiangqing	Non-executive director	2	2	0	0
SUN Xiaoning	Non-executive director	2	2	0	0
LEE Ka Sze, Carmelo	Independent non-executive director	2	2	0	0

Note: On 12 May 2020, at the 1st session of the 9th board of directors, Mr. JIANG Xuping, Mr. CHEN Jizhong, and Ms. LAM Tyng Yih, Elizabeth were elected as members of the new Nomination and Remuneration Committee. Mr. GAO Shanwen, Mr. KONG Xiangqing, Ms. SUN Xiaoning, and Mr. LEE Ka Sze, Carmelo ceased to serve as members of the committee.

(4) Performance of duties by the Risk Management and Related Party Transactions Control Committee of the Board of Directors

The primary duties of the Risk Management and Related Party Transactions Control Committee are, among others, to make recommendations to the Board with respect to the overall objective, basic policies and work rules of risk management; make recommendations to the Board with respect to the risk evaluation for major decisions and solutions for significant risks; review the management system for insurance funds management; advise the Board on the SAA plan, annual investment plan and investment guidelines and their adjustments; make recommendations to the Board with respect to the coordination mechanisms for product design, sales and investment and their performance discuss risk management system with the management to ensure that effective risk management system is established; conduct research on important findings of risk management issues; conduct solvency management; conduct risk management for subsidiaries; identify and maintain relations with related parties; manage, review, approve related party transactions; conduct risk control of related party transactions; verify material related party transactions; and carry out regular filing of general related party transactions, etc.

The Company's Risk Management and Related Party Transactions Control Committee hears a quarterly risk assessment report by the Chief Risk Officer each quarter, obtains assurance at the time of annual reporting from the management on the effectiveness and completeness of the Company's risk management system, and reviews the effectiveness of the risk management system. Meanwhile, the committee, from time to time, communicates with the Chief Risk Officer and other senior managers on the major risks of the Company and its subsidiaries to monitor the effectiveness of the risk management system. In addition, the Company has established a mechanism for reporting to the Board's Risk Management and Related Party Transactions Control Committee major risk events such as solvency early warning. In case of significant risk, the Risk Management and Related Party Transactions Control Committee of the Board will be notified in a timely manner.

In 2020, the Risk Management and Related Party Transactions Control Committee held 6 meetings to review, among other things, the Company's Risk Assessment Report, Compliance Report, Solvency Report, and the reports on regular related party transactions. The attendance of its members is as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
CHEN Jizhong (chairman)	Independent non-executive director	6	6	0	0
FU Fan	Executive director	4	4	0	0
WANG Tayu	Non-executive director	6	6	0	0
LAM Tyng Yih, Elizabeth	Independent non-executive director	6	6	0	0
JIANG Xuping	Independent non-executive director	4	4	0	0
Outgoing members					
LEE Ka Sze, Carmelo	Independent non-executive director	2	2	0	0

Note: On 24 June 2020, Mr. CHEN Jizhong, Mr. FU Fan, Mr. WANG Tayu, Ms. LAM Tyng Yih, Elizabeth, and Mr. JIANG Xuping were elected as members of the new Risk Management and Related Party Transactions Control Committee under the Board at the 3rd session of the 9th board of directors. Since 12 May 2020, Mr. LEE Ka Sze, Carmelo was no longer member of the committee.

(5) Performance of duties by the Technological Innovation and Consumer Rights Protection Committee of the Board of Directors

The primary duties of the Technological Innovation and Consumer Rights Protection Committee are, among others, to review the Company's technological innovation and data management strategy and plans, and overall work objectives; urge the Company's management to establish an effective technological innovation operation system; guide and supervise the establishment and improvement of the consumer rights protection work management system; carry out research on major issues in the field of technological innovation and consumer rights protection.

In 2020, the committee held 2 meetings to put forward opinions and suggestions on the establishment of CPIC Fintech Co., Ltd. and the Consumer Rights Protection Work Report. The composition of the committee and attendance of its members are as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
JIANG Xuping (Chairman)	Independent non-executive director	2	2	0	0
FU Fan	Executive director	2	2	0	0
WU Junhao	Non-executive director	2	2	0	0

Note: On 24 June 2020, Mr. JIANG Xuping, Mr. FU Fan, and Mr. WU Junhao were elected as members of the Technological Innovation and Consumer Rights Protection Committee under the Board at the 3rd session of the 9th board of directors.

(III) Supervisors and the Board of Supervisors

On 28 April 2020, the employee representative supervisors of the 9th board of supervisors were elected at the employee representative meeting of the Company. On 12 May 2020, the shareholder representative supervisors of the 9th board of supervisors were elected at the 2019 SGM of the Company. Currently, the Company has 4 supervisors, including 2 shareholder representative supervisors (Mr. ZHU Yonghong and Mr. LU Ning) and 2 employee representative supervisors (Mr. JI Zhengrong and Mr. GU Qiang). Their biographies are set out in the Section "Directors, supervisors, senior management and employees" of this report. The term of office of this board of supervisors is three years. On 12 May 2020, Mr. ZHU Yonghong and Mr. JI Zhengrong were elected as chairman and vice chairman of the 9th board of supervisors respectively at the first meeting of the 9th board of supervisors of the Company.

Under the Articles of Association, the Board of Supervisors is vested by law to exercise the following rights and powers: examine the finances of the Company; monitor the behaviors of directors, president, vice presidents and other senior management during their performance of duties; review the financial information including financial reports, operation reports and profit distribution plans to be submitted to the SGM; propose to convene extraordinary session of the SGM and propose resolutions to it; and conduct investigation when there is any major abnormality in the Company's operation.

1. Attendance of supervisors

In 2020, the board of supervisors held 6 meetings. Their attendance is as follows:

Supervisors	No. of meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
Incumbent supervisors					
ZHU Yonghong	6	5	1	0	Due to other business engagements, ZHU Yonghong did not attend the 17th session of the 8th board of supervisors and appointed in writing Mr. JI Zhengrong to attend the meeting and vote on his behalf.
JI Zhengrong	6	6	0	0	
LU Ning	6	6	0	0	
Outgoing supervisors					
ZHANG Xinmei	2	2	0	0	
JIN Zaiming	2	2	0	0	

Notes:

1. On 12 May 2020, Mr. ZHU Yonghong and Mr. LU Ning were elected as shareholder representative supervisors of the 9th board of supervisors at the 2019 SGM of the Company. Ms. ZHANG Xinmei and Mr. JIN Zaimin resigned as supervisors of the Company.
2. Mr. JI Zhengrong and Mr. GU Qiang were elected as employee representative supervisors of the 9th board of supervisors at Company's Employee Representatives Meeting. Mr. GU Qiang's qualification was approved by CBIRC in January 2021.

2. Meetings of the Board of Supervisors and resolutions

The board of supervisors held 6 meetings in 2020 (please refer to announcements published on the websites of SSE, SEHK and the Company for details).

(1) On 20 March 2020, the Company held the 17th session of the 8th board of supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Report of the board of supervisors for 2019 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(2) On 24 April 2020, the Company held the 18th session of the 8th board of supervisors in Shanghai, at which resolutions including The Resolution in Relation to the First Quarter Report for 2020 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 12 May 2020, the Company held the 1st session of the 9th board of supervisors in Jiashan, at which resolutions including The Resolution on the Election of the Chairman of the 9th Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 21 August 2020, the Company held the 2nd session of the 9th board of supervisors in Xining, at which resolutions including The Resolution on the 2020 Interim Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 30 October 2020, the Company held the 3rd session of the 9th board of supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Third Quarter Report for 2020 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(6) On 29 December 2020, the Company held the 4th session of the 9th board of supervisors in Shanghai, at which resolutions including The Resolution Regarding the Measures for the Evaluation of Directors' Due Diligence of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(IV) Reports heard and field research made by directors and supervisors

In 2020, focusing on quality development, the board of directors maintained the right development direction, strengthened its strategic planning, stepped up the Company's Transformation 2.0 campaign, continued to optimize the Company's corporate governance, pushed forward the implementation of major business decisions, and effectively guided the management in addressing the weak links in the Company's business operations. The Board familiarised itself with and discussed the Company's operating performance and key issues of its concern by means of special reports to the Board and seminars, strengthened the guidance for operation, accelerated the shift of growth drivers, and boosted service capabilities. On the one hand, the Board kept a close eye on the business goals for the year and all the fundamental business indicators remained stable. On the other hand, it further pushed the Company's transformation, focusing on areas such as new drivers of value growth, "CPIC Service" brand building, health-related business development, long-term talent incentives, and technology marketization.

The Company also organized field trips for its directors and supervisors at CPIC P/C and CPIC Life Qinghai Branch and Jiashan Sub-branch in 2020, where they heard reports from branch companies on business operations and management. The directors and supervisors also made a trip to inspect the construction of the "CPIC Sanjiangyuan Public Welfare Forest", endorsing the Company's performance in social responsibility, public welfare and supporting national strategies. In addition, some directors also participated in, among others, various seminars and expert symposiums held by the Company and surveys at functional departments, obtaining a better understanding of the Company's business performance and improving their ability to guide business operations.

(V) Training for directors and supervisors

To improve their performance of duties, professional skills and knowledge of insurance policies and regulations, the directors and supervisors of the Company participated in various online training and lectures held by regulators as well as by the Company. Due to the epidemic, most of the external training sessions attended by them this year were held online. Among them, Ms. LIU Xiaodan, an Independent Director, attended the independent director qualification training session organized by SSE; all the directors and supervisors of the Company participated in online training sessions held by SSE and SEHK on subjects such as the new Securities Law, new ESG Governance regulations, information disclosure, and network and information Security. Meanwhile, in response to various new regulations issued by the CSRC, CBIRC, SSE, and SEHK, the issuance of GDRs, and election of the new board of directors and board of supervisors, the Company held special training for all its directors and supervisors on subjects such as UK's financial regulatory system and major legal risks, guidelines for directors of companies listed on the mainboard of SEHK, performance of duties and anti-corruption of directors of A-share listed companies, etc. Directors and supervisors also carefully studied the latest laws, regulations and regulatory rules released from time to time by the regulators through other means. All of that helped with their performance of duties.

The Company also encouraged all its directors and supervisors to attend training, at the cost of the Company. Since 2012, all the directors have been required to provide their records of training to the Company.

(VI) Auditors' remuneration

Information on auditors' remuneration is set out in the "Report of the Board of Directors and significant events".

(VII) Investor relations

The investor relations (IR) programme of the Company focuses on market value management and seeks to establish a comprehensive and investor-oriented platform with diversified channels of effective communication to improve the reach and influence of investor communication. This year, complying with the COVID-19 preventive requirements, the Company held its 2020 Interim/2020 Annual Results Presensations and global roadshow by means of "video + conference call"; also held a Capital Market Open Day by means of "video + conference call + onsite meeting" to showcase CPIC P/C transformation achievements in recent years. Actively responding to the call of the securities regulators to strengthen the protection of retail investors, the Company always issued announcements and publicly solicits questions from investors before holding such results releases, and answered those questions at the conference. Meanwhile, it provides retail investors with video links for them to participate in the conference to further improve market participation. In 2020, the Company hosted over 100+ visits from analysts and investors, conducted 15 global investor strategy meetings, forums and summits, and timely and effectively communicated the Company's business performance and strategies to the capital market. 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 received by the capital market. Moreover, fully using the two-way communication role of investor relations, the Company actively transmits the voice of the capital market inward by forms of capital market flash reports and special reports to provide a basis for management decision-making.

(VIII) Information disclosure and inside information management

Regarding information disclosure, the Company attaches great importance to the regulatory rules of the places where its securities are listed, strictly abides by the principle of "truthfulness, accuracy, completeness, timeliness and fairness", and takes a "reasonable, prudent and objective" approach towards predictive information. During the reporting period, regular reports and a number of provisional announcements were released in strict accordance with regulatory requirements; focusing on investors' needs, the Company continued to expand the scope of information disclosure, benchmarked 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 investors and other stakeholders in a comprehensive manner, greatly improving the relevance and effectiveness of information disclosure; since starting the work to issue and list its GDRs in London in September 2019, the Company strictly adhered to the listing rules of SSE, SEHK and LSE and disclosed information in a timely and efficient manner, fairly treating both domestic and foreign investors and further improving transparency in the international market. During the reporting period, to ensure the efficiency and standardisation of information disclosure management within the Group, the Company paid close attention to new industry policies and regulatory developments, and based on China's new Securities Law and relevant regulations, complied and issued the Inside Information Management Manual which includes case analysis and operational guidelines to help with Group-wide compliance management. During the reporting period, the Company effectively performed its information disclosure obligations with zero inquiry and zero punishment from the regulators and zero major error or omission in information disclosure. The Company was rated A by SSE for its information disclosure in 7 consecutive years.

2

Independent non-executive directors

The Company's 9th board of directors consists of 5 independent non-executive directors comprising professionals in accounting, finance, auditing and legal affairs, and independent non-executive directors exceed one-third of all the board members, in compliance with applicable regulatory requirements and the provisions of the Articles of Association.

The Company's independent non-executive directors have the required expertise and experience and are able to perform their duties strictly in accordance with the requirements of applicable laws and regulations, regulatory documents, the Articles of Association and Provisions on Performance of Duties by Independent Non-executive Directors. They have provided comments and suggestions on, among other things, corporate governance, business operation, risk management and internal control. Independent non-executive directors have played a meaningful role in the Company's decision making process, offering an independent and impartial perspective and safeguarding the interests of the Company and of the shareholders as a whole, and in doing so, the interests of minority shareholders as well.

In 2020, all the independent non-executive directors attended meetings of the Board as scheduled. They took the initiative to better understand the operating situation of the Company, doing research, making inquiries, and obtaining necessary materials and information for decision-making. They provided independent and unqualified opinions on matters of the Company such as changes of significant accounting estimates, election of board members, appointment of senior management members, related party transactions, and remuneration policy for and the performance appraisal of senior management.

In 2020, all independent non-executive directors and the Chairman held separate communication meetings in Shanghai without the participation of other directors and executives, and conducted in-depth communication on the issuing of GDRs, market value management, technology investment, business model innovation, risk management, corporate culture development, employee motivation and training, etc.

(I) Attendance of independent non-executive directors at the SGM

In 2020, the Company's independent non-executive directors actively attended the SGM, details of which are as follows:

Names of independent non-executive directors	No. of SGMs convened	Attendance in person	Absence
Incumbent directors			
CHEN Jizhong	2	2	0
LAM Tyng Yih, Elizabeth	2	2	0
JIANG Xuping	2	2	0
Former directors			
LEE Ka Sze, Carmelo	1	1	0
GAO Shanwen	1	1	0

Note: On 12 May 2020, Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping were elected as independent non-executive directors of the 9th board of directors at the 2019 SGM of the Company. Mr. LEE Ka Sze, Carmelo and Mr. GAO Shanwen no longer served as independent non-executive directors of the Company. Ms. LIU Xiaodan's qualification was approved by CBIRC in January 2021, and Mr. WOO Ka Biu, Jackson's qualification was approved by CBIRC in March 2021.

(II) Attendance by independent non-executive directors of board meetings

In 2020, independent non-executive directors actively attended the meetings of the Board and the attendance of each of the independent non-executive directors is as follows:

Names of independent non-executive directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent directors				
LAM Tyng Yih, Elizabeth	10	10	0	0
CHEN Jizhong	10	10	0	0
JIANG Xuping	10	10	0	0
Former directors				
LEE Ka Sze, Carmelo	2	2	0	0
GAO Shanwen	2	2	0	0

Note: On 12 May 2020, Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping were elected as independent non-executive directors of the 9th board of directors at the 2019 SGM of the Company. Mr. LEE Ka Sze, Carmelo and Mr. GAO Shanwen no longer served as independent non-executive directors of the Company. Ms. LIU Xiaodan's qualification was approved by CBIRC in January 2021, and Mr. WOO Ka Biu, Jackson's qualification was approved by CBIRC in March 2021.

(III) Objections by the independent non-executive directors on relevant matters of the Company

No objections were raised by independent non-executive directors on relevant matters of the Company and there were no such cases where proposals by the independent non-executive directors were not adopted.

3

Independence of the Company from its controlling shareholders in asset, personnel, finance, organization and business

The ownership structure of the Company is diversified and there is no controlling shareholder or de facto controller.

As a wholly-listed comprehensive insurance group company, the Company is fully independent in the following five aspects: assets, personnel, finance, organisation and business.

4

Appraisal and incentive programs for the senior management

The performance management of the Company's senior management primarily comprises formulation of performance appraisal plan, performance tracking, appraisal of performance and application of the appraisal results. The annual performance appraisal plan will be determined by the Board based on the long-term and medium-term development strategies and the operation plan for the year. The Company will take follow-up actions on the fulfillment of various appraisal indicators regularly. At the end of the year, the Board will assess the performance based on the fulfillment of the operational objectives for the entire year. The results of appraisal are linked to the compensation for the senior management.

