



Business overview

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

Unit: RMB million

<p>Group total income</p> <p>232,712 +6.2%</p> <p>GWPs – CPIC Life 138,586 +0.1%</p> <p>GWPs – CPIC P/C 76,672 +12.3%</p>	<p>Group OPAT attributable to shareholders of the parent</p> <p>17,428 +28.1%</p>	<p>Group embedded value</p> <p>430,420 +8.7%</p>
	<p>Group net profit attributable to shareholders of the parent</p> <p>14,239 -12.0%</p>	<p>Group comprehensive solvency margin ratio</p> <p>289% -6pt</p> <p>CPIC Life 242%</p> <p>CPIC P/C 275%</p>
<p>NBV of life business</p> <p>11,228 -24.8%</p> <p>NBV margin of life business</p> <p>37.0% -2.0pt</p>	<p>Growth rate of Group investments' net asset value (annualised)</p> <p>5.3% -0.6pt</p> <p>Group total investment yield (annualised)</p> <p>4.8% 0.0pt</p> <p>Group net investment yield (annualised)</p> <p>4.4% -0.2pt</p>	<p>Group AuM</p> <p>2,306,305 +12.9%</p>
<p>Combined ratio of P/C business^{note}</p> <p>98.4% -0.2pt</p>		<p>Group number of customers ('000)</p> <p>140,646 +2,088</p>

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

Key indicators

Unit: RMB million

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

Notes:

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

2. Attributable to shareholders of the parent.

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

CONTENTS

	Important information	
	Chairman's statement	P01
	06	
Operating results		
Highlights of accounting and operation data	P07	
Review and analysis of operating results	P11	
Embedded value	P35	
	42	
	Corporate governance	
	Report of the Board of Directors and significant events	P43
	Changes in the share capital and shareholders' profile	P55
	Directors, supervisors and senior management	P59
	Corporate governance	P69
	72	
Other information		
Documents available for inspection	P73	
Corporate information and definitions	P75	
	78	
	Financial report	
	Report on review of interim financial information	
	Unaudited interim condensed consolidated financial information	

Cautionary Disclaimer:

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

Important information

- I. The 2020 Interim Report of the Company was considered and approved at the 5th session of the 9th Board of Directors on 21 August 2020, which 8 Directors were required to attend and 8 of them attended in person.
- II. The 2020 Interim Financial Report of the Company has not been audited.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
BOARD OF DIRECTORS

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Chairman's statement



Dear shareholders

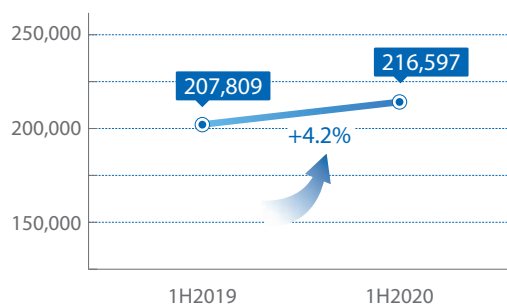
The year 2020 has shaped up to be one that is extraordinary and particularly challenging. With the unexpected outbreak of COVID-19, the whole of China mobilised manpower and resources to combat the pandemic. In the face of growing uncertainties in domestic and overseas economic environments, increasing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

We achieved a milestone in the history of our development.

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

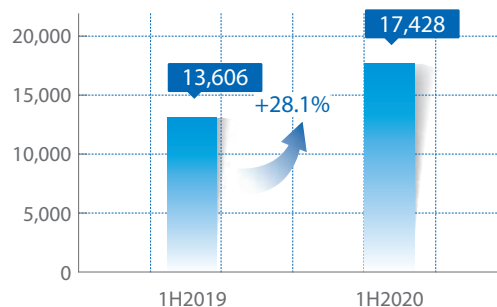
Group GWPs

Unit: RMB million



Group OPAT^{note}

Unit: RMB million

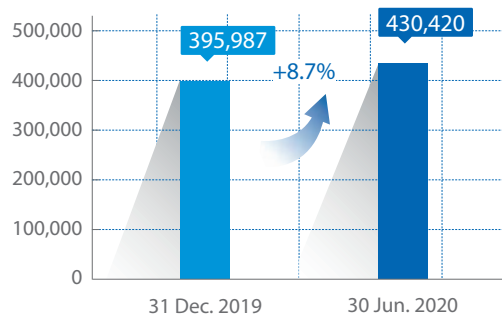


Note: Attributable to shareholders of the parent.



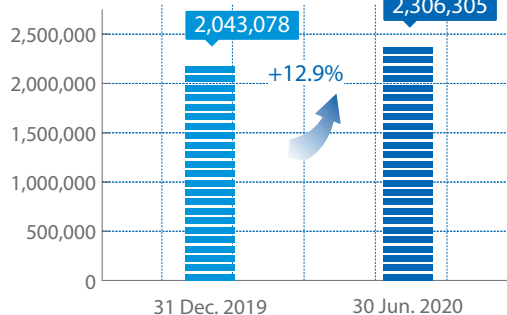
Group EV

Unit: RMB million



Group AuM

Unit: RMB million



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

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

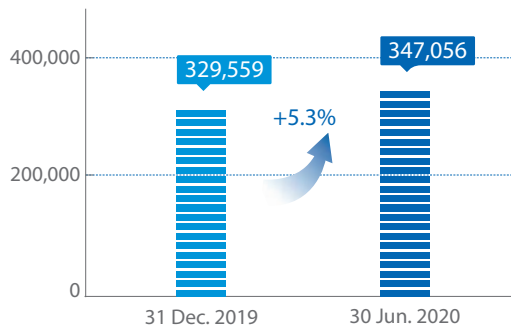
The property and casualty insurance business reported rapid top-line growth, with continued enhancement of underwriting profitability.

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

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

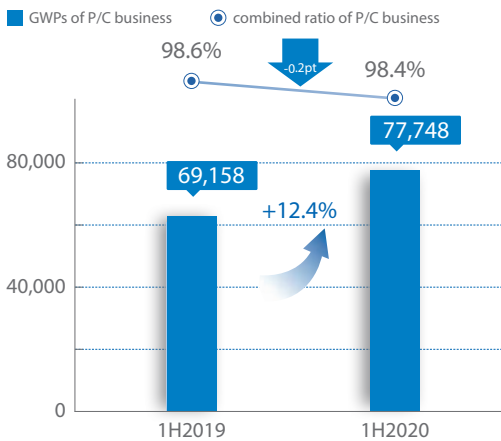
Residual margin of CPIC Life

Unit: RMB million



GWPs and combined ratio of P/C business ^{note}

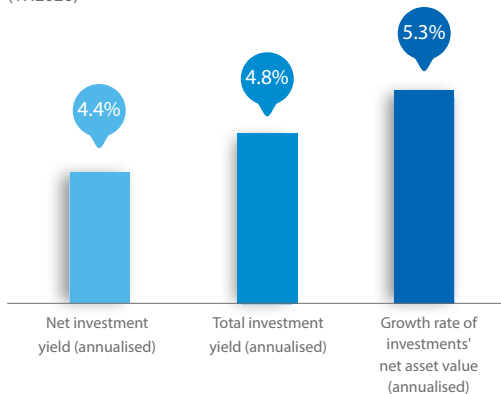
Unit: RMB million



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

Group investment assets

(1H2020)



We pressed ahead with transformation.

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

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

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

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

We promoted the branding of “CPIC Service” in an all-around way.

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

We continued to deepen targeted poverty reduction mechanisms.

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

Thirty years is the prime time of one’s life. As a business enterprise, we will soon celebrate our 30th anniversary, and that means more foresight and even better plan to prepare us for long-term growth opportunities.

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

The quest for great achievements always starts with the first step.

The COVID-19 pandemic is still spreading globally, triggering an economic slow-down. A new development pattern of “dual circulation” is beginning to take shape in China, with domestic circulation at the core supplemented by international circulation. As for China’s insurance industry, the life insurance market is still facing big challenges, while on

the property and casualty insurance side, the comprehensive reform of automobile insurance is expected to be launched soon, with the severity and frequency of natural disasters in 2020 rarely seen before. All these lead to increasing uncertainties in our business operation. But a complex market environment is all the more reason for rationality and consistency in strategies.

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

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

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

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

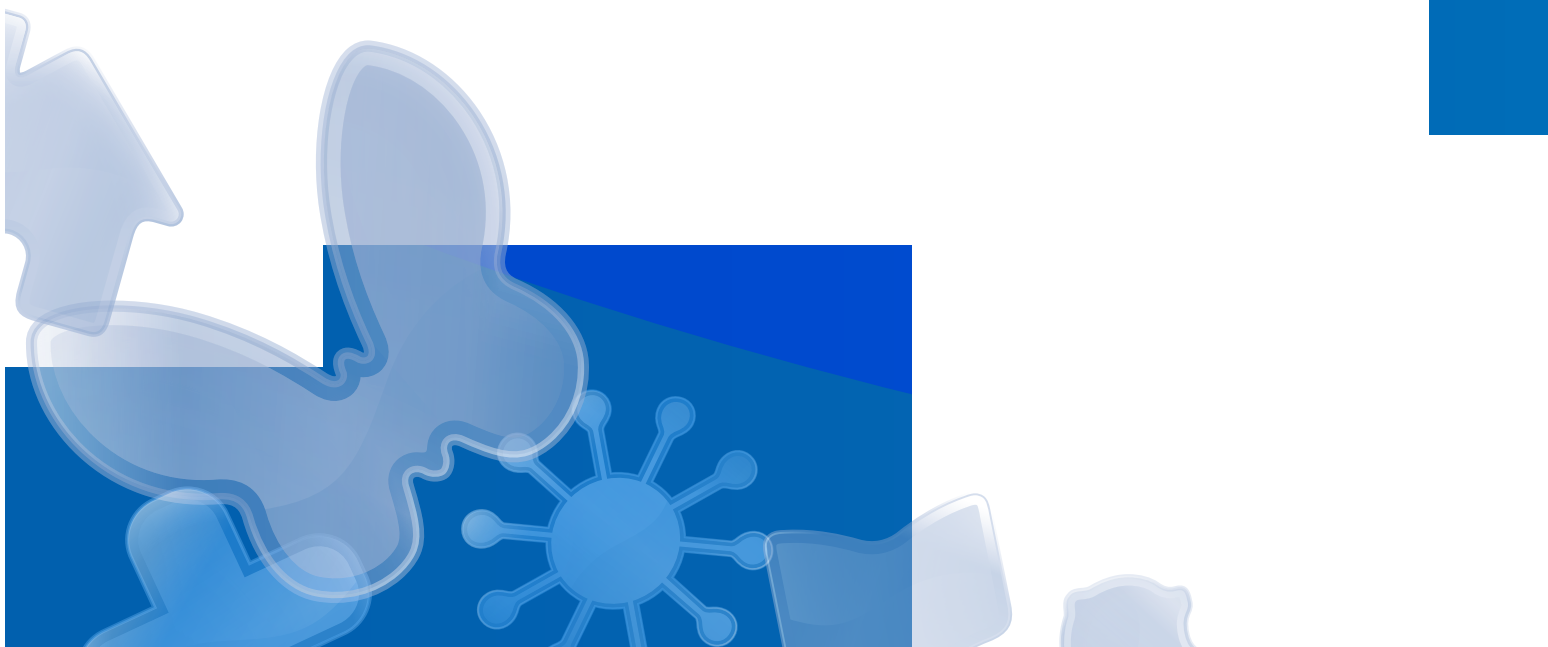
Looking ahead, under the leadership of the board of directors, we will stiffen the sinews, meet challenges head-on, and work relentlessly toward the vision of **“being the best in customer experience, business quality and risk control capabilities, with industry leadership in healthy and steady development”.**

KONG Qingwei

Chairman of the Board of Directors

CPIC Group

Operating
results





1

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

Unit: RMB million

Key accounting data	January to June 2020	January to June 2019	Changes (%)
Total income	232,712	219,132	6.2
Profit before tax	17,630	14,485	21.7
Net profit ^{note}	14,239	16,183	(12.0)
Net cash inflows from operating activities	67,285	64,805	3.8
	30 June 2020	31 December 2019	Changes (%)
Total assets	1,685,465	1,528,333	10.3
Equity ^{note}	196,798	178,427	10.3

Note: Attributable to shareholders of the parent.

