中国太平洋保险
China Pacific Insurance

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

(a joint stock company established under the laws of the People's Republic of China with limited liability)

Offering of up to 113,160,600 Global Depositary Receipts representing A Shares at an Offer Price expected to be between US$17.60 and US$19.00 per Global Depositary Receipt

This document comprises a prospectus (the "**Prospectus**") for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") relating to China Pacific Insurance (Group) Co., Ltd., a joint stock company established under the laws of the People's Republic of China (the "**PRC**") with limited liability (the "**Company**", and together with its subsidiaries, the "**Group**"), which has been approved as a prospectus by the United Kingdom Financial Conduct Authority (the "**FCA**") as competent authority under the Prospectus Regulation in accordance with the prospectus regulation rules (the "**Prospectus Regulation Rules**") of the FCA made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**") only in relation to the admission to listing and to trading of the global depositary receipts (the "**GDRs**") representing A shares of the Company with a fully paid nominal value of RMB1.00 each (the "**A Shares**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such FCA approval should not be considered as an endorsement of the Company nor the quality of the securities that are the subject of this Prospectus. Application will be made solely for the admission of the GDRs to the standard segment of the official list maintained by the FCA (the "**Official List**") and to trading on the Shanghai-London Stock Connect segment of the main market for listed securities (the "**Main Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"). This Prospectus has been prepared in connection with the application for the admission of the GDRs to the Main Market of the London Stock Exchange. Approval of the FCA has not been sought by the Company for this Prospectus in relation to the A Shares and no such A Shares will be listed on the Main Market of the London Stock Exchange. This Prospectus will be made available to the public in accordance with the Prospectus Regulation Rules.

This Prospectus relates to an offering (the "**Offering**") by the Company of up to 113,160,600 GDRs (including any Over-allotment GDRs (as defined below)) representing A Shares (the "**Offer GDRs**") with one GDR representing an interest in five A Shares. The GDRs are to be issued against the deposit of A Shares (to the extent permitted by applicable laws and regulations) with Citibank, N.A., as depositary (the "**Depositary**"). It is currently expected that the final offer price (the "**Offer Price**") for the Offer GDRs will be set within the offer price range (the "**Offer Price Range**"). In connection with the Offering, the Company has granted to the Stabilising Manager (as defined below) an option, exercisable within 30 days after the announcement of the Offer Price, to purchase up to an additional 10% of the aggregate number of Offer GDRs excluding the Over-allotment GDRs (as defined below) (the "**Over-allotment Option**").

Application will be made: (1) to the FCA, in its capacity as competent authority under the Prospectus Regulation, for a listing of 113,160,600 GDRs representing A Shares, consisting of the GDRs to be issued on or about 22 June 2020 (the "**Closing Date**"), the GDRs (if any) to be issued pursuant to the Over-allotment Option (if exercised) and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws and regulations) with the Depositary, to be admitted to the standard segment of the Official List; and (2) to the London Stock Exchange, for such GDRs to be admitted to trading on the Shanghai-London Stock Connect segment of the Main Market of the London Stock Exchange, which is regulated under MiFID II, through its international order book (the "**IOB**"). Admission to the Official List and to unconditional trading on the London Stock Exchange (together, "**Admission**") is expected to take place on or about 22 June 2020. The GDRs are expected to be traded on the Shanghai-London Stock Connect segment of the Main Market under the symbol "CPIC". The Company expects that conditional trading in the GDRs on the London Stock Exchange through the IOB will commence on a "when issued" basis on or about 17 June 2020. All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned.

The Offer GDRs are being offered and sold in "offshore transactions" within the meaning of Regulation S ("**Regulation S**") under the US Securities Act of 1933, as amended (the "**Securities Act**").

The A Shares are listed and traded on the Shanghai Stock Exchange under the stock code 601601. Prices for the A Shares traded on the Shanghai Stock Exchange may not reflect the value of the GDRs.

See "Risk Factors" beginning on page 8 to read about factors you should consider before buying the Offer GDRs. The GDRs are of a specialist nature and should only be bought and traded by investors who are particularly knowledgeable in investment matters.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may only be offered or sold outside the United States in offshore transactions in reliance on Regulation S. For a discussion of certain restrictions on transfers of the GDRs in other jurisdictions, see "Terms and Conditions of the Global Depositary Receipts" and "Selling Restrictions and Transfer Restrictions—Transfer Restrictions".

The Offer GDRs are offered by UBS AG London Branch ("**UBS**"), Huatai Financial Holdings (Hong Kong) Limited ("**Huatai International**", and together with UBS, the "**Joint Global Co-ordinators**"), HSBC Bank plc ("**HSBC**"), China International Capital Corporation (UK) Limited ("**CICC**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**") and J.P. Morgan Securities plc ("**J.P. Morgan**", and together with the Joint Global Co-ordinators and HSBC, CICC, Morgan Stanley, the "**Joint Bookrunners**") when, as and if delivered to and accepted by the Joint Global Co-ordinators and subject to their right to reject orders in whole or in part. The GDRs will be issued in global form. The GDRs will be evidenced by a Master Global Depositary Receipt Certificate (the "**Master GDR Certificate**") registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**"). Except as described herein, beneficial interests in the Master GDR Certificate will be shown on, and transfers thereof will be effected only through, the records of Euroclear and Clearstream. It is expected that the delivery of the GDRs will be made against payment therefor in US Dollars in same day funds through the facilities of Euroclear and Clearstream on or about the Closing Date. See "Clearing and Settlement".

Joint Global Co-ordinators and Joint Bookrunners

UBS **Huatai International**

Joint Bookrunners

HSBC **CICC** **Morgan Stanley** **J.P. Morgan**

The date of this Prospectus is 12 June 2020

By accepting delivery of this Prospectus, you agree to the following. This Prospectus is being furnished by the Company solely for the purpose of enabling a prospective investor to consider the subscription for the Offer GDRs. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer GDRs is prohibited, except to the extent that such information is otherwise publicly available.

None of the Joint Bookrunners or the Depositary, nor any of their respective affiliates, makes any representation, express or implied, nor accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Joint Bookrunners or the Depositary that any recipient of this Prospectus should subscribe for the Offer GDRs. Each potential subscriber of Offer GDRs should determine for itself the relevance of the information contained in this Prospectus, and its subscription for the Offer GDRs should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such potential subscriber in connection with the subscription for the Offer GDRs.

This Prospectus has been approved by the FCA as a Prospectus issued in compliance with the Prospectus Regulation, for the purpose of giving information with regard to the Company and the Offer GDRs.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

This Prospectus does not constitute an offer to the public generally to subscribe for or otherwise acquire the Offer GDRs. In making an investment decision regarding the Offer GDRs, you must rely on your own examination of the Company and the terms of the Offering, including the merits and risks involved. You should rely only on the information contained in this Prospectus. None of the Company, the Joint Bookrunners or the Depositary has authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as at its date. The Company's business, financial condition, results of operations, prospects and the information set forth in this Prospectus may have changed since the date of this Prospectus.

You should not consider any information in this Prospectus to be investment, legal or tax advice. You should consult your own counsel, auditor and other advisors for legal, tax, business, financial and related advice regarding purchasing the Offer GDRs. None of the Company, the Joint Bookrunners or the Depositary makes any representation to any offeree or subscriber for the Offer GDRs regarding the legality of an investment in the Offer GDRs by such offeree or subscriber under appropriate investment or similar laws.

As the Company's A Shares are listed on the Shanghai Stock Exchange and its H Shares are listed on the Hong Kong Stock Exchange, the Company has been subject to periodic reporting and other information disclosure requirements in the PRC and Hong Kong SAR. As a result, from time to time the Group publicly releases information relating to itself on the Shanghai Stock Exchange or other media outlets designated by the China Securities Regulatory Commission (the "**CSRC**"), the Hong Kong Stock Exchange or the Securities and Futures Commission of Hong Kong (the "**SFC**"). However, the information announced by the Company in connection with its A Shares or H Shares is based on the regulatory requirements of the securities authorities and market practices in the PRC or Hong Kong SAR which are different from those which will be applicable to the GDRs following Admission. Such information does not and will not form a part of this Prospectus. As a result, prospective investors in the Offering are reminded that, in making their investment decisions as to whether to purchase the GDRs, they should rely only on the financial, operating and other information included in this Prospectus. By applying to purchase GDRs in the Offering, prospective investors will be deemed to have agreed that they will not rely on any information other than that contained in this Prospectus or any formal announcements made by the Company in the PRC or Hong Kong SAR with respect to the Offering.

UBS AG London Branch is authorised and regulated by the Financial Market Supervisory Authority in Switzerland, and in the United Kingdom is authorised by the United Kingdom Prudential Regulation Authority (the "**PRA**") and subject to regulation by the FCA and limited regulation by the PRA. Huatai Financial Holdings (Hong Kong) Limited is licensed by the Securities and Futures Commission of Hong Kong. HSBC Bank plc, Morgan Stanley & Co. International plc and J.P. Morgan Securtities plc are each authorised by the

PRA and regulated by the FCA and the PRA in the United Kingdom. China International Capital Corporation (UK) Limited is authorised and regulated by the FCA in the United Kingdom. The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Offering, and will not be responsible to any other person as their respective clients in relation to the Offering and for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or any transaction or arrangement referred to herein.

Each investor acknowledges that: (i) it has not relied on the Joint Bookrunners, the Depositary or any person affiliated with the Joint Bookrunners or the Depositary in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) it has relied only on the information contained in this Prospectus; and (iii) no person has been authorised to provide any information or to make any representation concerning the Company, its subsidiaries or the GDRs (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Bookrunners or the Depositary.

In connection with the Offering, each of the Joint Bookrunners and/or any of their respective affiliates, acting as an investor for its or their own account(s), may subscribe for Offer GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Joint Bookrunners and/or any of their respective affiliates acting as an investor for its or their own account(s). In addition, certain of the Joint Bookrunners or their affiliates may enter into financing or hedging arrangements (including swaps) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of the GDRs. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company may withdraw the Offering at any time prior to Admission, and the Company and the Joint Bookrunners reserve the right to reject any offer to subscribe for the Offer GDRs, in whole or in part, and to sell to any prospective investor less than the full amount of the Offer GDRs sought by such investor.

This Prospectus does not constitute or form part of an offer to sell, or a solicitation of an offer to buy, any securities other than Offer GDRs. The distribution of this Prospectus and the offer and sale of the Offer GDRs may be restricted by laws in certain jurisdictions. You must inform yourself about, and observe, any such restrictions. See "Terms and Conditions of the Global Depositary Receipts" and "Selling Restrictions and Transfer Restrictions" elsewhere in this Prospectus. You must comply with all applicable laws and regulations in force in any jurisdiction in which you subscribe, purchase, offer or sell the Offer GDRs or possess or distribute this Prospectus and must obtain any consent, approval or permission required for your subscription, purchase, offer or sale of the Offer GDRs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such subscriptions, purchases, offers or sales. None of the Company or the Joint Bookrunners is making an offer to sell the Offer GDRs or a solicitation of an offer to buy any of the Offer GDRs to any person in any jurisdiction except where such an offer or solicitation is permitted. None of the Company or the Joint Bookrunners accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of applicable restrictions.

In connection with the Offering, UBS AG London Branch (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot GDRs or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail in the open market. Deferred settlement arrangements have been made with an investor to facilitate any stabilisation action by the Stabilising Manager. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on the date of announcement of the Offer Price and, if begun, may be ended at any time but must end no later than 30 days thereafter (the "**Stabilisation Period**"). Any stabilisation action must be undertaken in accordance with applicable laws and regulations. Save as required by laws or regulations, the Stabilising Manager does not intend to disclose the extent of any over-allotments made and/or stabilisation transactions concluded in relation to the Offering.

In connection with the Offering, the Stabilising Manager may, for stabilisation purposes over-allot GDRs up to a maximum of 10% of the total number of GDRs sold in the Offering excluding the Over-allotment

GDRs (as defined below). For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of GDRs effected by it during the Stabilisation Period, the Stabilising Manager will enter into over-allotment arrangements pursuant to which the Stabilising Manager may purchase or procure purchasers for additional GDRs up to a maximum of 10% of the total number of GDRs sold in the Offering (the "**Over-allotment GDRs**") excluding the Over-allotment GDRs, at the Offer Price. The over-allotment arrangements will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th day after the date of announcement of the Offer Price. Any Over-allotment GDRs made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the GDRs, will be purchased on the same terms and conditions as the GDRs being issued or sold in the Offering and will form a single class for all purposes with the other GDRs.

Information to distributors

Solely for the purposes of the product governance requirements contained within (a) MiFID II, (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process, which has determined that such Offer GDRs are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer GDRs may decline and investors could lose all or part of their investment; the Offer GDRs offer no guaranteed income and no capital protection; and an investment in the Offer GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute (a) an assessment of suitability or appropriateness for the purposes of MiFID II, or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer GDRs.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer GDRs and determining appropriate distribution channels.

Notice to UK and EEA investors

This Prospectus and the Offering are only addressed to, and directed at, persons in the United Kingdom and member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of the Prospectus Regulation ("**Qualified Investors**"). In addition, in the United Kingdom, this Prospectus is only being distributed to, and is only directed at, Qualified Investors who are: (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or high-net-worth entities falling within Article 49(2)(a)-(d) of the Order; or (2) otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The Offer GDRs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with: (1) in the United Kingdom, relevant persons; and (2) in any member state of the EEA, Qualified Investors. This Prospectus and its contents should not be acted upon or relied upon: (1) in the United Kingdom, by persons who are not relevant persons; or (2) in any member state of the EEA, by persons who are not Qualified Investors.

This Prospectus has been prepared solely for the purpose of Admission of the GDRs and on the basis that all offers of Offer GDRs following approval by the FCA will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to produce a Prospectus for offers of the Offer GDRs. Accordingly, any person making or intending to make any offer within the EEA of the Offer GDRs should only do so in circumstances in which no obligation arises for the Company or any of the Joint Bookrunners to produce a prospectus for such

offer. None of the Company or the Joint Bookrunners has authorised or authorises the making of any offer of the Offer GDRs through any financial intermediary, other than offers made by the Joint Bookrunners which constitute the final placement of the Offer GDRs contemplated in this Prospectus.

Notice to all investors

Investors should be aware that foreign investors are not generally able to hold A shares in Chinese companies due to restrictions under PRC law, subject to certain limited exceptions, such as for Qualified Foreign Institutional Investors ("**QFIIs**") and RMB Qualified Foreign Institutional Investors ("**RQFIIs**").

However, one of the features of the Shanghai-London Stock Connect scheme is that investors will be able to: (i) buy GDRs by requesting a Designated Broker to buy A Shares on the Shanghai Stock Exchange and instruct the Depositary to create GDRs representing such A Shares; and (ii) sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shanghai Stock Exchange. Pursuant to the Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange (For Trial Implementation) (关于上海证券交易所与伦敦证券交易所互联互通存托凭证业务的监管规定（试行）) published by the CSRC on 12 October 2018 (the "**DR Provisions**"), the creation and redemption of GDRs in connection with the purchase and sale of underlying A Shares may only be facilitated by the Designated Brokers who hold accounts with Shanghai Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shanghai Stock Exchange (subject to certain quotas imposed by relevant regulators) and providing relevant instructions to the Depositary. For further details, see "Plan of Distribution—Trading GDRs".

This mechanism is intended to provide fungibility between the GDRs and A Shares by enabling investors or their brokers to place buy and sell orders with the Designated Brokers who are able to seek the best price for the security from either market.

It should be noted that, pursuant to the Shanghai-London Stock Connect scheme, GDR holders will not be permitted to redeem their GDRs and hold the underlying A Shares in their on-shore accounts (such as QFII or RQFII accounts, if they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through other exemptions) that wish to redeem some or all of their GDRs to hold A Shares would need to sell such GDRs (either on the London Stock Exchange or by redeeming their GDRs and selling the underlying A Shares on the Shanghai Stock Exchange, as described above) and separately buy A Shares outside of the Shanghai-London Stock Connect scheme to be held in a separate (existing or newly established) QFII or RQFII or other account.

In addition, pursuant to the DR Provisions, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the date of Admission. Therefore, for such period, GDR holders will not be able to redeem their GDRs and sell the underlying A Shares on the Shanghai Stock Exchange and will only be able to sell their GDRs through the IOB of the London Stock Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to buy GDRs by requesting a Designated Broker to buy A Shares on the Shanghai Stock Exchange and instruct the Depositary to create GDRs representing such A Shares, subject to the cap on the number of GDRs approved by the CSRC.

Investors should also be aware that pursuant to the DR Provisions and rules of Shanghai-London Stock Connect promulgated by the Shanghai Stock Exchange, the aggregate holding of a single overseas investor of the equities of the Company shall not exceed 10% of the total outstanding shares of the Company. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions and rules of Shanghai-London Stock Connect promulgated by the Shanghai Stock Exchange also require that the aggregate interests in the Company's A Shares held by all overseas investors shall not exceed 30% of the total outstanding shares of the Company. In the event the 30% limit is exceeded, overseas investors may be required to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas investors' strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法).

Furthermore, investors should note that to the extent any stabilisation action is undertaken, in order to ensure there is sufficient headroom under the GDR facility, including under the cap on the number of GDRs approved by the CSRC, for the Company to issue new A Shares and sell GDRs representing such A Shares to

the Stabilising Manager in order to satisfy its obligations under the Over-allotment Option (if exercised), investors and shareholders of the Company may be prevented from depositing additional A Shares into the GDR facility in order to receive (or sell) GDRs for the duration of the Stabilisation Period.

Pursuant to the Measures for the Administration of Acquisition of Listed Companies (上市公司收购管理办法) promulgated by the CSRC and last amended in March 2020 (the "**PRC Takeover Rules**"), an investor and any persons acting in concert who together hold 5% or more of the outstanding shares in a listed company (including the Company) shall, within three business days upon its shareholding in the listed company reaching such percentage: (i) prepare a report on the change of its shareholding; (ii) notify the CSRC, the relevant stock exchange and the listed company; and (iii) make an announcement on such event. In addition, a person holding 5% or more of a listed company's outstanding shares shall be subject to the same reporting and announcement obligations as set out above each time its shareholding in the listed company increases or decreases by 5%. Such persons will also be subject to trading restrictions before making a report and an announcement or from the date of the fact aforementioned to a period of time after the announcement. If, by trading securities on a stock exchange, the interests held by the aforesaid investors and persons acting in concert with the investor reach such shareholding ratio, such persons shall not exercise voting rights on the excess portion of the shares purchased in violation of the aforesaid provisions within 36 months from the date of purchase. After the aforesaid investor and persons acting in concert has reached the shareholding ratio stipulated above through securities transactions on the stock exchange, such persons shall notify the listed company on the day following the occurrence of each 1% increase or decrease in the shareholding, and the listed company shall make an announcement. A person shall file a short-form report if it holds 5% or more but less than 20% of the outstanding shares in a listed company and it is not the largest shareholder or *de facto* controlling person of the listed company; otherwise it will be required to file a long-form report disclosing its shareholding. Pursuant to the DR Provisions, an investor's holding of GDRs will be aggregated with its holding of the Company's outstanding A Shares through other channels, including but not limited to any direct holding of the Company's A Shares, as well as the holding of GDRs and A Shares by persons acting in concert with such investor. The Company is also required to disclose in its annual reports, among other things, information on persons holding 5% or more of its A Shares, together with any changes to their shareholding and any pledge or encumbrance over the A Shares held by such persons.

Furthermore, pursuant to the Articles of Association, persons holding 5% or more of the voting shares of the Company are also required to:

- notify the Company in writing on the date of any pledge of its shares in the Company or the release of its shares from any pledge;
- notify the Company in writing within five business days upon it becoming a related party of any other person holding 5% or more of the voting shares of the Company; and
- surrender any profit realised from any purchase and then sale, or any sale and then purchase, of any shares of the Company within any period of less than six months.

In addition, pursuant to the Articles of Association, any person acquiring 5% (or any higher percentage as determined by the CBIRC) or more of the equity interests in the Company is required to obtain the approval of the CBIRC prior to such acquisition; otherwise any shareholding by such persons in excess of such prescribed percentage of the Company's total equity interest shall be restricted from voting on shareholders' general meetings and from nominating any director or supervisor for election.

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1. ***Introduction***

a. **Name and ISIN of securities**

Name: Global Depositary Receipts ("**GDRs**") representing A Shares of China Pacific Insurance (Group) Co., Ltd.; International Securities Identification Number (ISIN) of the GDRs is: US16951T1198

b. **Identity and contact details of the issuer**

Name: China Pacific Insurance (Group) Co., Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"); Address: 1 South Zhongshan Road, Huangpu District, Shanghai, PRC; Tel: +86 21 5876 7282; Legal Entity Identifier (LEI): 529900BA5ILEL308WX03

c. **Identity and contact details of the competent authority**

Name: Financial Conduct Authority; Address: 12 Endeavour Square, London E20 1JN, United Kingdom; Tel: +44 (0) 20 7066 8348

d. **Date of approval of the Prospectus**

12 June 2020

e. **Warnings**

This summary should be read as an introduction to this Prospectus and any decision to invest in the Offer GDRs should be based on consideration of this Prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Offer GDRs.

2. ***Key information on the issuer***

a. **Who is the issuer of the securities?**

i. ***Domicile and legal form, LEI, applicable legislation and country of incorporation***

The Company is a joint stock company with limited liability established pursuant to PRC Company Law. The Company was established 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 and listed on the Shanghai Stock Exchange under stock code 601601 on 25 December 2007. The Company conducted a global offering of overseas listed foreign shares ("**H Shares**"), which were listed on the Hong Kong Stock Exchange under stock code 02601 on 23 December 2009. The Company's LEI is 529900BA5ILEL308WX03.

On 12 June 2020, the Company and Citibank, N.A. (the "**Depositary**") entered into a deposit agreement in connection with the issuance of the GDRs represented by the Master GDR Certificate (the "**Deposit Agreement**"). The Depositary is a national banking association organised under the laws of the United States. The Depositary is an indirect wholly-owned subsidiary of Citigroup Inc., a Delaware corporation. The Depositary is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 388 Greenwich Street, New York, NY 10013, United States of America. The GDRs will be issued pursuant to the Deposit Agreement.