The Company has put in place a remuneration policy based on the position and performance of the employee and market conditions. It also adopts measures such as deferred bonus and compensation recovery and clawback mechanisms for the senior management as an incentive to create long-term value for the Company. In the event of violations of discipline or regulations or abnormal exposure of risk losses within duties, the Company will re-assess the performance remuneration of the person in question for the relevant year, and deduct, recover and stop payment of the performance remuneration for the corresponding period and deferred payment based on the severity of the consequence.

Leveraging remuneration schemes for professional managers, the Company took a market-oriented approach towards the remuneration of the President and Vice President to improve incentives and accountabilities, and focusing on market-based selection and recruitment. Their employment contracts include clearly defined roles and responsibilities and duration of the positions, differentiated remuneration, detailed remuneration structure and appraisal terms, terms of contract renewal and termination.

5

Risk management

Risk management is a core element of the Company's operation and management. The Company takes a centralised approach to risk management - set up one overarching risk management framework covering the whole Group, with one set of risk language, risk policies and important systems, core tools and indicators, and risk management information system shared across the Group to guide and supervise the Group's risk management work. While maintaining their independent risk governance and setting up necessary firewalls, each subsidiary is responsible for managing various categories of business risks in accordance with the basic goals and policies, systems and processes, methods and tools of the Group's risk management.

The Company has always maintained a high level of risk awareness to strictly guard against risks, optimized risk limit constraints and penetrating control mechanisms, and continued to improve solvency risk management to achieve the strategic goal of "developing the best risk control capabilities".

(I) Risk governance structure

The Company has established an overarching risk management framework that covers all organizations and positions in which the Board bears the ultimate responsibility, the management provides direct leadership, the risk management departments conduct specific implementation, and the relevant functional departments offer close cooperation. The board of directors of the Group and its subsidiaries is the supreme authority for the risk management of the organisation, and bears ultimate responsibility for their respective risk management systems and status. The Board further clarifies that risk management and internal monitoring systems are designed to manage, not eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance that there will be no material misrepresentation or loss.

In 2020, responding to new regulatory requirements for related party transactions management, the Company changed its Risk Management Committee to the Risk Management and Related Party Transactions Control Committee to strengthen risk control of related party transactions. For subsidiaries that have been approved by the regulators to do without a risk management committee under its board of directors, the Company's Risk Management and Related Party Transactions Control Committee performs substantive control of their risk management and provides decision-making support to their board of directors. The Committee shall obtain a comprehensive understanding of the major exposures and their management status, and make recommendations to the Board over matters such as the review of the overall objectives, risk preferences and tolerances, and policies of risk management; the review of risk management institutions and the definition of their responsibilities; the review of risk assessment reports and special risk reports to better understand the risk management status; the review of the risk assessment of major decisions and solutions for the mitigation of major risks; assessing the effectiveness of the operation of the risk management system; the review of resolutions on related party transactions; and completing other tasks assigned to it by the Board of the Company.

The Company submits annual and quarterly risk evaluation reports to Risk Management and Related Party Transactions Control Committee under the Board on the Company's risk positions and management measures. And the annual reports will be submitted to CBIRC after being reviewed by the Board. The Company has also established a mechanism for timely reporting to Risk Management Related Party Transactions Control Committee under the Board on major risk events such as solvency early warning. In 2020, the committee convened 6 meetings to review related risk matters and reports.

The Company's Management Committee is mandated to organize and execute the Company's risk management activities, appoint the Chief risk officer, report to Risk Management and Related Party Transactions Control Committee under the Board on the Company's risk positions and management measures quarterly. The Management Committee has under it a Working Group of Risk Management and Audit, headed by the Company's president, with the Chief risk officer, the compliance responsible person, and the Chief auditor serving as deputy heads. Other members of the Working Group include senior management members of related fields, responsible persons in compliance, internal control, risk management, disciplinary inspection and supervision, as well as senior management personnel of the Company's subsidiaries who are in charge of risk management and compliance. The Working Group is responsible for the formulation of risk management plans, co-ordination, execution and oversight.

The Company headquarters and its major insurance or asset management subsidiaries have all set up Risk Management Departments. These departments coordinate and implement the various decisions made by the management in the field of risk management, and organize, direct and supervise other departments to execute the daily risk management tasks determined by management. Risk management departments are composed of highly-educated people with risk management, accounting, actuarial, investment or other related professional background and years of relevant work experience. The Company has developed career planning and training programs for risk management personnel to improve their professional competence and quality.

As the first line of defense for risk management, all functional departments, subsidiaries and branches have appointed responsible persons for risk management and set up corresponding positions, who are responsible for the risk management work within his/her scope of responsibility and communication with the risk management department.

(II) Risk management strategy and procedure

The Company's overall risk management strategy is to establish and improve an integrated risk management system under the constraints of reasonable risk management objectives, implement the management of the transmission and penetration of risk objectives of the Group, subsidiaries and branches, and to improve the closed-loop management mechanism.

The Company's key risk management procedure includes: the setting of objectives, collection of information, risk identification & assessment, risk management control, risk reporting and supervision and rectification. The Company has established an early warning system to monitor the Group's major risks. The Company has also established a crisis management mechanism and contingency plans to enhance our capability to prevent and tackle emergencies, and we also regularly reviewed them and performed contingency drills.

(III) Risk appetite

The Company adopts a "prudent" risk appetite, and cautiously manages various risks in business operation. The Company and its insurance subsidiaries maintain a sufficient level of solvency, and pursue stable profitability and sustainable value growth while maintaining appropriate liquidity, and maintain a sound risk management status and market image, thus becoming a leader in healthy and stable development of the industry.

The Company's risk appetite system includes five core dimensions: maintaining adequate capital, pursuing stable profitability, achieving sustained value growth, maintaining appropriate liquidity, and establishing a good market image.

In terms of risk limits, the Company has established overall risk limits and cascaded them to its subsidiaries. Based on their own business characteristics and needs, each subsidiary further breaks down the limits for various risks and applies them to daily business decisions, risk monitoring and early warning to achieve healthy interaction and balance between risk management and business development.

(IV) Risk management performance

2020 is a critical year for the Company's Transformation 2.0. The Company based its risk management on the objective of "developing best risk control capabilities", and continued to promote the construction of an integrated risk management system with "effectiveness". In 2020, it made great efforts to develop a more effective, sophisticated, intelligent and professional risk control system. Actively responding to the COVID-19 epidemic, the Company tightened risk control of key risks and strengthened lines of defense against risks to support its high-quality development.

(V) Key risks

In 2020, the Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and group specific risks. For details of the insurance risk, market risk, credit risk, liquidity risk, operational risk, and capital management risk, please refer to Note XIII Risk management to the financial statement. Profiles of reputational risk, strategy risk, and group specific risks are as follows:

1. Reputational risk

Reputational risk is caused by the actions of insurance institutions, practitioners, or external events, which may bring insurance institutions negative judgement by stakeholders, the public, the media, etc., thereby damaging their brand value. It is detrimental to their operations, and can even affect market and social stability.

The Company has formulated the "Measures for Reputational Risk Management" and its implementation rules, which stipulated the responsibilities and working mechanisms of relevant departments in reputational risk management. The reputation risk management process includes the identification, evaluation, disposal, supervision and improvement of reputation risks. The Company has also formulated a rating and classification table of reputation incidents, and reports on the assessment and management of reputation risks are sent to the senior management on a regular basis. In 2020, the reputation risk management mechanism was under smooth operation and no major reputation risk incidents occurred.

2. Strategy risk

Strategy risk refers to the risk that the strategy does not match the market environment and the Company's reality due to an invalid process of strategy formulation and implementation or changes in the business environment.

The Company has established an organizational structure and working procedures for strategy risk management, and bases its strategic plans on factors such as the Company's market environment, risk appetite, and capital status. The strategy risk management process includes the identification, analysis, monitoring and reporting of strategy risks. The Company has set up an internal strategy risk management reporting mechanism, and reports on the evaluation and management of strategy risks are sent to the senior management on a regular basis. In 2020, the Company adapted itself to changes in the macro environment, followed the trend of financial technology, served the Healthy China initiative, and sped up its Transformation 2.0.

3. Group specific risks

Group specific risks faced by the Company include risk contagion, risk of opaque organizational structure, concentration risk, and non-insurance risks.

(1) Risk contagion

Risk contagion means that the risk of a member company may extend to other member companies of the group through internal transactions or other means, thus causing losses to them.

In accordance with regulatory requirements, the Company has established a strong risk firewall for areas such as fund management, business operations, information system management and personnel management, etc., to standardize internal transaction behaviour, thus effectively reducing the occurrence and extent of major risk contagions.

CPIC strictly regulates its member companies in terms of providing guarantees to each other to prevent the accumulation and transmission of risks among member companies, and implements centralized management or coordination of the branding, publicity, and information disclosure of member companies to effectively prevent the spread and amplification of related risks within the Group.

(2) Risk of opaque organizational structure

It refers to the risk that the insurance group's shareholding structure, management structure, operation process, business type, etc. are excessively complex and opaque, which may cause losses to the Group.

CPIC maintains a clear shareholding structure and eliminates cross-shareholding and illegal subscription of capital instruments to ensure a clear and transparent organizational structure. CPIC has a sound collectivized management structure, and has formed a working mechanism whereby the Group and its members each performs its duties, assumes its responsibilities, and coordinates with each other.

(3) Concentration risk

It refers to the risk that when individual risks or risk portfolios of member companies concentrates at the group level, it may directly or indirectly threaten the solvency of the Group.

In accordance with relevant regulatory requirements, CPIC regularly identifies, evaluates, monitors and reports on different types of concentration risks of the Group and its major insurance member companies, including the concentration risk of investment and reinsurance counterparties, the concentration risk of insurance and non-insurance businesses, and the concentration risk of investment assets, etc., thus effectively preventing the concentration of individual risks or risk combinations at the group level and minimizing the adverse effects on the solvency or liquidity of the Group.

(4) Non-insurance risk

It refers to risk that the operating activities of non-insurance member companies may bring adverse effects on the solvency of CPIC and its insurance member companies.

CPIC has determined its strategic positioning with insurance as its main business, which helps contain the scale and impact of non-insurance risks at the source. For the investment decision-making and management of its non-insurance business, CPIC has established internal investment policies and risk appetites to fully evaluate the risks and returns of investment and select investment objects. It also evaluates the risk exposure of non-insurance investments regularly, and conducts risk control of its non-insurance member companies based on the risk management system of its insurance member companies. It has also set up asset and liquidity isolation mechanisms between its insurance and non-insurance member companies to protect the interests of policyholders.

6

Internal control

The Company has always been committed to improving its internal control and adopted sound internal control systems as per regulatory requirements to help achieve sustainable growth and fulfill internal control objectives such as reasonable assurance of the compliance and legality of the Company's operation, the safety of assets, the truthfulness and completeness of financial reports and relevant information, improved business efficiency and performance, and successful execution of business strategies. The Board of the Company is responsible for establishing and improving internal control and its effective implementation, reviewing the organizational structure and important policies of internal control, reviewing the handling of major risk events, as well as regularly assessing the soundness, rationality and effectiveness of the Company's internal control. The board of supervisors is responsible for supervising the establishment and implementation of the Company's internal control. The Management Committee is responsible for establishing and improving the Company's organisational structure, improving the Company's internal control system, as well as for managing the daily operation of the Company's internal system as per decisions of the Board of Directors.

In 2020, focusing on the goal of Transformation 2.0 (the best in risk control capabilities), the Company further advanced its integrated risk management and control and improved the soundness, rationality and effectiveness of its internal control. Focusing on the key tasks of its internal control construction, the Company further improved the effectiveness and execution of internal control, promoted the full integration of internal control into business management, and achieved full process management of internal control to ensure the realization of internal control objectives through refining internal control management, strengthening internal control execution, extending the depth of internal control, and improving the implementation of internal control responsibilities. Taking into consideration of the latest regulatory trends, in the annual internal control self-inspection, we paid great attention to key areas such as corporate governance, capital use, product development, market behaviour, and Internet platforms, and closely followed industry developments such as the reforms of health insurance and accident insurance, and the second phase project of C-ROSS to help every business line prevent and mitigate risks in areas such as product, service and management. In 2020, in light of its key tasks of the year and the implementation of the Transformation 2.0 results, the Company adopted new internal control measures brought about by new business processes and operating models, further refined management, and formed a precise internal control mechanism where risks are classified, categorized, and stratified to achieve full coverage and penetration of internal control.

In 2021, the Company will further improve its internal control system, strengthen risk control, and conduct targeted internal control self-inspections to strengthen the execution of internal control; strengthen the supervision of the internal control system, accurately reveal hidden risks and internal control deficiencies, and detect system and process defects to ensure system completeness, sound internal control and effective execution; continue to deepen the integration of internal control system management and various businesses, embed internal control measures into business information systems to further enhance intelligent management and control.

Pursuant to the Articles of Association of the Company, the Internal Audit Working Rules for Insurance Institutions (CRIC[2015] No. 113), and the Regulations on Internal Audit of the National Audit Office of the Republic of China (CNAO[2018] No. 11), the Company implemented centralized management of its internal audit under an independent internal audit system under the leadership of the Board: Firstly, the Company has set up an audit centre, an independent department responsible for audit supervision and evaluation of the operation, internal control and risk management of the Group and the Group's subsidiaries. The centre has full-time audit personnel. Secondly, the Company's internal audit is under the guidance of the Audit Committee of the Board. After review by the Audit Committee of the Board, the internal audit policies, and annual plans, etc., are subject to the Board's approval before implementation; the Audit Responsible Person reports to the Board of Directors and the Audit Committee of the Board, and communicates the audit results to the management. Thirdly, the Company continued to improve coordination at different levels, especially the grassroots level, strengthened the coordination of the three lines of defense, and integrated internal control into its risk control system. It attaches great importance to both audit supervision and audit services; responding to the challenges brought by the COVID-19 pandemic, the Company adopted remote audit models, and sped up the development of an automatic audit system. In 2020, the Company completed all audit work and no major problems were found. Its achievements in audit innovation won recognition from the industry, and the Company was elected as a leader of the Internal Audit Working Group of the Insurance Association of China.

In accordance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations, and the Company's internal control system and evaluation methods, and based on the daily supervision and special supervision of the Company's internal control, the Company's internal audit department led the assessment of the effectiveness of the Company's internal control as at 31 December 2020 (the baseline date for internal control assessment report).

Based on the conclusions relating to the major deficiencies of the Company's internal control for financial reporting, on the baseline date there were no such deficiencies. The Board of Directors believes that the Company maintained effective internal control for financial reporting in all major aspects.

Based on the conclusions relating to the major deficiencies of the Company's internal control for areas other than financial reporting, on the baseline date there was no such deficiencies.

There were no factors which may affect these conclusions regarding the internal control effectiveness between the baseline date and the date of the issuance of the internal control assessment report.

The Company's auditors also issued an audit report on the Company's internal control, which is of the opinion that as of 31 December 2020 the Company has maintained effective internal control in all major aspects for financial reporting in compliance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations.

(For details please refer to the 2020 Internal Control Evaluation Report and the 2020 Internal Control Audit Report published on the website of SSE)

7

Changes to Articles of Association

In accordance with the State Council's decision on adjusting the notice period for Chinese companies listed on overseas market holding shareholders' meetings, the Administrative Measures for Equities of Insurance Companies revised by CBIRC, and its actual situation, the Company amended its Articles of Association and Rules of Procedures for Shareholders' Meeting regarding matters such as the size of the Board of Supervisors, the setting of special committees under the Board, authorisation to review related-party transaction resolutions and avoidance of voting on related-party transactions (for details, please refer to the announcements published on the websites of SSE, SEHK, and the Company). On 12 May and 21 August 2020, the Company held the 2019 SGM and the 1st extraordinary session of 2020 Shareholders' Meeting respectively, at which the afore-mentioned amendments were considered and approved. In June 2020 and January 2021, CBIRC approved those amendments respectively.