Unit: RMB

Key accounting indicators	January to June 2020	January to June 2019	Changes (%)
Basic earnings per share ^{note 1}	1.57	1.79	(12.3)
Diluted earnings per share ^{note 1}	1.57	1.79	(12.3)
Weighted average return on equity (%) ^{note 1}	7.7	10.1	(2.4pt)
Net cash inflows per share from operating activities ^{note 2}	7.41	7.15	3.6
	30 June 2020	31 December 2019	Changes (%)
Net assets per share ^{note 1}	20.55	19.69	4.4

Notes:

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

2

Other key financial and regulatory indicators

Unit: RMB million

Indicators	30 June 2020/January to June 2020	31 December 2019/January to June 2019
The Group		
Investment assets ^{note 1}	1,552,866	1,419,263
Investment yield (%) ^{note 2}	4.8	4.8
CPIC Life		
Net premiums earned	130,489	132,811
Growth rate of net premiums earned (%)	(1.7)	4.7
Net policyholders' benefits and claims	130,183	123,752
CPIC P/C		
Net premiums earned	59,304	50,563
Growth rate of net premiums earned (%)	17.3	3.7
Claims incurred	35,276	29,853
Unearned premium reserves	64,542	56,643
Claim reserves	42,527	37,026
Combined ratio (%) ^{note 3}	98.3	98.6
Loss ratio (%) ^{note 4}	59.7	59.2

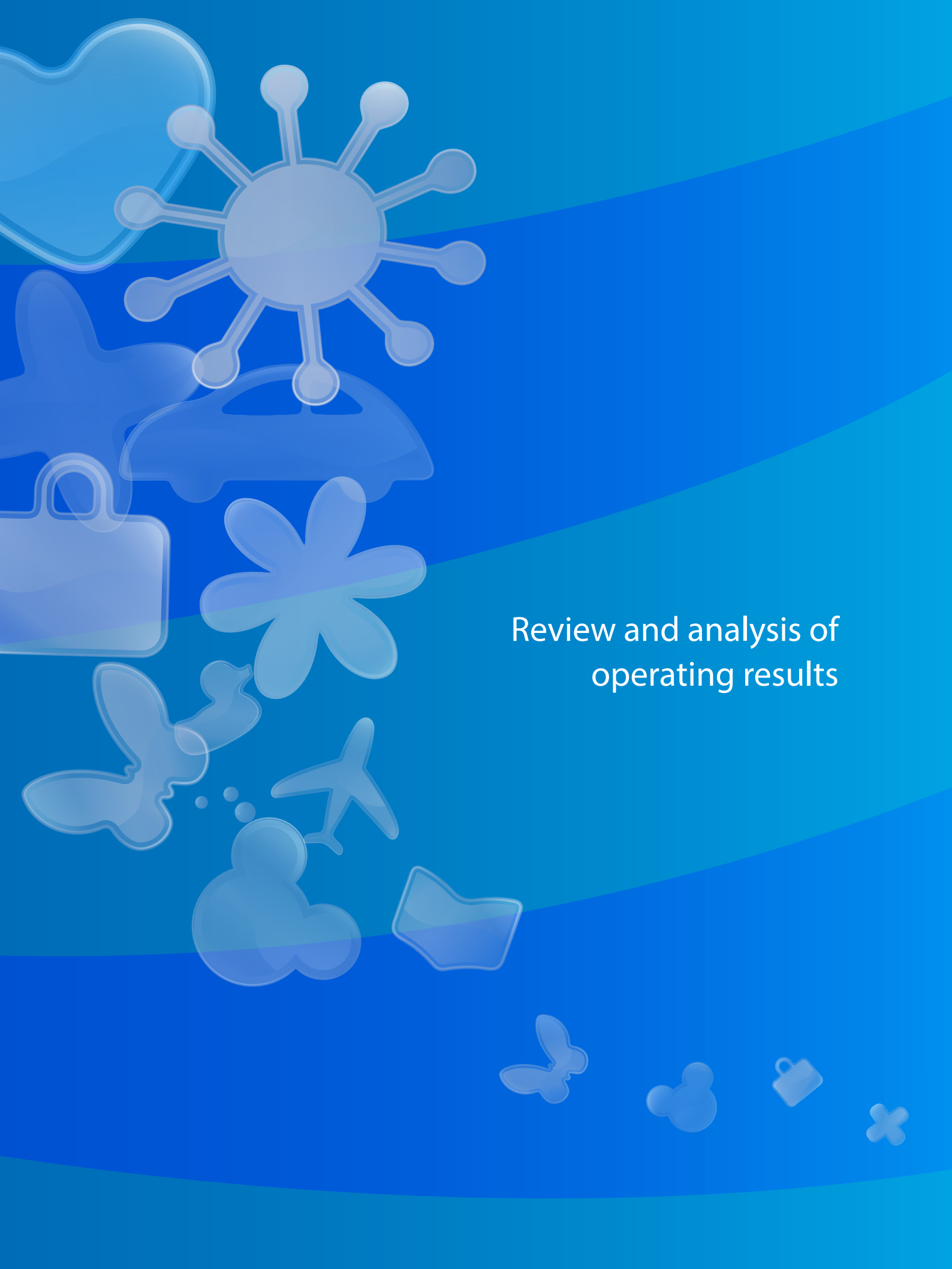
Notes:

- Investment assets include cash and short-term time deposits, etc.
- Total investment yield (annualised) = (investment income + rental income from investment properties + share of profit/(loss) in equity accounted investees – interest expenses from securities sold under agreements to repurchase) / average investment assets, excluding foreign exchange gain or loss. Interest income from fixed income investments of investment income and rental income from investment properties are annualised. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.
- Combined ratio = (claims incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
- Loss ratio is based on net premiums earned.

3

Discrepancy between the financial results prepared under PRC GAAP and HKFRS

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



Review and analysis of
operating results

1

Business overview

I. Key businesses

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

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

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

II. Core competitiveness

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

> Focus

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

> Prudence

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

> Dynamism

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

> Responsibility

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

2

Performance overview

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

I. Performance highlights

During the reporting period, Group operating income^{note 1} amounted to RMB235.481 billion, of which, gross written premiums (GWPs) reached RMB216.597 billion, a growth of 4.2% compared with the same period of 2019. Group net profit^{note 2} reached RMB14.239 billion, down by 12.0%, with net operating profit^{notes 2, 3} (OPAT) of RMB17.428 billion, a growth of 28.1%. Group embedded value amounted to RMB430.420 billion, an increase of 8.7% from the end of 2019. Of this, value of in-force business^{note 4} reached RMB198.247 billion, up 5.7%. Life insurance business delivered RMB11.228 billion in NBV, down by 24.8% compared with the same period of 2019, with an NBV margin of 37.0%, down by 2.0pt. Property and casualty insurance business^{note 5} recorded a combined ratio of 98.4%, down by 0.2pt. Annualised growth rate of Group investments’ net asset value fell by 0.6pt to 5.3%. As of the end of the reporting period, Group total number of customers amounted to 140.65 million, an increase of 2.09 million from the end of 2019.

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

- > CPIC Life realised RMB11.228 billion in NBV, down by 24.8%, with an NBV margin of 37.0%, down by 2.0pt. Given the focus on business quality, the NBV margin of the individual customer business stood at 56.5%, up 6.8pt from the same period of 2019.
- > The residual margin of life insurance amounted to RMB347.056 billion, a growth of 5.3% from the end of 2019.
- > CPIC Life realised a 5.9% growth of renewal business, driving a GWP growth of 0.1%, reaching RMB138.586 billion.

Improved combined ratio of property and casualty business^{note 5}, with rapid top-line growth.

- > The control of expenses was intensified in property and casualty insurance business, and recorded a combined ratio of 98.4%, down by 0.2pt. Of this, loss ratio stood at 59.9%, up 0.6pt, and expense ratio fell to 38.5%, down by 0.8pt.
- > GWPs amounted to RMB77.748 billion, an increase of 12.4%. Of this, non-auto business grew by 29.1% and accounted for 38.2% of total property and casualty insurance GWPs, up 4.9pt.
- > Automobile insurance enhanced renewal business management and pushed for a shift of growth drivers. Emerging business lines including agricultural and liability insurance experienced rapid development. Of this, agricultural business realised RMB6.274 billion in direct business premiums^{note 6}, with a fast increase in market share.

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

- > The share of fixed income investments stood at 79.5%, down by 0.9pt from the end of 2019; that of equity investments 15.5%, down by 0.2pt, and of this, core equity investments^{note 7} accounted for 8.3% of total investment assets, the same as that at the end of 2019.
- > With continued effort to extend asset duration, enhance investment research capabilities and the Tactical Asset Allocation (TAA) process, Group annualised growth rate of investments' net asset value reached 5.3%, down by 0.6pt from the same period of 2019. Annualised total investment yield was 4.8%, the same as that for the first half of 2019, with annualised net investment yield of 4.4%, down by 0.2pt.
- > Group assets under management (AuM) amounted to RMB2,306.305 billion, an increase of 12.9% from the end of 2019. Of this, third-party AuM amounted to RMB753.439 billion, an increase of 20.8%.

Notes:

1. Based on PRC GAAP.
2. Attributable to shareholders of the parent.
3. 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.
4. Based on the Group's share of CPIC Life's value of in-force business after solvency.
5. Consolidated data of CPIC P/C, Anxin Agricultural and CPIC HK.
6. Based on direct business premiums, excluding premium from reinsurance assumed, with consolidation of CPIC P/C and Anxin Agricultural.
7. Stocks and equity funds included.

II. Key performance indicators

Unit: RMB million

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

Notes:

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

3

Life/health insurance business

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

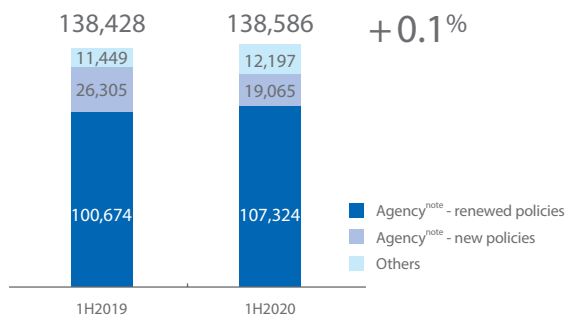
I. CPIC Life

(I) Business analysis

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

GWPs of CPIC Life

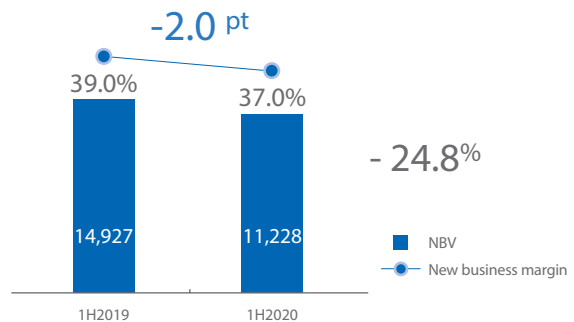
Unit: RMB million



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

NBV and new business margin of CPIC Life

Unit: RMB million



1. Analysis by channels

Unit: RMB million

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

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

(1) Business from individual customers

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

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

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

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

(2) Business from group clients

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

2. Analysis by product types

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

Unit: RMB million

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

3. Policy persistency ratio

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

Notes:

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

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

4. Top 10 regions for GWPs

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

Unit: RMB million

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

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Net premiums earned	130,489	132,811	(1.7)
Investment income ^{note}	33,137	28,760	15.2
Other operating income	1,231	1,156	6.5
Total income	164,857	162,727	1.3
Net policyholders' benefits and claims	(130,183)	(123,752)	5.2
Finance costs	(1,141)	(1,244)	(8.3)
Interest credited to investment contracts	(1,902)	(1,659)	14.6
Other operating and administrative expenses	(20,016)	(25,524)	(21.6)
Total benefits, claims and expenses	(153,242)	(152,179)	0.7
Profit before tax	11,615	10,548	10.1
Income tax	(1,468)	1,711	(185.8)
Net profit	10,147	12,259	(17.2)

Note: Investment income includes investment income and share of profit/(loss) in equity accounted investees on financial statements.

Investment income for the reporting period was RMB33.137 billion, up 15.2%, mainly because of increase in gains from securities trading and interest income on bond investments.