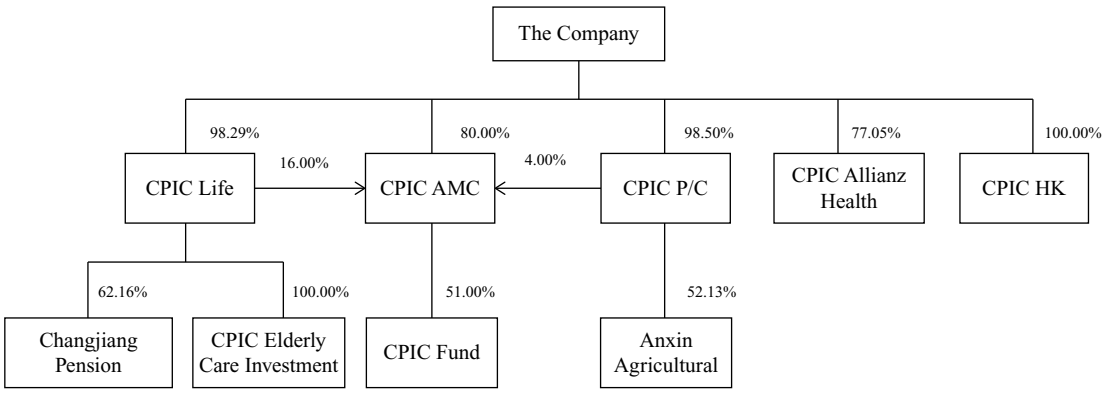
ii. ***Principal activities***

The Group is a leading insurance group listed in Shanghai and Hong Kong and principally carries out its business in the PRC. The Group provides a broad range of risk solutions and investment management services to approximately 139 million customers in China through its nationwide distribution network and diverse service platforms.

iii. ***Organisation chart***

The Company is the parent company of a group that comprises the Company and its subsidiaries. The following chart illustrates the simplified organisational structure of the Company and its major subsidiaries

as at 10 June 2020 (being the latest practicable date prior to the date of this Prospectus (the "**Latest Practicable Date**")).



iv. ***Major Shareholders***

Shareholders holding 5% or more

The table below sets forth certain information regarding the shareholders of the Company which, as at 2 June 2020 (being the latest practicable date for the purposes of ascertaining the following shareholding structure) and after the Offering, held or will hold 5% or more of the A Shares or H Shares of the Company:

		As at the latest practicable date			After the Offering[2]		
Shareholder[1]	**Type of Shares**	**(Number)**	**(% of A or H Shares)**	**(% of total capital)**	**(Number)**	**(% of A or H Shares)**	**(% of total capital)**
Shenergy (Group) Co., Ltd.	A Shares	1,326,776,782	21.10	14.64	1,326,776,782	19.36	13.78
Hwabao Investment Co., Ltd.[3]	A Shares	1,284,277,846	20.43	14.17	1,284,277,846	18.74	13.34
Shanghai State-Owned Assets Operation Co., Ltd.[4]	A Shares	547,942,906	8.72	6.05	547,942,906	8.00	5.69
Shanghai Haiyan Investment Management Company Limited	A Shares	468,828,104	7.46	5.17	468,828,104	6.84	4.87
Schroders Plc[5]	H Shares	332,157,188	11.97	3.67	332,157,188	11.97	3.45
China Life Insurance Company Limited[6]	H Shares	195,080,800	7.03	2.15	195,080,800	7.03	2.03
BlackRock, Inc.[5]	H Shares	171,159,686	6.17	1.89	171,159,686	6.17	1.78
Brown Brothers Harriman & Co.[7]	H Shares	166,432,120	5.99	1.84	166,432,120	5.99	1.73
JPMorgan Chase & Co.[8]	H Shares	144,131,708	5.19	1.59	144,131,708	5.19	1.50

(1) The table is prepared based on the lists of registered shareholders for A shares provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch, and the disclosure of interest fillings for H shares published on the website of the Hong Kong Stock Exchange.

(2) Assuming 565,803,000 new A Shares (including any exercise of the Over-allotment Option) are issued by the Company in connection with the Offering.

(3) Hwabao Investment Co., Ltd. is a wholly-owned subsidiary of China Baowu Steel Group Corporation Limited. China Baowu Steel Group Corporation Limited and Hwabao Investment Co., Ltd. held in aggregate 1,353,096,253 A Shares, representing 14.93% of the entire share capital of the Company.

(4) Shanghai State-owned Assets Operation Co., Ltd. ("**SSOAOC**") completed an issuance of exchangeable bonds which were exchangeable into a portion of the A Shares on 10 December 2015. China International Capital Corporation Limited ("**CICC**") held the 112,000,000 A Shares owned and to be exchanged by SSOAOC and their dividends as guarantee and trust assets, the equity holder of which was a "Special Account for EB Guarantee and Trust Assets of SSOAOC and CICC" on the Company's shareholder register. For details, please refer to the Company's announcement published on 15 December 2015 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 A Shares held by a shareholder. SSOAOC and its subsidiary, Shanghai Guoxin Investment and Development Co., Ltd., held in aggregate 580,967,057 A Share, representing 6.41% of the entire share capital of the Company.

(5) These substantial shareholders were deemed or taken to be interested in the H Shares held by the corporation controlled by such substantial shareholders pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(6) China Life Insurance Company Limited and its parent company, China Life Insurance (Group) Company, held in aggregate 199,303,000 H Shares, representing 2.20% of the entire share capital of the Company.

(7) Brown Brothers Harriman & Co. held the H Shares as an approved lending agent under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(8) JPMorgan Chase & Co. held the H Shares as an investment manager, person having a security interest in shares and approved lending agent, and JPMorgan Chase & Co. was deemed or taken to be interested in the H Shares held by the corporation controlled by it pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

v. ***Key managing director***

Mr. KONG Qingwei, chairman of the Board of Directors and executive Director.

vi. ***Statutory auditor***

PricewaterhouseCoopers Zhong Tian LLP ("**PwC PRC**"), independent auditor, has a business licence issued by the State Administration for Industry and Commerce of the People's Republic of China, and recorded by the MOF. PwC PRC is also a member of the CICPA.

b. **What is the key financial information regarding the issuer?**

Selected historical financial information

The selected financial information for the Company set out below has, where applicable, been extracted without material adjustments from the Annual Audited Financial Statements.

Selected consolidated income statement information

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Operating income	319,809	354,363	385,489
Operating expenses	(298,786)	(326,108)	(357,422)
Operating profit	21,023	28,255	28,067
Profit before tax	21,102	28,008	27,966
Net profit	14,991	18,434	28,354
Earnings per share (RMB)	1.62	1.99	3.06

Selected consolidated balance sheet information

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Total assets	1,171,224	1,335,959	1,528,333
Total equity	141,119	154,048	183,320

Selected consolidated cash flow statement information

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Net cash flows from operating activities	86,051	89,449	111,795
Net cash flows used in investing activities	(104,209)	(91,748)	(96,855)
Net cash flows from/(used in) financing activities	10,629	11,554	(10,544)

c. **What are the key risks that are specific to the issuer?**

- The Group's business is highly dependent on the macroeconomic environment. In particular, factors such as a slowdown in economic growth, rising inflation, geopolitical issues, high unemployment rate, declining consumer confidence and asset value, capital market volatility and liquidity issues may result in unfavourable operating condition.
- The Group's business operations may be affected by the COVID-19 pandemic. The COVID-19 pandemic has had a material impact on business operations and the overall economy, and the Group's business, results of operations, financial condition or prospects could further be materially and adversely affected.
- Unfavourable changes to the Group's distribution channels may affect the distribution of the Group's products, which may materially and adversely affect the Group's results of operations and financial condition. The Group's inability to maintain its position in the traditional distribution channels may affect the Group's product sales.
- The Group cedes a portion of its business it underwrites to a number of domestic and international reinsurance companies to reduce its underwriting risk. Inadequate reinsurance arrangements, adverse changes to the reinsurance market or credit defaults of reinsurers may materially and adversely affect the Group's financial condition and results of operations.

- The Group's insurance business faces risks of catastrophic events. Catastrophic events may significantly reduce the Group's profits and cash flows, and materially and adversely affect the Group's financial condition and results of operations.
- Changes in interest rates may adversely affect the Group's profitability and investment return. On one hand, a decline in interest rates may result in lower return on the Group's new investments, and affect the interest rate spread of the Group's life and health business. On the other hand, an increase in interest rates may result in an increase in policy surrender and a reduction in insurance amount.

3. ***Key information on the securities***

a. **What are the main features of the securities?**

i. ***Type, class and ISINs of the securities being admitted to trading on a regulated market***

The GDRs represent A Shares in the Company with one GDR representing an interest in five A Shares registered in the name of the Depositary.

The ISIN of the GDRs is US16951T1198.

ii. ***Currency, denomination, par value, number of securities issued and term of the securities***

The GDRs will be denominated in US Dollars. The Offering is of up to 113,160,600 GDRs (including any GDRs issued pursuant to the over-allotment option (the "**Over-allotment GDRs**")) representing A Shares (the "**Offer GDRs**") with one GDR representing an interest in five A Shares.

The GDRs will have an infinite term.

iii. ***Rights attached to the securities***

Pursuant to the Deposit Agreement and the Terms and Conditions of the GDRs, holders of GDRs ("**Holder**" is the person registered as the holder on the books of the Depositary maintained for such purpose) will, amongst other things, be entitled to:

- the right to request withdrawal of the Deposited Shares (as defined therein) and all rights, securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares;
- the right to receive payment (in US Dollars, if practicable) from the Depositary of an amount equal to the cash dividends or other cash distributions received by the Depositary from the Company in respect of the Deposited Shares;
- the right to receive from the Depositary additional GDRs representing additional A Shares received by the Depositary from the Company by way of dividend or free distribution (or if the issuance of additional GDRs is deemed by the Depositary to be unlawful or not operationally practicable or subject to any tax or other governmental charges which the Depositary is obligated to withhold, or if the distribution of the A Shares and the GDRs representing such A Shares must be registered under the Securities Act or other laws, the net proceeds (in US Dollars, if practicable) of the sale of such A Shares);
- the right to receive from the Depositary any dividend or distribution in the form of property other than A Shares or cash received by the Depositary from the Company (or if such distribution is deemed by the Depositary to be unlawful or not reasonably practicable, the net proceeds (in US Dollars, if practicable) of the sale of such property);
- the right to request the Depositary to exercise subscription or similar rights made available by the Company to holders of A Shares (or if such process is deemed by the Depositary to be unlawful or not reasonably practicable, the right to receive the net proceeds (in US Dollars, if practicable) of the sale of the relevant rights or the sale of the assets resulting from the exercise of such rights);
- the right to instruct the Depositary regarding the exercise of any voting rights notified by the Company to the Depositary, subject to conditions; and
- the right to inspect or receive from the Depositary copies received by the Depositary of notices provided by the Company to holders of A Shares as well as any other material provided by the Company to the Depositary in connection therewith,

in each case subject to applicable laws governing the Deposit Agreement and its schedules thereof, and the detailed terms set out in the Terms and Conditions of the GDRs (as endorsed on the GDR certificate) and the Master GDR Certificate.

iv. ***Relative seniority of the securities***

A Holder of GDRs has the right to share profits of the Company and to receive the proceeds of any liquidation surplus.

If the Depositary becomes insolvent, the insolvency proceedings will be governed by U.S. laws applicable to the insolvency of banks. The Conditions state that any cash held by the Depositary for Holders is held by the Depositary as banker. Under current U.S. and English laws, it is expected that any cash held for Holders by the Depositary as banker under the Conditions would constitute an unsecured obligation of the Depositary. Holders would therefore only have an unsecured claim in the event of the Depositary's insolvency for such cash that would also be available to general creditors of the Depositary. The Deposit Agreement states that the Deposited Shares and other non-cash assets which are held by the Depositary for Holders are held by the Depositary as bare trustee and, accordingly, the Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current U.S. and English laws, it is expected that any Deposited Shares and other non-cash assets held for Holders by the Depositary on trust under the Conditions would not constitute assets of the Depositary and that Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Depositary's receiver or conservator to deliver such Depositary Shares and other non-cash assets that would be unavailable to general creditors of the Depositary.

v. ***Restrictions on free transferability of the securities***

The GDRs will be freely transferable, subject to certain selling restrictions under the relevant laws in certain jurisdictions applicable to the relevant transferor or transferee and restrictions under the Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange (For Trial Implementation) (关于上海证券交易所与伦敦证券交易所互联互通存托凭证业务的监管规定（试行）) published by the CSRC on 12 October 2018 (the "**DR Provisions**") which are described below.

Pursuant to the DR Provisions, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the date of Admission. Therefore, for such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shanghai Stock Exchange and will only be able to sell their GDRs through the IOB of the LSE or another legitimate trading venue. The DR Provisions also restrict transfers of GDRs by the Company's controlling shareholder, *de facto* controlling person or entities under their control for a period of 36 months from the date of Admission. The ownership structure of the Company is diversified. As at the Latest Practicable Date, the Company had no controlling shareholder or *de facto* controlling shareholder.

In addition, pursuant to the DR Provisions and rules of Shanghai-London Stock Connect promulgated by the Shanghai Stock Exchange, the aggregate holding of a single overseas investor of the equities of the Company shall not exceed 10% of the total outstanding shares of the Company. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions and rules of Shanghai-London Stock Connect promulgated by the Shanghai Stock Exchange also require that the aggregate interests in the Company's A Shares held by all overseas investors shall not exceed 30% of the total outstanding shares of the Company. In the event the 30% limit is exceeded, overseas investors may be required to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas investors' strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法).

vi. ***Dividend policy***

According to the applicable PRC laws and its Articles of Association, the Company will pay dividends out of its profit after tax only after it has made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory reserve fund of an amount equivalent to 10% of its profit after tax, and when the statutory reserve fund reaches and is maintained at or above 50% of its registered capital, no further allocation to this statutory reserve fund will be required; and
- allocation, if any, to a discretionary reserve fund if approved by the shareholders' general meeting.

Furthermore, the Company may also be required to allocate security deposits, insurance security funds and various insurance contract reserves in accordance with the relevant provisions of the PRC regulations. Also, as set forth in the Articles of Association, the cumulative cash dividends paid by the Company in any consecutive three years shall be no less than 30% of the average annual distributable profits realised

for the same three years, except when: (i) the solvency level of the Company falls below the prescribed level set by the CBIRC; (ii) the operation and financial position of the Company is materially affected by force majeure events, such as wars and natural disasters; (iii) the operation and financial position of the Company is materially affected by the changes in the external environment where the Company operates; (iv) there are material adverse changes in the operations of the Company; or (v) there are other circumstances that make dividend distribution inappropriate according to the relevant laws, regulations and regulatory documents.

To the extent that dividends are declared and paid by the Company in the future, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of the A Shares underlying the GDRs, subject to the terms of the Deposit Agreement.

b. **Where will the securities be traded?**

Application will be made: (i) to the FCA for the GDRs to be admitted to the standard listing segment of the Official List; and (ii) to the London Stock Exchange for the GDRs to be admitted to trading on the Shanghai-London Stock Connect segment of the London Stock Exchange's Main Market.

c. **What are the key risks that are specific to the securities?**

- There has been no prior public trading market for the Offer GDRs, and an active trading market may not develop or be sustained in the future.
- Future sales of GDRs, A Shares or H Shares could depress the market price of the GDRs and future issues of shares may dilute the holdings of the Company's shareholders and/or GDR holders.
- Following the Offering, holders of A Shares may not be able to deposit the A Shares in the Company's GDR facility in order to receive (or sell) GDRs, and changes in regulatory policies in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.
- Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.
- GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker. In addition, the fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.
- GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the date of Admission or during any period when trading in the A Shares on the Shanghai Stock Exchange is suspended, and this may give rise to price risk for GDR holders.

4. ***Key information on the admission to trading on a regulated market***

a. **Under which conditions and timetable can I invest in this security?**

i. ***General terms and conditions***

The Offering consists of an offering of up to 113,160,600 Offer GDRs (including any Over-allotment GDRs), each representing five A Shares, at an Offer Price expected to be between US$17.60 and US$19.00 per GDR. The final Offer Price shall be determined following completion of a book-building process. The Offer Price is expected to be announced on 16 June 2020, by way of a pricing statement, which will be made available on the Company's website at http://www.cpic.com.cn.

ii. ***Expected Timetable***

Event	Time and Date
Announcement of the Offer Price, publication of the Pricing Statement and notification of allocations of GDRs	16 June 2020
Expected date that conditional dealings in the GDRs commence on the London Stock Exchange	9.00 a.m. on 17 June 2020
Expected date that Admission and unconditional dealings in the GDRs commence on the London Stock Exchange	9.00 a.m. on 22 June 2020

Each of the times and dates set out above is subject to change without further notice. References to a time of day are to London times (unless stated otherwise).

If Admission does not occur, all conditional dealings will be of no effect and such dealings will be at the sole risk of the parties concerned.

iii. ***Details of admission to trading on a regulated market***

Application will be made: (i) to the FCA for the GDRs to be admitted to the standard listing segment of the Official List; and (ii) to the London Stock Exchange for the GDRs to be admitted to trading on the Shanghai-London Stock Connect segment of the London Stock Exchange's Main Market. The Main Market of the London Stock Exchange is a regulated market in the EEA for the purposes of MiFID II. The A Shares are listed on the Shanghai Stock Exchange.

Admission to the Official List and unconditional trading in the GDRs on the London Stock Exchange through its IOB is expected to take place on or around the Closing Date. The Company expects that conditional trading in the GDRs on the London Stock Exchange through the IOB will commence on a "when issued" basis on or about 17 June 2020. All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned.

iv. ***Plan for distribution***

The Offering comprises an offering of Offer GDRs outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S.

v. ***Amount and percentage of immediate dilution resulting from the issue***

Assuming 565,803,000 new A Shares are issued to be represented by the GDRs (including any Over-allotment GDRs) pursuant to the Offering, existing shareholders of the Company will experience immediate dilution of 5.9% resulting from the issue.

vi. ***Estimate of the total expenses of the issue***

Assuming 113,160,600 GDRs are sold in the Offering (including any Over-allotment GDRs), the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by the Company in connection with the Offering are expected to amount to between approximately US$45.2 million and US$48.0 million (assuming the Offer Price is set at either the bottom or the top of the Offer Price Range, respectively) (inclusive of VAT).

vii. ***Estimated expenses charged to the investor***

Investors will not be charged any expenses by the Company. Pursuant to the terms and conditions of the GDRs, the Depositary will be entitled to charge certain fees to the holders of the GDRs.

b. **Why is this Prospectus being produced?**

i. ***Reasons for the admission to trading on a regulated market***

The Company believes the Offering and the Admission will enhance the Group's international profile and support its global expansion.

ii. ***The use and estimated net amount of the proceeds***

Assuming 113,160,600 GDRs are sold in the Offering (including any Over-allotment GDRs), the Company expects to receive net proceeds of between approximately US$1,946.4 million and US$2,102.0 million (assuming the Offer Price is set at either the bottom or the top of the Offer Price Range, respectively). The Company intends to use the net proceeds received from the Offering to steadily promote the Company's internationalisation and replenish its capital, more specifically, as follows:

1. 70% or more of the net proceeds will be used for gradually developing the Group's businesses overseas, in the form of equity investments, partnerships and alliances, and mergers and acquisitions in both developed and emerging markets, supporting core insurance business growth;
2. Up to 30%, or the remainder of the net proceeds, will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities.

If the Company deems the plans 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.

iii. ***Underwriting***

Under the terms of, and subject to, the conditions contained in the Underwriting Agreement, the Joint Bookrunners have severally agreed to procure subscribers for, or failing which, to themselves subscribe for, at the Offer Price, the Offer GDRs in certain agreed proportions.

iv. ***Material conflicts of interest***

There are no interests, including conflicting interests, that are material to the Offering.

An investment in the GDRs involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, which address the existing and future material risks to the Group's businesses and industry and to the GDRs, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below represent the risks inherent in investing in the GDRs but are not the only risks and uncertainties the Group faces. Additional risks and uncertainties not presently known to the Group, or that the Group currently believes are immaterial, could also impair the Group's business operations. If any of the following risks actually materialises, the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the GDRs could decline, and investors may lose all or part of their investment.

Prospective investors should note that the risks relating to the Group, its industry, and the GDRs, summarised in the section of this Prospectus headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the GDRs. However, as the risks that the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary", but also, among other things, the risks and uncertainties described below. Various statements in this Prospectus, including the following risk factors, may constitute forward-looking statements, as further described in the section of this Prospectus entitled "Presentation of Financial and Other Information—Forward-looking statements".

RISKS RELATED TO THE GROUP'S BUSINESS AND INDUSTRY

Risks Related to the Insurance Business

The Group's business is highly dependent on the macroeconomic environment.

The Group's business is highly dependent on the macroeconomic environment. In particular, factors such as a slowdown in economic growth, rising inflation, geopolitical issues, high unemployment rate, declining consumer confidence and asset value, capital market volatility and liquidity issues may result in unfavourable operating condition. A slowdown in economic growth, an economic downturn or other adverse events may lead to an increase in unemployment rate and a reduction in household income, business profits, business investments and consumer consumption, which may significantly reduce the demand for the Group's products and services and increase policy surrender, which may materially and adversely affect the Group's business and results of operations.

Under adverse economic conditions, capital market volatility and credit defaults may reduce the Group's investment return, which may materially and adversely affect the Group's business and results of operations. Please refer to "—Risks Related to the Investment Business—Defaults on the Group's credit assets may adversely affect the Group's financial condition and results of operations", "—Risks Related to the Investment Business—Liquidity risks may require the Group to sell its investment assets at a discount, which would adversely affect the Group's financial condition and results of operations", and "—Risks Related to the Investment Business—Fluctuations in the capital markets may result in a decrease in the value of the Group's investment assets, or a reduction of profits generated from the sale of such assets, or even losses, which would adversely affect the Group's financial condition and results of operations" for details.

The Group's business operations may be affected by the COVID-19 pandemic.

A global pandemic caused by COVID-19 broke out in January 2020 and has impacted the global economy since. In an effort to contain its spread, stringent measures, such as city lockdowns and travel restrictions, have been imposed in the PRC, which have had a material impact on the Group's business operations in the first quarter of 2020 and continued to impact on the Group's business operations, but to a lesser extent, in the second quarter of 2020. In particular, the traditional off-line model of life and health insurance businesses, including product sales, agent recruitment and agency force management, was severely hindered. As a result, in the first quarter of 2020, GWPs of CPIC Life decreased by 1.1% as compared with the same period in 2019, of which GWPs from new policies from the agency channel decreased by 31.1%. On the property and casualty insurance side, the COVID-19 pandemic caused the automobile insurance business to fall in the first quarter of 2020, which in turn led to a decrease of 0.5% in premiums from the Group's automobile insurance business as compared with the same period in 2019.

Moreover, the COVID-19 pandemic has brought disruptions to economic activity, and has resulted in significant volatilities in the capital markets. This, together with the lower interest rates, put pressure on the Group's investment results. In the first quarter of 2020, the Group's annualised net and total investment yields experienced decreases of 0.2ppt and 0.1ppt, respectively.

As a result of the foregoing, the Group's insurance business and investment management business have both been adversely affected. Since the beginning of the second quarter of 2020, although the PRC economy has gradually begun to get back on track as lockdowns and travel restrictions have been lifted, it remains uncertain how the situation will evolve amid the COVID-19 pandemic. As a result of the above-mentioned and other factors related to the COVID-19 pandemic that the Group cannot reasonably foresee, the Group's business, results of operations, financial condition or prospects could further be materially and adversely affected.

Unfavourable changes to the Group's distribution channels may affect the distribution of the Group's products which may materially and adversely affect the Group's results of operations and financial condition.