Other information

Other information

Documents available for inspection

1

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

2

Original auditor's report signed by the auditors

3

Annual reports disclosed in other security markets

Financial report

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Auditor's Report

PwC ZT Shen Zi (2021) No. 10121

To the Shareholders of China Pacific Insurance (Group) Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CPIC as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of CPIC in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of life insurance contract reserves Refer to Note III 22 Summary of significant accounting policies and accounting estimates - Insurance contract reserves and Note VII 30 Life insurance reserves and Note VII 31 Long-term health insurance reserves to the financial statements. Refer to Note III 35 Summary of significant accounting judgments and accounting estimates - Estimation uncertainty - Measurement of insurance contract reserves to the financial statements. The Group had significant long-term life insurance contract reserves stated at RMB 1,109.0 billion as at 31 December 2020, representing 72% of the Group's total liabilities. The valuation of long-term life insurance contract reserves involves complex models and a high degree of judgment by management in setting assumptions. Key assumptions used in measuring long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expenses assumptions and policy dividend assumptions, etc. We focused on this area due to the significant quantum amount of long-term life insurance contract reserves to the consolidated financial statements and because the relevant key assumptions applied in valuation involved significant judgments and estimates and the inherent risk in relation to the valuation of life insurance contract reserves was considered significant.	With the assistance of our actuarial experts, we performed the following audit procedures: ● We obtained an understanding of the management's assessment process of valuation of life insurance contract reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. ● We understood, evaluated and tested the management's internal controls over valuation of life insurance contract reserves, including management's determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change, etc. ● We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types and distribution channels; and we checked the best estimate liabilities, risk margin and residual margin respectively at the point of policy issuance and evaluation. ● We evaluated key actuarial assumptions such as discount rates, mortality, morbidity, surrender rates, expense assumptions and policy dividend assumptions considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences. ● We evaluated the overall reasonableness of the long-term life insurance contract reserves by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results. Based on our audit work, we found methodologies applied appropriate and key assumptions adopted supportable by the evidence we gathered.
Valuation of non-life insurance contract reserves Refer to Note III 22 Summary of significant accounting policies and accounting estimates - Insurance contract reserves and Note VII 29 Claim reserves to the financial statements. Refer to Note III 35 Summary of significant accounting judgments and accounting estimates - Estimation uncertainty - Measurement of insurance contract reserves to the financial statements. The Group had claim reserves which was included in non-life insurance contract reserves stated at RMB 47.4 billion as at 31 December 2020, representing 3% of the Group's total liabilities. We focused on this area because the valuation of claim reserves involved a high degree of judgment by management in selecting the models and setting the assumptions including the development of paid and incurred losses and ultimate loss ratios, and the inherent risk in relation to the valuation of non-life insurance contract reserves was considered significant.	With the assistance of our actuarial experts, we performed the following audit procedures: We obtained an understanding of the management's assessment process of valuation of non-life insurance contract reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We understood, evaluated and tested the management's internal controls over valuation of non-life insurance contract reserves including data collection and analysis, and management's assumptions setting processes, etc. We performed independent modelling analysis for claim reserves by performing below procedures. ● For the underlying data used in actuarial models, we compared the data with source systems, such as earned premiums to accounting records and reported claims to the claims system. ● We set up independent actuarial assumptions including claims development, loss ratio, etc., by considering both the Group's historical data and applicable industry experiences. ● We evaluated the overall reasonableness of the Group's claim reserves by comparing management's result to the results from our independent modelling analysis. Based on our audit work, we found management judgments in the valuation of claim reserves supportable by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of level 3 investments Refer to Note III 35 Summary of significant accounting judgments and accounting estimates - Estimation uncertainty - Fair values of financial assets determined using valuation techniques and Note XVI Fair value measurement to the financial statements. The Group's investment measured at fair value that were classified in level 3 stated at RMB 92.1 billion as at 31 December 2020, representing 5% of the Group's total assets. We focused on this area because level 3 investments were valued based on models and inputs and assumptions that are not observable by third parties. The valuation involved significant management judgment and the inherent risk in relation to the valuation of level 3 investments was considered significant.	We obtained an understanding of the management's assessment process of valuation of level 3 investments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We understood, evaluated and tested the management's internal controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuation inputs provided by data vendors. With the assistance of our valuation experts, our audit work over the measurement of level 3 investments included: ● We assessed valuation model methodologies against industry practice and valuation guidelines. ● We performed independent checks by using unobservable inputs from external sources where available for illiquid investments. ● We compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields. Based on our audit work, we found that the valuation methodologies applied were consistent with industry practice and that the inputs and assumptions used were supportable by the evidence we gathered.

Other Information

Management of CPIC is responsible for the other information. The other information comprises all of the information included in 2020 annual report of CPIC other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of CPIC is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing CPIC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	Peng, Runguo (Engagement Partner)
	Signing CPA	Zhang, Jiong
Shanghai, the People's Republic of China	26 March 2021	

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VII	31 December 2020	31 December 2019
Cash at bank and on hand	1	20,878	14,872
Financial assets at fair value through profit or loss	2	12,473	4,931
Derivative financial assets	3	140	-
Securities purchased under agreements to resell	4	14,327	28,045
Premium receivables	5	21,692	17,916
Reinsurance receivables	6	8,180	5,340
Interest receivables	7	20,563	19,493
Reinsurers' share of unearned premium reserves		7,537	6,385
Reinsurers' share of claim reserves		7,253	6,841
Reinsurers' share of life insurance reserves		1,812	1,881
Reinsurers' share of long-term health insurance reserves		11,117	10,453
Policy loans		62,364	57,194
Term deposits	8	192,966	147,756
Available-for-sale financial assets	9	596,158	511,822
Held-to-maturity financial assets	10	329,360	295,247
Investments classified as loans and receivables	11	380,174	324,013
Long-term equity investments	12	24,443	20,442
Restricted statutory deposits	13	6,858	6,658
Investment properties	14	7,866	8,283
Fixed assets	15	16,516	16,378
Construction in progress	16	1,822	1,987
Right-of-use assets	17	3,798	4,130
Intangible assets	18	4,693	3,652
Goodwill	19	1,357	1,357
Deferred income tax assets	20	845	860
Other assets	21	15,812	12,397
TOTAL ASSETS		1,771,004	1,528,333

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	31 December 2020	31 December 2019
Securities sold under agreements to repurchase	23	90,825	78,366
Premium received in advance		27,983	21,000
Commission and brokerage payable		4,003	4,364
Reinsurance payables	24	5,501	4,543
Employee benefits payable	25	6,711	5,573
Taxes payable	26	3,211	2,166
Interest payable		594	516
Claims payable		21,825	21,712
Policyholder dividend payable		24,351	25,447
Policyholders' deposits and investment contract liabilities	27	87,126	75,576
Unearned premium reserves	28	68,800	61,975
Claim reserves	29	47,386	42,504
Life insurance reserves	30	1,010,194	891,195
Long-term health insurance reserves	31	98,796	72,347
Insurance premium reserves		207	349
Bonds payable	32	9,991	9,988
Lease liabilities		3,430	3,668
Deferred income tax liabilities	20	5,055	2,911
Other liabilities	33	34,180	20,813
Total liabilities		1,550,169	1,345,013
Issued capital	34	9,620	9,062
Capital reserves	35	79,788	66,650
Other comprehensive income	60	22,340	12,949
Surplus reserves	36	5,114	4,835
General reserves	37	16,829	14,329
Retained profits	38	81,533	70,602
Equity attributable to shareholders of the parent		215,224	178,427
Non-controlling interests	39	5,611	4,893
Total equity		220,835	183,320
TOTAL LIABILITIES AND EQUITY		1,771,004	1,528,333

The financial statements from Page 5 to Page 131 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 17 to Page 131 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2020	2019
Operating income		422,182	385,489
Net premiums earned		331,639	313,246
Gross written premiums	40	362,064	347,517
Including: Premiums from reinsurance assumed		4,890	998
Less: Premiums ceded to reinsurers		(24,741)	(22,358)
Net change in unearned premium reserves	41	(5,684)	(11,913)
Other income		170	125
Investment income	42	87,413	67,762
Including: Share of profits of associates and joint ventures		512	494
Gains arising from changes in fair value	43	81	801
Exchange (losses)/gains		(1,428)	56
Other operating income	44	4,303	3,484
Gains on disposal of assets	45	4	15
Operating expenses		(392,805)	(357,422)
Surrenders	46	(14,421)	(11,104)
Claims	47	(142,851)	(128,541)
Less: Claim recoveries from reinsurers		12,532	10,858
Changes in insurance contract reserves	48	(138,184)	(122,776)
Less: Insurance contract reserves recovered from reinsurers	49	1,021	1,490
Changes in insurance premium reserves		144	58
Policyholder dividends		(11,512)	(10,777)
Expenses for reinsurance assumed		(1,336)	(455)
Taxes and surcharges	50	(1,044)	(882)
Commission and brokerage expenses	51	(39,495)	(46,853)
Operating and administrative expenses	52	(52,985)	(45,439)
Less: Expense recoveries from reinsurers		8,445	7,418
Interest expenses	53	(3,405)	(3,511)
Other operating expenses	54	(5,320)	(4,454)
Asset impairment losses	55	(4,394)	(2,454)
Operating profit		29,377	28,067
Add: Non-operating income	56	108	82
Less: Non-operating expenses	57	(247)	(183)

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2020	2019
Profit before tax		29,238	27,966
Less: Income tax	58	(3,886)	388
Net profit		25,352	28,354
Classified by continuity of operations			
Net profit from continuing operations		25,352	28,354
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Attributable to shareholders of the parent		24,584	27,741
Non-controlling interests		768	613
Earnings per share (RMB Yuan)	59		
Basic earnings per share		2.63	3.06
Diluted earnings per share		2.63	3.06
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(34)	13
Changes of fair value of available-for-sale financial assets and related impact to insurance liabilities		12,909	13,716
Income tax relating to these items		(3,259)	(3,383)
Other comprehensive income	60	9,616	10,346
Total comprehensive income		34,968	38,700
Attributable to shareholders of the parent		33,975	37,898
Attributable to non-controlling interests		993	802

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	2020								
	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 year	9,062	66,650	12,949	4,835	14,329	70,602	178,427	4,893	183,320
Movements in the current year	558	13,138	9,391	279	2,500	10,931	36,797	718	37,515
Net profit	-	-	-	-	-	24,584	24,584	768	25,352
Other comprehensive income (Note VII 60)	-	-	9,391	-	-	-	9,391	225	9,616
Total comprehensive income	-	-	9,391	-	-	24,584	33,975	993	34,968
Aquisition of subsidiaries	-	-	-	-	-	-	-	145	145
De-registration of subsidiaries	-	(15)	-	-	-	-	(15)	-	(15)
Capital contribution and withdrawal by shareholders	558	13,148	-	-	-	-	13,706	-	13,706
Capital contribution by shareholders (Note I)	558	13,148	-	-	-	-	13,706	-	13,706
Share of other changes in equity of investees accounted for using the equity method	-	5	-	-	-	-	5	-	5
Profit distribution	-	-	-	279	2,500	(13,653)	(10,874)	(420)	(11,294)
Appropriations to surplus reserves	-	-	-	279	-	(279)	-	-	-
Appropriations to general reserves	-	-	-	-	2,500	(2,500)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(10,874)	(10,874)	(420)	(11,294)
Balance at the end of year	9,620	79,788	22,340	5,114	16,829	81,533	215,224	5,611	220,835

As at 31 December 2020, the balance of retained profits of the Group included RMB 3,071 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	2019								
	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 year	9,062	66,635	2,792	4,835	11,642	54,610	149,576	4,472	154,048
Movements in the current year	-	15	10,157	-	2,687	15,992	28,851	421	29,272
Net profit	-	-	-	-	-	27,741	27,741	613	28,354
Other comprehensive income (Note VII 60)	-	-	10,157	-	-	-	10,157	189	10,346
Total comprehensive income	-	-	10,157	-	-	27,741	37,898	802	38,700
Share of other changes in equity of investees accounted for using the equity method	-	15	-	-	-	-	15	-	15
Profit distribution	-	-	-	-	2,687	(11,749)	(9,062)	(381)	(9,443)
Appropriations to general reserves	-	-	-	-	2,687	(2,687)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,062)	(9,062)	(381)	(9,443)
Balance at the end of year	9,062	66,650	12,949	4,835	14,329	70,602	178,427	4,893	183,320

As at 31 December 2019, the balance of retained profits of the Group included RMB 2,634 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2020	2019
Cash flows from operating activities			
Cash received from premium income from direct insurance contracts		368,440	353,406
Net increase in policyholders' deposits and investments contract liabilities		6,891	9,006
Refund of taxes and surcharges		14	4
Cash received relating to other operating activities		5,556	4,732
Sub-total of cash inflows		380,901	367,148
Cash paid for claims under direct insurance contracts		(137,595)	(124,698)
Net cash paid under reinsurance contracts		(4,575)	(4,190)
Cash paid for commission and brokerage expenses		(40,705)	(47,924)
Cash paid for policyholder dividends		(9,439)	(8,602)
Cash paid to and on behalf of employees		(23,310)	(23,532)
Payments of taxes and surcharges		(11,811)	(12,227)
Cash paid relating to other operating activities	61	(45,403)	(34,180)
Sub-total of cash outflows		(272,838)	(255,353)
Net cash flows from operating activities	63	108,063	111,795
Cash flows from investing activities			
Cash received from disposal of investments		347,837	274,369
Cash received from returns on investments		67,578	61,689
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		21	61
Sub-total of cash inflows		415,754	336,122
Cash paid to acquire investments		(538,924)	(417,465)
Net increase in policy loans		(5,230)	(8,140)
Net cash paid to acquire subsidiaries and other business entities		(4,031)	(2,943)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,628)	(3,475)
Cash paid relating to other investing activities		(9)	(954)
Sub-total of cash outflows		(551,822)	(432,977)
Net cash flows used in investing activities		(136,068)	(96,855)

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2020	2019
Cash flows from financing activities			
Cash received from capital contributions		13,915	229
Increase in securities sold under agreements to repurchase, net		12,433	3,215
Cash received relating to other financing activities		13,232	6,515
Sub-total of cash inflows		39,580	9,959
Cash repayments of borrowings		(2,290)	(6,750)
Cash payments for distribution of dividends, profits or interest expenses		(13,824)	(12,211)
Cash paid relating to other financing activities		(2,018)	(1,542)
Sub-total of cash outflows		(18,132)	(20,503)
Net cash flows from/(used in) financing activities		21,448	(10,544)
Effects of exchange rate changes on cash and cash equivalents		(1,222)	29
Net (decrease)/increase in cash and cash equivalents	63	(7,779)	4,425
Add: Cash and cash equivalents at the beginning of year	62,63	42,546	38,121
Cash and cash equivalents at the end of year	62,63	34,767	42,546

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note IX	31 December 2020	31 December 2019
Cash at bank and on hand	1	271	83
Financial assets at fair value through profit or loss	2	11	10
Securities purchased under agreements to resell	3	110	108
Interest receivables		648	499
Term deposits	4	21,190	2,000
Available-for-sale financial assets	5	32,369	29,143
Held-to-maturity financial assets	6	-	300
Investments classified as loans and receivables	7	12,971	12,449
Long-term equity investments	8	65,072	64,979
Investment properties	9	3,289	3,331
Fixed assets		1,310	1,750
Construction in progress		59	-
Right-of-use assets		317	11
Intangible assets		330	343
Other assets	10	487	1,191
Total assets		138,434	116,197
LIABILITIES AND EQUITY			
Securities sold under agreements to repurchase	11	1,272	1,540
Commission and brokerage payable		1	1
Employee benefits payable		245	247
Taxes payable		11	86
Lease liabilities		330	11
Deferred income tax liabilities		432	194
Other liabilities	12	530	828
Total liabilities		2,821	2,907
Issued capital		9,620	9,062
Capital reserves	13	79,312	66,164
Other comprehensive income	15	1,548	867
Surplus reserves		4,810	4,531
Retained profits		40,323	32,666
Total equity		135,613	113,290
TOTAL LIABILITIES AND EQUITY		138,434	116,197

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2020	2019
Operating income		21,187	18,349
Other income		5	6
Investment income	14	21,420	17,359
Gains arising from changes in fair value		-	5
Exchange losses		(1,094)	(5)
Other operating income		856	984
Operating expenses		(2,343)	(2,248)
Taxes and surcharges		(81)	(81)
Operating and administrative expenses		(1,880)	(1,843)
Interest expenses		(55)	(45)
Other operating expenses		(147)	(151)
Assets impairment losses		(180)	(128)
Operating profit		18,844	16,101
Add: Non-operating income		2	8
Less: Non-operating expenses		(39)	(15)
Profit before tax		18,807	16,094
Less: Income tax		3	(127)
Net profit		18,810	15,967
Classified by continuity of operations			
Net profit from continuing operations		18,810	15,967
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		908	1,081
Income tax relating to available-for-sale financial assets		(227)	(270)
Other comprehensive income		681	811
Total comprehensive income		19,491	16,778

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	2020					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,062	66,164	867	4,531	32,666	113,290
Movements in the current year	558	13,148	681	279	7,657	22,323
Net profit	-	-	-	-	18,810	18,810
Other comprehensive income (Note IX 15)	-	-	681	-	-	681
Total comprehensive income	-	-	681	-	18,810	19,491
Capital contribution and withdrawal by shareholders	558	13,148	-	-	-	13,706
Capital contribution by shareholders (Note I)	558	13,148	-	-	-	13,706
Profit distribution	-	-	-	279	(11,153)	(10,874)
Appropriations to surplus reserves	-	-	-	279	(279)	-
Profit distribution to shareholders	-	-	-	-	(10,874)	(10,874)
Balance at the end of year	9,620	79,312	1,548	4,810	40,323	135,613

	2019					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,062	66,164	56	4,531	25,761	105,574
Movements in the current year	-	-	811	-	6,905	7,716
Net profit	-	-	-	-	15,967	15,967
Other comprehensive income (Note IX 15)	-	-	811	-	-	811
Total comprehensive income	-	-	811	-	15,967	16,778
Profit distribution	-	-	-	-	(9,062)	(9,062)
Profit distribution to shareholders	-	-	-	-	(9,062)	(9,062)
Balance at the end of year	9,062	66,164	867	4,531	32,666	113,290

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2020	2019
Cash flows from operating activities			
Cash received relating to other operating activities		897	1,094
Sub-total of cash inflows		897	1,094
Cash paid to and on behalf of employees		(836)	(873)
Payments of taxes and surcharges		(276)	(213)
Cash paid relating to other operating activities		(841)	(832)
Sub-total of cash outflows		(1,953)	(1,918)
Net cash flows used in operating activities	16	(1,056)	(824)
Cash flows from investing activities			
Cash received from disposal of investments		23,113	13,145
Net cash received from disposal of subsidiaries and other business entities		-	3
Cash received from returns on investments		20,727	17,239
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	1
Sub-total of cash inflows		43,840	30,388
Cash paid to acquire investments		(43,613)	(18,526)
Net cash paid to acquire subsidiaries and other business entities		(92)	(1,471)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(259)	(373)
Sub-total of cash outflows		(43,964)	(20,370)
Net cash flows (used in)/from investing activities		(124)	10,018
Cash flows from financing activities			
Cash received from capital contributions		13,915	-
Sub-total of cash inflows		13,915	-
Cash payments for distribution of dividends, profits or interest expenses		(10,914)	(9,108)
Decrease in securities sold under agreements to repurchase, net		(268)	(300)
Cash paid relating to other financing activities		(276)	(8)
Sub-total of cash outflows		(11,458)	(9,416)
Net cash flows from/(used in) financing activities		2,457	(9,416)
Effect of exchange rate changes on cash and cash equivalents		(1,087)	-
Net increase/(decrease) in cash and cash equivalents	16	190	(222)
Add: Cash and cash equivalents at the beginning of year	16	191	413
Cash and cash equivalents at the end of year	16	381	191

The accompanying notes from Page 17 to Page 131 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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. In July 2020, the Company further issued 8,794,991 GDRs. Each GDR represents five A shares of the Company. After GDR issuance, the issued capital of the Company was increased to approximately RMB 9,620 million. The capital change registration is still in process.