Net policyholders' benefits and claims amounted to RMB130.183 billion, up 5.2%, largely due to growth of changes in long-term life insurance contract liabilities.

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Net policyholders' benefits and claims	130,183	123,752	5.2
Life insurance death and other benefits paid	31,096	31,822	(2.3)
Claims incurred	3,958	3,721	6.4
Changes in long-term life insurance contract liabilities	88,807	82,382	7.8
Policyholder dividends	6,322	5,827	8.5

Other operating and administrative expenses for the reporting period amounted to RMB20.016 billion, down by 21.6%.

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

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

II. CPIC Allianz Health

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

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

4

Property and casualty insurance

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

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

I. CPIC P/C

(I) Business analysis

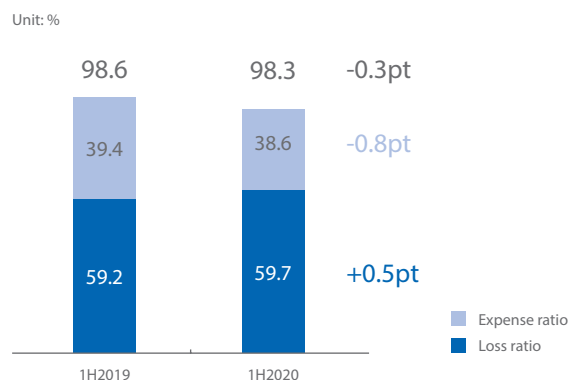
During the reporting period, in the face of the pandemic, CPIC P/C focused on disease control and prevention on one hand and the resumption of business on the other. It innovated products and services to help with the resumption of work and business to mitigate the impact of the pandemic. At the same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

1. Analysis by lines of business

Unit: RMB million

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

Combined ratio of CPIC P/C



(1) Automobile insurance

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

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

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

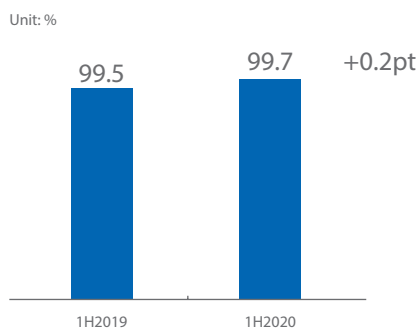
(2) Non-automobile insurance

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

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

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

Combined ratio of non-auto business



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

(3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2020						
Name of insurance	GWPs	Amounts insured	Claims	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	47,962	15,217,920	24,958	65,319	945	97.8
Agricultural insurance	5,721	187,745	2,223	4,636	5	99.8
Liability insurance	4,840	19,637,353	1,391	6,445	267	89.5
Health insurance	4,828	157,493,231	1,825	4,657	(345)	111.7
Commercial property insurance	3,553	9,145,638	1,247	5,212	59	96.7

2. Top 10 regions for GWPs

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

Unit: RMB million

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

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2020	2019	Changes (%)
Net premiums earned	59,304	50,563	17.3
Investment income ^{note}	3,432	2,440	40.7
Other operating income	173	118	46.6
Total income	62,909	53,121	18.4
Claims incurred	(35,276)	(29,853)	18.2
Finance costs	(281)	(416)	(32.5)
Other operating and administrative expenses	(23,104)	(20,186)	14.5
Total benefits, claims and expenses	(58,661)	(50,455)	16.3
Profit before tax	4,248	2,666	59.3
Income tax	(1,072)	684	(256.7)
Net profit	3,176	3,350	(5.2)

Note: Investment income includes investment income and share of profit/(loss) in equity accounted investees on financial statements.

Investment income for the reporting period amounted to RMB3.432 billion, up by 40.7%, mainly attributable to higher gains from securities trading.

Other operating and administrative expenses amounted to RMB23.104 billion, up by 14.5%.

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

II. Anxin Agricultural

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

III. CPIC HK

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

5

Asset management

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

I. Group AuM

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

Unit: RMB million

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

II. Group in-house investment assets

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

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

(I) Consolidated investment portfolios

Unit: RMB million

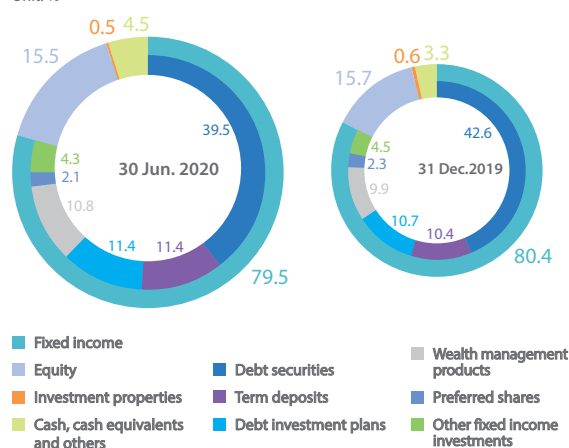
	30 June 2020	Share (%)	Share change from the end of 2019 (pt)	Changes (%)
Group investment assets (total)	1,552,866	100.0	-	9.4
By investment category				
Fixed income investments	1,233,918	79.5	(0.9)	8.1
- Debt securities	613,802	39.5	(3.1)	1.4
- Term deposits	177,168	11.4	1.0	19.9
- Debt investment plans	176,761	11.4	0.7	16.7
- Wealth management products ^{note 1}	167,452	10.8	0.9	18.5
- Preferred shares	32,000	2.1	(0.2)	-
- Other fixed income investments ^{note 2}	66,735	4.3	(0.2)	4.1
Equity investments	241,293	15.5	(0.2)	8.6
- Equity funds	30,210	1.9	-	14.4
- Bond funds	17,738	1.1	(0.2)	(2.4)
- Stocks	98,545	6.4	-	8.8
- Wealth management products ^{note 1}	1,475	0.1	-	102.3
- Preferred shares	13,763	0.9	(0.1)	1.0
- Other equity investments ^{note 3}	79,562	5.1	0.1	9.6
Investment properties	8,121	0.5	(0.1)	(2.0)
Cash, cash equivalents and others	69,534	4.5	1.2	47.7
By investment purpose				
Financial assets at fair value through profit or loss	10,490	0.7	0.4	112.7
Available-for-sale financial assets	526,093	33.9	(2.2)	2.8
Held-to-maturity financial assets	303,424	19.5	(1.3)	2.8
Interests in associates	10,305	0.7	-	(2.4)
Investment in joint ventures	9,883	0.6	(0.1)	-
Loans and other investments ^{note 4}	692,671	44.6	3.2	18.0

Notes:

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

Group consolidated investment portfolios

Unit: %



1. By investment category

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

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

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

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

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

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

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss increased by 112.7% from the end of 2019, mainly because of increased allocation in unlisted equities. AFS financial

assets increased by 2.8%, mainly as a result of increased investments in listed stocks and funds. HTM financial assets grew by 2.8% from the end of 2019, mainly due to increased investments in government bonds. Loan and other investments rose by 18.0%, largely attributable to increased allocation in debt investment plans and term deposits.

(II) Group consolidated investment income

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

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

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

Unit: RMB million

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

Notes:

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

(III) Total investment yield on a consolidated basis

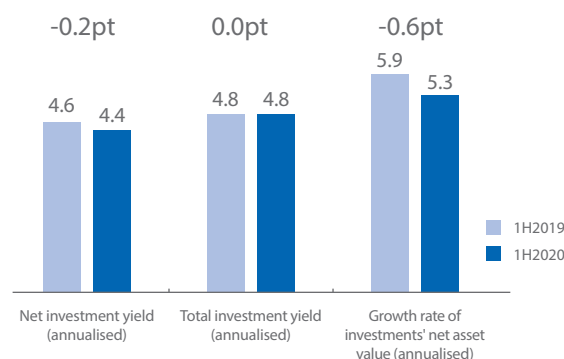
Unit: %

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

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

Group consolidated investment yields

Unit: %



III. Third-party AuM

(I) CPIC AMC

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

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

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

(II) Changjiang Pension

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

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

6

Analysis of specific items

I. Items concerning fair value accounting

Unit: RMB million

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

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

II. Solvency

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

Unit: RMB million

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

	30 June 2020	31 December 2019	Reasons of change
CPIC Allianz Health			
Core capital	1,142	1,084	Profit for the period, change of fair value of investment assets
Actual capital	1,142	1,084	Profit for the period, change of fair value of investment assets
Minimum required capital	919	702	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	124	155	
Comprehensive solvency margin ratio (%)	124	155	
Anxin Agricultural			
Core capital	1,725	1,684	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	1,725	1,684	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	629	557	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	274	303	
Comprehensive solvency margin ratio (%)	274	303	

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

III. Sensitivity analysis of price risk

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

Unit: RMB million

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

Notes:

1. After policyholder participation.

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

IV. Insurance contract liabilities

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

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

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

Unit: RMB million

	30 June 2020	31 December 2019	Changes (%)
CPIC Life			
Unearned premium reserves	8,063	4,500	79.2
Claim reserves	5,117	4,472	14.4
Long-term life insurance contract liabilities	1,058,511	963,540	9.9
CPIC P/C			
Unearned premium reserves	64,542	56,643	13.9
Claim reserves	42,527	37,026	14.9

V. Investment contract liabilities

Investment contract liabilities mainly cover the non-insurance portion of insurance contracts, and those contracts which failed to pass the testing of significant insurance risk.

Unit: RMB million

	31 December 2019	Increase for the period			Decrease for the period		30 June 2020
		Deposits received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	75,506	9,603	1,902	472	(3,651)	(80)	83,752

VI. Reinsurance business

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

Unit: RMB million

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

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

Unit: RMB million

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

As at the end of the first half of 2020, assets under reinsurance are set out below:

Unit: RMB million

	30 June 2020	31 December 2019	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	1,639	1,067	53.6
Claim reserves	257	246	4.5
Long-term life insurance contract liabilities	12,867	12,340	4.3
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	8,032	6,283	27.8
Claim reserves	7,015	6,117	14.7

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

VII. Main subsidiaries & associates and equity participation

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding ^{note 2}	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,470	98.5%	191,724	41,557	3,176
China Pacific Life Insurance Co., Ltd.	Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life/health insurance; agency and business relationships with domestic and overseas insurers and organisations, loss adjustment, claims and other business entrusted from overseas insurance organisations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as approved; other business as approved by CBIRC.	8,420	98.3%	1,397,179	80,262	10,147
Changjiang Pension Insurance Co., Ltd.	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	4,999	3,476	258

Company	Main business scope	Registered capital	Group shareholding ^{note 2}	Total assets	Net assets	Net profit
Pacific Asset Management Co., Ltd.	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	4,078	3,371	241
CPIC Allianz Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	1,700	77.1%	9,981	1,234	23
Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.	700	51.3%	4,208	1,524	26
CPIC Fund Management Co., Ltd.	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	643	536	37

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to Review and analysis of operating results of this report, and Scope of Consolidation, Interests in Associates, Investment in Joint Ventures as Notes to the Interim Condensed Consolidated Financial Information.

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

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

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

IX. Gearing ratio

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

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

7 Outlook

I. Market environment and business plan

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

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

II. Major risks and mitigating measures

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

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

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

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



Embedded value

1

Independent Actuarial Review Opinion on Embedded Value

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

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

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

Scope of work

WTW's scope of work comprised:

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

Opinion

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

- > The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA;
- > The operating assumptions have been set with appropriate regard to past, current and expected future experience; and
- > The economic assumptions have been set with regard to current market information.

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

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

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

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

2

2020 Embedded Value Interim Report of CPIC Group

I. Background

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

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

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

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

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

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

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

Unit: RMB Million

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

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

Notes:

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

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

III. Key Valuation Assumptions

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

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

(I) Risk Discount Rate

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

(II) Investment Returns

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

(III) Mortality

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

(IV) Morbidity

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

(V) Lapse and Surrender Rates

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

(VI) Expense

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

(VII) Policyholder Dividend

- > Group participating annuity business: 80 % of interest surplus; and
- > Other participating business: 70% of interest and mortality surplus.