The Group promotes and distributes insurance products through a wide spectrum of distribution channels. For its life and health insurance products, the Group heavily relies on the traditional distribution channel comprising leading life insurance agents. In 2017, 2018 and 2019, GWPs from the agency channel accounted for 87.8%, 90.3% and 91.8% of GWPs from CPIC Life's insurance business, respectively, of which GWPs from new policies accounted for 28.2% 23.1% and 18.6%, respectively, and GWPs from renewed policies accounted for 59.6%, 67.2% and 73.2%, respectively. For property and casualty insurance, automobile dealership is an important distribution channel. In 2017, 2018 and 2019, the automobile dealership channel accounted for 38.2%, 37.5% and 37.4%, respectively, of primary insurance premiums from the automobile insurance business of CPIC P/C. By the end of December 2019, CPIC P/C had established close working relationships with 22 dealers and 20,509 4S automobile shops. If the Group is unable to maintain its position in the traditional distribution channels, for example, losing leading life insurance agents or relationships with dealers and 4S automobile shops, the Group's product sales may be materially and adversely affected.

Meanwhile, the Group is putting more effort into developing its digital distribution channels, such as its *CPIC APP*. The Group's inability to successfully apply new technologies in its digital distribution, capitalise on the business opportunities presented by growing demand for digital insurance products, or develop new products for digital distribution may adversely affect its future product sales, which may, in turn, materially and adversely affect the Group's business, financial condition and results of operations.

If actual benefits and claims results are materially different from the assumptions and estimates used in the pricing and reserves valuation for the Group's insurance products, as well as in the calculation of the Group's embedded value and new business value, the Group's results of operations and financial condition may be materially and adversely affected.

The Group's earnings depend significantly on the level of consistency between the Group's actual benefits and claims results, and the assumptions and estimates the Group uses in its pricing and reserves valuation. For life and health insurance, such major assumptions include expected investment returns, discount rate, mortality, morbidity and surrender rates, expense assumptions and policy dividend assumptions. For property and casualty insurance, such major assumptions include loss ratios and various expense estimates. Please refer to the section headed "Business Description" for details.

For pricing, unfavourable differences between actual conditions and the assumptions and estimates used may materially and adversely affect the distribution and the profitability of the Group's products. For reserves valuation, if the reserves originally established prove to be inadequate, any required additional reserves may adversely affect the Group's profitability, results of operations and financial condition.

In addition, the calculation of the embedded value and the new business value of the Group's life and health insurance business requires the use of various assumptions, such as investment return, reserving standards, solvency requirements, taxation, life expectancy, morbidity, expense ratio and other assumptions, many of which are subject to uncertainties. Any significant deviation from the assumptions and estimates used in such calculations may materially affect the embedded value and new business value of the Group's life and health insurance business.

Inadequate reinsurance arrangements, adverse changes to the reinsurance market, or credit defaults of reinsurers may materially and adversely affect the Group's financial condition and results of operations.

The Group cedes a portion of its business it underwrites to a number of domestic and international reinsurance companies to reduce its underwriting risk. Even though the Group carefully determines the proportion of insured risks to retain and to cede in accordance with relevant PRC insurance laws and regulations, the assessment of the Group's risk exposure and potential losses may not be entirely consistent with its actual losses. Therefore, the reinsurance arrangements sought by the Group may not adequately cover its actual losses.

The availability and cost of reinsurance may vary at different periods of time. Significant changes in the reinsurance market may make it difficult for the Group to maintain its current reinsurance policies. If its existing reinsurance policies are insufficient to cover the insured risks it underwrites, the Group may be unable to enter into additional reinsurance arrangements promptly or on satisfactory terms due to changes in the reinsurance market.

Furthermore, there are credit default risks with reinsurance companies. If its reinsurers are unable to perform their contractual obligations due to various reasons such as bankruptcy, lack of liquidity, mismanagement and fraud, the Group will remain liable for those transferred risks, which may materially and adversely affect the Group's financial condition and results of operations.

Catastrophic events may significantly reduce the Group's profits and cash flows, and materially and adversely affect the Group's financial condition and results of operations.

The Group's insurance business faces risks of catastrophic events. Catastrophic events may occur because of natural causes, such as earthquakes, typhoons, floods, droughts, storms, and other causes, such as industrial accidents, fires, explosions, and major diseases or virus outbreaks. For risks relating to the COVID-19 pandemic, see "–The Group's business operations may be affected by the COVID-19 pandemic". The frequency and severity of catastrophic events are inherently unpredictable and directly affect insurance claims.

In the past, catastrophic events which have adversely affected the Group's business and financial condition include typhoons, such as Typhoons Hato, Mangkhut and Lekima; earthquakes, such as the Jiuzhaigou earthquake in Sichuan province and the Mojiang earthquake in Yunnan province; and accidents, such as the collapse of the Fengcheng Power Plant in Jiangxi province, the major traffic accidents at the Qinling Tunnel of the Beijing-Kunming expressway in Shaanxi province and at the Lanzhou-Haikou expressway in Gansu province, the capsizing of the Phoenix cruise ship in Phuket, Thailand, as well as the explosions of chemical plants in Zhangjiakou in Hebei province and Xiangshui county in Jiangsu province.

The Group has made reasonable assessments of potential losses from catastrophic events within the coverage of its insurance products and established reserves accordingly. However, such reserves may not be sufficient to pay for all related claims. While the Group has certain reinsurance arrangements in place to reduce its risks associated with catastrophic events, reinsurance may be insufficient due to limitations in the underwriting capacity of reinsurance companies, the terms and conditions of the reinsurance policies, as well as risk assessment difficulties. As a result, one or more catastrophic events may significantly reduce the Group's profits and cash flows, thereby materially and adversely affecting its financial condition and results of operations.

Risks Related to the Investment Business

Changes in interest rates may adversely affect the Group's profitability and investment return.

The Group's profitability and investment return are sensitive to interest rate fluctuations. On the one hand, a decline in interest rates may result in lower returns on the Group's new investments and affect the interest rate spread of the Group's life and health insurance business. When a change in interest rates causes the Group's investment yields to decline, the spread between the investment yields and the rates of return on its products may also be reduced accordingly, thereby adversely affecting the profitability and solvency of the Group's life and health insurance business. On the other hand, if there is a significant increase in interest rates, policyholders may seek to purchase products perceived to generate higher returns, which would result in an increase in policy surrenders and a reduction in insurance amount, thereby increasing the Group's demand for liquidity and reducing the Group's revenue. In addition, a rise in interest rates may lead to a decline in the fair

value of the Group's fixed income investments. The aforementioned changes may adversely affect the Group's financial condition and results of operations.

Defaults on the Group's credit assets may adversely affect the Group's financial condition and results of operations.

As at 31 December 2019, the carrying amount of the Group's credit assets was RMB952.4 billion, or 67.1% of the Group's investment assets. These investments include corporate bonds, finance bonds, term deposits, debt investment plans, preferred shares (fixed income), wealth management products (fixed income) and other fixed income investments. The issuers of these fixed income investments may have difficulties in performing their respective repayment obligations due to bankruptcy, lack of liquidity, mismanagement, fraud or other reasons, and it may be difficult for the Group to enforce its rights against such issuers in all cases, which may, in turn, result in significant losses in respect of the Group's fixed income investments.

Liquidity risks may require the Group to sell its investment assets at a discount, which would adversely affect the Group's financial condition and results of operations.

If it is required to satisfy liquidity needs within a short period of time because of large insurance claims and/or policy surrenders, the Group may be forced to sell its investment assets at a discount, which would adversely affect the Group's financial condition and results of operations, but it would not be expected to result in the Group's working capital being insufficient for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

The Group holds a certain amount of illiquid investments, including private debt securities, private equity, real estate and trust assets. Given the lack of market transactions on these investments, if it wants to liquidate such investments within a short period of time, the Group may only be able to sell such investments at a large discount, which may adversely affect its financial condition and results of operations, but it would not be expected to result in the Group's working capital being insufficient for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

As a large institutional investor, the Group also holds substantial volumes of publicly-traded stocks and fixed income products. The liquidity of such investment assets are influenced by many factors and there may be times, such as during the global financial crisis in 2008 and the COVID-19 pandemic in 2020, when financial markets become extremely illiquid. If the sale of such investment assets takes place at a time when the market is relatively illiquid, the Group may have to sell such investments at a price lower than cost.

The duration of investment assets does not fully match that of life insurance liabilities.

The duration of life insurance liabilities is longer than that of investment assets. Improving asset-liability matching is one of the Group's core business strategies. The limited supply of long-duration investment assets in the domestic market may make it difficult for the Group to effectively manage its asset-liability matching. In particular, investments of matured assets and new investments in a low interest rate environment may result in a lower spread. Given the growth in the life insurance business and the increasingly intense market competition, the Group may face further difficulties in effectively managing its asset-liability matching, which may adversely affect the Group's liquidity and solvency.

Fluctuations in capital markets may result in a decrease in the value of the Group's investment assets, or a reduction of profits generated from the sale of such assets, which would adversely affect the Group's financial condition and results of operations.

As at 31 December 2019, the carrying amount of the Group's stocks and equity funds was RMB117.0 billion, which accounted for 8.3% of the Group's investment assets. The value of the Group's investment assets, and the profits derived from the sale of such assets are affected by, among other factors, the condition of capital markets, which is, in turn, subject to changes in the economic, political and social environment. If severe economic or political conditions prevail in the markets in which the Group conducts its investment activities, its financial condition and results of operations may be adversely affected.

Fluctuations in currency exchange rates may adversely affect the Group's financial condition and results of operations.

The Group's revenues, costs and expenses are denominated in RMB. Prior to the Offering, the Group held very few assets and liabilities denominated in foreign currencies, mainly in Hong Kong Dollars and US Dollars. As at 31 December 2019, foreign-currency-denominated assets accounted for less than 1% of the Group's financial assets. As such, there is no significant currency exchange risk. The proceeds from the Offering will be denominated in US Dollars. An appreciation of the Renminbi may lead to a decrease in the value of the Group's proceeds from the Offering upon conversion to Renminbi, whereas a depreciation of the Renminbi may adversely affect the value of the Group's stock dividends from foreign investors' perspectives. In addition, the Group may develop overseas businesses in the future, and therefore, risks arising from fluctuations in exchange rates may increase accordingly. Please refer to "—Other Risks Related to the Group's Business—The development of new businesses and expansion into new markets may expose the Group to new risks and challenges" for details.

Other Risks Related to the Group's Business

Changes in market conditions and intensified competition may adversely affect the Group's business.

The Group faces intense competition from both domestic and foreign insurance companies. The Group's primary competitors are large life and health insurance and property and casualty insurance companies. Competition has intensified because of the opening-up of China's insurance market and the growing number of insurance companies.

The competitiveness of an insurance company is determined by many factors, such as product offering, brand recognition, reputation, coverage of distribution network, convenience and quality of service, financial strength, staff quality, and information technology systems. In view of market competition, the Group may have to lower the prices of its products and services to remain competitive, which would affect the Group's profitability and slow down the growth of the Group's business and, in turn, materially and adversely affect the Group's financial condition, results of operations and prospects.

If the Group encounters difficulties in meeting the statutory solvency requirements, it may be subject to regulatory measures, and its financial condition, results of operations and prospects may be adversely affected.

The Group and its subsidiaries must meet the solvency requirements as stipulated by Chinese regulatory authorities. Solvency sufficiency is a core component of the management's focus.

The Group has maintained a high solvency margin ratio since its listing on the Shanghai Stock Exchange in 2007. As at 31 December 2017, 2018 and 2019, the Group's comprehensive solvency margin ratios were 284%, 301% and 295%, respectively. The Group's solvency margin ratio is influenced by its amount of available capital, business development, allocation of assets, and profitability. Regulatory authorities may impose penalties or other regulatory measures on the Group, or release negative reports or opinions about the Group if it fails to meet the statutory solvency requirements. As a result, the Group may need to raise additional capital, which is subject to a number of uncertain factors, including, but not limited to, general market conditions, regulatory approvals, and the Group's credit rating. If it is unable to raise capital in a timely manner, the Group's financial condition, results of operations and prospects may be adversely affected.

Furthermore, if regulatory authorities impose stricter requirements on insurance companies, such as higher solvency requirements, the Group and its subsidiaries may have difficulties meeting such requirements in a timely manner, which may adversely affect their financial position, results of operations and prospects.

The development of new businesses and expansion into new markets may expose the Group to new risks and challenges.

The Group will continue developing new businesses and expanding into new markets within the scope permitted by regulatory authorities, which may expose the Group to new risks and challenges, including, but not limited to:

- *economic and political risks*: developing overseas businesses and expanding into new markets may expose the Group to risks and constraints, including, but not limited to, the risk of litigation outside

of China, economic and political instability, trade restrictions and economic sanctions, fluctuations of currency exchange rates, and difficulties in management of overseas resources;

- *regulatory risks*: the Group may face unfamiliar regulatory environments when developing new businesses and expanding into new markets;
- *competition risks*: there may be intense competition in the markets of the Group's new businesses, and its return may be lower than expected; and
- *strategic and operational risks*: insufficient experience, expertise and/or skills in developing new businesses; lack of market recognition of new products and services; inability to recruit sufficient qualified personnel; and inability to strengthen the Group's management capabilities and improve information technology systems.

Risks Related to the Management of the Group

The Group may face challenges in implementing its business strategies throughout the entire organisation.

The Group is committed to implementing its business strategies and promoting business transformation but faces challenges including, but not limited to, the complex and uncertain macroeconomic and political environment, increasingly stringent regulatory requirements, increasingly intense market competition, and a complex management structure of the Group itself.

The implementation of its business strategies requires the Group's continued management and operation inputs, as well as capital input. Inability to effectively respond to the aforementioned challenges may result in the Group's failure to achieve successful transformation and steady growth. Furthermore, in view of the increasingly complex domestic and international economic and political environment, increasingly intense competition and rapidly changing market conditions, the Group may have to adjust its business strategies to prevent material and adverse effects on its financial condition, results of operations and prospects.

The Group's inability to effectively manage its subsidiaries may materially and adversely affect its operations.

The Group's insurance, asset management and other businesses are conducted through its subsidiaries and their branch offices. Due to factors such as the large number and the widespread geographical distribution of such subsidiaries and branch offices, and limitations in the information technology system, the Group may not be able to promptly and effectively detect and prevent management issues. The Group's inability to effectively manage its subsidiaries and/or their branch offices may materially and adversely affect its operations.

The Group's risk management and internal control framework may become ineffective under certain circumstances, which may materially and adversely affect the Group's financial condition, results of operations and prospects.

The Group has established, and will continue improving, its comprehensive risk management and internal control framework. Please refer to the section headed "Risk Management" for details. However, the methods and assumptions used in the Group's risk management and internal control framework are highly based on historical results and data. Therefore, such framework may not be able to sufficiently and accurately identify all risks. In addition, the effectiveness of the Group's risk management and internal control framework depends on the implementation of relevant measures by the Group's employees. Given the significant size of the Group's operations and the large number and widespread geographic distribution of subsidiaries and branch offices, the Group's employees may fail to effectively implement the relevant risk management and internal control measures, which may materially and adversely affect the Group's financial condition, results of operations, and prospects.

Malfunctions in the Group's information system or breaches of data security may disrupt the Group's business.

The Group's business is highly dependent on its information system to promptly record and process its operational and financial data and provide reliable services. The reliability and security of the Group's information system are therefore crucial to the Group's business. In the event of any partial or total failure of the information system, including, but not limited to, hardware failures, software programme errors, cyberattacks and network disruptions, there may be significant disruptions to the Group's business activities. In addition, although it conducts regular backups of its business data and has established an emergency disaster

recovery centre, the Group may still face risks of losing critical business data resulting from system reliability or security issues, damaged backup data or improper data recovery procedures, which may, in turn, adversely affect the Group's business.

Misconducts by the Group's employees, policyholders, insured persons, agents and other related parties may damage the Group's reputation and financial position.

Although the Group has put in place rigorous systems and procedures to control and prevent possible employee misconducts, it may not be able to completely eliminate such risks, including, but not limited to, concealment of risks, execution of unauthorised transactions, breach of confidentiality, and negligence of duties. Furthermore, the Group may fail to promptly and completely detect, control and prevent fraud, mis-selling, money laundering, illegal fundraising and other misconducts carried out by employees, policyholders, insured persons, agents and other related parties, which may cause the Group to face litigation and regulatory penalties and, in turn, damage the Group's reputation and financial position.

It may be difficult for the Group to attract and retain experienced management personnel.

The Group has a senior management team with extensive domestic and international experience, as well as a large number of experienced management personnel at various levels. Competition may intensify amid the opening-up of China's insurance market and the growing number of insurance companies, which would make it more difficult for the Group to attract and retain talented management personnel and, in turn, adversely affect the Group's business, financial condition, results of operations and prospects.

Damage to the Group's reputation may adversely affect its business, results of operations and financial condition.

As integrity and customer trust are highly valued in the insurance industry, the Group's business is susceptible to unfavourable market perceptions. Factors such as litigation, employee misconducts, customer complaints, regulatory investigations and penalties, and negative publicity may damage the Group's reputation, which may lead to an increase in policy surrenders and customer attrition, and undermine the Group's ability to attract new customers. This would adversely affect the Group's business, results of operations and financial condition.

Improper use or leakage of customer data may adversely affect the Group's business and reputation.

The Group collects, stores, uses, processes, discloses and transfers customer data (such as customer identities, addresses, contact information and policy details). Although the Group seeks to strictly implement its data protection policies and procedures, improper use or leakage of customer data may still occur. If the Group fails to protect its customer data, it may breach relevant laws and regulations. Such breach may expose the Group to risks, such as customer complaints, regulatory penalties and litigation, which may adversely affect the Group's reputation, business development, financial condition and results of operations. In addition, the Group may be unable to completely avoid the potential legal risks in the event of any changes to the relevant laws, regulations and policies.

The Group may be involved in legal and other proceedings arising from its business and may accordingly be subject to material liabilities or incur additional costs.

The Group may be involved in legal and other proceedings in the ordinary course of business, which may result in reputation damages, business disruptions, and additional costs. In addition, the Group's senior management, employees and agents may also be involved in litigations and/or other legal proceedings that may harm the Group's reputation and adversely affect its businesses, financial performance and results of operations.

For example, the Group may encounter intellectual property right infringement disputes as the Group's insurance and asset management businesses are dependent on the Group's trademarks, domain names, databases, and software tools developed both in-house and by third parties. On the one hand, the Group may have to resort to litigation or other legal proceedings to pursue infringing parties, which would involve substantial costs and potential business disruptions. On the other hand, the Group may also face litigations or other legal proceedings commenced by third parties and be subject to significant costs and liabilities. Any legal proceeding that involves the Group may negatively impact its prospects and competitiveness, as well as result in substantial costs, damage to its reputation and business disruptions. In particular, the Group may be

prohibited from providing specific products or services to its customers during any such proceedings, or from using specific applications or software in its business operations. If this occurs, the Group's business, financial condition, results of operations and prospects may be adversely affected.

Risks Related to the PRC Insurance Industry

The slowdown of China's insurance market may affect the Group's business growth.

China's insurance market has maintained a rapid growth in recent years. There is significant growth potential in insurance penetration and insurance density, both of which are at relatively low levels compared with those of developed markets. Please refer to the section headed "Industry Overview" for details. However, China's insurance market may slow down in the future in case of significant macroeconomic and political uncertainties, which would affect the development and growth of the Group's businesses.

The Group is subject to extensive regulations and exposed to compliance risks. Changes in laws, regulations and regulatory policies from time to time may also affect the Group's profitability or business development.

The Group's business is subject to extensive regulations by Chinese and relevant overseas regulatory authorities. Please refer to the section headed "Regulation" for details. The complexity in the applicable regulatory frameworks increases the risk of noncompliance. If the Group violates relevant laws, regulations or regulatory requirements, regulatory authorities may impose penalties or other regulatory measures on the Group, or release negative reports or opinions about the Group, which may adversely affect the Group's brand image, business development, and results of operations.

Changes in the relevant laws, regulations and regulatory policies may adversely affect the Group's business development, financial condition and results of operations. For example, as a large insurance institution, the Group may face more stringent regulatory requirements, which may increase the Group's operating costs. The terms and conditions and premium rates of the Group's insurance products are also subject to a number of regulations, changes to which may affect the sales and profitability of the Group's insurance products. Furthermore, regulatory authorities may review the existing laws and regulations applicable to insurance companies and their products and services from time to time. Changes to the interpretation or scope of application of such laws and regulations may substantially increase the compliance costs and other expenses of the Group directly or indirectly.

The pre-tax deduction of commission and brokerage expenses in respect of the year ended 31 December 2018 was a one-off adjustment recorded in the 2019 financial statements.

Pursuant to the Announcement on the Pre-tax Deduction Policy for the Commission and Brokerage Expenses of Insurance Enterprises (关于保险企业手续费及佣金支出税前扣除政策的公告) issued by the MOF and the SAT in May 2019, the commissions and brokerage expenses incurred by an insurance company related to its operating activities, capped at 18% of the total premium income of the year minus surrender premium, can be deducted from such company's calculation of taxable profit, and any excessive amount can be carried forward. This policy was applicable to the final settlement and payment of the Group's enterprise income tax for the 2018 fiscal year. Please refer to Annual Audited Financial Statements for details. The tax benefit for the 2018 fiscal year due to the above tax rule change was a one-off adjustment in 2019.

In addition, the Group is subject to regular compliance checks by PRC tax authorities in accordance with PRC tax laws and regulations. Any administrative penalties imposed by PRC tax authorities will adversely affect the Group's business, financial condition, operational performance and reputation.

The application of new accounting standards may materially affect the Group's financial condition.

In 2017, the MOF released the new financial instrument standards, and the Group meets the conditions to postpone the adoption of such standards. Should the Group implement the new financial instrument standards, the classification and subsequent accounting measurement of financial instruments in the Group's financial statements will change, which will have a material impact on the Group's balance sheet and income statement. Under such standards, some of the financial assets measured at amortised cost or available-for-sale will be classified as financial assets at fair value and the changes in fair value will be recognised in profit or loss in the current period. Impairment losses will be assessed in accordance with the new expected credit losses model, which will replace the incurred loss impairment model. The above changes may materially affect the Group's net profit or other comprehensive income.

In order to promote the convergence of the PRC GAAP and IFRS, the MOF conducted a consultation in 2018 to introduce the new insurance contract accounting standards. If such standards are introduced in line with IFRS, it is expected to become effective on 1 January 2023, as tentatively decided by the IASB in March 2020. The new insurance contract accounting standards have significant changes in recognition, measurement and presentation of insurance contracts. Such standards will introduce a new measurement of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from the existing premium revenue recognition currently reported in the income statement. The standards also have a much more extensive disclosure requirement. Those changes will have a significant impact on the revenues and expenses of the Group's insurance business, and make it more challenging for the Group, in particular, considering the interaction between the new financial instruments standards and the new insurance contract standards.

RISKS RELATED TO THE PRC

China's economic, political and social conditions and government policies may affect the Group's business.