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, etc.

Major subsidiaries included in the consolidation scope in the current year 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 year

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"). In 2020, the Ministry of Finance released the Circular on the Further Implementation of the New Financial Instruments Standards (Cai Kuai [2020] No. 22) ("the Supplementary 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 2023 according to the Supplementary Circular, 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 31 December 2020 Fair value	2020 Changes in fair value
Financial assets held for trading (A)	3,583	(70)
Financial assets managed and assessed for performance on a fair value basis (B)	8,890	11
Financial assets other than A or B		
- Financial assets that meet SPPI (C)	1,005,922	(3,729)
- Financial assets that do not meet SPPI	318,952	22,738
Total	1,337,347	18,950

Credit risk rating grades of financial assets that meet SPPI (C)	As at 31 December 2020 Carrying amount
Domestic	
Exempt from rating[Note]	252,463
AAA	691,597
A-1	386
AA+	35,621
AA (inclusive) or below	5,892
Overseas	
A- (inclusive) or above	354
BBB+	269
BBB	69
BBB-	24
BB+ (inclusive) or below	125
Total	986,800

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 year (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 31 December 2020	
	Carrying amount	Fair value
Domestic	5,892	5,892
Overseas	125	128
Total	6,017	6,020

Except for the above assets, other financial assets other than cash and derivative financial assets 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 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

Financial information in the financial statements of the Company and the Group for the year ended 31 December 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.

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.

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.

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

4. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

(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.

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 year ended 31 December 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.

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

5. Consolidated financial statements (continued)

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.

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.

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

5. Consolidated financial statements (continued)

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.

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.

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.

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

10. Long-term equity investments (continued)

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.

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%

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

11. Investment properties (continued)

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.

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

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

14. Intangible assets (continued)

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.

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:

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

16. Financial instruments (continued)

Recognition and derecognition of financial instruments (continued)

(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.

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.

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

16. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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.

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.

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

16. Financial instruments (continued)

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.

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.

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.

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

17. Asset impairment (continued)

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;

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.

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

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.

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.

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

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.

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.

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

22. Insurance contract reserves (continued)

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.

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.

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

23. Reinsurance (continued)

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.

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.

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

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.

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:

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

29. Leases (continued)

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

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

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

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

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

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

Payments related to short-term leases and low-value asset leases are recognised in 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.

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.

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

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.

(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.

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

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

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 31 December 2020 were from 3.05% 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. Discount rates used as at 31 December 2019 and 2020 were both 5.00%.

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

(b) Mortality and morbidity

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

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)

(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.

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, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government 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.

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

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

Estimation uncertainty (continued)

(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 31 December 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 11,733 million as at 31 December 2020 and profit before tax decreased by approximately RMB 11,733 million for 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 (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 year ended 31 December 2019 is detailed in Note VII 58.

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 31 December 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 (%) Direct	Indirect	Percentage of voting rights attributable to the Company (%)	Note
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	
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 property 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	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 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		
China Pacific Anxin Agricultural Insurance Co.,Ltd. ("PAAIC")	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	600,000	-	98.29	100.00	(1)
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	550,000	-	98.29	100.00	(2)
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	450,000	-	98.29	100.00	(3)
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	7,500	-	98.29	100.00	(4)
Pacific Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company")	Senior living property investment and construction, etc.	Nanjing	Nanjing	220,000	84,000	-	98.29	100.00	(5)
Pacific Care Home (Dali) Co., Ltd. ("Dali Project Company")	Senior living property investment and management, etc.	Dali	Dali	608,000	418,000	-	74.70	76.00	(6)
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	160,000	-	98.29	100.00	(7)
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Seniors care and health advisory service, etc.	Hangzhou	Hangzhou	60,000	-	-	98.29	100.00	(8)

* Subsidiaries of City Island

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2020 are as follows (continued):

(1) Chengdu Project Company

Chengdu Project Company, a wholly-owned subsidiary set up by CPIC Life, obtained the business license of legal entity with the unified social credit code of 91510115MA6B4BEJ4P on 24 December 2018. The registered capital is RMB 1,000 million. CPIC Life had injected capital of RMB 90 million in 2020 and the total capital contribution amounted to RMB 600 million as at 31 December 2020.

(2) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary set up by CPIC Life, 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 had injected capital of RMB 200 million in 2020 and the total capital contribution amounted to RMB 550 million as at 31 December 2020.

(3) Xiamen Project Company

Xiamen Project Company, a wholly-owned subsidiary set up by CPIC Life, 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 had injected capital of RMB 450 million as at 31 December 2020.

(4) Pacific Care Home at Chengdu

Pacific Care Home at Chengdu, a wholly-owned subsidiary set up by CPIC Senior Living Investment, 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 had injected capital of RMB 7.5 million as at 31 December 2020.

(5) Nanjing Project Company

Nanjing 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 91320113MA21XKXC49 on 9 July 2020. The registered capital is RMB 220 million. CPIC Life had injected capital of RMB 84 million as at 31 December 2020.

(6) Dali Project Company

In September 2020, CPIC Senior Living Investment entered into an equity transaction contract with Dali Tourism Development Investment Co., Ltd ("Dali Tourism") to acquire additional 25% shares of Dali Project Company at a consideration of RMB 152 million. After this transaction, CPIC Senior Living Investment held 76% shares of Dali Project Company and its capital commitment to Dali Project Company reached RMB 462 million. Dali Project Company obtained the business license of legal entity with the unified social credit code of 91532901MA6NL9K48W. The registered capital is RMB 608 million. CPIC Senior Living Investment had injected capital of RMB 272 million as at 31 December 2020.

(7) Shanghai (Putuo) Project Company

Shanghai (Putuo) Project Company, a wholly-owned subsidiary set up by CPIC Life, obtained the business license of legal entity with the unified social credit code of 91310107MA1G17KA7Y on 18 August 2020. The registered capital is RMB 250 million. CPIC Life had injected capital of RMB 160 million as at 31 December 2020.

(8) Pacific Care Home at Hangzhou

Pacific Care Home at Hangzhou, a wholly-owned subsidiary set up by CPIC Senior Living Investment, obtained the business license of legal entity with the unified social credit code of 91330185MA2KCCRP3G on 8 December 2020. The registered capital is RMB 60 million. CPIC Senior Living Investment had not injected capital as at 31 December 2020.

VI. SCOPE OF CONSOLIDATION (continued)

2. As at 31 December 2020, entities no longer included in the Group's scope of consolidation:

(1) Ningbo Fenghua Xikou Garden Hotel Co., Ltd. ("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) Information Technology Co., Ltd. ("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.

3. As at 31 December 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
CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund	100.00	5,996,580	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 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).
Pacific-Jiangsu Communications Holdings Co., Ltd. Debt Investment Plan (Phase I)	100.00	4,000,000	Investing in Taizhou Yangtze River Highway Bridge Project operated by Jiangsu Communications Holdings Co., Ltd. through debt investment plan.
Shanghai Genharmony Tongyi Science and Technology Innovation Industry Equity Investment Fund Partnership (Limited Partnership) ("Genharmony Tongyi")	99.97	2,979,000	Equity investment, equity investment management. (Except for items subject to approval according to law, carry out business activities independently within business license approved scope)
Changjiang Pension-Ansteel Group Infrastructure Debt Investment Plan	72.00	2,500,000	Investing in Pangang Xichang Vanadium & Titanium Resources Project operated by AnSteel Group Co., Ltd. through debt investment plan.

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

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2020		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	17,629	1.00000	17,629
	USD	179	6.52490	1,168
	HKD	1,142	0.84164	961
	Other currencies			15
	Sub-total			19,773
Other cash balances	RMB	1,079	1.00000	1,079
	USD	4	6.52490	26
	Sub-total			1,105
Total				20,878

	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 31 December 2020, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 1,497 million (31 December 2019: amounted equivalent to RMB 779 million).

As at 31 December 2020, RMB 438 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.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss

	31 December 2020	31 December 2019
Debt investments		
Government bonds	38	11
Finance bonds	342	253
Corporate bonds	2,718	3,224
Wealth management products	18	11
Debt investment plans	3	3
Equity investments		
Funds	415	320
Stocks	70	237
Wealth management products	228	277
Investments in other equity instruments	8,641	595
Total	12,473	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 31 December 2020 amounted to RMB 8,890 million (31 December 2019: RMB 886 million). The rest are trading assets, with no material limitation in realisation.

3. Derivative financial assets

	31 December 2020	31 December 2019
Derivative financial assets		
Foreign exchange forward contracts	140	-

At 31 December 2020, the derivative financial assets were mainly foreign exchange forward contracts with a notional amount equivalent to RMB 3,274 million (31 December 2019: none).

4. Securities purchased under agreements to resell

	31 December 2020	31 December 2019
Securities - bonds		
Inter-bank market	9,886	25,028
Stock exchange	4,441	3,017
Total	14,327	28,045

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

5. Premium receivables

	31 December 2020	31 December 2019
Premium receivables	22,347	18,439
Less: Provision for bad debts	(655)	(523)
Net value	21,692	17,916

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by category as follows:

	31 December 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	22,339	100%	(647)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	8	0%	(8)	100%
	22,347	100%	(655)	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	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	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,616	34%	(23)	7,593
3 months to 1 year (inclusive)	9,773	44%	(55)	9,718
Over 1 year	4,958	22%	(577)	4,381
Total	22,347	100%	(655)	21,692

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

Premium receivables are analysed by line of products as follows:

Category	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	9,750	44%	(270)	9,480
Agricultural insurance	3,231	14%	(119)	3,112
Engineering insurance	1,754	8%	(49)	1,705
Liability insurance	1,173	5%	(50)	1,123
Commercial property insurance	842	4%	(43)	799
Health insurance	641	3%	(12)	629
Speciality insurance	322	1%	(27)	295
Other insurances	951	4%	(83)	868
Sub-total	18,664	83%	(653)	18,011

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by line of products as follows (continued):

Category	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Life and health insurance:				
Long-term insurance	2,586	12%	-	2,586
Short-term insurance	1,097	5%	(2)	1,095
Sub-total	3,683	17%	(2)	3,681
Total	22,347	100%	(655)	21,692

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 the follows:

	31 December 2020	31 December 2019
Total amount of the top five premium receivables	392	610
Total provision for bad debts	(17)	(1)
% of total balance of premium receivables	2%	3%

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

6. Reinsurance receivables

	31 December 2020	31 December 2019
Reinsurance receivables	8,345	5,507
Less: Provision for bad debts	(165)	(167)
Net value	8,180	5,340

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

Reinsurance receivables are analysed by category as follows:

	31 December 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	8,105	97%	(120)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	240	3%	(45)	19%
Total	8,345	100%	(165)	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	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	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,192	86%	-	7,192
3 months to 1 year (inclusive)	847	10%	-	847
Over 1 year	306	4%	(165)	141
Total	8,345	100%	(165)	8,180

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

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

Reinsurer/Broker	31 December 2020		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Qianhai Reinsurance Co., Ltd.	1,628	20%	-
China Life Reinsurance Company Ltd.	1,202	14%	-
Munich Reinsurance Company	1,074	13%	-
Swiss Reinsurance Company Ltd.	819	10%	-
China Property & Casualty Reinsurance Company Ltd.	762	9%	-

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

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

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.

7. Interest receivables

	31 December 2020	31 December 2019
Interest receivables from debt investments	13,604	13,398
Interest receivables from deposits	5,386	4,675
Interest receivables from loans	1,616	1,453
Interest receivables from securities purchased under agreements to resell	1	6
Sub-total	20,607	19,532
Less: Provision for bad debts	(44)	(39)
Net value	20,563	19,493

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

8. Term deposits

Term to maturity	31 December 2020	31 December 2019
Within 3 months (inclusive)	3,426	21,997
3 months to 1 year (inclusive)	26,965	2,939
1 to 2 years (inclusive)	16,550	15,800
2 to 3 years (inclusive)	75,520	16,470
3 to 4 years (inclusive)	48,355	41,080
4 to 5 years (inclusive)	22,000	48,770
Over 5 years	150	700
Total	192,966	147,756

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Available-for-sale financial assets

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

	31 December 2020	31 December 2019
Debt investments		
Government bonds	91,566	79,646
Finance bonds	37,606	41,683
Corporate bonds	184,846	183,083
Wealth management products	1,770	2,985
Equity investments		
Funds	63,734	48,425
Stocks	127,216	90,373
Wealth management products	1,218	452
Preferred shares	13,131	13,621
Investments in other equity instruments	75,071	51,554
Total	596,158	511,822

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

	31 December 2020	31 December 2019
Debt investments		
Fair value	315,788	307,397
Including: Amortised cost	312,177	301,451
Accumulated amount recognised in other comprehensive income	5,506	6,567
Total impairment provisions	(1,895)	(621)
Equity investments		
Fair value	280,370	204,425
Including: Cost	236,853	182,766
Accumulated amount recognised in other comprehensive income	46,756	23,707
Total impairment provisions	(3,239)	(2,048)
Total		
Fair value	596,158	511,822
Including: Amortised cost/Cost	549,030	484,217
Accumulated amount recognised in other comprehensive income	52,262	30,274
Total impairment provisions	(5,134)	(2,669)

10. Held-to-maturity financial assets

	31 December 2020	31 December 2019
Debt investments		
Government bonds	160,482	109,730
Finance bonds	95,325	100,276
Corporate bonds	73,744	85,288
Sub-total	329,551	295,294
Less: Provision for impairment	(191)	(47)
Net Value	329,360	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)

11. Investments classified as loans and receivables

	31 December 2020	31 December 2019
Debt investments		
Finance bonds	1,999	2,000
Debt investment plans	187,440	151,446
Wealth management products	156,286	138,528
Preferred shares	32,000	32,000
Loans	2,772	236
Sub-total	380,497	324,210
Less: Provision for impairment	(323)	(197)
Net Value	380,174	324,013

As at 31 December 2020, CPIC Asset Management, a subsidiary of the Company, had 91 existing debt investment plans issued by it with a total value of RMB 141.755 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 67.491 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 31 December 2020, Changjiang Pension, a subsidiary of the Company, had 64 existing debt investment plans issued by it with a total value of RMB 112.714 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 40.520 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 31 December 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 79.429 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 138.458 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.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	31 December 2020							
	Investment cost	Opening balance	Increase/ (Decrease) in current year	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	-	2	-	-	-	8
Aizhu (Shanghai) Information Technology Co., Ltd. ("Aizhu Information")	1	-	-	-	-	-	-	-
Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes")	25	13	-	9	-	-	-	22
Shanghai Dabaoguisheng Information Technology Co., Ltd. ("Dabaoguisheng")	10	7	-	1	-	-	-	8
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea")	6	5	-	(1)	-	-	-	4
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,834	-	(1)	-	-	-	9,833
Sub-total	9,896	9,879	-	10	-	-	-	9,889

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

	31 December 2020							
	Investment cost	Opening balance	Increase/ (Decrease) in current year	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	-	2	-	-	-	11
Zhongdao Automobile Rescue Industry Co.,Ltd. ("Zhongdao")	17	34	-	5	-	-	-	39
Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital")	100	66	-	4	-	-	-	70
Shanghai Dedao Co., Ltd. ("Dedao")	5	1	-	-	-	-	-	1
Shanghai Better Sharing Technology Co., Ltd. ("Better Sharing")	81	58	-	(5)	-	5	-	58
Shanghai Heji Business Management LLP. ("Heji")	200	477	(300)	1	-	-	(5)	173
Changjiang Pension - China National Chemical Corporation Infrastructure Debt investment plan ("CHEMCHINA Debt Investment Plan")	2,160	2,164	-	116	-	-	(116)	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt investment plan ("Sichuan Railway Investment Plan")	250	250	-	14	-	-	(14)	250
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt investment plan ("Yunnan Energy Investment Plan")	3,610	3,617	-	223	-	-	(223)	3,617
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,514	-	175	-	-	(121)	2,568
Beijing More Health Technology Group Co., Ltd. ("Beijing Miaoyijia")	413	387	-	(37)	-	-	-	350
Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang")	474	486	-	29	-	-	-	515
Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health")	500	500	-	(58)	-	-	-	442

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

	31 December 2020							
	Investment cost	Opening balance	Increase/ (Decrease) in current year	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 (continued)								
Zhejiang Xin'an Shuzhi Technology Co., Ltd. ("Xin'an Technology")	9	-	9	1	-	-	-	10
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund")	1,195	-	1,195	32	-	-	-	1,227
Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP")	1,057	-	1,057	-	-	-	-	1,057
Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech")	1,856	-	1,856	-	-	-	-	1,856
Shanghai Lingang Yunhui Economic Development Co., Ltd. ("Lingang Yunhui")	55	-	55	-	-	-	-	55
Shanghai Guangci Memorial Hospital Co., Ltd. ("Guangci Hospital")	91	-	91	-	-	-	-	91
Sub-total	14,492	10,563	3,963	502	-	5	(479)	14,554
Total	24,388	20,442	3,963	512	-	5	(479)	24,443

On 8 May 2020, the shareholders of Shanghai Xingongying Information Technology Co., Ltd. ("Xingongying") changed and Xingongying's 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 September 2020, the equity of other investors of Xingongying changed and Xingongying's total registered capital increased from RMB 3.112 million to RMB 3.172 million. After this change, CPIC Property's shareholding in Xingongying became 6.16%, and CPIC Online Services's shareholding in Xingongying became 0.66% respectively. On 13 December 2020, Xingongying was renamed as Better Sharing. The category of enterprise was changed from limited liability company to joint stock limited company with a registered capital of RMB 60 million. CPIC Property subscribed capital contribution of RMB 3.693 million, and CPIC Online Services subscribed capital contribution of RMB 0.393 million respectively, and the shareholding percentage remained unchanged.