(VIII) Tax

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

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

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

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

Unit: RMB Million

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

V. Sensitivity Analysis

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

Alternative sensitivity scenarios are shown for the following:

- > -Risk discount rate "+ / - 50 basis points"
- > -Investment return "+ / - 50 basis points"
- > -Mortality "+ / - 10%"
- > -Morbidity "+10%"
- > -Lapse and surrender rates "+ / - 10%"
- > -Expenses "+10%"

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

Unit: RMB Million

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

Corporate governance





1

Implementation of profit distribution plan

The Company distributed a cash dividend of RMB1.20 per share (tax included) in accordance with the “Resolution on Profit Distribution Plan for the Year 2019” approved at the 2019 annual general meeting. The implementation of this distribution plan was completed in June.

2

Shareholders' general meetings

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

3

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

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

4

Fulfilment of the undertakings

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

5

Material litigations and arbitrations

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

6

Penalties and subsequent rectification

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

7

Fulfilment of obligations

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

8

Share option scheme

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

9

Connected transactions

On 12 April 2019, the Company entered into a framework agreement in respect of the continuing connected transactions with Hwabao Trust Co., Ltd. (華寶信託有限責任公司), Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) (formerly known as Fortune SG Fund Management Co., Ltd. (華寶興業基金管理有限公司)) and Hwabao Securities Co., Ltd. (華寶證券有限責任公司) (Hwabao Trust Co., Ltd., Hwabao WP Fund Management Co., Ltd. and Hwabao Securities Co., Ltd. are collectively referred to as the "Hwabao Parties"), with an initial term from 31 January 2019 to 31 December 2019. Upon expiration of the initial term, the framework agreement shall automatically be renewed for a term of one year, and there shall not be more than two automatic renewals. Pursuant to the agreement, the Group and the Hwabao Parties have agreed to enter into transactions, including sale and purchase of bonds, pledged repo, subscription and redemption of securities investment funds, purchase of trust plans, sale of asset management products or collective pension products. During the reporting period, the transactions contemplated under the aforementioned framework agreement between the Company and the Hwabao Parties constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Such transactions under the framework agreement are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. After the auditors finish the annual review of the continuing connected transactions, the Company will disclose the relevant details in the annual report.

10

Material contracts

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

11

Environment information

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

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

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

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

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

12

Completion of the issuance and listing of GDRs

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

13

Use of Proceeds Received from Issuance of GDRs

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

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

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

Total proceeds raised	Proceeds unused as at the beginning of the reporting period	The intended use of proceeds raised	Proceeds used during the reporting period	Proceeds unused as at the end of the reporting period	Plan for use of the unused funds
USD 1,810,570,080.00	-	<p>Pursuant to the Prospectus,</p> <p>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;</p> <p>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.</p> <p>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.</p>	-	USD 1,810,570,080.00	To be used in line with the Company's business development and market situation.

14

Change in accounting estimates

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

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

15

Review of accounts

The audit committee of the Company has reviewed the principal accounting policies of the Company and the unaudited financial statements for the 6 months ended 30 June 2020 in the presence of internal and external auditors.

16

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

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

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

17

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

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

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

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

Notes:

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

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

(L) denotes a long position

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

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

(L) denotes a long position

Corporate governance

Report of the Board of Directors and significant events

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

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

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

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

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

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

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

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

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

18

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

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



Changes in the share capital
and shareholders' profile

1

Changes in the share capital

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

Unit: share

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

(II) Description of share changes

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

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

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

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

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

2

Shareholders

(I) Number of shareholders and their shareholdings

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

Unit: share

Total number of shareholders as at the end of the reporting period: 150,264 (including 145,729 A share holders and 4,535 H share holders)

Shares held by top 10 shareholders as at the end of the reporting period

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

Notes:

- As at the end of the reporting period, the Company did not issue any preferred shares.
- 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.
- 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.
- HKSCC is the nominal holder of shares traded through Shanghai-Hong Kong Connect Programme.
- 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.
- Citibank, National Association is the depository of the GDRs of the Company, and the underlying A shares represented by GDRs are registered under its name in accordance with the applicable laws; the GDRs issued under the Issuance and those issued due to the exercise of the over-allotment option cannot be redeemed into A shares during the redemption restriction period from 22 June 2020 (London time) to 19 October 2020 (London time).
- After the reporting period, the Company issued additional 8,794,991 GDRs as a result of the stabilising manager exercising the over-allotment option, and the 43,974,955 corresponding newly issued PRC domestic underlying A shares of the Company were listed on the SSE on 9 July 2020, and they were registered under Citibank, National Association, the depository of the GDRs of the Company. After the Over-allotment, the A shares held by Citibank, National Association increased to 558,341,455 shares from 514,366,500 shares, while shares of the Company changed from 9,576,366,500 shares to 9,620,341,455 shares. Except for Citibank, National Association, the Over-allotment did not result in any change in the number of A shares of the Company held by the other top 10 shareholders of the Company as of the end of the reporting period.

(II) Changes in controlling shareholders or de facto controllers

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



Directors, supervisors and
senior management

1

Change of directors, supervisors and senior management

(I) Change of the Board of Directors

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

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



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



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



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



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



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



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



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



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

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



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



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



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



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



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



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



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

(II) Other Change of Directors

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

(III) New Board of Supervisors

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

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



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



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



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



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

(IV) Other Change of Supervisors

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

(V) New senior management

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

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

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



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



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



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



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



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



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



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

(V) Other Change of members of senior management

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

2

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

Unit: share

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

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



Corporate governance

1

Corporate governance

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

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

During the reporting period, 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, as well as the latest revisions of the Corporate Governance Code including but not limited to improving the transparency and accountability of the board and board member election, and advocating the diversity of board members.

A resolution in relation to the appointment of Mr. FU Fan as the president of the Company has been considered and approved at the 22nd session of the 8th Board, 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. Code Provision A.2.1 of the Corporate Governance Code provides that the roles of the chairman and chief executive shall 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

management structure, 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. Currently, Mr. KONG Qingwei serves as Chairman of the Board, and Mr. FU Fan serves as President of the Company.

The Company has adopted and implemented the Model Code for Securities Transactions to govern the Directors and Supervisors' securities transactions. After specific inquiry by the Company, all of the Directors and Supervisors confirmed that they have complied with the Code of Conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of the Directors or Supervisors that were not in full compliance with the Model Code for Securities Transactions.

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

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

2

Investor relations

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

3

Information disclosure

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

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

Other
information





1

Original copy of the signed review report from the accountant's firm

2

Original copies of all publicly disclosed announcements and documents of the Company during the reporting period



Corporate information
and definitions

Other information

Corporate information and denitions

Legal Name in Chinese:

中國太平洋保險 (集團) 股份有限公司 (“中國太保”)

Legal Name in English:

CHINA PACIFIC INSURANCE (GROUP) CO., LTD. (“CPIC”)

Legal Representative: KONG Qingwei

Board Secretary and Joint Company Secretary: MA Xin

Securities Representative: PAN Feng

Contact for Shareholder Inquiries:

Investor Relations Dept. of the Company

Tel: +86-21-58767282

Fax: +86-21-68870791

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Address:

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Joint Company Secretary: NGAI Wai Fung

Tel: +852-39120800

Fax: +852-39120801

Email: maurice.ngai@swcsgroup.com

Address:

40/F, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong

Registered Office:

1 South Zhongshan Road, Huangpu, Shanghai, PR China

Office Address:

1 South Zhongshan Road, Huangpu, Shanghai, PR China

Postal Code: 200010

Place of Business in Hong Kong:

Suite 4301, 43/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

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: 中國太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:

The Stock Exchange of Hong Kong Limited

Stock Name for H Share: CPIC

Stock Code for H Share: 02601

H Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen’s Road East, Wanchai, Hong Kong

Stock Exchange for GDR Listing: London Stock Exchange

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

Trading symbol for GDR: CPIC

Accountant (A share): PricewaterhouseCoopers Zhong Tian LLP

Office address:

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

Signing Certified Public Accountants:

PENG Runguo, ZHANG Jiong

Accountant (H share):

PricewaterhouseCoopers (Certified Public Accountants and
Registered PIE Auditor)

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

Accountant (GDR): PricewaterhouseCoopers Zhong Tian LLP

Office address:

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

Signing Certified Public Accountants:

PENG Runguo, ZHANG Jiong

Definitions

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

“The Company”, “the Group”, “CPIC” or “CPIC Group”	China Pacific Insurance (Group) Co., Ltd.
“CPIC Life”	China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC P/C”	China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC AMC”	Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC HK”	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
“Changjiang Pension”	Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“Anxin Agricultural”	Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Fund”	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Allianz Health”	CPIC Allianz Health Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CBIRC”	China Banking and Insurance Regulatory Commission
“CIRC”	Former China Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“SSE”	Shanghai Stock Exchange
“SEHK”	The Stock Exchange of Hong Kong Limited
“LSE”	London Stock Exchange
“PRC GAAP”	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People’s Republic of China, and the application guide, interpretation and other related regulations issued afterwards
“HKFRS”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Articles of Association”	The articles of association of China Pacific Insurance (Group) Co., Ltd.
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code for Securities Transactions”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Substantial Shareholder”	Has the meaning given to it under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being a person who has an interest in the relevant share capital of the Company, the nominal value of which is equal to or more than 5% of the nominal value of the relevant share capital of the Company
“RMB”	Renminbi
“pt”	Percentage point

Financial report

VIEW OF INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed consolidated income statement

Condensed consolidated statement of comprehensive income

Equity



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 46, which comprises the interim condensed consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2020

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Gross written premiums	6(a)	216,597	207,809
Less: Premiums ceded to reinsurers	6(b)	(13,822)	(11,211)
Net written premiums	6(c)	202,775	196,598
Net change in unearned premium reserves		(10,005)	(11,113)
Net premiums earned		192,770	185,485
Investment income	7	37,766	31,952
Other operating income		2,176	1,695
Other income		39,942	33,647
Total income		232,712	219,132
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(31,096)	(31,824)
Claims incurred	8	(40,366)	(34,321)
Changes in long-term life insurance contract liabilities	8	(88,911)	(82,509)
Policyholder dividends	8	(6,322)	(5,827)
Finance costs		(1,531)	(1,780)
Interest credited to investment contracts		(1,902)	(1,659)
Other operating and administrative expenses		(45,233)	(47,004)
Total benefits, claims and expenses		(215,361)	(204,924)
Share of profit in equity accounted investees		279	277
Profit before tax	9	17,630	14,485
Income tax	10	(3,039)	2,041
Net profit for the period		14,591	16,526
Attributable to:			
Shareholders of the parent		14,239	16,183
Non-controlling interests		352	343
		14,591	16,526
Basic earnings per share	11	RMB 1.57	RMB 1.79
Diluted earnings per share	11	RMB 1.57	RMB 1.79

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Net profit for the period		14,591	16,526
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		11	3
Available-for-sale financial assets		3,417	7,899
Income tax relating to these items		(894)	(1,954)
Other comprehensive income to be reclassified to profit or loss in subsequent period		2,534	5,948
Other comprehensive income for the period	12	2,534	5,948
Total comprehensive income for the period		17,125	22,474
Attributable to:			
Shareholders of the parent		16,706	22,012
Non-controlling interests		419	462
		17,125	22,474

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
ASSETS			
Goodwill		1,357	1,357
Property and equipment		18,745	19,365
Right-of-use assets		4,831	4,810
Investment properties		8,121	8,283
Other intangible assets		2,784	2,972
Interests in associates	13	10,305	10,563
Investment in joint ventures	14	9,883	9,879
Held-to-maturity financial assets	15	303,424	295,247
Investments classified as loans and receivables	16	375,957	324,013
Restricted statutory deposits		6,658	6,658
Term deposits	17	177,168	147,756
Available-for-sale financial assets	18	526,093	511,822
Financial assets at fair value through profit or loss	19	10,490	4,931
Securities purchased under agreements to resell		28,608	28,045
Policy loans		59,307	57,194
Interest receivables		17,308	19,493
Reinsurance assets	20	28,823	25,560
Deferred income tax assets	21	1,127	860
Insurance receivables		41,484	23,256
Other assets	22	16,140	11,397
Cash and short-term time deposits	23	36,852	14,872
Total assets		1,685,465	1,528,333

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
EQUITY AND LIABILITIES			
Equity			
Issued capital	24	9,576	9,062
Reserves	25	113,291	98,763
Retained profits	25	73,931	70,602
Equity attributable to shareholders of the parent		196,798	178,427
Non-controlling interests		4,892	4,893
Total equity		201,690	183,320
Liabilities			
Insurance contract liabilities	26	1,181,122	1,068,021
Investment contract liabilities	27	83,752	75,506
Policyholders' deposits		70	70
Bonds payable	28	9,990	9,988
Securities sold under agreements to repurchase		100,224	78,366
Lease liabilities		3,478	3,668
Deferred income tax liabilities	21	3,169	2,911
Income tax payable		2,527	549
Premium received in advance		7,414	21,000
Policyholder dividend payable		24,112	25,447
Payables to reinsurers		8,896	4,543
Other liabilities		59,021	54,944
Total liabilities		1,483,775	1,345,013
Total equity and liabilities		1,685,465	1,528,333

KONG Qingwei

Director

FU Fan

Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

Group	For the six months ended 30 June 2020 (unaudited)									
	Attributable to shareholders of the parent									
	Reserves					Retained profits	Subtotal	Non-controlling interests	Total equity	
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves					
At 1 January 2020	9,062	66,650	4,835	14,329	12,952	(3)	70,602	178,427	4,893	183,320
Total comprehensive income	-	-	-	-	2,456	11	14,239	16,706	419	17,125
Dividend declared ¹	-	-	-	-	-	-	(10,874)	(10,874)	-	(10,874)
Capital contribution by shareholders (Note 1)	514	12,040	-	-	-	-	-	12,554	-	12,554
De-registration of subsidiaries	-	(15)	-	-	-	-	-	(15)	-	(15)
Appropriations to general reserves	-	-	-	36	-	-	(36)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(420)	(420)
At 30 June 2020	9,576	78,675	4,835	14,365	15,408	8	73,931	196,798	4,892	201,690

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2019, amounting to RMB 10,874 million (RMB 1.20 per share).