Substantially all of the Group's assets and liabilities are located in China, and substantially all of the Group's revenues are derived from its operations in China. The Group's financial condition, results of operations and prospects are therefore significantly affected by economic, political and legal developments in China. Given the acceleration of globalisation, changes in the global economic and political landscape may also affect the Group's operating environment.

China's economy has been transitioning to be more market-oriented. In recent years, market forces have, through a series of measures implemented by the Chinese government, played an increasingly important role in the allocation of resources and the enhancement of corporate governance in enterprises. However, the design and implementation of these measures across different industries or regions may vary. While some of them may benefit the overall Chinese economy over the long term, they may adversely affect the Group's business in the near term. For example, government control over the capital account or amendments in applicable tax regulations may result in short-term adverse effects on the Group's financial condition and results of operations. In addition, if there are unfavourable changes to the overall economic and political environment in China in the future, the Group's business development may also be adversely affected.

Currently, there are many uncertainties in the global economic and political landscape. In particular, trade tensions may jeopardise the stability of the Chinese and global economies. The slowdown, long-term decline or instability of the Chinese or global economy may affect the growth of the insurance industry. In addition, there may be restrictions on foreign investments in China by certain countries, which may materially and adversely affect the Group's business, financial condition and results of operations.

The legal protection offered by the PRC legal system may be different from the understandings of foreign investors.

The Company is incorporated under the laws of the PRC, and its domestic business operations are governed by PRC laws and regulations. The PRC legal system is a civil law system, which is largely based on written statutes. There are comprehensive laws and regulations governing economic affairs, including, but not limited to, the rights of shareholders, corporate organisation, structure and governance, business operations, securities and taxation, as well as laws and regulations specific to the insurance industry and updates on regulatory policies in respect of insurance institutions from time to time. Judicial and administrative authorities in the PRC have a certain degree of discretionary powers over the interpretation and implementation of the laws and regulations. Thus, it may be difficult for foreign investors to gauge the enactment, interpretation and enforcement of the laws and regulations. Moreover, laws and regulations may be amended and such amendments may have retrospective effect. Hence, the legal protection offered by the PRC legal system may not be the same as what the foreign investors have in their respective foreign jurisdictions.

Investors may encounter complexities and uncertainties in effecting service of process of legal documents upon the Company, its Directors, Supervisors and members of senior management or in applying for the recognition or enforcement of judgements issued by foreign courts against the Company, its Directors, Supervisors and members of senior management in China.

The Company is incorporated under the laws of the PRC and most of its assets and liabilities and subsidiaries are located in China. Furthermore, most of its Directors, Supervisors and members of senior

management reside in China and their assets are also mainly located in China. Therefore, investors may face complexities or uncertainties in effecting service of process of legal documents in China and applying for the recognition and enforcement of foreign judgements in China. In respect of effecting service of process of legal documents in China, although China entered into the Hague Convention on Service in 1991, there may be difficulties for foreign investors to effect service of process of legal documents upon the Company, its Directors, Supervisors and senior management members from outside of China due to the cumbersome nature of the service process between countries. In respect of the recognition and enforcement of judgements, due to the fact that China does not have treaties providing for the reciprocal recognition and enforcement of civil and commercial judgements of courts of the United Kingdom and many other countries, investors may encounter a certain degree of uncertainties in applying for the recognition or enforcement of judgements issued by foreign courts against the Company, its Directors, Supervisors and members of senior management in China, if the principle of reciprocity is not applied.

RISKS RELATED TO THE GDRS AND THE OFFERING

There has been no prior public trading market for the Offer GDRs, and an active trading market may not develop or be sustained in the future.

Prior to the Offering, there has been no public market for the GDRs. Furthermore, there can be no assurance that an active trading market for the GDRs will develop or be sustained after the Offering, or that the price at which the GDRs will trade in public markets subsequent to the Offering will not be lower than the final Offer Price. If an active trading market is not developed or maintained, the liquidity and trading price of the GDRs could be adversely affected. In addition, there can be no certainty as to the basis on which market makers will provide liquidity in the secondary market, which could negatively affect the terms on which investors are able to transact the GDRs.

The market prices of the GDRs can be highly volatile.

It may be difficult for investors to resell their GDRs at or above the Offer Price, or at all, as the market price of the GDRs after the Offering may be adversely affected by factors within or outside the Group's control, including, but not limited to, variations in the Group's results of operations, market fluctuations, changes in government regulations and adverse economic conditions. In addition, noting that the settlement of redemptions of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shanghai Stock Exchange) may take place on either a two-trading-day rolling basis or a three-trading-day rolling basis (which may therefore be a slightly longer settlement cycle than the usual two-trading-day rolling basis), and such period may be further prolonged due to public holidays in relevant jurisdictions, price volatility may increase the risk of failed trades.

In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may over-allot GDRs or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may not undertake the stabilisation actions and, in particular, the Stabilising Manager's ability to undertake the stabilisation actions depends on it being able to agree deferred settlement arrangements with one or more investors in order to allow it to over-allot GDRs. As such, there is a possibility that no stabilisation activities will be carried out in connection with the Offering, which would entail a greater risk of price volatility following the Offering.

Future sales of GDRs, A Shares or H Shares could depress the market price of the GDRs.

Sales of substantial amounts of GDRs, A Shares or H Shares following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the GDRs.

The Company's ability to pay dividends in the future depends on, amongst other things, the Group's financial performance and is therefore not guaranteed.

To the extent that the Company pays dividends, the distribution of dividends will be dependent upon a number of factors, including, but not limited to, future profits, financial conditions, statutory reserve fund requirements, the amount of distributable reserves, available credit of the Company, general economic conditions and other factors that the Directors deem significant from time to time. Also, the Company's ability to declare and pay cash dividends on the GDRs may be restricted by, amongst other things, covenants in any

credit facilities that the Company may enter into in the future, the recovery of any accumulated losses in the future and provisions of PRC laws. Therefore, there can be no assurance that any dividend will be paid, nor can there be an assurance as to the amount, if any, to be paid in any given year, and GDR holders may not receive any return on their investments in the GDRs unless they sell their GDRs at prices higher than the prices they originally paid.

Furthermore, as the Company conducts its business through its subsidiaries, the Company relies on cash flows from these companies to pay dividends. A material decline in profits generated by one or more of the Company's subsidiaries or a material investment by the Company in any of its subsidiaries could prevent the Company from paying dividends to its shareholders and GDR holders. In addition, in the event of the insolvency, bankruptcy, liquidation, dissolution or winding-up of a subsidiary, secured and unsecured creditors of the subsidiary will have the right to be paid before any distributions are made to the Company. These factors could have a material and adverse effect on the Company's ability to pay dividends to its shareholders and GDR holders.

Future issues of shares may dilute the holdings of the Company's shareholders and/or GDR holders and GDR holders may not be able to benefit from assured entitlements in any future spin-off of any part of the Group.

In order to raise funding in the future, the Company may issue additional new shares in various forms, including but not limited to, A Shares, GDRs and H Shares. Holders of the GDRs may not have any pre-emptive rights with respect to any new equity issuances by the Company. Accordingly, if and when the Company issues shares in the future, the percentage holding of a shareholder and, indirectly, a GDR holder (and, therefore, the economic investment made by the shareholder and, indirectly, GDR holder) will be diluted if such shareholder or, indirectly, GDR holder, does not acquire its proportional entitlement of additional new shares or GDRs (as the case may be).

In addition, in relation to any future spin-off of any part of the Group, GDR holders may not be able to benefit from any assured entitlement to the shares in the spun-off entity (either by way of a distribution in specie of shares in the spun-off entity and/or by way of a preferred application in any offering of shares in such entity) which may otherwise be available to the Company's shareholders on a pro rata basis pursuant to the operation of Practice Note 15 of the Hong Kong Stock Exchange (which applies to the Company due to the listing of its H Shares on the Hong Kong Stock Exchange).

Following the Offering, holders of A Shares may not be able to deposit the A Shares in the Company's GDR facility in order to receive (or sell) GDRs, and changes in regulatory policies in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.

Whenever the Depositary believes that the A Shares deposited with it against the issuance of GDRs represent (or, upon accepting any additional A Shares for deposit, would represent) a percentage exceeding any limits established by any applicable laws, directives, regulations or permits, or trigger any conditions for the making of any filings, applications, notifications or registrations or for obtaining any approvals, licences or permits under any applicable laws, directives or regulations, or for taking any other actions, the Depositary may close its books to deposits of additional A Shares to prevent such thresholds or limits from being exceeded or conditions from being satisfied.

As approved by the CSRC on 2 June 2020, the number of A Shares represented by outstanding GDRs may not exceed 10% of the A Share capital. Assuming that 113,160,600 GDRs are sold in the Offering (including any over-allotment GDRs), the outstanding GDRs will represent 565,803,000 A Shares, which equates to 9% of the total number of issued and outstanding A Shares and therefore 90% of the number of A Shares of the Company currently permitted by the CSRC to be represented by GDRs.

Furthermore, to the extent that stabilisation is undertaken, in order to ensure that there is sufficient headroom under the GDR facility, including under the cap on the number of GDRs prescribed by the CSRC (as referred to above), for the Company to issue new A Shares and sell GDRs representing such A Shares to the Stabilising Manager in order to satisfy its obligations under the Over-allotment Option (if exercised), investors and shareholders of the Company may be prevented from depositing additional A Shares into the GDR facility in order to receive (or sell) GDRs for the duration of the Stabilisation Period.

The liquidity of, and market for, the GDRs could be adversely affected in the event that the Depositary closes its books to deposits of additional A Shares.

Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.

The holders of the GDRs (in their capacity as GDR holders) will have no direct voting rights with respect to the A Shares represented by the GDRs. They will be able to exercise voting rights with respect to the A Shares represented by the GDRs only in accordance with the provisions of the terms and conditions of the GDRs and the relevant requirements of the laws of the PRC generally applicable to all shareholders of the Company. See "Terms and Conditions of the Global Depositary Receipts". There are, therefore, practical limitations upon the ability of the holders of the GDRs to exercise their voting rights due to the additional procedural steps involved in communicating with them.

To exercise their voting rights, the holders of the GDRs must instruct the Depositary on how to vote in respect of the A Shares represented by the GDRs they hold. Because of these additional procedural steps involving the Depositary, the process for exercising voting rights may take longer for holders of the GDRs than for holders of the A Shares, and the Company cannot assure the holders of the GDRs that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. Following recent changes to the applicable PRC laws in relation to the minimum notice periods required to convene general meetings of shareholders, the Company intends to amend its Articles of Association to shorten the period of notice required to convene annual general meetings and extraordinary general meetings of its shareholders to 20-business-day and 10-business-day or 15-day (whichever is longer) notice, respectively (compared with the 45-day notice required in its Articles of Association that will take effect upon Admission of the GDRs). Such amendments were approved at the Company's 2019 annual general meeting which took place on 12 May 2020, but are subject to the approval of the CBIRC. If the Company's Articles of Association are amended to implement these shorter notice periods, there is a risk that holders of the GDRs may not receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. The GDRs, for which the Depositary does not receive timely legible and clear voting instructions, will not be voted in respect thereof and the Depositary will not exercise any discretion as to voting and will not vote or attempt to exercise the right to vote in respect of the A Shares, except pursuant to the voting instructions received from holders. However, if the Depositary receives timely voting instructions from a holder that are legible and clear but do not specify the manner in which the A Shares are to be voted, in accordance with customary market practice, the Depositary will deem such holder (unless otherwise specified in the notice distributed to holders) to have instructed the Depositary to vote in favour of the items in such voting instructions. In certain circumstances, the Depositary will represent all the A Shares underlying the GDRs regardless of voting instructions for the sole purpose of establishing a quorum at a meeting of shareholders.

The Depositary is only required to execute the voting instructions of the holders of GDRs insofar as practicable and as permitted under applicable laws. Holders of GDRs (in their capacity as GDR holders) will not be able to instruct the Depositary to: (i) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called; or (ii) nominate candidates for the Board of Directors or certain other of the Company's governance bodies. However, if holders of GDRs also hold A Shares or H Shares, they may be able to introduce proposals, request that a shareholder meeting be called or nominate candidates in their capacity as shareholders if their shareholding reaches the required threshold.

GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker.

Foreign investors are not generally able to hold A shares in Chinese companies pursuant to restrictions under PRC laws, subject to certain limited exemptions, such as for QFIIs and RQFIIs. In addition, pursuant to the Shanghai-London Stock Connect scheme, GDR holders will not be permitted to redeem their GDRs and hold the underlying A Shares in an on-shore account (such as a QFII or an RQFII account, where they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through another exemption) that wish to hold A Shares (for example, in order to exercise any of the rights that A shareholders have but which GDR holders do not) would need to sell some or all of their GDRs (either on the LSE (or another legitimate trading venue) or by redeeming their GDRs and selling the underlying A Shares on the Shanghai Stock Exchange) and

separately buy A Shares outside the Shanghai-London Stock Connect scheme to be held in a separate (existing or newly established) QFII or RQFII or other account.

The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.

One of the features of the Shanghai-London Stock Connect scheme is that investors will be able to redeem their GDRs in order to sell the underlying A Shares (although, as noted above, investors will not be able to hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker). Pursuant to the DR Provisions, the redemption of GDRs and subsequent sale of underlying A Shares may only be facilitated by certain Designated Brokers. In the United Kingdom, Designated Brokers are members of the LSE designated by the Shanghai Stock Exchange who hold accounts with members of the Shanghai Stock Exchange enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shanghai Stock Exchange (subject to quotas imposed by relevant regulators, as described below). This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place sell orders with Designated Brokers who are able to seek the best price for the securities from either market.

As at the date of this Prospectus, 12 Designated Brokers have been confirmed by the Shanghai Stock Exchange. The PBOC and the SAFE published the Measures for the Administration of Cross-border Funds under Depositary Receipts (For Trial Implementation) (存托凭证跨境资金管理办法（试行）) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration, each Designated Broker will be subject to restrictions relating to, amongst other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory-related quotas on the maximum number and value of cash and securities held by such Designated Broker and foreign exchange-related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker (which are not expected to give rise to any material risk to GDR holders). The CSRC and the FCA jointly published an announcement on 17 June 2019 (the "**Joint Announcement**") (联合公告), providing that the cross-border currency flow under the Shanghai-London Stock Connect scheme is managed under a general quota, where the currency flow under west-bound GDR offerings shall not exceed RMB300 billion. The Joint Announcement also provides that the daily inventory-related quota for each Designated Broker is RMB500 million. Pursuant to the Q&A on the Calculation of the Upper Limit of Overseas Securities Institutions' Domestic Balance under Shanghai-London Stock Connect (关于沪伦通业务中境外证券经营机构在境内市场资产余额上限计算范围的问答) published by the Shanghai Stock Exchange on 17 October 2019, the calculation of such quotas shall exclude any underlying A shares and corresponding cash held by a Designated Broker for the purposes of redemption under the Shanghai-London Stock Connect scheme.

However, there can be no guarantee that the Designated Brokers will provide liquidity between the London and Shanghai markets or that the number of Designated Brokers will increase over time and any failure to do so may restrict the ability of GDR holders to sell their GDRs through a Designated Broker selling the underlying A Shares to investors in China, thus limiting the available capital pool and, as a result, it may mean that GDR holders cannot obtain the highest possible price for their GDRs. In addition, Designated Brokers will be able to set their own pricing terms and, if the number of Designated Brokers fails to increase, or decreases, over time, this may result in the fees payable to Designated Brokers becoming less competitive, potentially increasing costs for GDR holders when either buying GDRs by requesting a Designated Broker to buy A Shares on the Shanghai Stock Exchange and instruct the Depositary to create GDRs representing such A Shares or selling GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shanghai Stock Exchange.

GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the date of Admission or during any period when trading in the A Shares on the Shanghai Stock Exchange is suspended, and this may give rise to price risk to GDR holders.

The GDRs and A Shares are separate securities and there may be a price differential between the trading price of the GDRs on the LSE and the trading price of the A Shares on the Shanghai Stock Exchange. Whilst GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker, pursuant to the

Shanghai-London Stock Connect scheme, investors will (subject to the below) be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares. However, in accordance with the DR Provisions which apply to the Shanghai-London Stock Connect scheme, GDRs subscribed for by investors in the Offering may not be redeemed (that is, in order to sell the underlying A Shares) within 120 days following the date of Admission.

Trading in the A Shares on the Shanghai Stock Exchange may also be suspended from time to time. The Company may apply to the Shanghai Stock Exchange for a suspension of trading in its A Shares for a number of reasons (such as where the Company forecasts that it would be difficult to maintain the confidentiality of any material and disclosable information, the disclosure of which would have, or already has had, a significant impact on the price of the A Shares). During the period of any such trading suspension, it is expected that trading in the GDRs on the LSE will continue. However, during any such period, pursuant to the rules of the Shanghai Stock Exchange promulgated in connection with the Shanghai-London Stock Connect scheme, the Depositary will be required to prevent the redemption (or creation) of GDRs.

This may give rise to price risk to GDR holders. To the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account that one GDR will represent five A Shares), GDR holders may not be able to take advantage of such higher price for the 120 days following the date of Admission or during any period when trading in the A Shares on the Shanghai Stock Exchange is suspended. During such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shanghai Stock Exchange and GDR holders will only be able to sell their GDRs through the IOB of the LSE or another legitimate trading venue.

Holders of the GDRs may be subject to exchange rate risk.

The GDRs are, and any dividends to be paid in respect of them will be, denominated in US Dollars. As dividends of the Company's A Shares are announced and paid in RMB, the final dividend proceeds the GDR holders receive, which will be denominated in the US Dollars, will be subject to exchange rate risk. An investment in GDRs by an investor whose principal currency is not US Dollars exposes the investor to exchange rate risk. Any depreciation of the US Dollar in relation to such foreign currency will reduce the value of the investment in the GDRs or any dividends in foreign currency terms.

Presentation of Financial Information

This Prospectus contains audited consolidated financial statements of the Group as at and for the three years ended 31 December 2017, 2018 and 2019 (namely, the Annual Audited Financial Statements) prepared in accordance with the PRC GAAP and with reference to the disclosure requirements set out in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15—General Rules on Financial Reporting issued by the CSRC, which have been audited by PwC PRC.

In addition, this Prospectus also contains First Quarter Financial Information prepared based on the requirements of the PRC GAAP. First Quarter Financial Information is extracted from the First Quarter Report prepared and published pursuant to the listing rules of the Shanghai Stock Exchange. Neither the First Quarter Report nor First Quarter Financial Information has been audited or reviewed by PwC PRC.

Market Data, Economic and Industry Data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates, using underlying data from independent third parties. Statistics, data, and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets in this Prospectus (together the "**Company Market Study**"), are not based on published data obtained from independent third parties or extrapolations therefrom, but rather are based upon multiple third-party sources, including (i) analysis on China's insurance market in Sigma Report 3/2019, (ii) analysis on China's contribution to the world's premium income growth in Sigma Report 3/2017, (iii) the statistical appendices in Sigma Reports 3/2019, 3/2018, 3/2017, 3/2016 and 4/2015, (iv) the compiled data sheet on the primary insurance premium income generated by PRC life and health insurance companies in 2018 on the CIRC's website, (v) the compiled data sheet on the primary insurance premium income generated by PRC property and casualty insurance companies in 2018 on the CIRC's website, (vi) the insurance statistics reports for 2018, 2017, 2016, 2015 and 2014 on the CIRC's website, (vii) the tables in relation to the operation of the PRC insurance industry for 2018, 2017, 2016, 2015 and 2014 on the CIRC's website, (viii) the population of the relevant provinces and municipalities in China in 2018 on the NBSC's website, and (ix) the GDP of the relevant provinces and municipalities in China in 2018 on the NBSC's website.

The Company does not intend, and does not assume any obligation, to update industry or market data set forth in this Prospectus. Because market behaviour, preferences and trends are subject to changes, prospective investors should be aware that market and industry information in this Prospectus and estimates based on any data therein may not be reliable indicators of future market performance or the Company's future results of operations. Moreover, future results and events may differ materially from the industry and market data projections and estimates contained in this Prospectus because of a series of reasons, including but not limited to: general market conditions, macroeconomy, governmental and regulatory trends; competitive pressure; technological developments; and commercial, managerial, operational or financial factors. Accordingly, there can be no assurance that such projected results or estimates will materialise.

The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the sources of such information have been identified.

Currency

In this Prospectus:

- "**Renminbi**" or "**RMB**" refers to Renminbi, the lawful currency of the PRC;
- "**US Dollars**", "**US$**" or "**USD**" refers to the lawful currency of the United States of America;
- "**HKD**" or "**Hong Kong Dollars**" refers to the lawful currency of Hong Kong.

Rounding

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

No incorporation of website information

The contents of the websites of the Company and the Group do not form any part of this Prospectus.

Forward-looking statements

Certain statements in this Prospectus are not historical facts and are "forward-looking". Forward-looking statements include statements concerning plans, objectives, goals, strategies, economic and regulatory conditions affecting the Group, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "project", "will", "may", "target", "should" and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, "Risk Factors", "Business Description" and "Operating and Financial Review".

The forward-looking statements in this Prospectus are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, the management's examination of historical operating trends, data contained in its records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and which are beyond its control, and the Company may not achieve or accomplish these expectations, beliefs or projections. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results to differ from or fail to meet expectations expressed or implied by, such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to, those described in "Risk Factors", which should be read in conjunction with other cautionary statements that are included in this Prospectus.

When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. Such forward-looking statements speak only as at the date on which they are made and are not intended to give any assurances as to future results. To the extent required by EU Regulation no. 596/2014 on Market Abuse (the "**EU Market Abuse Regulation**"), the listing rules of the FCA (the "**Listing Rules**"), the Prospectus Regulation Rules and the disclosure guidance and transparency rules of the FCA (the "**Disclosure Guidance and Transparency Rules**"), and other applicable regulations, the Company will update or revise the information in this Prospectus. Otherwise the Company undertakes no obligation to update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise and the Company assumes no other obligation to publish additional information. None of the Company, its management or the Joint Bookrunners can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. Accordingly, prospective subscribers for the Offer GDRs should not rely on the forward-looking statements in this Prospectus and investors are strongly advised to read this Prospectus in its entirety.

All subsequent written or oral forward-looking statements attributable to the Company, or persons acting on the Company's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective subscriber for the Offer GDRs should not rely on these forward-looking statements and should specifically consider the factors identified in this Prospectus that could cause actual results to differ.

Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Prospectus.

Service of process and enforcement of civil liabilities

The Company is a joint stock company incorporated in the PRC with limited liability, and substantially all of its assets and the Group's assets are located outside the United Kingdom, and all members of the Company's

board of directors are residents outside the United Kingdom. As a result, it may not be possible to effect service of process within the United Kingdom upon the Company or any of its subsidiaries or such persons or to enforce UK court judgements obtained against them in jurisdictions outside the United Kingdom. In addition, it may be difficult to enforce, in original actions brought in courts in jurisdictions outside the United Kingdom, liabilities predicated upon UK securities laws.