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 was 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 capital of RMB 300 million to CPIC Property 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 capital modification registration and the total registered capital increased to RMB 13.354 million.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

CPIC Life entered into an agreement of Yangtze River Delta Fund with Shanghai Guofang FOF Equity Investment Management Co., Ltd. and some other investment companies. CPIC Life subscribed capital contribution of RMB 2,000 million. As at 31 December 2020, CPIC Life had paid RMB 1,195 million and held 27.75% of ownership interest.

In August 2020, Genharmony Tongyi, a structured entity held by CPIC Life, entered into an equity transaction contract with Shanghai Lingang Economic Development (Group) Co., Ltd ("Lingang Economic"), purchased 20% shares of Lingang GLP with a consideration of RMB 1,057 million. In October 2020, Genharmony Tongyi entered into an equity transaction contract with Lingang Economic, purchased 20% shares of Hi-Tech with a consideration of RMB 1,856 million. In December 2020, Genharmony Tongyi entered into an equity transaction contract with Lingang Yunhui and Lingang Economic, signed articles of association and shareholders agreement of Lingang Yunhui with Lingang Economic, purchased 20% shares of Lingang Yunhui with a consideration of RMB 55 million.

The Company established Pacific-Guangci Memorial Hospital Equity Investment Plan ("Plan"). On 15 December 2020, CPIC Asset Management, the asset manager of the Plan, signed a contract with Guangci Hospital, Ruijin Hospital of Shanghai Jiao Tong University School of Medicine and Libergood (H.K.) Guangci Ltd on the capital injection to Guangci Hospital. The Plan subscribed the Guangci Hospital's newly-increased registered capital of RMB 10,573.3 thousand with a consideration of RMB 90,666.6 thousand. After this subscription, the Company held 40% shares of Guangci Hospital through the Plan.

As at 31 December 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 unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	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
Dabaoguisheng	Joint stock limited company	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)

12. Long-term equity investments (continued)

As at 31 December 2020, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	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
Better Sharing (Note 3)	Joint stock limited company	Shanghai	Zhang Wenjian	Technical development in the field of computer information technology, technical consulting, etc.	60,000	60,000	91310104087809549Q	-	6.73	6.82
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	Joint stock limited company	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
Lingang GLP.	Limited liability company	Shanghai	Mo Zhiming	Real estate	US$ 119,990 thousand	US$ 119,990 thousand	913100007709009105	-	19.65	20.00
Hi-Tech	Limited liability company	Shanghai	Gu Lun	Business services	453,250	453,250	913100006072011086	-	19.65	20.00
Lingang Yunhui	Limited liability company	Shanghai	Li Ziwei	Real estate	275,000	275,000	91310115MA1HB4MF8F	-	19.65	20.00

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 31 December 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 unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Guangci Hospital	Limited liability company	Shanghai	Qu Jieming	Health care services: internal medicine, surgery, obstetrics and Gynecology, pediatrics, etc.	26,433	26,433	91310000607213328R	-	40.00	40.00
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	
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	
Yangtze River Delta Fund	LLP	Shanghai	Not applicable	Equity investment	Not applicable	4,194,159	91310000MA1FL62E0U	-	27.28	

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: CPIC Property has significant influence over Better Sharing by accrediting a director to the company. Therefore, Better Sharing 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.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

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. Yunnan Energy Investment Plan was terminated on 1 February 2021.

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.

Summarised financial information for joint ventures:

	31 December 2020			31 December 2019		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Binjiang-Xiangrui	2,060	1,867	193	2,083	1,915	168
Taiyi Information Technology	4	-	4	4	-	4
Dayu Technology	61	17	44	57	25	32
Aizhu Information	10	12	(2)	11	11	-
Euler Hermes	50	7	43	31	6	25
Dabaoguisheng	39	23	16	33	20	13
Ruiyongjing Real Estate	16,801	2,755	14,046	14,285	237	14,048
Pacific Orpea	8	-	8	9	-	9

As at 31 December 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:

	For the year ended 31 December 2020/2020			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit in current year
Ningbo Zhilin	2,922	32	124	109
CHEMCHINA Debt Investment Plan	3,007	2	178	162
Yunnan Energy Investment Plan	3,809	2	240	233

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Summarised financial information for other associates:

	2020	2019
Net profit/(loss)	557	(209)
Other comprehensive income	-	-
Total comprehensive income/(loss)	557	(209)
Total comprehensive (loss)/income attributable to the Group	(12)	6
Total carrying amount of the Group's investment as at the year end	6,205	2,268

13. Restricted statutory deposits

	31 December 2020	31 December 2019
Opening balance	6,658	6,738
Movements for current year	200	(80)
Ending balance	6,858	6,658

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

	31 December 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
Bank of Nanjing	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Sub-total	800		
CPIC Allianz Health			
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	340		

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

	31 December 2020		
	Amount	Storage	Period
PAAIC			
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	6,858		

	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		
PAAIC			
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)

14. Investment properties

	Buildings
Cost:	
1 January 2019	10,592
Additions	11
Transfer from fixed assets, net	35
31 December 2019	10,638
Additions	22
Transfer to fixed assets, net	(102)
31 December 2020	10,558
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 year	(335)
Transfer from fixed assets, net	(2)
31 December 2020	(2,692)
Carrying amount:	
31 December 2020	7,866
31 December 2019	8,283

The fair values of investment properties of the Group as at 31 December 2020 amounted to RMB 11,470 million, which were estimated by the Group based on the independent appraisers' valuations (31 December 2019: RMB 11,887 million).

15. 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
Transfer from construction in progress	1,921	-	-	1,921
Transfer to investment properties, net	(35)	-	-	(35)
Decrease	(43)	(69)	(483)	(595)
31 December 2019	18,143	1,147	5,632	24,922
Procurement	72	61	616	749
Transfer from construction in progress	863	-	-	863
Transfer from investment properties, net	102	-	-	102
Decrease	(131)	(75)	(521)	(727)
31 December 2020	19,049	1,133	5,727	25,909
Accumulated depreciation:				
1 January 2019	(3,585)	(770)	(3,351)	(7,706)
Depreciation charge	(549)	(104)	(699)	(1,352)
Transfer from investment properties, net	(29)	-	-	(29)
Decrease	15	64	473	552
31 December 2019	(4,148)	(810)	(3,577)	(8,535)
Depreciation charge	(589)	(97)	(734)	(1,420)
Transfer to investment properties, net	2	-	-	2
Decrease	2	72	495	569
31 December 2020	(4,733)	(835)	(3,816)	(9,384)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

	Buildings	Motor vehicles	Other equipment	Total
Provision for impairment loss:				
1 January 2019, 31 December 2019, and 31 December 2020	(9)	-	-	(9)
Carrying amount:				
31 December 2020	14,307	298	1,911	16,516
31 December 2019	13,986	337	2,055	16,378

As at 31 December 2020, the Group's motor vehicles and other equipment with a cost of RMB 2,771 million (31 December 2019: RMB 2,535 million) are fully depreciated but still in use.

16. Construction in progress

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

	31 December 2020								
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Guangdong	944	853	15	-	-	-	-	868	92%
Sichuan	587	119	234	-	-	-	-	353	60%
Zhejiang	637	17	206	-	-	-	-	223	35%
Liaoning	349	320	2	(164)	-	-	-	158	92%
Yunnan	125	-	83	-	-	-	-	83	66%
Shanghai	58	2	36	(3)	-	-	-	35	66%
Chengdu	57	-	27	-	-	-	-	27	47%
Jiangsu	166	83	20	(78)	-	-	-	25	64%
Guizhou	92	62	1	(53)	-	-	-	10	68%
Hubei	298	256	26	(282)	-	-	-	-	95%
Jilin	145	115	14	(129)	-	-	-	-	89%
Hebei	44	36	3	(39)	-	-	-	-	89%
Hunan	27	25	1	(26)	-	-	-	-	96%
Others	1,391	99	64	(89)	(34)	-	-	40	12%
		1,987	732	(863)	(34)	-	-	1,822	

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. 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
Guangdong	961	816	53	(16)	-	-	-	853	90%
Liaoning	346	316	4	-	-	-	-	320	92%
Hubei	284	208	48	-	-	-	-	256	90%
Jilin	128	103	12	-	-	-	-	115	90%
Jiangsu	393	289	19	(225)	-	-	-	83	78%
Guizhou	246	187	20	(145)	-	-	-	62	84%
Hebei	66	23	38	(25)	-	-	-	36	92%
Hunan	541	365	148	(488)	-	-	-	25	95%
Jiangxi	155	131	6	(136)	-	-	-	1	88%
Shandong	114	90	1	(42)	-	(49)	-	-	37%
Chengdu	180	154	23	(177)	-	-	-	-	98%
Xinjiang	22	14	3	(17)	-	-	-	-	77%
Shanxi	75	57	15	(72)	-	-	-	-	96%
Beijing	256	236	7	(243)	-	-	-	-	95%
Hainan	187	139	21	(160)	-	-	-	-	86%
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 year, thus no provision for impairment of construction in progress was required.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. 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	1,295	3	2	1,300
Decrease	(582)	(1)	(2)	(585)
31 December 2020	6,099	6	17	6,122
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	(1,504)	(2)	(3)	(1,509)
Decrease	460	-	2	462
31 December 2020	(2,317)	(3)	(4)	(2,324)
Carrying amount:				
31 December 2020	3,782	3	13	3,798
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 year, thus no provision for impairment of right-of-use assets was required.

18. 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
Transfer from construction in progress	-	34	-	34
Decrease	-	(1)	-	(1)
31 December 2019	705	6,254	646	7,605
Increase	715	1,046	-	1,761
Transfer from construction in progress	-	34	-	34
Decrease	-	(5)	-	(5)
31 December 2020	1,420	7,329	646	9,395
Accumulated Amortisation:				
1 January 2019	(11)	(3,331)	-	(3,342)
Amortisation	(14)	(597)	-	(611)
31 December 2019	(25)	(3,928)	-	(3,953)
Amortisation	(25)	(725)	-	(750)
Decrease	-	1	-	1
31 December 2020	(50)	(4,652)	-	(4,702)
Carrying amount:				
31 December 2020	1,370	2,677	646	4,693
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 year, thus no provision for impairment of intangible assets was required.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Goodwill

	31 December 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 31 December 2020, the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is greater than its carrying amount, thus no impairment loss is recognised.

20. Deferred income tax assets and liabilities

	31 December 2020		31 December 2019	
Deferred income tax assets	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract reserves	418	1,672	513	2,052
Changes in fair value of financial instruments	14	56	(389)	(1,556)
Provision for asset impairment	14	56	193	772
Others	399	1,596	543	2,172
Sub-total	845	3,380	860	3,440
Deferred income tax liabilities	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract reserves	1,266	5,064	754	3,016
Changes in fair value of financial instruments	(7,482)	(29,928)	(3,827)	(15,308)
Commission and brokerage expenses	402	1,608	473	1,892
Provision for asset impairment	1,477	5,908	594	2,376
Adjustment in fair value arising from acquisition of subsidiaries	(892)	(3,568)	(921)	(3,684)
Others	174	696	16	64
Sub-total	(5,055)	(20,220)	(2,911)	(11,644)
Net value	(4,210)	(16,840)	(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)

20. 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	Commission 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	417	7	(71)	704	-	29	14	1,100
Recognised in equity	-	(3,259)	-	-	-	-	-	(3,259)
31 December 2020	1,684	(7,468)	402	1,491	-	(892)	573	(4,210)

As at 31 December 2020, there was no significant deductible temporary differences and deductible losses that were not recognised as deferred income tax assets.

21. Other assets

		31 December 2020	31 December 2019
Other receivables	(1)	13,411	10,405
Improvements of right-of-use assets		955	1,000
Others		1,446	992
Total		15,812	12,397

(1) Other receivables

	31 December 2020	31 December 2019
Receivable from securities sold but not settled	5,133	3,963
Due from related parties*	1,614	1,614
Due from external undertakings	1,373	1,042
Prepaid tax	1,292	4
Due from agents	278	276
Deposits	173	182
Co-insurance receivables	101	123
Others	3,624	3,403
Sub-total	13,588	10,607
Less: Provision for bad debts	(177)	(202)
Net value	13,411	10,405

* As at 31 December 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 12% (31 December 2019: 15%) of the total other receivables.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

	31 December 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	4,872	36%	(167)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	8,716	64%	(10)	0%
Total	13,588	100%	(177)	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	31 December 2020			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	10,782	79%	-	10,782
3 months to 1 year (inclusive)	681	5%	(7)	674
1 to 3 years (inclusive)	536	4%	(34)	502
Over 3 years	1,589	12%	(136)	1,453
Total	13,588	100%	(177)	13,411

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:

	31 December 2020	31 December 2019
Total amount of the top five other receivables	1,868	2,056
Total provision for bad debts	(3)	(12)
% of total other receivables	14%	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)

22. Provision for impairment of assets

	31 December 2020				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	931	212	(60)	(42)	1,041
- Premium receivables	523	202	(29)	(41)	655
- Reinsurance receivables	167	-	(2)	-	165
- Interest receivables	39	5	-	-	44
- Other receivables	202	5	(29)	(1)	177
Provision for impairment of available-for-sale financial assets	2,669	3,942	(17)	(1,460)	5,134
- Debt instruments	621	1,244	(17)	47	1,895
- Equity instruments	2,048	2,698	-	(1,507)	3,239
Provision for impairment of held-to-maturity financial assets	47	191	-	(47)	191
Provision for impairment of investments classified as loans and receivables	197	126	-	-	323
Provision for losses on loans	7	-	-	(2)	5
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	4,471	(77)	(1,551)	6,764

	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

In 2020, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 1,507 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.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Securities sold under agreements to repurchase

	31 December 2020	31 December 2019
Securities - bonds		
Inter-bank market	77,797	64,588
Stock exchange	13,028	13,778
Total	90,825	78,366

As at 31 December 2020, the Group's bonds with par value of approximately RMB 84,037 million (31 December 2019: RMB 69,468 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2020 the Group's exchange-traded standardised bonds of approximately RMB 13,028 million (31 December 2019: RMB 13,778 million) were pledged for the securities sold at Shanghai and Shenzhen stock exchange under agreements to repurchase.

24. Reinsurance payables

	31 December 2020	31 December 2019
Within 1 year (inclusive)	5,200	4,305
Over 1 year	301	238
Total	5,501	4,543

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

Reinsurer/Broker	31 December 2020	
	Ending balance (including accrual)	% of total balance
Munich Reinsurance Company	841	15%
China Life Reinsurance Company Ltd.	531	10%
Swiss Reinsurance Company Ltd.	507	9%
Qianhai Reinsurance Co., Ltd.	468	9%
SCOR	231	4%

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.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Employee benefits payable

	1 January 2020	Increase	Decrease	31 December 2020
Wages and salaries, bonus, allowances and subsidies	4,560	19,357	(18,471)	5,446
Staff welfare	8	960	(961)	7
Social security contributions	69	2,122	(2,114)	77
Housing funds	8	1,155	(1,154)	9
Labour union funds	55	347	(341)	61
Employee education funds	478	205	(69)	614
Deferred bonus to management	72	-	(5)	67
Early retirement benefits	323	242	(135)	430
Total	5,573	24,388	(23,250)	6,711

	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.