Group	For the six months ended 30 June 2019 (unaudited)									
	Attributable to shareholders of the parent									
	Reserves					Retained profits	Subtotal	Non-controlling interests	Total equity	
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves					
At 1 January 2019	9,062	66,635	4,835	11,642	2,808	(16)	54,610	149,576	4,472	154,048
Total comprehensive income	-	-	-	-	5,826	3	16,183	22,012	462	22,474
Dividend declared ¹	-	-	-	-	-	-	(9,062)	(9,062)	-	(9,062)
Appropriations to general reserves	-	-	-	27	-	-	(27)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(381)	(381)
At 30 June 2019	9,062	66,635	4,835	11,669	8,634	(13)	61,704	162,526	4,553	167,079

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2018, amounting to RMB 9,062 million (RMB 1.00 per share).

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	29	69,249	68,864
Income tax paid		(1,964)	(4,059)
Net cash inflows from operating activities		67,285	64,805
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(1,045)	(1,127)
Proceeds from disposal of property and equipment, intangible assets and other assets		6	36
Purchases of investments, net		(102,207)	(104,405)
Acquisition of subsidiaries and other business entities, net		(9)	(2,442)
Proceeds from disposal of subsidiaries and other business entities, net		318	3
Interest received		32,000	29,098
Dividends received from investments		2,667	2,391
Other cash paid related to investing activities		(9)	-
Net cash outflows from investing activities		(68,279)	(76,446)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		22,020	14,345
Proceeds from the issue of asset-backed securities		3,600	4,540
Proceeds from the issue of share capital		12,831	-
Repayment of borrowings		(2,290)	(4,000)
Interest paid		(1,200)	(1,453)
Dividends paid		(11,285)	(313)
Principal elements of lease payments		(695)	(672)
Cash received/(paid) related to NCI of consolidated structured entities		479	(204)
Other cash (paid)/received related to financing activities		(4)	329
Net cash inflows from financing activities		23,456	12,572
Effects of exchange rate changes on cash and cash equivalents		12	10
Net increase in cash and cash equivalents		22,474	941
Cash and cash equivalents at the beginning of period		42,546	38,121
Cash and cash equivalents at the end of period		65,020	39,062
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		32,426	18,713
Time deposits with original maturity of no more than three months		3,073	2,224
Other monetary assets		913	1,219
Investments with original maturity of no more than three months		28,608	16,906
Cash and cash equivalents at the end of period		65,020	39,062

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the “Company”) was established in Shanghai, the People’s Republic of China (the “PRC”) in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the former China Insurance Regulatory Commission (the “CIRC”), the Company was restructured as a joint stock limited company in October 2001 with an issued capital of RMB 2,006.39 million. The Company increased its issued capital to RMB 6,700 million through issuing new shares to its then existing shareholders and new shareholders in 2002 and 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares in the PRC. Upon the completion of the A share offering, the issued capital was increased to RMB 7,700 million. The Company’s A shares are listed on the Shanghai Stock Exchange and trading of its A shares commenced on 25 December 2007.

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. The Company’s H shares are listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

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, which was approved by the CIRC in December 2012.

In June 2020, the Company issued 102,873,300 Global Depositary Receipts (“GDRs”) on the London Stock Exchange (the “LSE”) and listed on the LSE, with each GDR representing five A shares of the Company. Upon the completion of the GDR listing, the Company’s issued capital was increased to approximately RMB 9,576 million (before the over-allotment option was exercised). The over-allotment option described in the Prospectus of GDR was partially exercised in July 2020, as detailed in Note 36.

The authorised business scope of the Company includes investing in insurance enterprises, supervising and managing domestic and overseas reinsurance businesses of subsidiaries and utilising funds, participating in global insurance activities upon approval. The principal activities of the Company and its subsidiaries (the “Group” or “CPIC Group”) are property and casualty businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as part of the Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of amended or improved standards and interpretations as of 1 January 2020 as described below. The adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

(2) New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was illuminated in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 16	Covid-19-related Rent Concessions ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual improvements to HKFRS standards 2018–2020 Cycle ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

None of these HKFRSs is expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below:

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group will not adopt the HKFRS 9 until 1 January 2021 (please note below that the International Accounting Standards Board ("IASB") issued the amendments to IFRS 4 and IFRS 17 to defer the effective date of IFRS 17 to 1 January 2023 and the temporary exemption from IFRS 9 will be extended as well) and the Group makes additional disclosures as below:

The Group is defined as an insurer with its activities predominantly connected with insurance, with the percentage of the total carrying amounts of its liabilities connected with insurance relative to the total carrying amounts of all its liabilities greater than 90%.

Financial assets meet SPPI are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

Additional disclosures of financial assets listed 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 are as follows:

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

Credit risk rating grades of financial assets meet SPPI (C)	As at 30 June 2020 Carrying amount
Domestic	
Exempt from rating ^{Note}	254,881
AAA	659,499
A-1	70
AA+	36,566
AA	1,000
Not rated	1,815
Overseas	
A-(inclusive) or above	229
BBB+	343
BBB	36
BBB-	15
BB+(inclusive) or below	122
Total	954,576

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. On 25 June 2020, the IASB issued the amendments to IFRS 4 and IFRS 17, the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, and the temporary exemption from IFRS 9 will be extended to enable the implementation of both IFRS 9 and IFRS 17 at the same time. The deferral for HKFRS 17 to 1 January 2023 is yet to be endorsed by the Financial Reporting Standards Committee of the HKICPA. The impact is expected to be significant, and the Group is in the process of assessing the impact of adoption of HKFRS 17.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. CHANGE IN ACCOUNTING ESTIMATES

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

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

4. 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 China Pacific Life Insurance Co., Ltd. (“CPIC Life”) and CPIC Allianz Health Insurance Co., Ltd. (“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.

4. SEGMENT INFORMATION (continued)

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

For the six months ended 30 June 2020, gross written premiums from transactions with the top five external customers amounted to 0.7% (for the six months ended 30 June 2019: 0.6%) of the Group's total gross written premiums.

Segment income statement for the six months ended 30 June 2020:

	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	139,515	77,547	277	(76)	77,748	-	(666)	216,597
Less: Premiums ceded to reinsurers	(3,146)	(11,331)	(103)	92	(11,342)	-	666	(13,822)
Net written premiums	136,369	66,216	174	16	66,406	-	-	202,775
Net change in unearned premium reserves	(3,670)	(6,389)	(39)	1	(6,427)	-	92	(10,005)
Net premiums earned	132,699	59,827	135	17	59,979	-	92	192,770
Investment income	32,986	3,464	17	-	3,481	20,622	(19,323)	37,766
Other operating income	1,267	176	1	-	177	2,755	(2,023)	2,176
Other income	34,253	3,640	18	-	3,658	23,377	(21,346)	39,942
Segment income	166,952	63,467	153	17	63,637	23,377	(21,254)	232,712
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(31,096)	-	-	-	-	-	-	(31,096)
Claims incurred	(4,596)	(35,697)	(69)	-	(35,766)	-	(4)	(40,366)
Changes in long-term life insurance contract liabilities	(88,807)	-	-	-	-	-	(104)	(88,911)
Policyholder dividends	(6,322)	-	-	-	-	-	-	(6,322)
Finance costs	(1,143)	(284)	-	-	(284)	(48)	(56)	(1,531)
Interest credited to investment contracts	(1,902)	-	-	-	-	-	-	(1,902)
Other operating and administrative expenses	(21,177)	(23,254)	(63)	-	(23,317)	(2,742)	2,003	(45,233)
Segment benefits, claims and expenses	(155,043)	(59,235)	(132)	-	(59,367)	(2,790)	1,839	(215,361)
Segment results	11,909	4,232	21	17	4,270	20,587	(19,415)	17,351
Share of profit/(loss) in equity accounted investees	286	8	-	-	8	(17)	2	279
Profit before tax	12,195	4,240	21	17	4,278	20,570	(19,413)	17,630
Income tax	(1,477)	(1,059)	(9)	-	(1,068)	(256)	(238)	(3,039)
Net profit for the period	10,718	3,181	12	17	3,210	20,314	(19,651)	14,591

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2019:

	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	139,096	69,037	198	(77)	69,158	-	(445)	207,809
Less: Premiums ceded to reinsurers	(1,999)	(9,645)	(92)	80	(9,657)	-	445	(11,211)
Net written premiums	137,097	59,392	106	3	59,501	-	-	196,598
Net change in unearned premium reserves	(3,038)	(8,312)	23	-	(8,289)	-	214	(11,113)
Net premiums earned	134,059	51,080	129	3	51,212	-	214	185,485
Investment income	28,439	2,441	17	-	2,458	16,733	(15,678)	31,952
Other operating income	1,176	120	1	-	121	2,248	(1,850)	1,695
Other income	29,615	2,561	18	-	2,579	18,981	(17,528)	33,647
Segment income	163,674	53,641	147	3	53,791	18,981	(17,314)	219,132
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(31,824)	-	-	-	-	-	-	(31,824)
Claims incurred	(4,096)	(30,203)	(79)	-	(30,282)	-	57	(34,321)
Changes in long-term life insurance contract liabilities	(82,384)	-	-	-	-	-	(125)	(82,509)
Policyholder dividends	(5,827)	-	-	-	-	-	-	(5,827)
Finance costs	(1,244)	(417)	-	-	(417)	(55)	(64)	(1,780)
Interest credited to investment contracts	(1,659)	-	-	-	-	-	-	(1,659)
Other operating and administrative expenses	(26,116)	(20,328)	(44)	-	(20,372)	(2,370)	1,854	(47,004)
Segment benefits, claims and expenses	(153,150)	(50,948)	(123)	-	(51,071)	(2,425)	1,722	(204,924)
Segment results	10,524	2,693	24	3	2,720	16,556	(15,592)	14,208
Share of profit/(loss) in equity accounted investees	380	(4)	-	-	(4)	(7)	(92)	277
Profit before tax	10,904	2,689	24	3	2,716	16,549	(15,684)	14,485
Income tax	1,711	684	(3)	-	681	(176)	(175)	2,041
Net profit for the period	12,615	3,373	21	3	3,397	16,373	(15,859)	16,526

The segment assets as at 30 June 2020 and 31 December 2019 are as following:

	Life insurance	Property and casualty insurance				Others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
30 June 2020 (Unaudited)	1,369,990	195,263	1,343	(152)	196,454	141,231	(22,210)	1,685,465
31 December 2019 (Audited)	1,272,861	168,757	1,225	(161)	169,821	102,806	(17,155)	1,528,333

5. SCOPE OF CONSOLIDATION

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

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued 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 Property Insurance Co., Ltd. ("CPIC Property")	Limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Limited company	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")	Limited company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Limited company	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.	Limited company	Real estate	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Limited company	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.)")	Limited company	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")	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$50,000	US\$1,000	-	98.29	100.00	
Great Winwick Limited *	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$50,000	US\$100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited company	Investment holding	Hong Kong	Hong Kong	HK\$10,000	HK\$1	-	98.29	100.00	
Newscott Investments Limited *	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$50,000	US\$100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited company	Investment holding	Hong Kong	Hong Kong	HK\$10,000	HK\$1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd. *	Limited company	Real estate	Shanghai	Shanghai	US\$15,600 thousand	US\$15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd. *	Limited company	Real estate	Shanghai	Shanghai	US\$46,330 thousand	US\$46,330 thousand	-	98.29	100.00	

5. SCOPE OF CONSOLIDATION (continued)

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

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company(%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited company	Senior living properties investment and management, etc.	Shanghai	Shanghai	3,000,000	3,000,000	-	98.29	100.00	
CPIC Allianz Health	Limited company	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	-	77.05	
Anxin Agricultural Insurance Co., Ltd. ("Anxin")	Limited company	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	-	51.35	52.13	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited company	Medical consulting services, etc.	Shanghai	Shanghai	500,000	500,000	-	98.29	100.00	
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited company	Senior living properties investment and management, etc.	Chengdu	Chengdu	1,000,000	510,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited company	Senior living properties investment and management, etc.	Hangzhou	Hangzhou	1,200,000	530,000	-	98.29	100.00	(1)
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited company	Senior living properties investment and management, etc.	Xiamen	Xiamen	900,000	290,000	-	98.29	100.00	(2)
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited company	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	-	-	98.29	100.00	(3)

* Subsidiaries of City Island.