The Company has been advised by its PRC legal advisors, King & Wood Mallesons that there is uncertainty as to whether courts of the PRC would: (i) enforce judgements of English courts obtained against the Company or its Directors, Supervisors and executive officers predicated upon English laws; or (ii) entertain original actions brought in the courts of the PRC against the Company or its Directors, Supervisors and executive officers predicated upon English laws.

The Company	China Pacific Insurance (Group) Co., Ltd. is a joint stock company with limited liability established pursuant to PRC Company Law. The Company's registered office is located at 1 South Zhongshan Road, Huangpu District, Shanghai, PRC.
The Offering	The Offering consists of an offering of up to 113,160,600 Offer GDRs (including any Over-allotment GDRs), each representing five A Shares. The Offering comprises an offering of Offer GDRs outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S. See "Selling Restrictions and Transfer Restrictions". Pursuant to the Offering, the Company has entered into the cornerstone investment agreement with the Cornerstone Investor. For details, see "Plan of Distribution—Cornerstone Investor".
Joint Global Co-ordinators	UBS AG London Branch and Huatai Financial Holdings (Hong Kong) Limited.
Joint Bookrunners	UBS AG London Branch, Huatai Financial Holdings (Hong Kong) Limited, HSBC Bank plc, China International Capital Corporation (UK) Limited, Morgan Stanley & Co. International plc and J.P. Morgan Securities plc.
Offer Price Range	Between US$17.60 and US$19.00 per Offer GDR.
Offer Price	The final Offer Price shall be determined following completion of the book-building process. The Offer Price is expected to be announced on 16 June 2020, by way of a pricing statement, which will be made available on the Company's website at http://www.cpic.com.cn. See "Plan of Distribution".
Depositary	Citibank, N.A.
Custodian	Bank of China Limited
The GDRs	One GDR will represent five A Shares held in a CSDC account in the name of the Depositary. The GDRs will be issued by the Depositary pursuant to the Deposit Agreement. The GDRs will be evidenced initially by the Master GDR Certificate and such Master GDR Certificate will be issued pursuant to the Deposit Agreement. See "Clearing and Settlement". The GDRs will have an infinite term. Following the Offering, pursuant to the Deposit Agreement, the A Shares represented by the GDRs will be held in a CSDC account in the name of the Depositary for the benefit of the holders and beneficial owners of the GDRs. The Depositary may deduct per-GDR fees and other fees, charges and expenses as well as taxes and governmental charges from dividend distributions and may otherwise assess other per-GDR fees and other fees, charges and expenses to the GDR holders. See "Terms and Conditions of the Global Depositary Receipts—19. GDR Fees and Charges". The GDRs will be freely transferable, subject to certain selling restrictions under the relevant laws in certain jurisdictions applicable to the relevant transferor or transferee and restrictions under the DR Provisions. Investors should be aware that pursuant to the DR Provisions, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the date of Admission. Therefore, for such

period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shanghai Stock Exchange and will only be able to sell their GDRs through the IOB of the London Stock Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to buy GDRs by requesting a Designated Broker to buy A Shares on the Shanghai Stock Exchange and instruct the Depositary to create GDRs representing such A Shares, subject to the cap on the number of GDRs approved by the CSRC.

Investors should also be aware that pursuant to the DR Provisions and rules of Shanghai-London Stock Connect promulgated by the Shanghai Stock Exchange the aggregate holding of a single overseas investor of the equities of the Company shall not exceed 10% of the Company's total outstanding shares. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions and rules of Shanghai-London Stock Connect promulgated by the Shanghai Stock Exchange also require that the aggregate interests in the Company's A Shares held by all overseas investors shall not exceed 30% of the total outstanding shares of the Company. In the event the 30% limit is exceeded, overseas investors may be required to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas investors' strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法).

Over-allotment Option

The Company has granted to UBS AG London Branch an option, exercisable within 30 days after the announcement of the Offer Price, to purchase additional GDRs up to a maximum of 10% of the total number of GDRs sold in the Offering excluding the Over-allotment GDRs, at the Offer Price, solely to cover over-allotments, if any, in the Offering.

Listing and Trading

Application will be made: (i) to the FCA, as competent authority under the Prospectus Regulation, for an admission to listing of the GDRs on the standard segment of the Official List; and (ii) to the London Stock Exchange, for an admission to trading of the GDRs on the Shanghai-London Stock Connect segment of the London Stock Exchange's Main Market. The Main Market of the London Stock Exchange is a regulated market in the EEA for the purposes of MiFID II.

Admission to the Official List and unconditional trading in the GDRs on the London Stock Exchange through its IOB is expected to take place on or around the Closing Date. The Company expects that conditional trading in the GDRs on the London Stock Exchange through the IOB will commence on a "when issued" basis on or about 17 June 2020. All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned.

Prior to the Offering, the A Shares are listed on the Shanghai Stock Exchange, but there has been no public market for the GDRs.

The GDRs will be evidenced by the Master GDR Certificate.

	The security identification numbers of the GDRs offered hereby are as follows: GDR ISIN: US16951T1198 GDR Common Code: 218392261 GDR CUSIP: 16951T 119 GDR SEDOL: BMWHQ37 London Stock Exchange trading symbol: CPIC
Lock-Up	For a discussion of lock-up arrangements see "Plan of Distribution—Lock-up Provisions".
Dilution	Assuming 565,803,000 new A Shares are issued pursuant to the Offering (including any exercise of the Over-allotment Option), existing shareholders will experience immediate dilution of their holdings of Shares and voting rights with respect to such Shares of 5.9% resulting from the issue. The net asset value per share as at 31 December 2019 was RMB19.69. The Offer Price Range has been set at between US$17.60 and US$19.00 per Offer GDR.
Use of Proceeds	For a discussion of the use of proceeds, see "Use of Proceeds".
Taxation	For a discussion of certain United Kingdom and PRC tax consequences of purchasing and holding the GDRs, see "Taxation".
Dividend Policy	GDR holders will be entitled to dividends declared, if any, in respect of any record date which falls after the date of Admission. For more details see "Dividend Policy".
Voting Rights	The Deposit Agreement contains arrangements, summarised below, allowing holders of GDRs to vote the underlying A Shares in accordance with PRC law. Holders of A Shares are entitled to one vote per A Share at a shareholders' meeting. See "Terms and Conditions of the Global Depositary Receipts". The Company will notify the Depositary of any meeting at which the holders of A Shares are entitled to vote, or of solicitation of consents or proxies from holders of A Shares or other Deposited Property (as defined in "Terms and Conditions of the Global Depositary Receipts"). As soon as practicable after receipt from the Company of such notice, the Depositary shall fix the record date (which shall be as close as possible to the corresponding record date set by the Company) in respect of such meeting or solicitation of consent or proxy. The Depositary shall, if requested by the Company in writing and not prohibited by applicable laws, and at the Company's expense, distribute to Holders as at the record date: (a) such notice of meeting or solicitation of consent or proxy as well as any other materials provided by the Company to the Depositary in connection therewith; (b) a statement that the Holders at the close of business in New York on the record date will be entitled, subject to any applicable laws, the provisions of the Deposit Agreement, the Articles of Association and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarised in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the A Shares or other Deposited Property represented by such Holder's GDRs; and (c) a brief statement as to the manner in which such voting instructions may be given.

Voting instructions may be given to the Depositary only in respect of a number of GDRs representing an integral number of A Shares or other Deposited Property. Subject to applicable laws, the provisions of the Deposit Agreement, the Conditions, the Articles of Association and the provisions of or governing the Deposited Property, if the Depositary has received voting instructions from a Holder as at the GDR Record Date to vote the Deposited Property on or before the date specified by the Depositary, the Depositary shall endeavour, insofar as practicable and permitted by PRC laws and practices, to vote or cause the Custodian to vote the A Shares and/or other Deposited Property represented by such Holder's GDRs for which timely and valid voting instructions have been received in the manner so instructed by such Holders.

A Holder of GDRs also has the right to share profits of the Company and to receive the proceeds of any liquidation surplus. Payments of cash dividends and other amounts (including cash distributions) in relation to the GDRs will be made by the Depositary through Euroclear or Clearstream, Luxembourg, as the case may be, on behalf of persons entitled thereto, upon receipt of funds therefor from the Company, net of the Depositary's fees, taxes, duties and charges.

Settlement and Transfer

Payments for the GDRs are expected to be made in US Dollars in same-day funds through the facilities of Euroclear and Clearstream, Luxembourg on or around the Closing Date. The Company will apply to Euroclear and Clearstream, Luxembourg to have the GDRs accepted for clearing and settlement through the systems of Euroclear and Clearstream, Luxembourg. The Master GDR Certificate will be registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream, Luxembourg. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the Master GDR Certificate only through Euroclear or Clearstream, Luxembourg, as applicable. Transfers within Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. See "Clearing and Settlement".

The Company believes that the Offering and the Admission will help optimise the Company's shareholding structure, enhance the Company's corporate governance, and promote the Company's internationalisation.

Assuming 113,160,600 GDRs are sold in the Offering (including any Over-allotment GDRs), the Company expects to receive net proceeds of between approximately US$1,946.4 million and US$2,102.0 million (assuming the Offer Price is set at either the bottom or the top of the Offer Price Range, respectively), after deduction of the total fees (including underwriting commissions, assuming the discretionary fee is paid in full) and other costs and expenses paid and payable by the Company in connection with the Offering of between approximately US$45.2 million and US$48.0 million (assuming the Offer Price is set at either the bottom or the top of the Offer Price Range, respectively) (inclusive of VAT).

After deduction of the costs and expenses in connection with the Offering, the Company intends to use the net proceeds received from the Offering to steadily promote the Company's internationalisation and replenish its capital.

The Company intends to use the net proceeds received from the Offering as follows:

1. 70% or more of the net proceeds will be used for gradually developing the Group's businesses overseas, in the form of equity investments, partnerships and alliances, and mergers and acquisitions in both developed and emerging markets, supporting core insurance business growth;
2. Up to 30%, or the remainder of the net proceeds, will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities.

If the Company deems the plans 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.

After completion of the Offering, the Company may distribute dividends in the form of cash or by other means that the Company considers appropriate. Any proposed distribution of dividends shall be formulated by the Board and will be subject to the approval of the shareholders of the Company. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the Group's results of operations, cash flows, financial position, statutory solvency requirements under the CBIRC rules, general business conditions, future prospects, statutory, regulatory and contractual restrictions on its declaration and payment of dividends, and other factors that the Board deems relevant.

According to the applicable PRC laws and its Articles of Association, the Company will pay dividends out of its profit after tax only after it has made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory reserve fund of an amount equivalent to 10% of its profit after tax, and when the statutory reserve fund reaches and is maintained at or above 50% of its registered capital, no further allocation to this statutory reserve fund will be required; and
- allocation, if any, to a discretionary reserve fund if approved by the shareholders' general meeting.

Furthermore, the Company may also be required to allocate security deposits, insurance security funds and various insurance contract reserves in accordance with the relevant provisions of the PRC regulations. Also, as set forth in the Articles of Association, the cumulative cash dividends paid by the Company in any consecutive three years shall be no less than 30% of the average annual distributable profits realised for the same three years, except when:

- the solvency level of the Company falls below the prescribed level set by the CBIRC;
- the operation and financial position of the Company is materially affected by force majeure events, such as wars and natural disasters;
- the operation and financial position of the Company is materially affected by the changes in the external environment where the Company operates;
- there are material adverse changes in the operations of the Company; or
- there are other circumstances that make dividend distribution inappropriate according to the relevant laws, regulations and regulatory documents.

The Company may make an interim distribution of profits. The Company may give priority to distribution of dividends in cash, but may also distribute dividends in the form of stocks or a combination of cash and stocks.

According to the Articles of Association, the amount of profits available for distribution of the Company should be the lower of the amount determined under the PRC GAAP and the amount determined under HKFRSs, or, if permitted under the applicable requirements of the overseas place of listing of the Company, determined under the PRC GAAP alone. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

To the extent that dividends are declared and paid by the Company in the future, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of the Shares underlying the GDRs, subject to the terms of the Deposit Agreement. Please refer to the section headed "Description of the Company's Share Capital" for details.

As approved by the shareholders of the Company at the 2019 annual general meeting held on 12 May 2020, the Company declared a dividend of RMB1.2 per share (including tax) for the year ended 31 December 2019 to the holders of both A Shares and H Shares (the "**2019 Dividend**"). The 2019 Dividend was paid on 11 June 2020. The holders of GDRs are not entitled to the 2019 Dividend. After completion of the Offering, the holders of GDRs and the existing shareholders of the Company prior to the Offering will share the accumulated profits of the Company after deduction of the 2019 Dividend.

The tables below set out the Group's capitalisation as at 31 March 2020 and indebtedness as at 30 April 2020.

The capitalisation information as at 31 March 2020 and indebtedness information as at 30 April 2020 have been extracted without material adjustments from the Group's unaudited and unreviewed accounting records.

These tables do not reflect the effect of the Offering, and should be read together with the sections headed "Operating and Financial Review" and "Selected Consolidated Financial and Other Information", as well as the F-pages of this Prospectus.

CAPITALISATION AND INDEBTEDNESS

Indebtedness

	As at 30 April 2020 (unaudited, not reviewed) (RMB in millions)
Total current debt	
Guaranteed	—
Secured	
Securities sold under agreements to repurchase	70,698
Unsecured	—
Total current debt	**70,698**
Total non-current debt (excluding current portion of the long-term debt)	
Guaranteed	—
Secured	—
Unsecured and unguaranteed	
Bonds payable(1)	9,989
Total non-current debt	**9,989**

(1) Details of the bonds payable as at 30 April 2020 are as follows:

On 23 March 2018, CPIC P/C issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC P/C 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 P/C 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 P/C issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC P/C 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 P/C does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

Capitalisation

Shareholders' equity*	As at 31 March 2020 (unaudited, not reviewed) (RMB in millions)
Issued capital	9,062
Capital reserves	66,650
Surplus reserves	4,835
General reserves	14,345
Total	**94,892**

* Shareholders' equity does not include retained profits and other comprehensive income.

There has been no material change in the Group's capitalisation since 31 March 2020.

Net indebtedness

	As at 30 April 2020 (unaudited, not reviewed) (RMB in millions)
Cash	11,200
Cash equivalent	15,529
Trading securities[(1)]	431,624
Total liquidity	**458,353**
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	
Securities sold under agreements to repurchase	(70,698)
Current financial debt	**(70,698)**
Net current financial indebtedness	**387,655**
Non-current bank loans	—
Bonds payable	(9,989)
Other non-current loans	—
Non-current financial indebtedness	**(9,989)**
Net financial funding	**377,666**

(1) For the purpose of this net indebtedness table, trading securities represents financial assets at fair value through profit or loss and available-for-sale financial assets, including unrestricted stocks, funds and bonds traded in both interbank market and stock exchange markets. The Group may sell a certain amount of available-for-sale financial assets in the normal course of its business in order to improve its short-term liquidity.

The Group's net indebtedness table above excludes financial assets, financial liabilities, insurance assets, insurance liabilities, reinsurance assets and reinsurance liabilities that relate to the on-going insurance operations of the business.

The Group has no significant indirect and contingent indebtedness.

OVERVIEW

According to the Sigma Reports, China's insurance market was the largest in Asia and the second largest in the world in terms of premiums in 2018. According to data published by the CBIRC, China's primary insurance premium income reached RMB3,801.7 billion in 2018, of which RMB2,724.7 billion was from life and health insurance business and the remaining RMB1,077.0 billion was from property and casualty insurance business.

According to the Sigma Reports, China's insurance market has been one of the most rapidly-growing insurance markets in the world in recent years. Data published by the NBSC indicates that China's nominal GDP increased at a CAGR of 8.9% from 2014 to 2018. During the same period, China's primary insurance premium income grew at a CAGR of 17.1%, of which, that of life and health insurance business increased at a CAGR of 20.2%, and that of property and casualty insurance business increased at a CAGR of 10.6%, according to data published by the CBIRC.

The rapid growth of China's insurance market has mainly been driven by its economic growth, social wealth accumulation, urbanisation, favourable government policies, growing population of next generation consumers, an aging population, and a gradually improving agricultural insurance system.

HISTORY AND DEVELOPMENT OF CHINA'S INSURANCE MARKET

The rapid development of China's modern insurance industry dates back to 1979, with the establishment of commercial insurance companies which were then under the PBOC's supervision. China promulgated the PRC Insurance Law in 1995 which set out the legal framework for China's insurance regulation. In 1998, the CIRC was established and succeeded the PBOC as the insurance regulator. There have been four amendments to the PRC Insurance Law since 2002, which further improved the regulatory regime of the insurance industry. The merger of the CBRC and the CIRC in 2018 marked another milestone for China's insurance industry. The merged body, the CBIRC, is committed to promoting the transformation and development of China's insurance industry.

Since AIG established its first branch in Shanghai in 1992, foreign insurers have played an active role in the development of China's insurance industry. According to data published by the CBIRC, there were 28 foreign-invested life and health insurance companies and 22 foreign-invested property and casualty insurance companies in China as at the end of 2018.

CURRENT STATUS OF CHINA'S INSURANCE MARKET

Market size and growth rate

China's insurance industry has experienced rapid development in recent years and is one of the most important growth engines of the global insurance market. According to the Sigma Reports, global premiums increased from US$4,778.2 billion in 2014 to US$5,193.2 billion in 2018, which represents a CAGR of 2.1%. During the same period, China's premiums increased from US$328.4 billion to US$574.9 billion, which represents a CAGR of 15.0% and contributed to 59.4% of the growth of global premiums during the same period. Meanwhile, China's global insurance market share rose from 6.9% in 2014 to 11.1% in 2018, and is expected to reach 20.0% by 2029. In 2018, China's insurance market was the largest in Asia and the second largest in the world in terms of premiums. According to the Sigma Reports, it is forecasted that China will surpass the United States to become the world's largest insurance market by the mid-2030s.

The premiums of China's life insurance business (not including accident and health insurance) grew at a CAGR of 15.4% from US$177.0 billion in 2014 to US$313.4 billion in 2018, while those of the global life insurance business grew at a CAGR of 1.5% from US$2,654.5 billion to US$2,820.2 billion for the same period, according to the Sigma Reports. The premiums of China's non-life insurance business (including accident and health insurance) grew at a CAGR of 14.6% from US$151.5 billion in 2014 to US$261.5 billion in 2018, while those of the global non-life insurance business grew at a CAGR of 2.8% from US$2,123.7 billion to US$2,373.1 billion for the same period, according to the Sigma Reports.

Level of development

Despite considerable increase from 2014 to 2018, China's insurance penetration and insurance density are still lower than their respective global averages. In 2018, China's life insurance penetration was 2.3%, which is 1 percentage point lower than the global life insurance penetration, and China's life insurance density was

US$221 per capita, 40% lower than that of the global life insurance. In the same year, China's non-life insurance penetration was 1.9%, which is 0.9 percentage points lower than the global non-life insurance penetration, while the China's non-life insurance density was US$185 per capita, also 41% lower than that of the global non-life insurance.

The table below sets forth the insurance penetration and insurance density for China and the world from 2014 to 2018:

	Life insurance[1]						Non-life insurance[2]					
	Insurance penetration			Insurance density			Insurance penetration			Insurance density		
Market	2014	2018[3]	Percentage change from 2014 to 2018	2014	2018[3]	CAGR from 2014 to 2018	2014	2018[3]	Percentage change from 2014 to 2018	2014	2018[3]	CAGR from 2014 to 2018
	(%)	*(%)*	*(ppt)*	*(US$)*	*(US$)*	*(%)*	*(%)*	*(%)*	*(ppt)*	*(US$)*	*(US$)*	*(%)*
China	1.7	2.3	0.6	127	221	14.9	1.5	1.9	0.4	109	185	14.1
Global	3.4	3.3	-0.1	368	370	0.1	2.7	2.8	0.1	294	312	1.5

Source: Sigma Reports

Note :
(1) Not including accident and health insurance.
(2) Including accident and health insurance.
(3) The data for 2018 are estimations.

As compared with the major insurance markets in the world, China's insurance industry is still in an early stage of development and has significant growth potential.

The table below sets forth the economic indicators, insurance penetration and insurance density of the world's major insurance markets in 2018:

	Economic indicator			Life insurance[1]			Non-life insurance[2]		
Market	Nominal GDP	Nominal GDP per capita	(% real change from 2017 to 2018)	Total premiums	Insurance penetration	Insurance density	Total premiums	Insurance penetration	Insurance density
	(US$ billion)	*(US$)*	*(%)*	*(US$ million)*	*(%)*	*(US$ per capita)*	*(US$ million)*	*(%)*	*(US$ per capita)*
United States	20,576	62,732	2.9	593,391	2.9	1,810	875,984	4.3	2,672
China	13,613	9,614	6.6	313,365	2.3	221	261,512	1.9	185
Japan	4,975	39,173	0.8	334,243	6.7	2,629	106,405	2.1	837
Germany	4,005	48,253	1.5	96,439	2.4	1,161	145,046	3.6	1,747
United Kingdom	2,824	42,149	1.4	235,501	8.3	3,532	101,009	2.3	971
France	2,777	41,448	1.6	165,075	5.8	2,370	92,888	3.1	1,296
India	2,696	1,988	7.3	73,735	2.7	54	26,102	1.0	19
Italy	2,071	33,951	0.8	125,341	6.2	2,110	44,933	2.2	742
Brazil	1,869	8,858	1.1	39,251	2.1	186	33,589	1.8	159
Canada	1,711	46,243	1.8	54,070	3.2	1,462	73,833	4.3	1,996
Global	85,276	11,201	3.2	2,820,175	3.3	370	2,373,050	2.8	312

Source: Sigma Reports

Selection criteria: top ten countries with highest nominal GDP in 2018

Note:
(1) Excluding accident and health insurance.
(2) Including accident and health insurance.
(3) The data for 2018 are estimations.

Principal Participants in China's Insurance Market

According to data published by the CBIRC, there were 91 life and health insurance companies and 88 property and casualty insurance companies in China by the end of 2018.

The table below sets forth the number of life and health insurance companies and property and casualty insurance companies in China from 2014 to 2018:

	As at 31 December				
	2014	2015	2016	2017	2018
Life and health insurance companies	71	75	77	85	91
Property and casualty insurance companies	65	73	81	85	88
Total	**136**	**148**	**158**	**170**	**179**

Source: the CBIRC

China's insurance market is dominated by a few large companies. According to data published by the CBIRC, the top five life and health insurance companies had a combined market share of 49.3%, 52.2% and 55.8% in 2016, 2017 and 2018, respectively, in terms of primary insurance premium income. For the same years, the top three property and casualty insurance companies had a combined market share of 63.1%, 63.5% and 64.0%, respectively, in terms of primary insurance premium income.