26. Taxes payable

	31 December 2020	31 December 2019
Corporate income tax	1,396	549
Unpaid VAT	539	387
Withholding individual income tax	121	138
Others	1,155	1,092
Total	3,211	2,166

27. Policyholders' deposits and investment contract liabilities

	31 December 2020	31 December 2019
Opening balance	75,576	62,325
Deposits received	14,994	17,028
Interest credited	3,344	3,005
Deposits withdrawn	(8,220)	(8,058)
Fees deducted for initial policy charge and account management	(262)	(224)
Others	1,694	1,500
Ending balance	87,126	75,576

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Policyholders' deposits and investment contract liabilities (continued)

	31 December 2020	31 December 2019
Expire within 1 year (inclusive)	1,454	1,225
Expire within 1 to 3 years (inclusive)	2,110	2,337
Expire within 3 to 5 years (inclusive)	3,019	1,049
Expire within more than 5 years	80,543	70,965
Total	87,126	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.

28. 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	167,306	1,397	168,703
Decrease	(160,646)	(1,232)	(161,878)
31 December 2020	68,302	498	68,800

The Group's unearned premium reserves split by term to maturity are listed below:

Term to maturity	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	54,891	147	55,038
Over 1 year	13,411	351	13,762
Total	68,302	498	68,800

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

29. 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	97,328	647	97,975
Decrease - claims	(92,712)	(381)	(93,093)
31 December 2020	46,442	944	47,386

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Claim reserves (continued)

The Group's claim reserves split by term to maturity are listed below:

Term to maturity	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	35,020	623	35,643
Over 1 year	11,422	321	11,743
Total	46,442	944	47,386

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:

	31 December 2020	31 December 2019
Incurred and reported claim reserves	34,012	31,651
IBNR reserves	10,872	9,276
Claim expense reserves	1,558	899
Total	46,442	41,826

30. 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	170,868	3,367	174,235
Decrease			
- Claims	(41,733)	(2)	(41,735)
- Early termination	(12,017)	(1,484)	(13,501)
31 December 2020	1,008,254	1,940	1,010,194

The Group's life insurance reserves split by term to maturity are as follows:

Term to maturity	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	40,385	-	40,385
1 to 5 years (inclusive)	28,253	-	28,253
Over 5 years	939,616	1,940	941,556
Total	1,008,254	1,940	1,010,194

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Life insurance reserves (continued)

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

31. 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	35,392	-	35,392
Decrease			
- Claims	(8,023)	-	(8,023)
- Early termination	(920)	-	(920)
31 December 2020	98,796	-	98,796

The Group's long-term health insurance reserves split by term to maturity are as follows:

Term to maturity	31 December 2020		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Within 1 year (inclusive)	524	-	524
1 to 5 years (inclusive)	416	-	416
Over 5 years	97,856	-	97,856
Total	98,796	-	98,796

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

32. 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%.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Bonds payable (continued)

Issuer	31 December 2019	Issuance	Amortisation of bond premium or discount	Redemption in current year	31 December 2020
CPIC Property	9,988	-	3	-	9,991

33. Other liabilities

		31 December 2020	31 December 2019
Other payables	(1)	29,374	17,100
Accrued expenses		2,839	1,720
Insurance security fund		632	701
Others		1,335	1,292
Total		34,180	20,813

(1) Other payables

	31 December 2020	31 December 2019
Payables related to asset-backed securities	13,140	4,540
Payables to third-party investors of consolidated structured entities	4,411	2,250
Payables for securities purchased but not settled	4,182	3,488
Payables to be claimed by customers	1,652	1,548
Payables for purchases	1,281	1,249
Deposits	1,021	1,136
Reimbursement payables	785	371
Co-insurance payable	520	393
Compulsory automobile insurance rescue fund	304	266
Payables for construction and purchasing office building	36	260
Others	2,042	1,599
Total	29,374	17,100

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

34. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2020		Increase of number of shares		31 December 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%	558	-	6,844	71%
Foreign shares listed overseas	2,776	31%	-	-	2,776	29%
Sub-total	9,062	100%	558	-	9,620	100%
III. Total	9,062	100%	558	-	9,620	100%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

34. Issued capital (continued)

In June 2020, the Company issued 102,873,300 GDRs on the LSE and listed on the LSE. In July 2020, the Company further issued 8,794,991 GDRs. Each GDR represents five A shares of the Company. Total proceeds received amounted to approximately RMB 13,915 million, and the issued capital of the Company was increased by approximately RMB 558 million. The remaining balance of approximately RMB 13,148 million was credited to the capital reserve (capital premium) after deducting the underwriting fee, issuing agency fee and other related fees amounting to approximately RMB 209 million. The capital verification was performed by PricewaterhouseCoopers Zhong Tian LLP (Yanzi [2020] No. 0858).

35. Capital reserves

	31 December 2020	31 December 2019
Capital premium (Note VII 34)	79,008	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	36	31
Transaction with non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,788	66,650

36. Surplus reserves

	Statutory surplus reserve (the "SSR")
1 January 2019 and 31 December 2019	4,835
Appropriations	279
31 December 2020	5,114

37. 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	2,500
31 December 2020	16,829

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

38. 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.

The balance of SSR reaches 50% of the respective registered capital after the Company set aside RMB 279 million to the SSR in 2020.

Pursuant to the resolution of the 9th meeting of the 9th Board of Directors of the Company held on 26 March 2021, a final dividend of approximately RMB 12,506 million (equivalent to annual cash dividend of RMB 1.2 per share (including tax) and the 30th Anniversary Special Dividend of RMB 0.1 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan is subject to the approval of the general shareholders' meeting.

Of the Group's retained profits in the consolidated financial statements, RMB 15,647 million as at 31 December 2020 (31 December 2019: RMB 12,576 million) represents the Company's share of its subsidiaries' surplus reserve fund. The Company's share of surplus reserve fund appropriated by subsidiaries in year 2020 amounted to RMB 3,071 million (2019: RMB 2,634 million).

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 2,500 million of DSR from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 8 May 2020.

39. Non-controlling interests

	31 December 2020	31 December 2019
CPIC Property	681	599
CPIC Life	1,608	1,447
Changjiang Pension	1,459	1,290
CPIC Funds	523	495
CPIC Allianz Health	322	269
PAAIC	873	793
Dali Project Company	145	-
Total	5,611	4,893

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

	2020	2019
Property and casualty insurance:		
Automobile insurance	95,919	93,251
Agricultural insurance	9,574	6,895
Liability insurance	9,002	6,329
Health insurance	8,893	5,155
Guarantee insurance	6,690	5,635
Other insurances	19,644	17,385
Sub-total	149,722	134,650
Life insurance:		
Individual insurance		
- Life insurance	95,467	83,399
- Participating insurance	97,318	111,521
- Universal insurance	101	104
- Short-term accident and health insurance	9,120	9,499
Group insurance		
- Life insurance	475	370
- Short-term accident and health insurance	9,861	7,974
Sub-total	212,342	212,867
Total	362,064	347,517

(2) The Group's gross written premiums with the top five customers is listed below:

	2020	2019
Gross written premiums of the top five customers	2,144	1,473
% of gross written premiums	0.59%	0.42%

41. Net change in unearned premium reserves

	2020	2019
Unearned premium reserves		
- Direct insurance contracts	6,671	12,306
- Assumed reinsurance contracts	165	211
Sub-total	6,836	12,517
Unearned premium reserves recovered from reinsurers		
- Direct insurance contracts	(1,108)	(451)
- Assumed reinsurance contracts	(44)	(153)
Sub-total	(1,152)	(604)
Net	5,684	11,913

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income

	2020	2019
Net gains on disposal of stock investments	16,646	5,055
Net gains on disposal of fund investments	1,833	923
Net gains on disposal of bond investments	463	282
Interest on securities purchased under agreements to resell	288	346
Interest income from debt investments	47,816	44,200
Interest income from other fixed-interest investments	11,982	10,796
Fund dividend income	1,452	1,213
Stock dividend income	2,769	2,288
Income from other equity investments	3,124	2,167
Share of profits of associates and joint ventures	512	494
Others	528	(2)
Total	87,413	67,762

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

43. Gains arising from changes in fair value

	2020	2019
Bond investments	(144)	167
Fund investments	1	273
Derivatives	140	(1)
Stock investments	74	391
Wealth management products and other equity instruments	10	(29)
Total	81	801

44. Other operating income

	2020	2019
Income from assets management fee	2,385	1,625
Rental income from investment properties	745	754
Amortisation of initial policy fee and account management fee	262	224
Others	911	881
Total	4,303	3,484

45. Gains on disposal of assets

	2020	2019
Gains on disposal of fixed assets	4	15

46. Surrenders

	2020	2019
Individual life insurance		
- Direct insurance contracts	12,913	11,033
- Reinsurance contracts	1,484	-
Group life insurance		
- Direct insurance contracts	24	71
Total	14,421	11,104

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Claims

	2020	2019
Indemnity		
- Direct insurance contracts	92,712	78,879
- Assumed reinsurance contracts	381	336
Sub-total	93,093	79,215
Payment upon maturity - direct insurance contracts	24,746	22,660
Payment of annuity - direct insurance contracts	14,530	16,676
Payment upon death, injury or medical treatment - direct insurance contracts	10,480	9,989
Payment upon death, injury or medical treatment - reinsurance contracts	2	1
Total	142,851	128,541

The breakdown of the Group's claims by types of insurance is as follows:

	2020	2019
Property and casualty insurance:		
Automobile insurance	56,100	51,119
Agricultural insurance	7,085	5,033
Health insurance	5,228	2,942
Liability insurance	3,840	2,552
Commercial property insurance	3,187	3,051
Other insurances	7,571	5,803
Sub-total	83,011	70,500
Life insurance:		
Individual insurance		
- Life insurance	15,570	17,992
- Participating insurance	33,523	30,648
- Universal insurance	57	70
- Short-term accident and health insurance	2,679	2,406
Group insurance		
- Life insurance	520	528
- Participating insurance	85	85
- Universal insurance	3	3
- Short-term accident and health insurance	7,403	6,309
Sub-total	59,840	58,041
Total	142,851	128,541

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Changes in insurance contract reserves

	2020	2019
Changes in claim reserves		
- Direct insurance contracts	4,616	3,441
- Assumed reinsurance contracts	295	196
Sub-total	4,911	3,637
Changes in life insurance reserves		
- Direct insurance contracts	104,943	90,802
- Assumed reinsurance contracts	1,881	58
Sub-total	106,824	90,860
Changes in long-term health insurance reserves		
- Direct insurance contracts	26,449	28,279
Total	138,184	122,776

The particulars of changes in claim reserves under direct insurance contracts are as follows:

	2020	2019
Incurred and reported claim reserves	2,361	2,192
IBNR reserves	1,596	1,174
Claim expense reserves	659	75
Total	4,616	3,441

49. Insurance contract reserves recovered from reinsurers

	2020	2019
Recovery of claim reserves		
- Direct insurance contracts	381	449
- Assumed reinsurance contracts	45	375
Recovery of life insurance reserves		
- Direct insurance contracts	(69)	(3)
Recovery of long-term health insurance reserves		
- Direct insurance contracts	664	669
Total	1,021	1,490

50. Taxes and surcharges

	2020	2019
City maintenance and construction tax	365	299
Educational surcharge	267	213
Others	412	370
Total	1,044	882

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

51. Commission and brokerage expenses

	2020	2019
Fee		
Property and casualty insurance		
Automobile insurance	12,216	13,033
Accident insurance	1,520	1,172
Liability insurance	1,372	1,058
Commercial property insurance	1,043	1,033
Health insurance	909	666
Other insurances	1,035	963
Sub-total	18,095	17,925
Life insurance	1,125	1,361
Total	19,220	19,286
Commission		
Commission expenses for single premium policy	1,229	1,148
First-year commission expenses for regular premium policy	11,148	17,756
Renewal commission expenses for regular premium policy	7,898	8,663
Total	20,275	27,567
Total of fee and commission expenses	39,495	46,853

52. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	2020	2019
Payroll and welfare benefits	21,610	21,222
Advertising expenses (including business publicity expenses)	6,685	5,237
Professional service fees	5,140	3,490
General office expenses	3,214	3,571
Prevention expenses	1,829	1,176
Depreciation of right-of-use assets	1,466	1,256
Depreciation of fixed assets	1,349	1,275
Outsourcing service fees	850	151
Amortisation of intangible assets	749	611
Property management fees	740	704
Entrusted management fees	727	334
Labour costs	683	772
Consulting fees	534	481
Amortisation of other long-term assets	384	367
Compulsory automobile rescue fund	292	257
Travel expenses	184	287
Transportation expenses	140	201
Rent for short-term and low-value asset leases	117	269
Audit fee	36	31
Taxes	7	8
Others	6,249	3,739
Total	52,985	45,439

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

53. Interest expenses

	2020	2019
Securities sold under agreements to repurchase	1,907	1,922
Unclaimed policy dividend	645	657
Debts	508	551
Asset-backed securities	208	238
Interest on lease liabilities	134	140
Others	3	3
Total	3,405	3,511

54. Other operating expenses

	2020	2019
Interest expenses for policyholders' investment contract liabilities	3,344	3,005
Depreciation of investment properties	335	334
Amortisation of fee and commission for acquiring policyholders' investment contract	37	2
Others	1,604	1,113
Total	5,320	4,454

55. Asset impairment losses

	2020	2019
Provision for available-for-sale financial assets impairment, net	3,925	2,095
Provision for investments classified as loans and receivables impairment, net	126	197
Provision for held-to-maturity financial assets impairment, net	191	47
Provision for bad debts, net	152	115
Total	4,394	2,454

56. Non-operating income

	2020	2019
Government subsidies unrelated to ordinary activities	12	15
Others	96	67
Total	108	82

57. Non-operating expenses

	2020	2019
Charitable donations and commercial sponsorship	75	50
Government fines & confiscations and liquidated damages	23	9
Overdue tax payment and fines	5	2
Others	144	122
Total	247	183

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

58. Income tax

	2020	2019
Current income tax	4,986	(267)
Deferred income tax	(1,100)	(121)
Total	3,886	(388)

The relationship between income tax expenses and total profit is shown below:

	2020	2019
Total profit	29,238	27,966
Taxes calculated at the statutory tax rate of 25%	7,310	6,992
Income tax adjustment for prior years (Note V)	(181)	(4,900)
Non-taxable income	(3,801)	(3,038)
Non-deductible expenses	431	447
Others	127	111
Income tax calculated at applicable tax rates	3,886	(388)

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.

59. 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 year ended 31 December 2020.

	2020	2019
Consolidated net profit for the year attributable to shareholders of the parent	24,584	27,741
Weighted average number of ordinary shares in issue (million)	9,353	9,062
Basic earnings per share (RMB Yuan)	2.63	3.06

The weighted average number of ordinary shares in issue has been adjusted to reflect the impact of the issuance of 111,668,291 GDRs in 2020, representing 558,341,455 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.

	2020	2019
Consolidated net profit for the year attributable to shareholders of the parent	24,584	27,741
Weighted average number of ordinary shares in issue (million)	9,353	9,062
Adjustment for:		
Assumed vesting of the over-allotment option	-	-
Weighted average number of ordinary shares for diluted earnings per share	9,353	9,062
Diluted earnings per share (RMB Yuan)	2.63	3.06

The Company had no dilutive potential ordinary shares in 2019.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. 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	31 December 2020	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	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	9,425	22,377	37,132	(19,308)	3,925	(8,840)	(3,259)	9,425	225
Exchange differences on translation of foreign operations	(3)	(34)	(37)	(34)	-	-	-	-	(34)	-
Total	12,949	9,391	22,340	37,098	(19,308)	3,925	(8,840)	(3,259)	9,391	225

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2019	Attributable to the Company - net of tax	31 December 2019	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	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	10,144	12,952	27,439	(6,030)	2,095	(9,788)	(3,383)	10,144	189
Exchange differences on translation of foreign operations	(16)	13	(3)	13	-	-	-	-	13	-
Total	2,792	10,157	12,949	27,452	(6,030)	2,095	(9,788)	(3,383)	10,157	189

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

61. Cash paid relating to other operating activities

Significant payments related to other operating activities are listed below:

	2020	2019
Surrenders	14,421	11,104
Advertising expenses (including business publicity expenses)	6,685	5,237
Professional service fees	5,140	3,490
General office expenses	3,214	3,571
Prevention expenses	1,829	1,176
Outsourcing service fees	850	151
Property management fees	740	704
Entrusted management fees	727	334
Labour costs	683	772
Consulting fees	534	481

62. Cash and cash equivalents

	2020	2019
Cash:		
Cash at bank readily available for payments	19,335	13,517
Other cash balances readily available for payments	1,105	984
Cash equivalents:		
Investments with an initial term within 3 months	14,327	28,045
Total	34,767	42,546

63. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2020	2019
Net profit	25,352	28,354
Add: Asset impairment losses	4,394	2,454
Changes in insurance contract reserves - net	137,163	121,286
Net change in unearned premium reserves	5,684	11,913
Changes in insurance premium reserves	(144)	(58)
Depreciation of right-of-use assets	1,509	1,297
Depreciation of fixed assets and investment properties	1,755	1,686
Amortisation of intangible assets	750	611
Amortisation of other long-term assets	389	371
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(4)	(15)
Investment income	(87,413)	(67,762)
Gains arising from changes in fair value	(81)	(801)
Interest expenses	2,760	2,854
Exchange losses/(gains)	1,428	(56)
Deferred income tax	(1,100)	(121)
Increase in operating receivables	(8,757)	(3,839)
Increase in operating payables	24,378	13,621
Net cash flows from operating activities	108,063	111,795

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

63. Supplementary information to the cash flow statements (continued)

(2) Net increase in cash and cash equivalents:

	2020	2019
Cash at the end of year	20,440	14,501
Less: Cash at the beginning of year	(14,501)	(15,026)
Cash equivalents at the end of year	14,327	28,045
Less: Cash equivalents at the beginning of year	(28,045)	(23,095)
Net (decrease)/increase in cash and cash equivalents	(7,779)	4,425

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.