5. SCOPE OF CONSOLIDATION (continued)

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

(1) Hangzhou Project Company

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

(2) Xiamen Project Company

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

(3) Pacific Care Home at Chengdu

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

(b) As at 30 June 2020, entities no longer included in the Group's scope of consolidation:

- (1) Ningbo Fenghua Xikou Garden Hotel Co., Ltd. (the "Xikou Garden Hotel"), a subsidiary of CPIC Life, was registered in Ningbo with a paid-in capital of RMB 27.28 million. Xikou Garden Hotel completed the liquidation and de-registration procedures in 2020.
- (2) Taiji (Shanghai) Information Technology Co., Ltd. (the "Taiji Information Technology"), the CPIC Online Services's subsidiary, was registered in Shanghai with a paid-in capital of RMB 15 million. Taiji Information Technology completed the liquidation and de-registration procedures in 2020.

5. SCOPE OF CONSOLIDATION (continued)

(c) As at 30 June 2020, consolidated structured entities material to the Group are as follows:

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

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

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2020	2019
Long-term life insurance premiums	125,692	127,678
Short-term life insurance premiums	13,157	10,973
Property and casualty insurance premiums	77,748	69,158
	216,597	207,809

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2020	2019
Long-term life insurance premiums ceded to reinsurers	(1,982)	(1,119)
Short-term life insurance premiums ceded to reinsurers	(1,164)	(879)
Property and casualty insurance premiums ceded to reinsurers	(10,676)	(9,213)
	(13,822)	(11,211)

6. NET WRITTEN PREMIUMS (continued)

(c) Net written premiums

	Six months ended 30 June	
	2020	2019
Net written premiums	202,775	196,598

7. INVESTMENT INCOME

	Six months ended 30 June	
	2020	2019
Interest and dividend income (a)	32,542	29,609
Realised gains (b)	8,122	2,522
Unrealised (losses) /gains (c)	(414)	898
Charge of impairment losses on financial assets	(2,484)	(1,077)
	37,766	31,952

(a) Interest and dividend income

	Six months ended 30 June	
	2020	2019
Financial assets at fair value through profit or loss		
- Fixed maturity investments	34	48
- Funds	3	6
- Stocks	6	12
- Other equity investments	2	25
	45	91
Held-to-maturity financial assets		
- Fixed maturity investments	7,023	6,608
Loans and receivables		
- Fixed maturity investments	15,782	13,809
Available-for-sale financial assets		
- Fixed maturity investments	6,486	6,455
- Funds	610	494
- Stocks	1,504	1,328
- Other equity investments	1,092	824
	9,692	9,101
	32,542	29,609

7. INVESTMENT INCOME (continued)

(b) Realised gains

	Six months ended 30 June	
	2020	2019
Financial assets at fair value through profit or loss		
- Fixed maturity investments	97	55
- Funds	(9)	(6)
- Stocks	(5)	(170)
- Other equity investments	4	(126)
- Derivative instruments	-	(2)
	87	(249)
Available-for-sale financial assets		
- Fixed maturity investments	307	30
- Funds	728	240
- Stocks	6,602	2,483
- Other equity investments	382	18
	8,019	2,771
Others	16	-
	8,122	2,522

(c) Unrealised (losses)/gains

	Six months ended 30 June	
	2020	2019
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(126)	45
- Funds	12	373
- Derivative instruments	-	(1)
- Stocks	(22)	510
- Wealth management products and other equity investments	(278)	(29)
	(414)	898

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	Six months ended 30 June 2020		
	Gross	Ceded	Net
Life insurance death and other benefits paid	32,076	(980)	31,096
Claims incurred			
- Short-term life insurance	4,642	(452)	4,190
- Property and casualty insurance	40,849	(4,673)	36,176
Changes in long-term life insurance contract liabilities	89,440	(529)	88,911
Policyholder dividends	6,322	-	6,322
	173,329	(6,634)	166,695

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS (continued)

	Six months ended 30 June 2019		
	Gross	Ceded	Net
Life insurance death and other benefits paid	32,590	(766)	31,824
Claims incurred			
- Short-term life insurance	4,218	(364)	3,854
- Property and casualty insurance	34,873	(4,406)	30,467
Changes in long-term life insurance contract liabilities	82,609	(100)	82,509
Policyholder dividends	5,827	-	5,827
	160,117	(5,636)	154,481

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
Employee benefit expense (including directors' and supervisors' emoluments)	11,127	11,248
Auditors' remuneration	16	15
Short-term and low-value leases payments	76	171
Depreciation of property and equipment	898	820
Depreciation of investment properties	164	158
Depreciation of right-of-use assets	757	596
Amortisation of other intangible assets	376	267
Amortisation of other assets	10	5
Gains on disposal of items of property and equipment, intangible assets and other long-term assets	(1)	(1)
Charge of impairment loss on insurance receivables and other assets	354	431
Charge of impairment loss on financial assets (Note 7)	2,484	1,077
Foreign exchange (income)/loss, net	(25)	75

10. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2020	2019
Current income tax	3,942	(2,087)
Deferred income tax (Note 21)	(903)	46
	3,039	(2,041)

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2020	2019
Deferred income tax (Note 21)	894	1,954

10. INCOME TAX (continued)

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising 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.

A reconciliation of the tax expense applicable to profit before tax using the statutory income tax rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	Six months ended 30 June	
	2020	2019
Profit before tax	17,630	14,485
Tax computed at the statutory tax rate	4,408	3,621
Adjustments to income tax in respect of previous periods	(124)	(4,887)
Income not subject to tax	(1,594)	(1,099)
Expenses not deductible for tax	167	135
Others	182	189
Tax expense at the Group's effective rate	3,039	(2,041)

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

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to shareholders of the parent by the weighted average number of ordinary shares in issue during the six-month period ended 30 June 2020.

	Six months ended 30 June	
	2020	2019
Consolidated net profit for the period attributable to shareholders of the parent	14,239	16,183
Weighted average number of ordinary shares in issue (million)	9,085	9,062
Basic earnings per share	RMB 1.57	RMB 1.79

The weighted average number of ordinary shares in issue has been adjusted to reflect the impact of the issuance of 102,873,300 GDRs in June 2020, representing 514,366,500 A shares of the Company (Note 1).

(b) Diluted earnings per share

Diluted earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the adjusted weighted average number of ordinary shares based on assuming full exercise of the over-allotment option as below. According to the over-allotment option arrangement under the issuance of GDRs, the stabilising manager may require the Company to additionally issue no more than 10,287,300 GDRs, representing 51,436,500 A shares, by exercising the over-allotment option.

11. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

	Six months ended 30 June	
	2020	2019
Consolidated net profit for the period attributable to shareholders of the parent	14,239	16,183
Weighted average number of ordinary shares in issue (million)	9,085	9,062
Adjustment for:		
Assumed vesting of the over-allotment option	-	-
Weighted average number of ordinary shares for diluted earnings per share	9,085	9,062
Diluted earnings per share	RMB 1.57	RMB 1.79

The Company had no dilutive potential ordinary shares as at 31 December 2019.

12. OTHER COMPREHENSIVE INCOME/(LOSS)

	Six months ended 30 June	
	2020	2019
Exchange differences on translation of foreign operations	11	3
Available-for-sale financial assets		
Gains arising during the period	11,987	14,084
Reclassification adjustments for losses included in profit or loss	(8,019)	(2,771)
Fair value change on available-for-sale financial assets attributable to policyholders	(2,771)	(4,491)
Impairment charges reclassified to the income statement	2,220	1,077
	3,417	7,899
Income tax relating to these items	(894)	(1,954)
	2,523	5,945
Other comprehensive income	2,534	5,948

13. INTERESTS IN ASSOCIATES

	30 June 2020					
	Historical cost	At 1 January 2020	Increase / (Decrease)	Share of profit	Dividend declared	At 30 June 2020
Shanghai Juche Information Technology Co., Ltd. ("Juche")	3	9	-	1	-	10
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	17	34	-	2	-	36
Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital")	100	66	-	(4)	-	62
Shanghai Dedao Co., Ltd. ("Dedao")	5	1	-	-	-	1
Shanghai Xingongying Information Technology Co., Ltd. ("Xingongying")	81	58	-	(2)	-	56
Shanghai Heji Business Management LLP. ("Heji")	200	477	(300)	4	(5)	176
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Plan ("CHEMCHINA Debt Investment Plan")	2,160	2,164	-	58	(58)	2,164

13. INTERESTS IN ASSOCIATES (continued)

	30 June 2020					
	Historical cost	At 1 January 2020	Increase / (Decrease)	Share of profit	Dividend declared	At 30 June 2020
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Plan ("Sichuan Railway Investment Plan")	250	250	-	7	(7)	250
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,514	-	125	(61)	2,578
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Plan ("Yunnan Energy Investment Plan")	3,610	3,617	-	110	(111)	3,616
Beijing More Health Technology Group CO.,Ltd. ("Beijing Miaoyijia")	413	387	-	(19)	-	368
Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang")	474	486	-	8	-	494
Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health")	500	500	-	(15)	-	485
Zhejiang Xin'an Shuzhi Technology Co., Ltd. ("Xin'an Technology")	9	-	9	-	-	9
	10,238	10,563	(291)	275	(242)	10,305

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

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

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

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

13. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 30 June 2020:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Juche	Shanghai	-	37.42%	37.80%	5,882	5,882	Internet
Zhongdao	Shanghai	-	26.37%	26.67%	63,000	58,000	Road rescue
Zhizhong Hospital	Shanghai	-	15.41%	20.00%	500,000	500,000	Oncology, medical laboratory, clinical fluid, etc.
Dedao	Shanghai	-	25.00%	25.00%	20,000	20,000	Computer information technology, technical development in the field of automotive software technology, etc.
Xingongying ⁽¹⁾	Shanghai	-	6.85%	6.94%	3,112	3,112	Technical development in the field of computer information technology, technical consulting, etc.
Beijing Miaoyijia	Beijing	-	19.66%	20.00%	75,009	69,190	Information Transmission, Software, and information technology services
Lianren Digital Health	Shanghai	-	24.57%	25.00%	2,000,000	2,000,000	Information technology services
Xin'an Technology ⁽²⁾	Quzhou	-	8.85%	9.00%	13,354	13,354	Network technology development services
Heji ⁽³⁾	Shanghai	-	97.53%		N/A	202,000	Business management, industrial investment, investment management, assets management, consulting, etc.
CHEMCHINA Debt Investment Plan ⁽⁴⁾	N/A	-	70.55%		N/A	3,000,000	Debt investment plan
Sichuan Railway Investment Plan ⁽⁵⁾	N/A	-	38.17%		N/A	600,000	Debt investment plan
Ningbo Zhilin ⁽⁶⁾	Ningbo	-	88.46%		N/A	2,684,798	Investment management, assets management
Yunnan Energy Investment Plan ⁽⁷⁾	N/A	-	92.94%		N/A	3,800,000	Debt investment plan
Jiaying Yishang ⁽⁸⁾	Jiaying	-	93.10%		N/A	500,501	Equity Investment

Note:

- (1) According to the articles of association of Xingongying, CPIC Property has significant influence over Xingongying by accrediting a director to the company. Therefore, Xingongying is accounted under equity method.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) CPIC Life holds over 50% shares of Jiaying Yishang. Since CPIC Group cannot direct the relevant activities of Jiaying Yishang according to the partnership agreement of Jiaying Yishang, Jiaying Yishang is accounted under equity method.