The table below sets forth the relevant market shares of the top ten life and health insurance companies in China in terms of primary insurance premium income in 2018 (the latest date for which such information is available):

Rank	Company	Primary insurance premium income	Market Share
		(RMB billion)	*(%)*
1	China Life Insurance Company Limited	536	20.4
2	Ping An Life Insurance Company of China Limited	447	17.0
3	China Pacific Life Insurance Co., Ltd.	201	7.7
4	Huaxia Life Insurance Co., Ltd.	158	6.0
5	Taiping Life Insurance Co., Ltd.	124	4.7
6	New China Life Insurance Co., Ltd.	122	4.7
7	Taikang Life Insurance Company	117	4.5
8	PICC Life Insurance Company Limited	94	3.6
9	FunDe Sino Life Insurance Co., Ltd.	72	2.7
10	Tian An Life Insurance Co., Ltd.	59	2.2
	Subtotal	1,930	73.5
	Others	696	26.5
	Total	**2,626**	**100**

Source: the CBIRC

The table below sets forth the relevant market shares of the top ten property and casualty insurance companies in China in terms of primary insurance premium income in 2018 (the latest date for which such information is available):

Rank	Company	Primary insurance premium income	Market Share
		(RMB billion)	*(%)*
1	PICC Property and Casualty Company Limited	388	33.0
2	Ping An Property & Casualty Insurance Company of China, Ltd.	247	21.0
3	China Pacific Property Insurance Co., Ltd.	117	10.0
4	China Life Property & Casualty Insurance Company Limited	69	5.9
5	China Continent Property & Casualty Insurance Co., Ltd.	42	3.6
6	China United Property Insurance Company	42	3.6
7	Sunshine Property and Casualty Insurance Co., Ltd.	36	3.1
8	Taiping General Insurance Company Limited	24	2.1
9	China Export and Credit Insurance Corporation	20	1.7
10	Tian An Property Insurance Co., Ltd.	15	1.3
	Subtotal	1,002	85.2
	Others	174	14.8
	Total	**1,176**	**100**

Source: the CBIRC

Regional Variation

There are considerable differences in the primary insurance premium income, insurance penetration and insurance density across different regions in China. While coastal regions (such as Guangdong, Jiangsu and Shandong) have higher insurance penetration and insurance density than inland regions (such as Tibet, Henan and Ningxia), the insurance market of the latter has higher growth rates and greater growth potential. According to data published by the CBIRC, the top ten provinces and municipalities combined contributed 57.7%, 59.0% and 54.4% of China's total primary insurance premium income, life and health primary insurance premium income and property and casualty primary insurance premium income in 2018, respectively.

The table below sets forth the top ten provinces and municipalities in China in terms of primary insurance premium income in 2018:

		Life and health insurance		Property and casualty insurance		Total	
Rank	Province/municipality	primary insurance premium income	market share	primary insurance premium income	market share	primary insurance premium income	market share
		(RMB billion)	*(%)*	*(RMB billion)*	*(%)*	*(RMB billion)*	*(%)*
1	Guangdong	255	9.3	93	8.6	347	9.1
2	Jiangsu	246	9.0	86	8.0	332	8.7
3	Shandong	190	7.0	62	5.8	252	6.6
4	Henan	177	6.5	50	4.6	226	6.0
5	Sichuan	147	5.4	49	4.6	196	5.2
6	Zhejiang	128	4.7	67	6.3	195	5.1
7	Beijing	137	5.0	42	3.9	179	4.7
8	Hebei	126	4.6	53	4.9	179	4.7
9	Hubei	112	4.1	35	3.3	147	3.9
10	Shanghai	92	3.4	49	4.5	141	3.7
Subtotal		**1,609**	**59.0**	**586**	**54.4**	**2,194**	**57.7**
Total		**2,725**	**100.0**	**1,077**	**100.0**	**3,802**	**100.0**

Source: the CBIRC

Note: The primary insurance premium income of Dalian, Qingdao, Ningbo, Xiamen and Shenzhen are not included in that of Liaoning, Shandong, Zhejiang, Fujian and Guangdong.

The table below sets forth the top ten provinces and municipalities in China in terms of insurance penetration in 2018:

Rank	Province/municipality	Life and health insurance penetration	Property and casualty insurance penetration	Total insurance penetration
		(%)	*(%)*	*(%)*
1	Beijing	4.5	1.4	5.9
2	Heilongjiang	4.4	1.2	5.5
3	Hebei	3.5	1.5	5.0
4	Ningxia	3.2	1.7	4.9
5	Shanxi	3.6	1.3	4.9
6	Gansu	3.3	1.5	4.8
7	Sichuan	3.6	1.2	4.8
8	Guangdong	3.5	1.3	4.8
9	Xinjiang	3.2	1.6	4.7
10	Henan	3.7	1.0	4.7

Source: the CBIRC and the NBSC

The table below sets forth the top ten provinces and municipalities in China in terms of insurance density in 2018:

Rank	Province/municipality	Life and health insurance density	Property and casualty insurance density	Total insurance density
			(RMB per capita)	
1	Beijing	6,363	1,962	8,326
2	Shanghai	3,798	2,001	5,799
3	Jiangsu	3,053	1,067	4,120
4	Guangdong	2,990	1,120	4,111
5	Zhejiang	2,522	1,441	3,963
6	Tianjin	2,664	926	3,590
7	Shandong	2,200	745	2,945
8	Fujian	1,944	800	2,744
9	Liaoning	1,948	778	2,726
10	Ningxia	1,729	929	2,657

Source: the CBIRC and the NBSC

As compared with the more developed regions, inland regions generally have lower insurance penetration and density but greater growth potential.

The table below sets forth the top ten provinces and municipalities in China in terms of CAGR of primary insurance premium income from 2014 to 2018:

Rank	Province/municipality	Life and health insurance	Property and casualty insurance	Total
		(%)	*(%)*	*(%)*
1	Tibet	31.8	25.2	27.3
2	Henan	23.6	15.6	21.6
3	Ningxia	25.8	15.1	21.5
4	Shenzhen	25.5	13.6	21.4
5	Qingdao	28.2	9.9	21.3
6	Hainan	25.9	14.2	21.1
7	Hunan	24.3	14.0	20.9
8	Anhui	24.7	14.1	20.6
9	Hubei	22.6	14.5	20.4
10	Inner Mongolia	27.6	8.9	20.4

Source: the CBIRC

Note: The primary insurance premium income of Dalian, Qingdao, Ningbo, Xiamen and Shenzhen are not included in that of Liaoning, Shandong, Zhejiang, Fujian and Guangdong.

Composition of China's Insurance Industry

The table below sets forth the proportion of the different insurance businesses in China's insurance market in terms of primary insurance premium income from 2014 to 2018:

Year	Life and health insurance			Property and casualty insurance
	Life insurance	Health insurance	Accident insurance	
	(%)	*(%)*	*(%)*	*(%)*
2014	53.9	7.8	2.7	35.6
2015	54.5	9.9	2.6	32.9
2016	56.3	13.1	2.4	28.2
2017	58.7	12.0	2.5	26.9
2018	54.5	14.3	2.8	28.3

Source: the CBIRC

In terms of primary insurance premium income, the proportion of life and health insurance business in China increased from 2014 to 2018, of which, that of life insurance business increased from 2014 to 2017 and then declined in 2018, that of accident insurance business remained relatively stable, and that of health insurance business increased during the same period.

In addition, the proportion of property and casualty insurance business in China declined in terms of primary insurance premium income during the same period.

Insurance Fund Investment

There has been a steady growth of insurance funds in China in recent years. According to data published by the CBIRC, the aggregate balance of insurance funds in China increased from RMB9,331.4 billion as at 31 December 2014 to RMB16,408.8 billion as at 31 December 2018, representing a CAGR of 15.2%.

The table below sets forth the aggregate balance of insurance funds in China between 2014 and 2018:

Year	Balance of insurance funds
	(RMB billion)
2014	9,331
2015	11,180
2016	13,391
2017	14,921
2018	16,409

Source: the CBIRC

In recent years, the Chinese government has gradually relaxed the restrictions on investment channels for insurance funds to include, among others, bank deposits, bonds, stocks, securities investment funds, real estate and private equity. According to data published by the CBIRC, insurance funds investments in bank deposits, bonds, stocks and securities investment funds, and other investments amounted to RMB2,436.4 billion, RMB5,638.3 billion, RMB1,922.0 billion, and RMB6,412.2 billion, respectively, accounting for 14.9%, 34.4%, 11.7% and 39.1%, respectively, of the aggregate balance in 2018.

Reinsurance

After the compulsory reinsurance regime was abolished in 2006, China's reinsurance industry experienced rapid development. In recent years, reinsurance has played an increasingly significant role in China's insurance market, diversifying product portfolios and enhancing insurers' service capabilities. The State Council promulgated the Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (国务院关于加快发展现代保险服务业的若干意见) in 2014, calling for an acceleration in the development of the reinsurance market and an increase in the number of market participants.

KEY INDUSTRY DRIVERS

Healthy economic development, steady social wealth accumulation, and accelerated urbanisation

According to data published by the NBSC and the CBIRC, China's GDP grew from RMB64,128.1 billion in 2014 to RMB90,031.0 billion in 2018 at a CAGR of 8.9%. Rapid economic growth has resulted in a steady growth of middle-and-high-income population, as well as continued growth of disposable income per capita. According to the NBSC, the disposable income per capita of urban residents in China grew from RMB28,844 in 2014 to RMB39,251 in 2018 at a CAGR of 8.0%, and that of rural residents in China grew from RMB10,489 in 2014 to RMB14,617 in 2018 at a CAGR of 8.7%. Such accumulation of wealth has led to an increased demand for life and health insurance.

In addition, the substantial growth of the number of enterprises and the scale of their assets has been driving demand for commercial property insurance and liability insurance. According to data published by the NBSC, in 2018, there were 378,000 industrial enterprises in China with a minimum annual revenue of RMB20 million. Their total assets reached RMB113,438.2 billion by the end of 2018, which represents a CAGR of 4.3%, as compared with RMB95,677.7 billion in 2014. The number of Chinese enterprises on the Fortune Global 500 list increased from 100 in 2014 to 129 in 2019.

Rapid economic development has also led to accelerated urbanisation. According to data published by the NBSC, China has been urbanising at an unprecedented pace in recent years, with its urbanisation rate (in terms of PRC permanent residents) reaching 59.6% by the end of 2018. This means insurance companies can have a wider consumer reach at a lower cost.

Furthermore, urbanisation has raised awareness of risk protection among the rural population, leading to a stronger demand for insurance. Accelerated urbanisation, together with increasing infrastructure construction, has presented greater development opportunities for China's property insurance business and insurance fund investment.

Supportive government policies

The Chinese government is keen to promote the development of its insurance industry. The State Council issued the Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (国务院关于加快发展现代保险服务业的若干意见) in August 2014, which sets out the objectives of building an insurance industry with strong service and innovation capabilities and international competitiveness, with insurance penetration reaching 5% and insurance density reaching RMB3,500 per capita by 2020. Furthermore, along with the rapid increase in fiscal revenues, government spending on social welfare has also rapidly increased. The Chinese government also seeks to improve the allocation of fiscal resources, especially in the fields of agricultural insurance and critical illness insurance. It initiated the pilot Tax Advantaged Health Insurance Scheme in 2015, which offers preferential personal income tax treatment for commercial health insurance buyers. Since July 2017, the implementation of this pilot scheme has expanded to the whole country. The Chinese government also initiated the pilot Tax-Deferred Commercial Pension Insurance in Shanghai, Fujian, and Suzhou Industrial Park in 2018. These favourable policies are expected to provide strong support for the stable development of the insurance industry.

Rising population of next-gen consumers

In recent years, the greater public awareness of risk protection has led to a growing demand for wealth management services, especially insurance products. Financial planning of insurance products plays an increasingly important role in wealth management services. The younger generation, in particular those born in the 1990s and 2000s, prefer specialised and personalised insurance products and services through digital channels. This change in consumption habits is expected to have a profound impact on the supply and demand in the insurance industry.

Population aging

According to data published by the NBSC, as compared to 2000, the proportion of people aged 65 or above has increased from 7.0% to 11.9%, the proportion of people aged 14 or below has dropped from 22.9% to 16.9%, and the elderly dependency ratio has increased from 9.9% to 16.8% in 2018. Aging population is expected to increase the demand for healthcare services. In addition, a shrinking family size has increased the burden on the labour force to support the elderly people, which has, in turn, led to the demand for a broad-based system of elderly provisions. Such changes in China's demographics and family structure have stimulated the demand for protection-oriented insurance products and pension-related wealth management products.

National policies have also provided strong support for the integrated development of the insurance and elderly care industries. The CIRC issued the Guidance on the Support of Insurance on the Development of Real Economy (关于保险业支持实体经济发展的指导意见) in 2017, which increased support for the healthcare and elderly care industries with insurance products and funds. In 2017, the General Office of the State Council issued the Several Opinions on Accelerating the Development of the Commercial Endowment Insurance (关于加快发展商业养老保险的若干意见), which encouraged the acceleration of the development of commercial pension insurance to promote the establishment of a multi-level retirement services system. According to the 2019 Report on the Work of the Government delivered by the State Council, China will reform its pension insurance system including the promotion of centralised management of pension funds, and the introduction of a pilot programme for long-term care insurance.

Gradually improving agricultural insurance system bringing new development opportunities

In recent years, the Chinese government has formulated the rural revitalisation strategies, which boosted the development of agricultural insurance. Favourable government policies include, among others, establishing a catastrophe insurance system for farmers to support the development of modern agriculture, micro-financing for farmers by insurance funds to support the real economy, and diversification of agricultural insurance products, such as government-subsidised insurance schemes. According to the 2019 Report on the Work of the Government delivered by the State Council, China will continue carrying out rural reforms, improving the agricultural protection system, and expanding the scope of the pilot government-subsidised agricultural insurance scheme.

INDUSTRY TRENDS

Increased market concentration and differentiation amid the opening-up of the PRC insurance industry

In recent years, China has further opened up its insurance market by relaxing restrictions on market access for foreign investors. On 6 December 2019, the General Office of the CBIRC promulgated the Notice of Clarifying the Time Point for Removing Restrictions on Foreign Shareholding Percentage on Joint-Venture Life Insurance Companies (关于明确取消合资寿险公司外资股比限制时点的通知), which officially removed the limit on foreign stakes in life insurance companies. Starting from 1 January 2020, foreign stakes in life insurance companies may reach up to 100%. The State Council amended the Regulation of the People's Republic of China on the Administration of Foreign-Invested Insurance Companies (中华人民共和国外资保险公司管理条例) on 30 September 2019, under which certain prerequisites (namely, the requirements for a 30-year operational history of insurance business and the establishment of a representative office in China for a minimum of 2 years) for establishing foreign-invested insurance companies in China were removed. It also allows foreign insurance groups to invest in and set up foreign-invested insurance companies in China, as well as for foreign financial institutions to invest in foreign-invested insurance companies in China.

China's insurance market is dominated by a few large companies. In view of the dominance of the large industry players, small and medium-sized insurance companies may have to pursue differentiation in their

business strategies. The aforementioned trends will impact the competition landscape of China's insurance market.

Improving insurance regulatory framework

China's insurance industry has experienced structural reforms in market systems, corporate governance, and risk management, with the establishment of a more supportive and scientific regulatory framework. In 2016, the C-ROSS was formally introduced to monitor the solvency and business risks of insurance companies. Since 2017, "deleveraging" has been a priority for Chinese financial regulators. The Chinese government will continue deepening the financial reforms, safeguarding the financial security and enhancing financial regulations. Against this backdrop, China's insurance industry has refocused on the protection nature of insurance, and is providing more comprehensive risk protections for China's economic and social development.

The merger of the CBRC and the CIRC into the CBIRC in 2018 has had a significant impact on the regulatory landscape of China's insurance industry. In March 2018, the CIRC promulgated the revised Measures for the Administration of the Equity of Insurance Companies (保险公司股权管理办法), which sets forth specific provisions on issues including shareholder qualification, shareholding structure and capital authenticity. In August 2019, the CBIRC promulgated the Measures for the Administration of Related Party Transactions of Insurance Companies (保险公司关联交易管理办法), which strengthened the supervision of connected transactions to prevent risks of illegitimate transfer of interest. It is expected that the increased supervision and the continued improvement of relevant laws and regulations will further promote the healthy and stable development of China's insurance industry.

Increasingly sophisticated product and service offerings

There has been a greater public awareness of insurance in recent years. Chinese consumers now regard insurance as an effective tool for long-term financial planning and risk protection. They take this into consideration when purchasing insurance products instead of merely comparing product yields. The COVID-19 pandemic, as a public health catastrophe, is expected to lead to a substantial growth in the public awareness of health protection, which may in turn drive up the market demand for insurance products in the long run. As China's consumer base becomes increasingly sophisticated, insurance companies may have to offer a more diverse range of products to satisfy consumer demand. For example, in addition to traditional insurance products, life insurance companies may also need to provide healthcare, pension, medical and education insurance products and services and proactively manage their customers' risks through early stage intervention.

Technological innovation

The rapid development of technologies including artificial intelligence, cloud computing, big data analytics and genetic biotechnology has accelerated the innovation and development of China's insurance industry. Technological applications mainly focus on digital distribution, precise pricing, intelligent underwriting and claims settlement. The traditional offline marketing of insurance companies was limited during the COVID-19 pandemic, which brought some immediate pressure to the new business growth. Meanwhile, insurance companies are speeding up digital transformation and optimising online customer experience during the pandemic, which would benefit the long-term development of the business. Increased integration of technologies and insurance is expected to enhance the operational efficiency and the consumer experience, lower transaction costs, and increase the availability of insurance products. This disruption to traditional products and distribution channels is expected to accelerate the transformation of China's insurance industry.

More diverse investment channels for insurance funds

As China's capital market matures, the Chinese government has gradually expanded the investment channels for insurance funds. Previously, insurance funds could only invest in bank deposits, government bonds and finance bonds in China. Now, they can invest in, among others, bank deposits, bonds, stocks, securities investment funds, real estate and private equity in China, as well as in 25 developed markets and 20 emerging markets around the world. At the same time, insurance companies can use financial derivatives for investment risk management. It is believed that, with these supportive government policies, investment management capabilities will be improved and the investment channels for insurance funds will be further diversified.

Investors should read this "Business Description" in conjunction with the more detailed information contained in this Prospectus, including the financial and other information appearing in the F-pages of this Prospectus. Where stated, financial information in this section has been extracted without material adjustment from the financial information from the F-pages of this Prospectus.

Overview

Founded in 1991 and listed on both Shanghai and Hong Kong stock exchanges, the Group is a leading insurance group that offers a wide range of financial products and services in China. The Group ranks the 199th on the 2019 Fortune Global 500 list and has established a prestigious brand. The Group has always been upholding the core principle of "Protection is the Nature of Insurance", maintaining a balanced growth between its life and health insurance business and property and casualty insurance business, and building a leading position in the industry through outstanding insurance operations and asset-liability management. As one of the leading market players who entered China's insurance industry in the early 1990s, the Group has witnessed, and played a material role in, the development of China's insurance industry.

The Group offers comprehensive risk solutions and investment management services to approximately 139 million customers via its nationwide distribution network and diversified service platforms. Its strategic vision is to "**become the best in customer experience, business quality, and risk management, and to be the leader in building a healthy insurance industry**". The Group's core values reside in its persistent innovations and transformations, the implementation of *CPIC Service*, the cross-segment collaboration, the fulfilment of social responsibilities, and the long-lasting corporate culture.

The Group is licensed to conduct a full range of businesses related to insurance. It provides life and health insurance through CPIC Life and CPIC Allianz Health, and property and casualty insurance through CPIC P/C, Anxin Agricultural and CPIC HK. Its investment management is carried out through CPIC AMC, Changjiang Pension, third-party asset managers and CPIC Fund, while Changjiang Pension is also the main platform for pension fund management. CPIC AMC holds a controlling stake in CPIC Fund, a mutual fund management platform jointly owned by Allianz Group.

- The life and health insurance business focuses on delivering sustainable value growth. In 2017, 2018 and 2019, CPIC Life's new business value reached RMB26.7 billion, RMB27.1 billion and RMB24.6 billion, respectively, with the new business value margin at 39.4%, 43.7% and 43.3%, respectively. With a market share of 7.7%, CPIC Life was the third largest life and health insurance company in China in terms of primary insurance premium income in 2018, according to data published by the CBIRC.
- The property and casualty insurance business maintains high business quality and has realised continued improvement in underwriting profitability, demonstrated by the healthy improvement in CPIC P/C's combined ratio, which fell to 98.3% in 2019 from 98.8% in 2017. Customer engagement of the automobile insurance kept improving while the non-auto insurance experienced an even stronger growth, pointing to a rebalancing in growth drivers. With a market share of 10.0%, CPIC P/C was the third largest property and casualty insurance company in China in terms of primary insurance premium income in 2018, according to data published by the CBIRC.
- The investment management business conducts diligent asset-liability management and adheres to the guiding principle of "Prudent, Value and Long-Term Investing". The Group has a comprehensive and scientific SAA framework to formulate liabilities-driven and long-term asset allocation strategies that run through macroeconomic cycles. The SAA framework, as well as the disciplined TAA and value-investing securities selection processes, help the Group build the leading asset-liability management position in the industry and provide strong long-term support for its insurance business. From 2017 to 2019, the Group had realised an average total investment yield of 5.1% and an average growth rate of investments' net asset value of 5.7%. As at 31 December 2019, the total AuM of the Group reached RMB2,043.1 billion, of which RMB623.8 billion was third-party assets.

The Group has achieved a steady and healthy growth in premium income, profitability and business value. Its GWPs grew to RMB347.5 billion in 2019 from RMB281.6 billion in 2017 with a CAGR of 11.1%. Net profit attributable to shareholders of the parent grew to RMB27.7 billion in 2019 from RMB14.7 billion in 2017 with a CAGR of 37.6%. The Group's embedded value stood at RMB396.0 billion as at 31 December 2019. The comprehensive solvency margin ratio of the Group stood at 295% as at 31 December 2019. With the solid business performance, the Company has consistently delivered stable returns to its shareholders. Since its

A-share IPO in 2007, the Company has maintained a healthy growth momentum in terms of dividend payout. Cash dividend reached RMB1.20 per share in 2019, while the average annual cash dividend amounted to RMB0.58 per share over the past 12 years, with a 47.3% average annual payout ratio.

The Group has a nationwide distribution network and an extensive customer base across China. Through its cross-segment collaboration and technological empowerment, it provides a comprehensive range of risk solutions and is committed to continued enhancements in customer experience. The agency force is the core distribution channel for the life and health insurance business and, as at 31 December 2019, the Group had approximately 798,000 life insurance agents. As at 31 December 2019, the property and casualty segment conducts its business through 41 branches nationwide and through both traditional and digital service channels, fulfilling the diverse needs of clients and providing customised service solutions. The Group's customer base has been growing by more than 10 million annually for the past four consecutive years, reaching approximately 139 million by 31 December 2019. The Group pioneered the technological empowerment to help enhance customer experience. For example, it was the first in the industry to introduce the Net Promoter Score (NPS) system and applied advanced technologies through the whole customer service cycle to build a better *CPIC Service* brand.