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.

In 2020, gross written premiums from transactions with the top five external customers amounted to 0.59% (in 2019: 0.42%) of the Group's total gross written premiums (Note VII 40).

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VIII. SEGMENT INFORMATION (continued)

Item	2020							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Net premiums earned	208,319	123,014	373	19	123,406	-	(86)	331,639
Including: Net premiums earned from third parties	206,812	124,600	227	-	124,827	-	-	331,639
Net premiums earned within the Group	1,507	(1,586)	146	19	(1,421)	-	(86)	-
Other income	56	40	-	-	40	74	-	170
Investment income	75,770	6,954	39	-	6,993	25,181	(20,531)	87,413
Gains/(losses) arising from changes in fair value	93	(1)	-	-	(1)	(11)	-	81
Exchange (losses)/gains	(89)	(251)	5	-	(246)	(1,093)	-	(1,428)
Other operating income	2,374	232	3	-	235	5,968	(4,274)	4,304
Gains on disposal of assets	4	1	-	-	1	(1)	-	4
Operating income	286,527	129,989	420	19	130,428	30,118	(24,891)	422,182
Surrenders	(14,421)	-	-	-	-	-	-	(14,421)
Claims	(60,383)	(82,862)	(232)	83	(83,011)	-	543	(142,851)
Less: Claims recoveries from reinsurers	2,925	10,115	119	(83)	10,151	-	(544)	12,532
Changes in insurance contract reserves	(133,970)	(3,799)	(201)	(15)	(4,015)	-	(199)	(138,184)
Less: Insurance contract reserves recovered from reinsurers	617	748	93	15	856	-	(452)	1,021
Others	(61,046)	(47,123)	(188)	-	(47,311)	(6,499)	3,954	(110,902)
Operating expenses	(266,278)	(122,921)	(409)	-	(123,330)	(6,499)	3,302	(392,805)
Operating profit	20,249	7,068	11	19	7,098	23,619	(21,589)	29,377
Add: Non-operating income	24	80	-	-	80	4	-	108
Less: Non-operating expenses	(98)	(108)	-	-	(108)	(41)	-	(247)
Profit before tax	20,175	7,040	11	19	7,070	23,582	(21,589)	29,238
Less: Income tax	(1,695)	(1,695)	(5)	-	(1,700)	(408)	(83)	(3,886)
Net profit for the year	18,480	5,345	6	19	5,370	23,174	(21,672)	25,352
Supplementary information:								
Capital expenditure	1,018	962	-	-	962	1,375	-	3,355
Depreciation and amortisation	1,145	979	1	-	980	2,278	-	4,403
Provision for asset impairment	3,713	503	-	-	503	178	-	4,394
31 December 2020								
Segment assets	1,452,600	187,383	1,545	(134)	188,794	161,388	(31,778)	1,771,004
Segment liabilities	1,394,452	141,076	1,031	(124)	141,983	27,193	(13,459)	1,550,169

VIII. SEGMENT INFORMATION (continued)

Item	2019							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Subtotal			
Net premiums earned	207,267	105,747	254	(14)	105,987	-	(8)	313,246
Including: Net premiums earned from third parties	206,545	106,691	10	-	106,701	-	-	313,246
Net premiums earned within the Group	722	(944)	244	(14)	(714)	-	(8)	-
Other income	30	38	-	-	38	57	-	125
Investment income	59,225	5,730	36	-	5,766	19,269	(16,498)	67,762
Gains/(losses) arising from changes in fair value	823	2	-	-	2	(24)	-	801
Exchange gains/(losses)	17	44	(1)	-	43	(12)	8	56
Other operating income	2,372	318	3	-	321	4,708	(3,917)	3,484
Gains on disposal of assets	13	1	-	-	1	1	-	15
Operating income	269,747	111,880	292	(14)	112,158	23,999	(20,415)	385,489
Surrenders	(11,104)	-	-	-	-	-	-	(11,104)
Claims	(58,355)	(70,418)	(241)	159	(70,500)	-	314	(128,541)
Less: Claims recoveries from reinsurers	2,338	8,892	94	(159)	8,827	-	(307)	10,858
Changes in insurance contract reserves	(120,009)	(2,684)	(69)	(31)	(2,784)	-	17	(122,776)
Less: Insurance contract reserves recovered from reinsurers	1,047	344	63	31	438	-	5	1,490
Others	(63,691)	(41,806)	(98)	-	(41,904)	(5,476)	3,722	(107,349)
Operating expenses	(249,774)	(105,672)	(251)	-	(105,923)	(5,476)	3,751	(357,422)
Operating profit	19,973	6,208	41	(14)	6,235	18,523	(16,664)	28,067
Add: Non-operating income	32	38	-	-	38	12	-	82
Less: Non-operating expenses	(127)	(38)	-	-	(38)	(18)	-	(183)
Profit before tax	19,878	6,208	41	(14)	6,235	18,517	(16,664)	27,966
Less: Income tax	1,254	(223)	(6)	-	(229)	(390)	(247)	388
Net profit for the year	21,132	5,985	35	(14)	6,006	18,127	(16,911)	28,354
Supplementary information:								
Capital expenditure	1,265	1,155	-	-	1,155	934	-	3,354
Depreciation and amortisation	1,035	871	-	-	871	2,059	-	3,965
Provision for asset impairment	1,632	758	-	-	758	64	-	2,454
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	31 December 2020		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	246	1.00000	246
	HKD	9	0.84164	8
	Sub-total			254
Other cash balances	RMB	17	1.00000	17
Total				271

	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 31 December 2020, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 8 million (31 December 2019: amounted equivalent to RMB 8 million).

2. Financial assets at fair value through profit or loss

	31 December 2020	31 December 2019
Debt investments		
Corporate bonds	11	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

	31 December 2020	31 December 2019
Securities - bonds		
Inter-bank market	100	108
Stock exchange	10	-
Total	110	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	31 December 2020	31 December 2019
Within 1 year (inclusive)	12,690	-
1 to 2 years (inclusive)	500	-
2 to 3 years (inclusive)	3,700	500
3 to 4 years (inclusive)	1,500	-
4 to 5 years (inclusive)	2,800	1,500
Total	21,190	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:

	31 December 2020	31 December 2019
Debt investments		
Government bonds	4,054	4,085
Finance bonds	1,632	2,544
Corporate bonds	18,156	17,035
Equity investments		
Funds	5,686	3,048
Stocks	2,019	2,209
Investments in other equity instruments	822	222
Total	32,369	29,143

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

	31 December 2020	31 December 2019
Debt investments		
Fair value	23,842	23,664
Including: Amortised cost	23,531	23,151
Accumulated amount recognised in other comprehensive income/(loss)	467	583
Total impairment provisions	(156)	(70)
Equity investments		
Fair value	8,527	5,479
Including: Cost	7,044	5,059
Accumulated amount recognised in other comprehensive income/(loss)	1,598	573
Total impairment provisions	(115)	(153)
Total		
Fair value	32,369	29,143
Including: Amortised cost/Cost	30,575	28,210
Accumulated amount recognised in other comprehensive income/(loss)	2,065	1,156
Total impairment provisions	(271)	(223)

6. Held-to-maturity financial assets

	31 December 2020	31 December 2019
Debt investments		
Corporate bonds	-	300

7. Investments classified as loans and receivables

	31 December 2020	31 December 2019
Debt investments		
Debt investment plans	8,217	4,594
Wealth management products	4,754	7,855
Total	12,971	12,449

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Long-term equity investments

	31 December 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	1,494	1,401
Total	65,072	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
Transfer from fixed assets, net	305
31 December 2020	4,638
Accumulated depreciation:	
1 January 2019	(928)
Provision	(141)
Transfer to fixed assets, net	67
31 December 2019	(1,002)
Provision	(143)
Transfer from fixed assets, net	(204)
31 December 2020	(1,349)
Carrying amount:	
31 December 2020	3,289
31 December 2019	3,331

The fair values of investment properties of the Company as at 31 December 2020 amounted to RMB 6,326 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

	31 December 2020	31 December 2019
Receivables from subsidiaries	227	1,000
Prepaid Tax	85	-
Dividends receivable	44	48
Improvements of right-of-use assets	18	15
Prepayments for construction	12	8
Others	101	120
Total	487	1,191

11. Securities sold under agreements to repurchase

	31 December 2020	31 December 2019
Securities - bonds		
Inter-bank market	1,272	1,540

As at 31 December 2020, the Company's bond investments of approximately RMB 1,410 million (31 December 2019: RMB 1,687 million) were pledged for inter-bank securities sold under agreements to repurchase.

12. Other liabilities

	31 December 2020	31 December 2019
Payables to subsidiaries	29	151
Payables for purchasing office buildings	3	4
Others	498	673
Total	530	828

13. Capital reserves

	31 December 2020	31 December 2019
Capital premium (Note I)	79,008	65,860
Asset evaluation appreciation	301	301
Others	3	3
Total	79,312	66,164

14. Investment income

	2020	2019
Net gains/(losses) on sales of stock investments	457	(27)
Net gains on sales of bond investments	4	59
Net gains on sales of fund investments	131	166
Interest income from securities purchased under agreements to resell	13	8
Interest income from debt investments	1,704	1,604
Interest income from other fixed-interest investments	298	62
Stock dividend income	60	54
Fund dividend income	44	80
Income from other equity investments	26	-
Dividend income from subsidiaries	18,683	15,353
Total	21,420	17,359

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

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	31 December 2020	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	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	681	1,548	1,321	(592)	179	(227)	681

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2019	Attributable to the Company-net of tax	31 December 2019	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	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	811	867	1,152	(197)	126	(270)	811

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:

	2020	2019
Net profit	18,810	15,967
Add: Asset impairment losses	180	128
Depreciation of right-of-use assets	65	6
Depreciation of fixed assets and investment properties	386	413
Amortisation of intangible assets	116	105
Amortisation of other long-term assets	13	12
Investment income	(21,420)	(17,359)
Gains arising from changes in fair value	-	(5)
Interest expenses	55	45
Exchange losses	1,094	5
Deferred income tax	10	(19)
Increase in operating receivables	(37)	(806)
(Decrease)/increase in operating payables	(328)	684
Net cash flows used in operating activities	(1,056)	(824)

(2) Net increase/(decrease) in cash and cash equivalents:

	2020	2019
Cash at the end of year	271	83
Less: Cash at the beginning of year	(83)	(93)
Cash equivalents at the end of year	110	108
Less: Cash equivalents at the beginning of year	(108)	(320)
Net increase/(decrease) in cash and cash equivalents	190	(222)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

In 2020, 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 year	31 December 2020	1 January 2020	Movements for the current year	31 December 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%
PAAIC	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)

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company (continued)

Name of investee	Registered capital			Shares or equities held		
	1 January 2020	Movements for the current year	31 December 2020	1 January 2020	Movements for the current year	31 December 2020
Nanjing Project Company	-	220	220	-	98.29%	98.29%
Dali Project Company	804	(196)	608	-	74.70%	74.70%
Shanghai (Putuo) Project Company	-	250	250	-	98.29%	98.29%
Pacific Care Home at Hangzhou	-	60	60	-	98.29%	98.29%

(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
Better Sharing	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
Yangtze River Delta Fund	Associate of the Company
Lingang GLP	Associate of the Company
Hi-Tech	Associate of the Company
Lingang Yunhui	Associate of the Company
Guangci Hospital	Associate of the Company

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
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
PAAIC'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
Pacific Insurance Agency annuity plan	Enterprise annuity fund established by the Group
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

	2020	2019
Orient Securities Company Limited	5	1
Shanghai Tobacco Group Co., Ltd.	4	2
Shanghai Rural Commercial Bank Co., Ltd.	3	1
Haitong Securities Co., Ltd.	1	1
Shanghai State-Owned Assets Operation Co., Ltd.	1	-
China United Network Communications Co., Ltd.[Note]	-	8
Commercial Aircraft Corporation of China, Ltd.[Note]	-	4
China United Network Communications Group Co., Ltd.[Note]	-	2
Jingtian & Gongcheng Beijing Office[Note]	-	1
	14	20

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. In 2020, premiums from related parties accounted for 0.01% (in 2019: 0.01 %).

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)

(2) Fund subscription and redemption transactions

	2020	2019
Hwabao WP Fund Management Co., Ltd.	1,289	506

(3) Bond trading

	2020	2019
Haitong Securities Co., Ltd.	910	857
Shanghai Rural Commercial Bank Co., Ltd.	99	617
Orient Securities Company Limited	-	3,317
Hankou Bank Co., Ltd.[Note]	-	269
	1,009	5,060

(4) Pledged repo transactions

	2020	2019
Shanghai Rural Commercial Bank Co., Ltd.	2,362	94,310
Taikang Insurance Group Co., Ltd.	40	167
Hankou Bank Co., Ltd.[Note]	-	540
Hwabao WP Fund Management Co., Ltd.	-	62
	2,402	95,079

(5) Transaction of asset management products

	2020	2019
Orient Securities Company Limited	11	10
Hwabao Trust Co., Ltd.	-	52
Hwabao Investments Co., Ltd.	-	4
	11	66

(6) Pension products business

	2020	2019
Shanghai Rural Commercial Bank Co., Ltd.	-	17

(7) Distribution of cash dividends

	2020	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

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)

(8) Deposits

	2020	2019
Shanghai Rural Commercial Bank Co., Ltd.	105	135

(9) Remuneration of key management

	2020	2019
Salary and other benefits	29	39

(10) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2020	2019
Contribution to the enterprise annuity plan	404	312

(11) The major related transactions between the Group and joint ventures during the years are as follows:

	2020	2019
Binjiang-Xiangrui		
Rental fees for leasing office buildings of Binjiang Xiangrui	79	19
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	-	59
	79	78
Ruiyongjing Real Estate		
Loans	2,381	236

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 years are as follows:

	2020	2019
Purchase of insurance contracts		
CPIC Property	11	6
Rental income from office building		
CPIC Property	43	43
CPIC Life	13	27
Changjiang Pension	4	4
CPIC Senior Living Investment	4	4
CPIC Allianz Health	1	1
Total	65	79

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 years are as follows (continued):

	2020	2019
Shared service centre fee		
CPIC Property	221	234
CPIC Life	181	265
CPIC Allianz Health	10	13
CPIC Asset Management	10	11
CPIC Senior Living Investment	2	2
CPIC Online Services	1	1
Changjiang Pension	1	1
Total	426	527
Asset management fee		
CPIC Asset Management	29	27
Medical examination fee		
CPIC Allianz Health	2	2
Rental fee		
CPIC Real Estate	5	-
CPIC Property	1	-
CPIC Life	1	-
Total	7	-
Cash dividends received		
CPIC Life	16,552	12,416
CPIC Property	1,918	2,877
CPIC Asset Management	213	60
Total	18,683	15,353
Capital injection to subsidiaries		
CPIC Allianz Health	-	771

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 rent of the office building paid by the Company to CPIC Life, CPIC Property and CPIC Real Estate is determined at the price negotiated 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.

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)

(2) The major related transactions between the Company and other related parties of the Group during the years are as follows:

	2020	2019
Fund subscription and redemption transactions		
Hwabao WP Fund Management Co., Ltd.	21	10
Bond trading		
Haitong Securities Co., Ltd.	500	-
Pledged repo transactions		
Shanghai Rural Commercial Bank Co., Ltd.	-	290
Total	521	300

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2020	31 December 2019
Dividends receivable		
CPIC H.K.	42	45
Other receivables		
CPIC Property	136	130
CPIC Life	82	92
CPIC Asset Management	4	2
CPIC Allianz Health	3	774
CPIC Senior Living Investment	2	2
Total	227	1,000
Other payables		
CPIC Asset Management	28	26
Changjiang Pension	1	1
CPIC Property	-	9
Total	29	36

(2) Receivables between the Group and its joint ventures are as follows:

	31 December 2020	31 December 2019
Other receivables		
Binjiang-Xiangrui	1,614	1,614
Investments classified as loans and receivables		
Ruiyongjing Real Estate	2,617	236

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 31 December 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

		31 December 2020	31 December 2019
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)(6)	9,508	3,485
Authorised, but not contracted for	(1)(2)(3)(5)	7,872	3,115
		17,380	6,600

As at 31 December 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 31 December 2020, the cumulative amount incurred by the Company amounted to RMB 1,720 million. Of the balance, RMB 2 million was disclosed as a capital commitment contracted but not provided for and RMB 278 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 31 December 2020, the cumulative amount incurred by CPIC Property amounted to RMB 1,626 million. Of the balance, RMB 111 million was disclosed as a capital commitment contracted but not provided for and RMB 353 million was disclosed as a capital commitment authorised but not contracted for.