13. INTERESTS IN ASSOCIATES (continued)

Summarised financial information for principal associates:

	30 June 2020/Six months ended 30 June 2020			
	Total assets	Total liabilities	Total revenue	Net profit
Ningbo Zhilin	2,921	26	60	53
CHEMCHINA Debt Investment Plan	3,007	2	88	81
Yunnan Energy Investment Plan	3,809	2	119	116

Summarised financial information for other associates:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Net loss for the period	(158)	(92)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(158)	(92)
Total comprehensive (loss) /income attributable to the Group	(18)	4
Carrying amount of the Group's interest	1,947	1,787

14. INVESTMENT IN JOINT VENTURES

	30 June 2020	31 December 2019
Share of net assets		
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,834	9,834
Others	49	45
	9,883	9,879

Particulars of the joint venture as at 30 June 2020 are as follows:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui")	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi (Shanghai) Information Technology Co., Ltd.	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Hangzhou Dayu Internet Technology Co., Ltd.	Hangzhou	-	20.25%	20.25%	13,333	13,333	Technical development, technical service and technical consulting
Aizhu (Shanghai) Information Technology Co., Ltd.	Shanghai	-	35.00%	35.00%	10,000	6,950	Network technology, technical consulting and technical service
Pacific Euler Hermes Insurance Sales Co., Ltd.	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales

14. INVESTMENT IN JOINT VENTURES (continued)

Particulars of the joint venture as at 30 June 2020 are as follows (continued):

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Shanghai Dabaoguisheng Information Technology Co., Ltd.	Shanghai	-	33.42%	34.00%	100,000	22,200	Third party operation services of insurance industry
Ruiyongjing Real Estate ⁽¹⁾	Shanghai	-	68.80%	57.14%	14,050,000	14,050,000	Real estate
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea") ⁽²⁾	Shanghai	-	55.04%	60.00%	10,000	10,000	Operation and management of pension industry, technical consulting

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.

(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.

The main financial information of the Group's joint ventures:

	Six months ended 30 June	
	2020 (RMB thousand)	2019 (RMB thousand)
The joint ventures' net profit/(loss)	7,445	(6,109)

As at 30 June 2020, the Group's investment in joint ventures had no impairment.

Commitments related to investment in joint ventures are mentioned in Note 31.

15. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are stated at amortised cost and comprise the following:

	30 June 2020	31 December 2019
Listed		
Debt investments		
- Government bonds	1,310	749
- Finance bonds	5,697	5,725
- Corporate bonds	8,671	9,308
Sub-total	15,678	15,782
Unlisted		
Debt investments		
- Government bonds	129,366	108,981
- Finance bonds	91,399	94,551
- Corporate bonds	67,119	75,980
Sub-total	287,884	279,512
Less: Impairment provisions	(138)	(47)
Net Value	303,424	295,247

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

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

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

17. TERM DEPOSITS

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

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	30 June 2020	31 December 2019
Listed		
Equity investments		
- Stocks	98,389	90,373
- Funds	6,209	8,056
Debt investments		
- Government bonds	7,901	7,476
- Finance bonds	5,327	5,389
- Corporate bonds	63,822	64,302
Sub-total	181,648	175,596
Unlisted		
Equity investments		
- Funds	45,363	40,369
- Wealth management products	1,327	452
- Other equity investments	52,936	51,554
- Preferred shares	13,763	13,621
Debt investments		
- Government bonds	78,023	72,170
- Finance bonds	32,602	36,294
- Corporate bonds	117,422	118,781
- Wealth management products	3,009	2,985
Sub-total	344,445	336,226
Total	526,093	511,822

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
Listed		
Equity investments		
- Stocks	156	237
- Funds	94	88
Debt investments		
- Government bonds	40	11
- Finance bonds	461	253
- Corporate bonds	2,244	2,558
Sub-total	2,995	3,147
Unlisted		
Equity investments		
- Funds	356	232
- Wealth management products	148	277
- Other equity investments	6,438	595
Debt investments		
- Corporate bonds	536	666
- Wealth management products	14	11
- Debt Investment plans	3	3
Sub-total	7,495	1,784
Total	10,490	4,931

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

20. REINSURANCE ASSETS

	30 June 2020	31 December 2019
Reinsurers' share of insurance contracts (Note 26)	28,823	25,560

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	30 June 2020	31 December 2019
Net deferred income tax (liabilities)/assets, at beginning of period	(2,051)	1,211
Recognised in profit or loss (Note 10(a))	903	121
Recognised in other comprehensive income (Note 10(b))	(894)	(3,383)
Net deferred income tax liabilities, at end of period	(2,042)	(2,051)
Net deferred income tax liabilities	(2,042)	(2,051)
Represented by:		
Deferred income tax assets	1,127	860
Deferred income tax liabilities	(3,169)	(2,911)

22. OTHER ASSETS

	30 June 2020	31 December 2019
Receivable for securities	6,973	3,963
Due from a related-party (1)	1,614	1,614
Receivables from external parties	1,328	1,042
Due from agents	329	276
Co-insurance receivable	107	123
Others	5,789	4,379
	16,140	11,397

(1) As at 30 June 2020, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related tax expenses amounted to approximately RMB 1,614 million (31 December 2019: RMB 1,614 million).

23. CASH AND SHORT-TERM TIME DEPOSITS

	30 June 2020	31 December 2019
Cash at banks and on hand	32,866	13,530
Time deposits with original maturity of no more than three months	3,073	358
Other monetary assets	913	984
	36,852	14,872

23. CASH AND SHORT-TERM TIME DEPOSITS (continued)

The Group's bank balances denominated in RMB amounted to RMB 22,527 million as at 30 June 2020 (31 December 2019: RMB 13,416 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

As at 30 June 2020, RMB 888 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2019: RMB 959 million).

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

24. ISSUED CAPITAL

	30 June 2020	31 December 2019
Number of shares issued and fully paid at RMB 1 each (million) (Note 1)	9,576	9,062

25. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the said interest in the same subsidiary by the Company in April 2007.

In June 2020, the Company issued 102,873,300 GDRs and listed on the LSE (Note 1).

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserves and the discretionary surplus reserves.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the Articles of Association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods ("PRC GAAP"), to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

25. RESERVES AND RETAINED PROFITS (continued)

(b) Surplus reserves (continued)

(ii) Discretionary surplus reserves (the “DSR”)

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

Of the Group's retained profits in the consolidated financial statements, RMB 15,035 million as at 30 June 2020 (31 December 2019: RMB 12,576 million) represents the Company's share of its subsidiaries' surplus reserve fund.

According to the resolution of the 10th meeting of the 6th Board of Directors of CPIC Property on 20 April 2020, CPIC Property proposed to appropriate RMB 2.5 billion of discretionary surplus reserve from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 8 May 2020.

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses, etc. Based on the applicable PRC financial regulations, the Company's insurance subsidiaries would need to make appropriations for such reserve based on their respective year-end net profits determined in accordance with PRC GAAP in their annual financial statements. The Company's subsidiaries operating in fund management should make appropriation for such reserve based on asset management product management fees. Such reserve is not available for profit distribution or transfer as capital injection.

Of the Group's reserves, RMB 14,365 million as at 30 June 2020 (31 December 2019: RMB 14,329 million) represents the Company's share of its subsidiaries' general reserves.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China.

(e) Distributable 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 PRC GAAP and the amount determined under HKFRSs, or PRC GAAP where the overseas listing place permits. Pursuant to the resolution of the 24th meeting of the 8th Board of Directors of the Company held on 20 March 2020, a final dividend of approximately RMB 10,874 million (equivalent to RMB 1.2 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan was approved by the general meeting of shareholders of the Company on 12 May 2020.

26. INSURANCE CONTRACT LIABILITIES

	30 June 2020		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 20)	Net
Long-term life insurance contracts	1,058,372	(12,863)	1,045,509
Short-term life insurance contracts			
- Unearned premiums	8,255	(446)	7,809
- Claim reserves	5,296	(887)	4,409
	13,551	(1,333)	12,218
Property and casualty insurance contracts			
- Unearned premiums	65,585	(7,797)	57,788
- Claim reserves	43,614	(6,830)	36,784
	109,199	(14,627)	94,572
	1,181,122	(28,823)	1,152,299
Incurring but not reported claim reserves	10,881	(1,790)	9,091
	31 December 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 20)	Net
Long-term life insurance contracts	963,542	(12,334)	951,208
Short-term life insurance contracts			
- Unearned premiums	4,608	(317)	4,291
- Claim reserves	4,587	(687)	3,900
	9,195	(1,004)	8,191
Property and casualty insurance contracts			
- Unearned premiums	57,367	(6,068)	51,299
- Claim reserves	37,917	(6,154)	31,763
	95,284	(12,222)	83,062
	1,068,021	(25,560)	1,042,461
Incurring but not reported claim reserves	9,276	(1,469)	7,807

26. INSURANCE CONTRACT LIABILITIES (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					Total
	2016	2017	2018	2019	For six months ended 30 June 2020	
Estimate of ultimate claim cost as of:						
End of current year/period	57,960	59,974	64,450	71,637	36,843	
One year later	57,071	57,147	64,051	71,631		
Two years later	55,725	55,300	63,954			
Three years later	55,167	55,092				
Four years later	55,081					
Current estimate of cumulative claims	55,081	55,092	63,954	71,631	36,843	282,601
Cumulative payments to date	(53,937)	(52,755)	(59,128)	(58,772)	(17,678)	(242,270)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						3,283
Total gross claim reserves included in the consolidated balance sheet						43,614

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					Total
	2016	2017	2018	2019	For six months ended 30 June 2020	
Estimate of ultimate claim cost as of:						
End of current year/period	50,934	52,415	56,073	62,405	32,606	
One year later	50,251	50,539	55,809	62,299		
Two years later	49,406	48,720	55,673			
Three years later	48,841	48,509				
Four years later	48,717					
Current estimate of cumulative claims	48,717	48,509	55,673	62,299	32,606	247,804
Cumulative payments to date	(47,885)	(46,646)	(51,992)	(51,613)	(15,808)	(213,944)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						2,924
Total net claim reserves included in the consolidated balance sheet						36,784

27. INVESTMENT CONTRACT LIABILITIES

At 1 January 2019	62,255
Deposits received	17,028
Deposits withdrawn	(8,058)
Fees deducted	(224)
Interest credited	3,005
Others	1,500
At 31 December 2019	75,506
Deposits received	9,603
Deposits withdrawn	(3,651)
Fees deducted	(80)
Interest credited	1,902
Others	472
At 30 June 2020	83,752

28. 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%.

	31 December 2019	Issuance	Premium amortisation	Redemption	30 June 2020
CPIC Property	9,988	-	2	-	9,990

29. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

	Six months ended 30 June	
	2020	2019
Profit before tax	17,630	14,485
Investment income	(37,766)	(31,952)
Foreign currency (income)/loss	(25)	75
Finance costs	1,176	1,429
Charge of impairment losses on insurance receivables and other assets, net	354	431
Depreciation of property and equipment	898	820
Depreciation of investment properties	164	158
Depreciation of right-of-use assets	757	596
Amortisation of other intangible assets	376	267
Amortisation of other assets	10	5
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(1)	(1)
	(16,427)	(13,687)
Increase in reinsurance assets	(3,263)	(2,426)
Increase in insurance receivables	(18,228)	(14,742)
(Increase)/decrease in other assets	(4,743)	1,128
Increase in insurance contract liabilities	107,704	97,797
Increase in other operating liabilities	4,206	794
Cash generated from operating activities	69,249	68,864

30. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Six months ended 30 June	
	2020	2019
Shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company	1	-

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

(b) Fund subscription and redemption transactions

	Six months ended 30 June	
	2020	2019
Hwabao WP Fund Management Co., Ltd.	1,030	191

30. RELATED PARTY TRANSACTIONS (continued)

(c) Dividends paid

	Six months ended 30 June	
	2020	2019
Shareholders who individually own more than 5% of voting rights of the Company	4,571	3,182

(d) Compensation of key management personnel

	Six months ended 30 June	
	2020	2019
Salaries, allowances and other short-term benefits	9	10

(e) The Group had the following major transactions with the joint venture:

	Six months ended 30 June	
	2020	2019
Rental fees for leasing office buildings of Binjiang-Xiangrui	37	-
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction fees and etc.	-	9
Total major transactions with the joint venture	37	9

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(f) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organisations (collectively "government-related entities"). The Company is also a government-related entity.