The Group proactively aligns its growth strategies with China's economic and social developments. With in-depth customer insights, it successfully captured the opportunities arising from China's economic growth. The Group has been expanding into emerging business lines including health, pension, agricultural and liability insurance to form new business drivers. For example, in response to the initiative of the "Healthy China 2030", it invested in the "Health + Retirement" concepts. The Group applied cutting-edge technologies such as remote sensing, Internet of Things and big data analytics to tackle the challenges in risk management of agricultural insurance, and enhance the quality of underwriting and claims management. The Group is also committed to supporting the real economy by providing long-term financing to projects in a wide range of sectors such as transportation, energy, environmental protection and affordable housing.

The Group has gained a leading market position and is highly recognised in China and the world. It was named the 6th most valuable insurance brand in "Brand Finance Insurance 100 (2019)". It won "Directors of the Year Awards" in both Individual Director Category and Collective Board Category by the Hong Kong Institute of Directors in 2013 and 2018, and the "Hong Kong Corporate Excellence Award" by the Chamber of Hong Kong Listed Companies in 2010, 2014 and 2017. CPIC Life and CPIC P/C were rated AA by the CBIT in the Customer Service Evaluation of Insurance Companies for three consecutive years from 2017 to 2019. The Group won *AsianInvestor*'s "Institutional Excellence (China)" award in 2019. Changjiang Pension was awarded the "Best Pension Manager in China" in "2019 Best of the Best Awards" by *Asia Asset Management*.

As an industry leader, the Group actively participates in setting industry standards and promoting industry reforms. For instance, the Group led three research projects for the 2nd Phase of the C-ROSS and the design of the Quantitative Assessment Framework for the Asset-liability Management of Property and Casualty Insurers. It also jointly launched Tai'an Agricultural Research Institute with Chinese Academy of Agricultural Sciences and a renowned international insurance group to support policy formulation and academic research in agricultural insurance.

The Group constantly eyes on building future-proofing business models and has launched 15 transformational projects, centring on three key areas, namely the shift of growth drivers in core businesses, expansion into new business areas, and the enhancement of organisational health, to achieve its strategic vision. These projects drive a wide spectrum of transformations from strategies to operations, from products to technologies, from liability to asset management, and from financial capital to human capital. The Group believes that it will maintain a leading position and continue capturing further growth opportunities, leveraging its proactive transformational strategies, prestigious brand, strong business capabilities, large customer base, high-quality customer services and technological empowerment.

Strengths

The Group focuses on insurance as its core business and pursues sustainable value growth. It strives to "**become the best in customer experience, business quality, and risk management, and to be the leader in building a healthy insurance industry**".

The Group promotes a balanced growth across its business segments. To date, the Group has generated stable returns for shareholders and been fulfilling its social responsibilities, therefore delivering value to all

stakeholders. The key strengths of the Group are mainly reflected in the following four aspects: **Focus, Prudence, Dynamism, and Responsibility.**

Focus

An industry leader in China with great potentials

The Group is a leading insurance group in China that offers a wide range of financial products and services. It ranks the 199th on the 2019 Fortune Global 500 list, rising significantly from the 467th in 2011 when it entered the list for the first time.

With an in-depth understanding of the insurance industry, the Group successfully captured opportunities to drive its business growth. The life and health insurance business pioneered the strategy of refocusing on the agency channel and regular premium business, with improving new business margin. The property and casualty insurance business focuses on enhancing the underwriting profitability, and delivered continued improvements in combined ratio. The investment management business established a comprehensive and scientific SAA framework to formulate liabilities-driven and long-term asset allocation strategies through macroeconomic cycles, and delivered stable returns based on strong risk management capabilities.

- *A life and health insurance business with sustainable growth*

As a leading life insurance company in China, CPIC Life is committed to providing customers with long-term risk protections and wealth planning solutions. Guided by its in-depth market understanding, CPIC Life pioneered a shift from bancassurance towards agency channel and regular premium business as early as 2010. The individual business has gradually become the core driver of both value and volume growth. As at 31 December 2019, CPIC Life had an agency force of approximately 798,000 agents. In 2017, 2018 and 2019, its new business value reached RMB26.7 billion, RMB27.1 billion and RMB24.6 billion, respectively, with a new business value margin of 39.4%, 43.7% and 43.3%, respectively, during the same periods. As at 31 December 2017, 2018 and 2019, its embedded value stood at RMB214.0 billion, RMB258.4 billion and RMB305.5 billion, respectively.

Through the effective training of the agency force and the precise customer analysis, CPIC Life keeps enhancing its products and services, and strengthening its capabilities in new customer acquisition and existing customer up-selling, realising a continued growth in residual margin. As at 31 December 2017, 2018 and 2019, its residual margin amounted to RMB228.4 billion, RMB285.4 billion and RMB329.6 billion, respectively. The 13-month policy persistency ratio in 2017, 2018 and 2019 was 93.4%, 92.9% and 90.3%, respectively, and 25-month policy persistency ratio was 89.3%, 90.4% and 89.2%, respectively, during the same periods, with surrender rate declining from 1.3% in 2017 to 1.1% in 2019.

CPIC Life focuses on protection and long-term savings products. For protection products, it launched *Golden Luck Life* to provide critical illness coverage for different age cohorts in addition to the basic coverage. For savings products, it launched *Golden Happiness* participating annuity products and *Life-long Companion* whole life insurance products that were widely welcomed by the market. CPIC Life also developed customised products for targeted customer segments and risks, such as critical illness for adolescents, travel insurance with a high sum-insured, cancer coverage, cardiovascular disease coverage, surgical subsidy insurance coverage, and high-end overseas medical service coverage, ensuring personalised and innovative protection plans and better customer experience.

- *A property and casualty insurance business with a transformational shift in growth drivers*

Following the deregulation of commercial automobile insurance and leveraging its extensive customer data, CPIC P/C has improved the pricing accuracy by developing customised actuarial models. It strengthened its underwriting profitability and improved the combined ratio through enhancements in technologies, operations and resource allocation. In 2017, 2018 and 2019, CPIC P/C reported combined ratio of 98.8%, 98.4% and 98.3%, respectively. During the same periods, its GWPs also achieved strong growth, reaching RMB104.6 billion, RMB117.8 billion and RMB133.0 billion, respectively.

For its automobile insurance business, CPIC P/C strengthened roadside assistance and courtesy car services, which led to a steady improvement in customer loyalty and policy renewal capabilities. With enhanced business quality and expense control, the combined ratio of automobile insurance business also declined from 98.7% in 2017 to 97.9% in 2019.

For its non-auto business, CPIC P/C strategically accelerated the development of agricultural, liability and guarantee insurance, and overseas insurance for domestic clients. It also strengthened its offering in innovative personal property insurance and travel insurance. The share of non-auto business has been rising steadily, driven by favourable government policies and technological innovations. In 2017, 2018 and 2019, the non-auto business generated GWPs of RMB22.8 billion, RMB29.8 billion and RMB39.8 billion, respectively, accounting for 21.8%, 25.3% and 29.9% of the total GWPs of CPIC P/C, respectively. In 2017, 2018 and 2019, agricultural insurance recorded one of the strongest growth among the non-auto businesses, with GWPs of RMB2,740 million, RMB4,243 million and RMB5,975 million, respectively.

- *An investment management business with a robust framework and disciplined processes*

The Group has an industry-leading asset-liability management framework with disciplined and dynamic risk management at its core. The Group adheres to the guiding principle of "Prudent, Value and Long-Term Investing" and has achieved steady growth in AuM. As at 31 December 2017, 2018 and 2019, in-house investment assets reached RMB1,081.3 billion, RMB1,233.2 billion and RMB1,419.3 billion, respectively.

The Group's investment management business is under the direction of the asset-liability management committee. An SAA framework has been put in place to formulate liabilities-driven and long-term asset allocation strategies that run through macroeconomic cycles, and is implemented through a disciplined TAA process and value-investing securities selection. In managing its investment assets, the Group effectively balances investment returns and risks. Based on its risk appetite, the Group optimises the long-term allocation of various asset classes to meet key business requirements including returns and duration. Over the years, the Group has delivered stable investment returns through the SAA/TAA framework and disciplined executions. The average total investment yield, average net investment yield, and average growth rate of investments' net asset value from 2017 to 2019 were 5.1%, 5.1% and 5.7%, respectively. Capitalising on its abundant liquidity, the Group seeks to enhance investment returns with active investments in the private credit market, fulfilling its commitment to supporting the development of the real economy. The total sum invested in private financing instruments had reached RMB297.2 billion by 31 December 2019, with underlying projects spreading across sectors including infrastructure, non-bank financial institutions, transportation, commercial real estate, energy, and manufacturing.

The Group has also successfully developed a third-party asset management business, with third-party assets growing from RMB337.2 billion as at 31 December 2017 to RMB623.8 billion as at 31 December 2019.

The Group further strengthened its pension fund management after acquiring a controlling stake in Changjiang Pension. By 31 December 2019, Changjiang Pension had been awarded with trustee qualification in all existing occupational annuity schemes initiated by 30 provincial and municipal governments. It was also selected as the enterprise annuity trustee of multiple renowned companies in China.

The acquisition of CPIC Fund in 2018 made it possible for the Group to actively explore mutual fund business opportunities and create synergies across different segments to generate greater value for customers.

Prudence

A best-practice developer in prudent management, sound governance and integrated risk management framework

- *A well-established corporate governance, a highly professional Board of Directors and a seasoned senior management team*

The Group has been actively promoting the diversification of its shareholding structure. Through capital raising and dual listing on Shanghai and Hong Kong stock exchanges, its shareholding structure became more balanced, with resource complementarity and checks and balances among domestic and foreign shareholders. Under such a structure, the Shareholders' General Meeting, Board of Directors, Board of Supervisors and senior management perform their respective duties and rights to form a comprehensive and well-coordinated corporate governance system. The Group's corporate governance is highly recognised by the market and regulators. It won "Directors of the Year Awards" in both Individual Director Category and Collective Board Category by the Hong Kong Institute of Directors in 2013 and 2018, and the "Hong Kong Corporate Excellence Award" by the Chamber of Hong Kong Listed Companies in 2010, 2014 and 2017.

As the key decision-making body, the Board of Directors features a diverse background with rich international and professional experience and is predominantly composed of non-executive directors. The

global vision and professional expertise of the Board of Directors are valuable to the Group's corporate governance, strategic planning and market-oriented practices.

The senior management team consists of seasoned industry veterans with extensive domestic and global experience. They collectively provide a strong leadership to maintain the Group's competitiveness in an ever-changing market environment and achieve robust business performance.

The Group always considers talent development a top priority. With a systematic talent development mechanism and performance-based incentives, the Group has built a team of high-quality professionals. In 2018, the Group completed an organisational restructuring, forming nine Group-wide centres including Strategic Management, Collaborative Development, Digital Operation and Investment Management. The new structure facilitates the Group's consolidated management in policy formulation, strategy implementation, risk management and resource planning, ensuring efficient business operation and stimulating organisational vitality.

- *An industry-leading, integrated risk management system*

The Group regards corporate governance as the cornerstone of risk management and strives to maintain a healthy risk culture. With a consistent set of risk language, risk appetite, risk policies, risk assessment, and risk management infrastructure, the Group has formed a well-rounded risk management framework covering all processes with the participation of all employees. The Group instilled concepts of "Universal ownership of risk management and compliance", "Compliance is the bottom line", and "Compliance creates value". The management also proactively incorporates risk management into performance appraisal.

The Group believes that the front-line business management shoulders the primary responsibilities of risk management. Based on new technologies including big data analytics, image recognition, speech analyses, and artificial intelligence, the Group launched *CPIC Sky Monitor* system to screen potential fraudulent transactions. The Group developed a comprehensive asset-liability management framework and a group-wide credit rating system, and strengthened risk appetite and risk limit control mechanism. The Group assesses balance sheet risks through simulations and stress testing, and has formed SAA strategies that run through macroeconomic cycles, realising a stable and profitable business performance within risk limits.

Guided by the strategic objective of becoming "the best in risk management", and in compliance with C-ROSS requirements, the Group standardised procedures from the group level to subsidiaries and branches. The Group has built an integrated platform for risk assessment, legal and compliance, and internal audit. As at 31 December 2019, the comprehensive solvency margin ratios of the Group, CPIC Life and CPIC P/C stood at 295%, 257% and 293%, respectively. The Group also won the "Leading Internal Audit Award" by China Institute of Internal Audit in 2014 and 2017.

Dynamism

A visionary practitioner that fully embraces emerging industry trends with innovations and adaptiveness

Since the election of the 8th Board of Directors in 2017, the Group launched Transformation 2.0. The new transformational strategies are centred on customer-oriented approaches and key development areas, positioning the Group for future opportunities and sustainable growth.

- *Deep insights into industry trends and an early mover in health, pension, and agricultural insurance*

In response to an aging population and the national initiative of the "Healthy China 2030", the Group has taken multiple initiatives to promote its healthcare and retirement businesses. It acquired a controlling stake in Changjiang Pension in 2009, set up CPIC Elderly Care Investment, the first insurance retirement investment platform in China, in 2014, and established CPIC Allianz Health jointly with Allianz SE in the same year. In 2018, the Group established Pacific Medical & Healthcare, a digital health management platform, and subsequently launched an integrated healthcare service platform, *CPIC Blue Passport*, which connects data and resources from within the Group to hospitals and clinics, and covers the full cycle of medical treatment from health management to premium hospital services and claims process.

In 2018, the Group joined hands with ORPEA Group, a world-renowned elderly care service provider, to establish a professional and localised elderly care operator in China with international standards. *CPIC Home*, the high-end retirement communities, was launched in Chengdu, Dali, Hangzhou, Shanghai, Nanjing and Xiamen with insurance products that offer entitlement of admission into these retirement communities and related services. The Group actively explores synergies among insurance products, long-term healthcare services and elderly care community services. As at 31 December 2019, *CPIC Home* had issued retirement

community entitlement to 7,906 clients, further enhancing the Group's capabilities to serve high-end clientele. CPIC Elderly Care Investment, a subsidiary of CPIC Life, received the "2019 Award for Innovative Integration of Insurance and Retirement Services" at the 14th Chinese Insurance Innovation Award Gala for its *CPIC Home* projects. In addition, the Group has pioneered in tax-deferred pension plan since 2018, with the largest market share in terms of number of clients and premium income.

In response to the rural revitalisation strategies of the Chinese government, the Group developed agricultural insurance products aiming to support agriculture and farmers. In 2014, CPIC P/C invested in Anxin Agricultural, China's first specialised agricultural insurance company, following which the Group fully expanded into the agricultural insurance business. CPIC P/C was among the first in China to launch a complete suite of agricultural insurance products, covering, among others, income and natural catastrophes. In terms of technologies application, CPIC P/C developed China's first agricultural insurance technology platform, *E-Agricultural Insurance*, in 2015, and launched the fifth edition in 2019 based on 5G technology, which was regarded as the industry standard for agricultural insurance technology in China. In 2019, CPIC P/C realised GWPs of RMB5,975 million from agricultural business.

- *Insurance-oriented technological empowerment to enhance customer experience, operational efficiency and risk management*

Technological empowerment is essential to enhancing customer satisfaction, operational efficiency and risk management. The Group promotes technological development with four emphases: tackling pain points along key customer journeys, applying technologies to business scenarios, collaboratively building insurance ecosystem, and enhancing risk management and information security. With further strengthened research and development capabilities, the Company became the first insurance organisation in China to receive the Capability Maturity Model Integration (CMMI) Level 5 and Test Maturity Model integration (TMMi) Level 5 certifications.

The Group digitises customer journeys from inquiry, interaction, consulting, application, to claims management to improve customer experience. Its big data platform consolidates data gained through serving approximately 139 million customers. The platform enables 360-degree customer analytics, relationship knowledge graph and smart-recommendation models. The Group launched the first smart insurance advisor, *Alpha InsurAdvisor*, to provide insurance recommendations. Equipped with natural language processing and interaction technology, *Alpha InsurAdvisor* is able to identify user characteristics from conversations and recommend the most appropriate products. It had received more than 10.7 million visits by 31 December 2019, and won the "2017 Shanghai Financial Innovation Award" by the Shanghai municipal government. Technologies also enable the Group to expand its service coverage along the industry chain. For example, it provided one-stop online-to-offline auto services from rescue, repair to claims and maintenance. Leveraging artificial intelligence, Internet of Things, and genetic testing, the Group also improved customer experience in healthcare management, medical treatment, and health monitoring.

The Group improved its operational efficiency through technologies. It launched *Smart Academy*, an agent training app with real-time human-machine interaction, to improve agents' insurance knowledge as well as service professionalism. *CPIC SmartClaims* consolidates direct clinic data access, bill prepayment, medical service assistance and healthcare management, shortening claim turnaround time to minutes. The *E-Agricultural Insurance 5.0* has enhanced the efficiency of inspection of the insured by more than 90% with the help of remote sensing and biometric recognition. *CPIC EasyClaims* for automobile insurance speeded up loss assessment through image recognition, with 80% accuracy in damage level determination and 92% accuracy in repair assessment. It was awarded the "2016 China Insurance Services Innovation Programme" for its contribution in lowering operating costs and shortening claim turnaround time.

The Group also proactively applies technologies to enhance risk management, from loss prevention to anti-fraud and internal audit. The automobile risk management programme, *CPIC DriverCare,* supports real-time warnings against unsafe driving behaviours, and reduces accident frequency. By 31 December 2019, *CPIC DriverCare* had been pilot-launched in 28 provinces and cities, including Shenzhen and Shanghai, and had been installed in approximately 43,000 vehicles, whose claims ratio, accident frequency and mortality dropped by 35%, 41% and 89%, respectively. Given its exceptional risk control effectiveness and outstanding social benefits, *CPIC DriverCare's* underlying technology platform ranked No.1 in the financial services of 2019 AI World Innovations Challenge (AIWIN). In terms of anti-fraud, the Group developed a proprietary anti-fraud platform *CPIC Total Anti-Fraud*, which was honoured as a demonstrative case for insurance digitisation in 2018 by the Insurance Association of China. Furthermore, the Group launched a group-wide digital audit

system that successfully handled thousands of false claims and was considered the role model for insurance audit practice.

- *Accelerated collaboration across business segments to generate higher customer value*

The Group actively drives collaboration among business segments to maximise synergies. Internally, the Group promotes resource sharing in the aspects of customers, channels, products and services. Externally, under the single "CPIC" brand, the Group provides a one-stop financial services platform for individual customers and a full suite of insurance and financial solutions for group clients.

Centring on the philosophy of "multiple products and one-stop services for every customer", the Group has transformed the sales model from product-focused sales to full-cycle services for clients. In terms of synergies across life and health insurance and property and casualty insurance segments, the Group realised continued growth in cross-selling of both automobile and non-auto products by life insurance agents. Primary automobile insurance premiums cross-sold by life insurance agents rose from RMB7,560 million in 2017 to RMB9,571 million in 2019. Health insurance cross-sold by life insurance agents also increased significantly, benefiting from shared data platform, distribution channel and operation systems. As at 31 December 2019, the number of customers with at least 2 insurance policies reached 25.7 million, while the number of customers holding policies from different subsidiaries reached 8.4 million.

For group clients, the Group has formed *Major Account Ecosystem* and established corresponding teams for each strategic client with a three-tier structure incorporating account managers, professional support teams, and service implementation teams, and allocated group resources according to client needs. Under such a structure, the Group built seamless interactions across the group level, its subsidiaries and branch offices, forming a "unified and collaborative team" across all business segments. By 31 December 2019, the Group had signed strategic cooperation agreements with 77 major clients, boosting government-sponsored medical insurance business, critical illness programmes, long-term care, occupational annuity, policy-sponsored agricultural insurance and third-party liability insurance.

Responsibility

A harmony builder with social equity and environmental well-being at the core of the company value

The Group firmly upholds its responsibilities to the society, customers and shareholders. Focusing on environmental, social and governance (ESG), the Group delivered value to all stakeholders through actively serving macro developments and the real economy, enhancing customer experience with customer-oriented strategies, and generating value for investors.

- *Focusing on environmental, social and governance to support the real economy and people's well-being*

With a focus on supporting economic developments, the Group aligns its growth strategies with the overall social development and is fully committed to propelling the economy, absorbing financial shocks, and mitigating risks. Given the long-term nature of insurance investment, the Group supported major projects in the fields of renewable energy, renovation of old urban areas, and infrastructure construction, with a leading position in the industry in terms of the number of registered programmes and amounts invested. To serve the development of the new Lingang area of the China (Shanghai) Pilot Free Trade Zone ("Pilot Zone"), the Group seeks to provide comprehensive and targeted insurance products to enterprises in the area, tailored for the development strategies and business characteristics of the Pilot Zone. The Group also stepped up the effort in green financing, promoting the implementation of environmental and pollution liability insurance. In August 2019, the Group signed a cooperation agreement with China International Import Expo Bureau and was officially designated as a sponsor and the insurance provider for the event.

The Group firmly believes that safeguarding people's well-being and providing risk protection for the society are the core nature of insurance and, at the same time, a stable and increasingly affluent society is the foundation for the healthy development of the insurance industry. Therefore, the Group has established a long-term mechanism for poverty alleviation with CPIC characteristics. By 31 December 2019, the Group had covered over 5 million impoverished people via various poverty alleviation programmes and dispatched 255 CPIC managers to carry out such effort in rural villages. In total, the Group had provided risk protection with RMB2.3 trillion in sum assured for the impoverished areas by 31 December 2019. To prevent re-impoverishment caused by illness, natural disasters and schooling expenses, the Group developed a tailored anti-poverty insurance product, which had provided a total of RMB2.8 trillion in protection to vulnerable

people in 160 counties of 16 provinces by 31 December 2019. In October 2019, CPIC P/C was awarded the "Organisation Innovation Award" in "National Awards of Poverty Alleviation" by the State Council, being the only insurance company receiving such an award.

- *Established CPIC Service brand as being "**Responsible, Smart, Caring**"*

CPIC Service is a priority in the Group's Transformation 2.0 strategies. The Group aims to have "comprehensive service coverage, high service efficiency, best-in-class customer experience, and ever-improving service value" with "***Responsible, Smart, Caring***" as three key words. CPIC Life and CPIC P/C were both rated AA in the Customer Service Evaluation of Insurance Companies as released by the CBIT in the past three consecutive years from 2017 to 2019.

Responsible with high standards: the Group has won customer trust with its highly professional attitude and a great sense of responsibility. It has provided tailored support to corporates and individuals impacted by the COVID-19 pandemic, to protect them against risks in the work resumption period and in the anti-pandemic vaccine development stage. Also, the Group provides 24/7 one-stop insurance service through agents, call centres and online customer service. Even during the super typhoon "Lekima", the Group's call centres still responded to the majority of inbound calls in a timely manner.

Smart technological empowerment with deep understanding of customers: through technological empowerment, the Group enhanced its customer service from front-end to back-end and established an agile customer service monitoring system. The Group pioneered in the industry to launch the real-time net promoter score (NPS) management tool for automatic screening and user feedback analytics. By the end of 2018, the NPS monitoring platform had covered six key touchpoints along four distinctive kinds of customer journey, i.e. automobile insurance claims, life insurance underwriting, claims payment, and policy renewal. The system is embedded within six major functions: automatic survey, automatic data collection, real-time NPS monitoring, automatic generation of re-visit tasks, NPS driving factor analysis, and NPS multi-dimensional analysis. The platform can support quick remedies to negative feedback and prevent customer attrition. Meanwhile, based on objective analysis of customer data, the NPS system analyses trends and pain points of customer experience to provide insights into targeted experience optimisation measures for all subsidiaries and branches.