(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 in July 2018. Pursuant to the resolutions of the 8th meeting of the 6th Board of Directors and the first general meeting of shareholders of CPIC Life in 2020, CPIC Life agreed the total investment of the project above to be increased to RMB 21,400 million and to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. 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 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2020, the cumulative amount incurred by CPIC Life amounted to RMB 12,452 million. Of the balance, RMB 383 million was disclosed as a capital commitment contracted but not provided for and RMB 4,600 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 31 December 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.

XII. COMMITMENTS (continued)

(5) CPIC Life obtained the use rights of five parcels of land respectively located at Wenjiang District in Chengdu, Sichuan, at Lin'an District in Hangzhou, Zhejiang, at Jimei District in Xiamen, Fujian, at Qixia District in Nanjing, Jiangsu and at Putuo District in Shanghai, and set up five project companies named Chengdu Project Company, Hangzhou Project Company, Xiamen Project Company, Nanjing Project Company and Shanghai (Putuo) 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 five projects is approximately RMB 6,219 million. As at 31 December 2020, the cumulative amount incurred amounted to RMB 1,611million. Of the balance, RMB 2,057 million was disclosed as a capital commitment contracted but not provided for and RMB 2,551 million was disclosed as a capital commitment authorised but not contracted for.

(6) CPIC Life and a third party jointly established Taijiashan Health Industry Equity Investment Fund (Shanghai) Partnership (LLP) ("Taijiashan"). The total investment of this project is approximately RMB 5,000 million. As at 31 December 2020, CPIC Life has not yet made the capital contribution. Of the balance, RMB 5,000 million was disclosed as a capital commitment contracted but not provided 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.

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.

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risks (continued)

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 40.

(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)

	31 December 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	(15,939)	-1.61%	(7,962)	-8.06%
	- 25 basis points	17,240	1.75%	8,604	8.71%
Mortality rate	+10%	2,338	0.24%	(196)	-0.20%
	-10%	(2,342)	-0.24%	212	0.21%
Morbidity rate	+10%	608	0.06%	17,894	18.11%
	-10%	(649)	-0.07%	(18,368)	-18.59%
Surrender rate	+10%	(2,731)	-0.28%	701	0.71%
	-10%	2,979	0.30%	(631)	-0.64%
Expenses	+10%	6,074	0.62%	1,102	1.12%
	-10%	(6,074)	-0.62%	(1,102)	-1.12%
Policy dividend	+5%	17,733	1.80%	(116)	-0.12%

	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 the future (for example changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

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 1,768 million and RMB 239 million in net outstanding claim reserves for property and casualty and short-term life insurance as at 31 December 2020 (31 December 2019: RMB 1,588 million and RMB 195 million).

As at 31 December 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	2020	Total
Estimate of ultimate claim cost as of:						
End of current year	57,960	59,974	64,450	71,637	81,244	
One year later	57,071	57,147	64,051	71,010		
Two years later	55,725	55,300	63,170			
Three years later	55,167	54,609				
Four years later	54,845					
Current estimate of cumulative claims	54,845	54,609	63,170	71,010	81,244	324,878
Cumulative payments to date	(54,065)	(53,143)	(60,442)	(64,351)	(53,935)	(285,936)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						2,962
Outstanding claim reserves						41,904

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 31 December 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	2020	Total
Estimate of ultimate claim cost as of:						
End of current year	50,934	52,415	56,073	62,405	71,681	
One year later	50,251	50,539	55,809	61,783		
Two years later	49,406	48,720	55,001			
Three years later	48,841	48,058				
Four years later	48,492					
Current estimate of cumulative claims	48,492	48,058	55,001	61,783	71,681	285,015
Cumulative payments to date	(47,985)	(46,975)	(53,098)	(56,417)	(47,840)	(252,315)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						2,660
Outstanding claim reserves						35,360

As at 31 December 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	2020	Total
Estimate of ultimate claim cost as of:						
End of current year	2,496	3,301	4,112	4,628	4,696	
One year later	2,488	3,189	3,796	4,307		
Two years later	2,473	3,231	3,798			
Three years later	2,480	3,250				
Four years later	2,479					
Current estimate of cumulative claims	2,479	3,250	3,798	4,307	4,696	18,530
Cumulative payments to date	(2,478)	(3,243)	(3,788)	(4,161)	(2,967)	(16,637)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,589
Outstanding claim reserves						5,482

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 31 December 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	2020	Total
Estimate of ultimate claim cost as of:						
End of current year	2,438	3,068	3,355	3,058	3,440	
One year later	2,414	2,960	3,210	3,163		
Two years later	2,365	2,993	3,216			
Three years later	2,374	2,999				
Four years later	2,386					
Current estimate of cumulative claims	2,386	2,999	3,216	3,163	3,440	15,204
Cumulative payments to date	(2,386)	(2,993)	(3,209)	(3,075)	(2,350)	(14,013)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,582
Outstanding claim reserves						4,773

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:

	31 December 2020				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Financial assets:					
Cash at bank and on hand	18,708	1,194	961	15	20,878
Financial assets at fair value through profit or loss	11,850	600	23	-	12,473
Derivative financial assets	-	140	-	-	140
Securities purchased under agreements to resell	14,327	-	-	-	14,327
Premium receivables	21,147	527	18	-	21,692
Reinsurance receivables	7,039	780	361	-	8,180
Interest receivables	20,542	16	5	-	20,563
Policy loans	62,364	-	-	-	62,364
Term deposits	179,295	13,671	-	-	192,966
Available-for-sale financial assets	585,627	7,032	2,638	861	596,158
Held-to-maturity financial assets	329,119	241	-	-	329,360
Investments classified as loans and receivables	380,174	-	-	-	380,174
Restricted statutory deposits	6,858	-	-	-	6,858
Others	14,073	116	87	-	14,276
Sub-total	1,651,123	24,317	4,093	876	1,680,409
Financial liabilities:					
Securities sold under agreements to repurchase	90,825	-	-	-	90,825
Commissions and brokerage payable	4,003	-	-	-	4,003
Reinsurance payables	4,999	231	271	-	5,501
Interest payable	594	-	-	-	594
Claims payable	21,825	-	-	-	21,825
Policyholder dividend payable	24,351	-	-	-	24,351
Policyholders' deposits and investment contract liabilities	87,126	-	-	-	87,126
Bonds payable	9,991	-	-	-	9,991
Lease liabilities	3,420	-	10	-	3,430
Others	29,049	287	42	-	29,378
Sub-total	276,183	518	323	-	277,024
Net amount	1,374,940	23,799	3,770	876	1,403,385

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:

	31 December 2020		31 December 2019	
	USD	HKD	USD	HKD
Exchange rate	6.52490	0.84164	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 spot and forward 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,HKD and other currencies to RMB exchange rate	31 December 2020	
	Impact on profit before tax	Impact on equity
+5%	774	1,270
-5%	(774)	(1,270)

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.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

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:

	31 December 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	1,132	-	-	-	19,746	20,878
Debt investments at fair value through profit or loss	1,930	1,026	159	4	-	3,119
Securities purchased under agreements to resell	14,327	-	-	-	-	14,327
Policy loans	62,364	-	-	-	-	62,364
Term deposits	30,391	92,070	70,355	150	-	192,966
Available-for-sale debt investments	68,626	57,600	38,438	151,124	-	315,788
Held-to-maturity financial assets	9,619	22,194	25,396	272,151	-	329,360
Investments classified as loans and receivables	27,238	55,098	135,163	162,675	-	380,174
Restricted statutory deposits	880	3,216	2,762	-	-	6,858
Financial liabilities:						
Securities sold under agreements to repurchase	90,825	-	-	-	-	90,825
Policyholders' deposits and investment contract liabilities	1,454	2,110	3,019	80,543	-	87,126
Bonds payable	-	-	-	9,991	-	9,991

	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	31 December 2020	
	Impact on profit before tax	Impact on equity
+50 basis points	(18)	(6,273)
-50 basis points	18	6,916

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	31 December 2020	
	Impact on profit before tax	Impact on equity
+50 basis points	88	88
-50 basis points	(88)	(88)

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 31 December 2020, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 5,394 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 31 December 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)

	31 December 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	20,878	-	-	-	-	-	20,878
Debt investments at fair value through profit or loss	3,119	-	-	-	-	-	3,119
Securities purchased under agreements to resell	14,327	-	-	-	-	-	14,327
Premium receivables	19,470	-	-	-	-	2,222	21,692
Reinsurance receivables	8,068	-	-	-	-	112	8,180
Interest receivables	20,563	-	-	-	-	-	20,563
Policy loans	62,364	-	-	-	-	-	62,364
Term deposits	192,966	-	-	-	-	-	192,966
Available-for-sale debt investments	312,546	-	-	-	-	3,242	315,788
Held-to-maturity financial assets	329,129	-	-	-	-	231	329,360
Investments classified as loans and receivables	380,033	-	-	-	-	141	380,174
Restricted statutory deposits	6,858	-	-	-	-	-	6,858
Others	14,011	-	-	-	-	265	14,276
Total	1,384,332	-	-	-	-	6,213	1,390,545

	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 agreements to 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:

	31 December 2020					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	19,742	1,136	-	-	-	20,878
Financial assets at fair value through profit or loss	61	542	2,854	1,396	7,846	12,699
Derivative financial assets	-	4	136	-	-	140
Securities purchased under agreements to resell	-	14,334	-	-	-	14,334
Premium receivables	5,111	6,129	10,382	725	-	22,347
Reinsurance receivables	-	8,345	-	-	-	8,345
Policy loans	-	63,980	-	-	-	63,980
Term deposits	-	42,809	173,326	156	-	216,291
Available-for-sale financial assets	241	40,927	167,704	285,804	258,720	753,396
Held-to-maturity financial assets	-	23,717	104,517	483,906	-	612,140
Investments classified as loans and receivables	-	38,025	255,852	198,146	-	492,023
Restricted statutory deposits	-	1,201	6,525	-	-	7,726
Others	1,711	11,198	1,619	-	-	14,528
Sub-total	26,866	252,347	722,915	970,133	266,566	2,238,827

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	31 December 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Securities sold under agreements to repurchase	-	91,024	-	-	-	91,024
Commissions and brokerage payable	697	1,823	1,385	98	-	4,003
Reinsurance payables	-	5,201	300	-	-	5,501
Claims payable	21,825	-	-	-	-	21,825
Policyholder dividend payable	24,351	-	-	-	-	24,351
Policyholders' deposits and investment contract liabilities	-	10,116	29,173	107,421	-	146,710
Bonds payable	-	505	2,276	11,460	-	14,241
Lease liabilities	-	1,434	2,206	285		3,925
Others	1,348	28,030	-	-	-	29,378
Sub-total	48,221	138,133	35,340	119,264	-	340,958
Net amount	(21,355)	114,214	687,575	850,869	266,566	1,897,869

	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	31 December 2020	31 December 2019
Core capital	500,766	453,838
Actual capital	510,766	463,838
Minimum required capital	177,288	157,481
Core solvency margin ratio	282%	288%
Comprehensive solvency margin ratio	288%	295%

CPIC Property	31 December 2020	31 December 2019
Core capital	44,208	38,900
Actual capital	54,208	48,900
Minimum required capital	19,672	16,713
Core solvency margin ratio	225%	233%
Comprehensive solvency margin ratio	276%	293%

XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

CPIC Life	31 December 2020	31 December 2019
Core capital	377,203	357,883
Actual capital	377,203	357,883
Minimum required capital	155,860	139,354
Core solvency margin ratio	242%	257%
Comprehensive solvency margin ratio	242%	257%

CPIC Allianz Health	31 December 2020	31 December 2019
Core capital	1,294	1,084
Actual capital	1,294	1,084
Minimum required capital	949	702
Core solvency margin ratio	136%	155%
Comprehensive solvency margin ratio	136%	155%

PAAIC	31 December 2020	31 December 2019
Core capital	1,821	1,684
Actual capital	1,821	1,684
Minimum required capital	614	557
Core solvency margin ratio	297%	303%
Comprehensive solvency margin ratio	297%	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 31 December 2020, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 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	375,294	-	-	-	Management fee
Insurance asset management products managed by related parties	323,433	122,622	123,505	122,942	Investment income and management fee
Securities investment funds managed by related parties	57,261	6,263	6,403	6,403	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	101,083	104,640	104,363	Investment income
Trust products managed by third parties	Note 1	149,596	149,644	149,288	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	3,151	3,266	3,266	Investment income
Securities investment funds managed by third parties	Note 1	42,646	52,559	52,559	Investment income
Total		425,361	440,017	438,821	

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, investment contract liabilities and 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.

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	329,360	348,481	295,247	317,317
Investments classified as loans and receivables	380,174	380,235	324,013	324,104
Financial liabilities:				
Bonds payable	9,991	10,571	9,988	10,703

The Group has not disclosed fair values for certain policyholders' deposits and investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

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

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.

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.

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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:

	31 December 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	70	-	-	70
- Funds	307	108	-	415
- Bonds	2,596	502	-	3,098
- Others	-	228	8,662	8,890
	2,973	838	8,662	12,473
Available-for-sale financial assets				
- Stocks	120,263	6,953	-	127,216
- Funds	37,688	26,046	-	63,734
- Bonds	16,661	295,319	2,038	314,018
- Others	-	9,752	81,438	91,190
	174,612	338,070	83,476	596,158
Derivative financial assets	-	140	-	140
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	6,452	342,029	-	348,481
Investments classified as loans and receivables (Note XV)	-	2,110	378,125	380,235
Investment properties (Note VII 14)	-	-	11,470	11,470
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,571	10,571

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 14)	-	-	11,887	11,887
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,703	10,703

In 2020, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2020, the Group transferred the bonds with a carrying amount of RMB 14,263 million from Level 1 to Level 2 and RMB 9,139 million from Level 2 to Level 1. 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:

	31 December 2020						
	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	11	7	-	-	-	-	18
- Debt investment plans	3	-	-	-	-	-	3
- Other equity investments	595	8,034	-	-	12	-	8,641
Available-for-sale financial assets							
- Preferred shares	13,621	-	(499)	-	-	9	13,131
- Other equity investments	49,181	25,271	(7,871)	-	(157)	1,882	68,306
- Finance Bonds	1,974	253	-	-	(197)	9	2,039

	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 3.20% to 7.91%, 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

The Company and CPIC Life purchased 8% and 14.949% shares of CPIC Allianz Health from Allianz SE respectively by entering into the "Agreement on Transfer of Shares in CPIC Allianz Health". After this transaction, the Company's and CPIC Life's shareholding in CPIC Allianz Health increased to 85.051% and 14.949% respectively. CPIC Allianz Health completed the relevant company registration in January 2021.The consideration of this transaction had been paid as at the approval date the financial statements. CPIC Allianz Health obtained the approval from CBIRC in March 2021 to change its name to Pacific Health Insurance Co., Ltd.

CPIC Capital Company Limited, a wholly-owned subsidiary set up by CPIC Asset Management, obtained the business license in March 2021. The registered capital is RMB 100 million.

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 26 March 2021.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

I. NET ASSET RETURN AND EARNINGS PER SHARE

(All amounts expressed in RMB million unless otherwise specified)

	2020		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	12.6%	2.63	2.63
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	12.5%	2.63	2.63

	2019		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	16.9%	3.06	3.06
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	14.0%	2.53	2.53

The Company had no dilutive potential ordinary shares in 2019.

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	2020	2019
Net profit attributable to shareholders of the parent	24,584	27,741
Add/(less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(182)	(140)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(4)	(15)
Gains generated from the differences of fair value of the identifiable net assets of the subsidiaries, joint ventures and associates over the acquisition costs	-	(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)
Custody fees of entrusted operation	(42)	-
Other net non-operating income and expenses other than aforesaid items	193	117
Effect of income tax relating to non-recurring profit or loss	18	14
Net profit less non-recurring gains	24,567	22,835
Less: Net non-recurring profit or loss attributable to non- controlling interests	2	80
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	24,569	22,915

II. DESCRIPTION OF THE DIFFERENCE BETWEEN PREPARATION OF THE FINANCIAL STATEMENTS UNDER PRC GAAP AND HKFRS

The Group has prepared the 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 consolidated financial information in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The net profit for the year ended 31 December 2020 and that for the year ended 31 December 2019, and the shareholders' equity as at 31 December 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 consolidated financial information prepared by the Group in accordance with HKFRSs.

中国太平洋保险
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