For the six months ended 30 June 2019 and the six months ended 30 June 2020, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

Management considers that those transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are controlled, jointly controlled or significantly influenced by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

31. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

		30 June 2020	31 December 2019
Contracted, but not provided for	(1)(2)(3)(4)(5)	4,602	3,485
Authorised, but not contracted for	(1)(2)(3)(5)	6,207	3,115
		10,809	6,600

As at 30 June 2020, major projects with capital commitments are as follows:

- (1) The Company resolved to establish IT Backup Centre and Customer Support Centre in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB 2,000 million. As at 30 June 2020, the cumulative amount incurred by the Company amounted to RMB 1,718 million. Of the balance, RMB 23 million was disclosed as a capital commitment contracted but not provided for and RMB 259 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Property and a third party bade for the use right of the land located at Huangpu District, Shanghai. And in February 2013, two parties set up a project company named Binjiang-Xiangrui as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB 2,090 million. As at 30 June 2020, the cumulative amount incurred by CPIC Property amounted to RMB 1,626 million. Of the balance, RMB 109 million was disclosed as a capital commitment contracted but not provided for and RMB 355 million was disclosed as a capital commitment authorised but not contracted for.
- (3) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of the project is approximately RMB 19,500 million. The registered capital of the joint venture is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to the joint venture, which are estimated to be approximately RMB 5,450 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 15,285 million. As at 30 June 2020, the cumulative amount incurred by CPIC Life amounted to RMB 10,605 million. Of the balance, RMB 2,230 million was disclosed as a capital commitment contracted but not provided for and RMB 2,450 million was disclosed as a capital commitment authorised but not contracted for.
- (4) CPIC Life and a third party jointly established Jiaying Yishang. The total investment of this project approximated RMB 950 million. As at 30 June 2020, the cumulative amount incurred by the CPIC Life amounted to RMB 474 million. Of the balance, RMB 476 million was disclosed as a capital commitment contracted but not provided for.
- (5) CPIC Life obtained the use rights of three parcels of land respectively located at Wenjiang District, in Chengdu, Sichuan, at Lin'an District, in Hangzhou, Zhejiang, and at Jimei District, in Xiamen, Fujian, and set up three project companies named Chengdu Project Company, Hangzhou Project Company, and Xiamen Project Company accordingly as the owners of the land use rights to the parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the three projects is approximately RMB 5,501 million. As at 30 June 2020, the cumulative amount incurred amounted to RMB 1,153 million. Of the balance, RMB 1,280 million was disclosed as a capital commitment contracted but not provided for and RMB 3,068 million was disclosed as a capital commitment authorised but not contracted for.

31. COMMITMENTS (continued)

(b) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	30 June 2020	31 December 2019
Within 1 year (including 1 year)	851	886
1 to 2 years (including 2 years)	670	577
2 to 3 years (including 3 years)	375	385
3 to 5 years (including 5 years)	360	235
More than 5 years	228	86
	2,484	2,169

32. CONTINGENT LIABILITIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 30 June 2020, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The tables below summarise the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows, and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows.

	As at 30 June 2020					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Held-to-maturity financial assets	-	23,015	99,232	432,515	-	554,762
Investments classified as loans and receivables	-	43,676	257,135	187,637	-	488,448
Restricted statutory deposits	-	714	6,442	-	-	7,156
Term deposits	-	17,823	183,849	-	-	201,672
Available-for-sale financial assets	249	32,248	160,442	279,532	201,357	673,828
Financial assets at fair value through profit or loss	61	391	2,422	7,083	799	10,756
Securities purchased under agreements to resell	-	28,623	-	-	-	28,623
Insurance receivables	8,772	23,468	9,417	847	-	42,504
Cash and short-term time deposits	33,778	3,077	-	-	-	36,855
Others	2,689	72,551	1,616	-	-	76,856
Total	45,549	245,586	720,555	907,614	202,156	2,121,460
Liabilities:						
Insurance contract liabilities	-	138,788	57,464	984,870	-	1,181,122
Investment contract liabilities	-	9,811	27,592	107,773	-	145,176
Policyholders' deposits	-	70	-	-	-	70
Bonds payable	-	505	2,226	11,762	-	14,493
Securities sold under agreements to repurchase	-	100,333	-	-	-	100,333
Lease liabilities	-	1,341	2,153	300	-	3,794
Others	48,865	30,621	1,496	105	-	81,087
Total	48,865	281,469	90,931	1,104,810	-	1,526,075

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2019					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
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
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
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
Insurance receivables	4,194	11,236	7,867	649	-	23,946
Cash and short-term time deposits	14,514	358	-	-	-	14,872
Others	1,887	66,420	1,623	-	-	69,930
Total	20,921	267,848	609,065	857,436	184,140	1,939,410
Liabilities:						
Insurance contract liabilities	-	124,370	63,037	880,614	-	1,068,021
Investment contract liabilities	-	8,566	24,484	101,810	-	134,860
Policyholders' deposits	-	70	-	-	-	70
Bonds payable	-	505	2,176	12,064	-	14,745
Securities sold under agreements to repurchase	-	78,503	-	-	-	78,503
Lease liabilities	-	1,341	2,369	358	-	4,068
Others	49,483	21,612	1,964	111	-	73,170
Total	49,483	234,967	94,030	994,957	-	1,373,437

34. 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.

The Group's financial assets mainly include cash and short-term time deposits, 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.

34. 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.

	As at 30 June 2020	
	Carrying amount	Fair value
Financial assets:		
Held-to-maturity financial assets	303,424	328,099
Investments classified as loans and receivables	375,957	376,046
Financial liabilities:		
Bonds payable	9,990	11,008

	As at 31 December 2019	
	Carrying amount	Fair value
Financial assets:		
Held-to-maturity financial assets	295,247	317,317
Investments classified as loans and receivables	324,013	324,104
Financial liabilities:		
Bonds payable	9,988	10,703

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with discretionary participation features ("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.

35. 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 consolidated 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:

- Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- 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
- 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.

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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.

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:

	As at 30 June 2020			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	122	34	-	156
- Funds	366	84	-	450
- Bonds	2,614	667	-	3,281
- Others	-	148	6,455	6,603
	3,102	933	6,455	10,490
Available-for-sale financial assets				
- Stocks	93,621	4,768	-	98,389
- Funds	32,602	18,970	-	51,572
- Bonds	25,491	277,418	2,188	305,097
- Others	-	6,773	64,262	71,035
	151,714	307,929	66,450	526,093
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note 34)	6,833	321,266	-	328,099
Investments classified as loans and receivables (Note 34)	-	2,139	373,907	376,046
Investment properties	-	-	11,647	11,647
Liabilities for which fair values are disclosed				
Bonds payable (Note 34)	-	-	11,008	11,008

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 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 34)	7,948	309,114	255	317,317
Investments classified as loans and receivables (Note 34)	-	2,141	321,963	324,104
Investment properties	-	-	11,887	11,887
Liabilities for which fair values are disclosed				
Bonds payable (Note 34)	-	-	10,703	10,703

For the six months ended 30 June 2020, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. For the six months ended 30 June 2020, the Group transferred the bonds with a carrying amount of RMB 8,040 million from Level 1 to Level 2 and RMB 8,495 million from Level 2 to Level 1.

In 2019, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2019, the Group transferred the bonds with a carrying amount of RMB 7,113 million from Level 1 to Level 2 and RMB 6,286 million from Level 2 to Level 1.

35. 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:

	As at 30 June 2020						
	Beginning of period	Increase	Decrease	Transferred to Level 3	Net unrealised loss recognised in profit or loss	Net unrealised gain recognised in other comprehensive income	End of period
Financial assets at fair value through profit or loss							
- Wealth management products	11	3	-	-	-	-	14
- Debt Investment plans	3	-	-	-	-	-	3
- Other equity investments	595	6,120	-	-	(277)	-	6,438
Available-for-sale financial assets							
- Preferred shares	13,621	-	-	-	-	142	13,763
- Other equity investments	49,181	5,788	(7,270)	-	(69)	2,869	50,499
- Finance Bonds	1,974	246	-	-	-	(32)	2,188
	As at 31 December 2019						
	Beginning of year	Increase	Decrease	Transferred to Level 3	Net unrealised loss recognised in profit or loss	Net unrealised gain recognised in other comprehensive income	End of year
Financial assets at fair value through profit or loss							
- Wealth management products	5	6	-	-	-	-	11
- Debt Investment plans	2	1	-	-	-	-	3
- Other equity investments	581	14	-	-	-	-	595
Available-for-sale financial assets							
- Preferred shares	7,765	5,725	-	-	-	131	13,621
- Other equity investments	37,330	9,057	-	-	(8)	2,802	49,181
- Finance Bonds	-	-	-	1,974	-	-	1,974

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 4.00% to 7.74%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square meters per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

36. POST BALANCE SHEET EVENTS

In July 2020, the UBS AG London Branch (as the stabilising manager) partially exercised the over-allotment option as agreed in the Prospectus dated 12 June 2020 issued by the Company, which required the Company to issue an additional 8,794,991 shares of GDRs with USD17.60 per share, the number of corresponding new underlying A shares is 43,974,955. The above A shares were listed on the Shanghai Stock Exchange on 9 July 2020 (Beijing time), after which the issued capital of the Company was increased to approximately RMB 9,620 million, and the change in registered capital is still in process.

Pursuant to the resolution of the CPIC Life's 5th meeting of investment decision-making committee held in 2020, CPIC Life proposed to invest RMB 339 million to set up the Pacific Care Home Development (Nanjing) Co., Ltd. ("Nanjing Project Company"). Nanjing Project Company is a wholly-owned subsidiary of CPIC Life with the registered capital of RMB 220 million. As at the date of the approval of these financial statements, CPIC Life has made the capital contribution of RMB 59 million.

Pursuant to the approval of the management of CPIC Senior Living Investment, a subsidiary of the Company, CPIC Senior Living Investment intends to invest RMB 310 million to set up the CPIC (Dali) Nursing Home Co., Ltd. ("Dali Nursing Home"). The registered capital of Dali Nursing Home is RMB 608 million, of which 51% is subscribed by CPIC Senior Living Investment and the amount of capital is RMB 310 million. As at the date of the approval of these financial statements, CPIC Senior Living Investment has made the capital contribution of RMB 80 million.

Pursuant to the resolution of the CPIC Life's 9th meeting of investment decision-making committee held in 2020, CPIC Life proposed to invest RMB 379 million to set up the CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai Senior Care Project Company"). Shanghai Senior Care Project Company is a wholly-owned subsidiary of CPIC Life with the registered capital of RMB 250 million. As at the date of the approval of these financial statements, CPIC Life has not yet made the capital contribution.

The COVID-19 pandemic outbreaked and continued to spread in China and around the world since early 2020. The COVID-19 pandemic has brought uncertainty to business operations and the overall economy in China and most parts of the world. The financial statements have reflected the known impact of the COVID-19 pandemic on the financial position as at 30 June 2020 and on the operating results and cash flows for the six months ended 30 June 2020 of the Group. Since the beginning of the second quarter, although China's economic and social operation has gradually got back on track despite prevention and control measures applied, it remains largely uncertain how things will develop with the global pandemic of the COVID-19. As a result of the foregoing, the Group's operating results and financial condition could be adversely affected. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group.

The Group does not have other significant post balance sheet events.

37. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information have been approved for issue by the Company's directors on 21 August 2020.



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