Caring with customers at heart: the Group adheres to customer-oriented strategies and promotes the innovative approach of "insurance+" to leverage its advantages in products, services and technologies to meet customers' needs for comprehensive protection. For example, the Group launched one-stop "insurance + healthcare management + retirement services" solutions to tackle customers' pain points in medical treatment and elderly care. The Group released an integrated medical care service platform *CPIC Blue Passport*, which covers the whole journey of medical treatment. It has established a service network covering 2,800 hospitals, with nearly 50% of the top level hospitals, providing services to over 7.5 million customers. The Group also established a joint venture with ORPEA to provide high-quality elderly care services to customers in China. In 2018, the Group's "insurance + healthcare" smart service ecosystem was named among the top ten service innovation projects in life insurance industry by the CBIT.

- *Consistently generating value for investors*

The Company has generated stable returns for shareholders. The Company gives priority to cash dividends and maintains a consistent dividend policy. Since its A-share IPO in 2007, the Company has maintained a healthy growth momentum in terms of dividend payout. Cash dividend reached RMB1.20 per share in 2019, while the average annual cash dividend amounted to RMB0.58 per share over the past 12 years, with a 47.3% average annual payout ratio.

The Company started to disclose operating profit after tax ("**OPAT**") in the first half of 2019 and will move towards using such metric as the key measure for future profit distribution, taking into account other factors including net profit and solvency. OPAT is based on net profit on the financial statements, while excluding certain profit or loss items with short-term volatility and material one-off items which the management does not consider to be part of the Group's day-to-day business operation. OPAT aligns well with the long-term nature of the insurance business. Therefore, the Company believes using OPAT as the key measure will further enhance the stability of dividends, providing shareholders with more stable and long-term investment returns. In 2019, the Group's OPAT attributable to shareholders of the parent amounted to RMB27.9 billion, representing an increase of 13.1% from 2018.

Strategies

China is one of the most important engines for the world economic growth. As the economic propeller, risk absorber and social stabiliser for China, China's insurance industry has experienced an enormous growth in the past several decades, and will continue growing in the future. As a leading player in China's insurance industry, the Group will continue driving proactive strategic transformations and enhancing insurance business capabilities to capture the significant growth potential and further strengthen its competitiveness.

The Group will continue its focus on the insurance business and sustainable value growth. In addition to growing in China, the Group will also promote internationalisation. The Group's vision is to "**become the best in customer experience, business quality, and risk management, and to be the leader in building a healthy insurance industry**".

The Group plans to implement the following strategies:

The life and health insurance business will continue pushing forward agency force enhancement, technological empowerment, and the "product + service" concept. The agency force enhancement will be realised through the steady growth of core agents and top-performing agents, and the recruitment of younger generation agents. The Group will increase technology applications in agent recruitment, training, business operations, customer acquisition and customer services. The Group aims to establish a healthcare data platform based on seamless data sharing, and set up an industry-leading retirement service brand via high-end retirement communities and retirement service operation with international standards.

The property and casualty insurance business will continue promoting the shift of growth drivers in both automobile and non-auto insurance and deliver steady topline growth with improving underwriting profitability. Automobile business will keep improving the renewal and direct acquisition channels via digital customer management. Non-auto business will enhance the development in areas including agriculture, environment, healthcare, food safety, and high-end manufacturing through technologies and product innovations. The Group will put in place a differentiated customer management system to meet the diverse needs of individual customers and to build professional teams designated for each group client.

The investment management business will continue improving its asset-liability management system, establishing a global investment platform, and enhancing SAA and optimising TAA procedures. The Group will adhere to the guiding principle of "Prudent, Value and Long-Term Investing", continue optimising life insurance duration matching and strengthen investment capabilities through enhanced investment research, optimised rebalancing mechanism, and long-term performance-based appraisal system.

HISTORY

The Company was established under the name China Pacific Insurance Co., Ltd. on 13 May 1991 and is the first joint-stock commercial insurance company licensed to conduct composite insurance business nationwide in China. On 24 October 2001, the Company was re-registered as a joint-stock limited company in China by its promoters and renamed China Pacific Insurance (Group) Co., Ltd. In the same year, the Company established CPIC Life and CPIC P/C, in each of which the Company held a 95% interest. In 2006, the Company established CPIC AMC. The Company made capital contributions to CPIC Life in 2006, 2007, 2008, 2010 and 2014, respectively, and its shareholding was 98.29% as at the Latest Practicable Date. The Company also made capital contributions to CPIC P/C in 2003, 2007, 2008, 2010, 2011 and 2014, respectively, and its shareholding was 98.50% as at the Latest Practicable Date.

The following sets forth the Group's key corporate milestones since the initial public offering of its A Shares:

2007: The Company conducted a public offering of its A Shares, and public trading thereof on the Shanghai Stock Exchange commenced on 25 December 2007. The net proceeds raised from the offering were approximately RMB29.0 billion.

The Group proposed the strategy of focusing on insurance as the core business to pursue sustainable value growth.

2009: The Company conducted a public offering of its H Shares, and public trading thereof on the Hong Kong Stock Exchange commenced on 23 December 2009. The net proceeds raised from the offering were approximately RMB21.5 billion.

CPIC Life acquired 113,500,000 shares in Changjiang Pension from Shanghai International Group Co., Ltd. and, in addition, subscribed for 218,609,889 new placement shares in Changjiang Pension, thus increasing the total shareholding held by CPIC Life and CPIC AMC to 51.75%. In 2016, CPIC Life acquired 75,500,000 shares in Changjiang Pension from CPIC AMC, thus increasing its shareholding to 51.75%. In 2017, CPIC Life made a capital contribution to Changjiang Pension and its shareholding increased to 62.16%.

2012: The Group launched Transformation 1.0 to build its long-term competitiveness by focusing on customer orientation to improve customer interaction and enhance customer experience, and launched 18 transformational projects.

The Company conducted a follow-on placement of 462,000,000 H Shares and raised net proceeds of HKD10.2 billion.

2014: The Company and Allianz SE co-founded CPIC Allianz Health, 77.05% of which was owned by the Company.

CPIC Life set up CPIC Elderly Care Investment, which co-founded Pacific Orpea with Orpea (Shanghai) Investment Co., Ltd. in 2018 and held a 56.00% interest. The Group implemented a five-year development plan for its elderly care business and started the construction of *CPIC Home* in Chengdu, the first of its series of high-end retirement communities, to strengthen the Group's presence in healthcare and elderly care businesses in China.

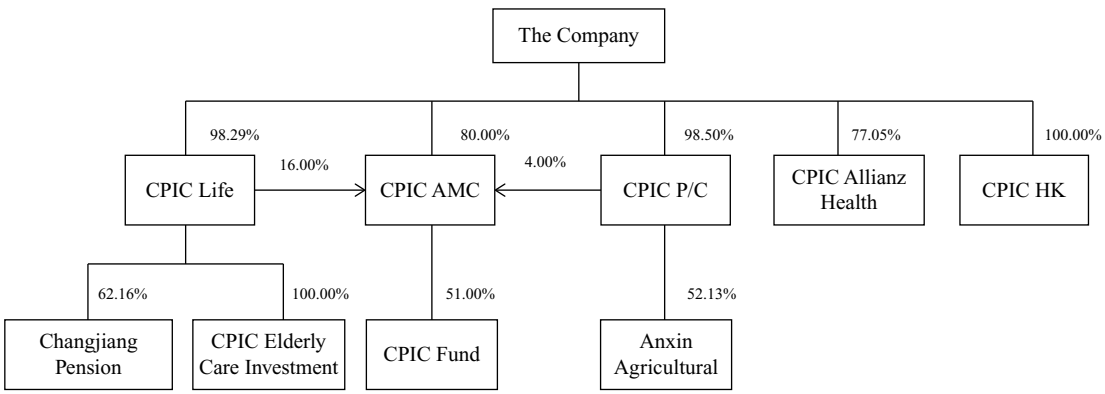
In 2014, CPIC P/C acquired 171,669,200 shares in Anxin Agricultural from Shanghai International Group Co., Ltd. and Shanghai State-Owned Assets Operation Co., Ltd., thus increasing its shareholding to 34.34%. In 2016, CPIC P/C made a capital contribution to Anxin Agricultural and its shareholding increased to 52.13%. Thereafter, the Group is licensed to conduct a full range of businesses related to insurance, providing life and health, property and casualty, pension, agricultural insurance, as well as investment management. These business segments started delivering increasing synergies through collaboration.

2018: With a focus on customer-orientation, the Group launched Transformation 2.0 with 15 transformational projects. It aims to "**become the best in customer experience, business quality, and risk management, and to be the leader in building a healthy insurance industry**".

CPIC AMC acquired a 51.00% interest in CPIC Fund from Guotai Junan Securities Co., Ltd. and conducted mutual fund management business through this subsidiary.

ORGANISATIONAL STRUCTURE

The following chart illustrates the organisational structure of the Group and its major subsidiaries as at the Latest Practicable Date:



Please refer to the section headed "General Information" for details of the Group's major subsidiaries.

LIFE AND HEALTH INSURANCE

Overview

Life and health insurance is the most significant of the Group's three business segments. The Group provides a wide range of life and health insurance products and services through CPIC Life and CPIC Allianz Health.

The table below sets forth GWPs of the life and health insurance segment for the periods indicated (all before inter-segment eliminations and adjustments):

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
GWPs of CPIC Life	175,628	99.3	202,414	98.7	212,514	97.8
GWPs and health management fee income of CPIC Allianz Health	1,259	0.7	2,744	1.3	4,717	2.2
Total	**176,887**	**100.0**	**205,158**	**100.0**	**217,231**	**100.0**

CPIC Life

CPIC Life has a prestigious brand, a leading market position and competitive products and services. According to data published by the CBIRC, CPIC Life is China's third largest life and health insurance company in 2018 in terms of primary insurance premium income. In 2016, 2017 and 2018, its market share based on primary insurance premium income was 6.3%, 6.7% and 7.7%, respectively. GWPs of CPIC Life increased from RMB175.6 billion in 2017 to RMB212.5 billion in 2019, representing a CAGR of 10.0%.

To achieve a sustainable value growth, CPIC Life has adopted a customer-oriented business model and is committed to providing customers with lifelong risk protection and financial planning solutions. In 2017, 2018 and 2019, CPIC Life realised a new business value of RMB26.7 billion, RMB27.1 billion and RMB24.6 billion, respectively, with the new business value margin at 39.4%, 43.7% and 43.3%, respectively. CPIC Life has also achieved a steady growth in the embedded value, which was RMB214.0 billion, RMB258.4 billion and RMB305.5 billion as at 31 December 2017, 2018 and 2019, respectively.

CPIC Life pioneered the transition from bancassurance to agency channel, which has become the core driver of both value and volume growth. CPIC Life has a vast customer base and an extensive distribution network and promotes life and health insurance products and services to individual customers mainly through its nationwide agency force, with 43 branches and approximately 798,000 agents as at 31 December 2019. With diversified distribution channels comprising agency, digital channel and the integrated cross-segment sales channel, CPIC Life's customer base has grown to approximately 90,042,000 individual customers and 304,000 group clients by 31 December 2019.

CPIC Life has a high-quality customer service system. Leveraging its industry experience and in-depth understanding of customers, CPIC Life provides customers with a wide range of products and services to satisfy their increasingly diversified needs. In recent years, CPIC Life has been promoting new business models such as "insurance + retirement services" and "insurance + healthcare management", which integrate products, services and technologies.

With China's life and health insurance industry entering into a new cycle of development, CPIC Life will continue pushing forward agency transformation under Transformation 2.0 to re-balance value growth drivers and achieve sustainable value growth, in particular focusing on the improvement of agency force by maintaining a steady headcount and enhancing the management of agents. CPIC Life also uses technologies such as artificial intelligence, big data analytics and enterprise-level applications to strengthen its collaboration with CPIC P/C, CPIC Allianz Health and other subsidiaries of the Group in products and services, customers and distribution channels.

Products

Types of Products

CPIC Life's products cover customers' full life cycle and can be generally divided into five categories: traditional, participating, universal, tax-deferred pension, and short-term accident and health.

The table below sets forth GWPs of CPIC Life by product category for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Traditional	53,368	30.4	70,230	34.7	83,689	39.4
Including: Long-term health	20,650	11.8	33,010	16.3	43,900	20.7
Participating	111,117	63.3	117,952	58.3	111,521	52.5
Universal	57	0.03	94	0.05	104	0.05
Tax-deferred pension	—	—	37	0.02	75	0.04
Short-term accident and health	11,086	6.3	14,101	7.0	17,125	8.1
Total GWPs	**175,628**	**100.0**	**202,414**	**100.0**	**212,514**	**100.0**

Traditional Insurance

The traditional insurance products of CPIC Life primarily include long-term health, whole life, term life, endowment and annuity products. In 2017, 2018 and 2019, GWPs generated by traditional insurance products accounted for approximately 30.4%, 34.7% and 39.4% of the total GWPs of CPIC Life, out of which long-term health insurance products accounted for approximately 11.8%, 16.3% and 20.7%, respectively.

The long-term health insurance products mainly include critical illness and medical insurance. Critical illness insurance products provide insurance benefits for the insured party's entire life or for a specified period in the event that the insured party is diagnosed with a critical illness that is covered by the insurance policy and meets certain policy requirements. Medical insurance products generally provide medical expense allowances for the insured period in the event that the insured party incurs certain medical expenses as a result of being diagnosed with specified illnesses.

The whole life insurance products provide insurance for the entire life of the insured party in exchange for either a single premium payment or periodic premium payments (i.e. multiple payments of a fixed premium at specified dates over a predetermined period). The face amount of the policy is paid upon the decease of the insured party. Should a policyholder wish to surrender the policy early, the cash surrender value is returned to the policyholder.

The term life insurance products generally provide insurance for the insured party for a specified period in exchange for a single premium payment at the time of taking out the insurance policy or periodic premium payments. Term life insurance products normally do not include savings or investment components, and the contracts generally expire with zero value if the insured party is neither deceased nor totally disabled at the end of the insured period.

The endowment life insurance products provide various kinds of guaranteed benefits, in return for a single premium payment or periodic premium payments, to the insured party, or a beneficiary or beneficiaries of the insured party, in the former case if the insured party is alive after the specified maturity dates or periods, and in the latter case upon the death or total disability of the insured party within the insured period.

The annuity products generally provide guaranteed payments to the insured party during the period specified in the annuity contracts in exchange for a single premium payment or periodic premium payments.

Participating Insurance

The participating insurance products mainly include annuity, endowment and whole life products. In addition to the payments provided under the traditional insurance products, the policyholders have the right to receive dividends if CPIC Life's participating insurance products have distributable surplus in any year during the insured period. China's insurance companies are required by the CBIRC to distribute at least 70% of their annual distributable earnings to policyholders of participating insurance products. Dividends shall be distributed in the form of cash dividends or incremental dividends. Policyholders can choose the form in which they receive the dividends in accordance with the policy terms, including cash, premium offset, cumulative interest

or purchase and payment of the insurance amount. In 2017, 2018 and 2019, GWPs generated by the participating insurance products accounted for 63.3%, 58.3% and 52.5% of GWPs of CPIC Life, respectively.

Universal Insurance

The universal insurance products offer policyholders insurance protection as well as personal policy accounts with guaranteed minimum returns. Premium payments, after deduction of certain initial expenses and the cost of insurance for the initial insured period, are generally credited to a personal policy account where interest accumulates at CPIC Life's published crediting interest rate. CPIC Life invests part of the premium it receives from sales of such products in various investment assets and, in exchange, shares the returns of those investments with its universal insurance customers. It charges certain fees for managing customer accounts in relation to the investment activities of that account and for providing risk protection. GWPs generated by the universal insurance products accounted for approximately 0.03%, 0.05% and 0.05% of GWPs of CPIC Life in 2017, 2018 and 2019, respectively.

Tax-deferred Pension Insurance

The tax-deferred pension insurance products primarily include annuity insurance. Tax-deferred pension insurance products provide whole life or long-term protection. The premiums paid by the insured party are tax deductible within a statutory limit. The insured party will receive annuity payments during the withdrawal period with tax payable in accordance with tax deferral policies. CPIC Life commenced its tax-deferred pension insurance business in 2018. In June 2018, CPIC Life issued the first tax-deferred pension insurance policy in China, and ranked the 1st during the first year in the pilot markets in terms of number of customers and market share of premium. GWPs generated by the tax-deferred pension insurance products accounted for approximately 0.02% and 0.04% of GWPs of CPIC Life in 2018 and 2019, respectively.

Short-term Accident and Health Insurance

The short-term accident insurance products provide benefits to policyholders in the event of death or disability of the insured party as a result of accidents during the insured period. The short-term health insurance products provide reimbursements on medical expenses incurred by the insured party as a result of an accident or specific disease for the insured period. GWPs generated by the short-term accident and health insurance products accounted for approximately 6.3%, 7.0% and 8.1% of GWPs of CPIC Life in 2017, 2018 and 2019, respectively.

Top Five Products

The table below lists CPIC Life's top five life and health insurance products in terms of GWPs for the periods indicated:

	Year ended 31 December								
	2017			2018			2019		
Ranking	Name	Type	GWPs (RMB in millions)	Name	Type	GWPs (RMB in millions)	Name	Type	GWPs (RMB in millions)
1	Jin You Ren Sheng Whole Life A (2014)	Participating	19,149	Jin You Ren Sheng Whole Life A (2014)	Participating	18,142	Jin You Ren Sheng Whole Life A (2014)	Participating	17,341
2	Xingfu Xiangban Endowment	Traditional	7,460	Jin You Ren Sheng Whole Life A (2017)	Participating	8,099	Jin Nuo Ren Sheng Critical Illness (2018)	Traditional	9,570
3	Li Ying Nian Nian Annuity	Participating	6,263	Xingfu Xiangban Endowment	Traditional	7,235	Jin You Ren Sheng Whole Life A (2017)	Participating	7,256
4	Dongfanghong/ Mantanghong Annuity	Participating	6,195	Jin Nuo Ren Sheng Critical Illness (2018)	Traditional	6,023	Dongfanghong/ Mantanghong Annuity	Participating	5,726
5	Li Ying Nian Nian Annuity B	Participating	5,848	Dongfanghong/ Mantanghong Annuity	Participating	5,897	Li Ying Nian Nian Annuity (2018)	Participating	5,292

From Product to "Product +"

CPIC Life adheres to the customer-oriented business model and constantly enhances product innovations based on customer analytics and segmentation capabilities. In the recent years, CPIC Life has been promoting the "Product + " concept, aiming at the integration of products, services and technologies along the insurance value chain.

- The concept of "insurance products + high-end retirement communities + highly professional services" leads to the development of insurance products that offer entitlement of admission into retirement communities and related services to premium customers.

  In August 2018, the Group implemented its pension insurance business development plan to develop *CPIC Home*, a series of high-end retirement communities in major cities across the country. In November 2018, CPIC Elderly Care Investment, a wholly-owned subsidiary of CPIC Life, signed a strategic cooperation agreement with a world-renowned elderly care service provider, the ORPEA Group, to establish Pacific Orpea, an elderly care operator that harmonises CPIC Life's strengths in the local market and ORPEA's advanced skills and experience in elderly care services. In particular, CPIC Life aims to assimilate from its European partner the experience in providing personalised care to elderly people, with disabilities or dementia, in order to create a world-class while localised professional elderly care system, *CPIC Home* retirement communities.

  In December 2018, the construction of the first *CPIC Home*, the Chengdu International Retirement Community project started. Upon completion, it will provide services to three types of elderly customers, i.e. those who can live independently, those who need a certain level of support, and those who require professional care (including dementia care). In 2019, *CPIC Home* projects started in Dali, Hangzhou, Shanghai, Nanjing and Xiamen. As at 31 December 2019, *CPIC Home* had issued retirement community entitlement to 7,906 clients, further enhancing the Group's capabilities to serve high-end clientele. CPIC Elderly Care Investment, a subsidiary of CPIC Life, received the "2019 Award for Innovative Integration of Insurance and Retirement Services" at the 14th Chinese Insurance Innovation Award Gala for its *CPIC Home* projects.

- CPIC Life set up Pacific Medical & Healthcare in 2018 and works closely with CPIC Allianz Health to promote "insurance + healthcare management", providing leading health management services to premium customers.

  On 5 November 2018, Pacific Medical & Healthcare and CPIC Elderly Care Investment entered into a strategic cooperation agreement with Canadian Health Management Centre to build a comprehensive "online and offline" health management system and introduce world-wide leading health management services to CPIC Life's customers. Subsequently, CPIC Life launched its health service programme, *CPIC Blue Passport*, which covers the full cycle of a medical treatment from health management, premium hospital services, to reimbursements. As at 31 December 2019, *CPIC Blue Passport* had established a service network covering 2,800 hospitals, with nearly 50% of the top level hospitals, providing services to over 7.5 million customers. In July 2019, CPIC Life launched the *Golden Luck Series* products, including specific products for adults and for children. These products, which can be used in combination with *CPIC Blue Passport*, leverage CPIC Life's nationwide medical resources, and provide special services such as specialist appointments, specialist surgeries, second medical opinion and overseas medical assistance.

  In April 2019, Pacific Medical & Healthcare launched its online health management service platform, *CPIC More*; and CPIC Life and Pacific Medical & Healthcare, together with More, launched the first interactive health insurance plan based on wearable devices and physical data analysis. On its digital mobile platform and through professional data analysis, *CPIC More* provides a full suite of health management solutions based on the idea of "insurance + health management". These solutions stem from the idea of health intervention, i.e. helping customers develop a healthy life style through timely tracking, continued intervention and facilitation, and combination of operating system gamification with health management algorithms and indexation, and aim to provide customised health management services.

CPIC Life seeks to stay customer-oriented, and will continue promoting the "Product + " business models to satisfy customer demand for personalised, comprehensive and life-long risk protection products and services in the future.

Customers, Channels and Synergies

Customers and Channels

CPIC Life's customer base is one of the largest in the insurance industry in China, comprising approximately 90,042,000 individual customers and 304,000 group clients as at 31 December 2019. The group clients mainly consist of corporate clients and social institution clients.

CPIC Life generates its GWPs primarily from more developed or populous provinces and cities in China. In 2019, approximately 65.4% of GWPs of CPIC Life were contributed by the subsidiaries and branches of its top 10 regions. CPIC Life will continue focusing on opportunities arising from region-integrations, with a particular focus on the Yangtze River Delta, the Greater Bay Area, and Beijing-Tianjin-Hebei-Xiong'an Area, to enhance its competitiveness in key markets and key customer bases.

The table below sets forth GWPs of CPIC Life by region for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Henan	18,428	10.5	22,662	11.2	24,702	11.6
Jiangsu	18,178	10.4	20,801	10.3	21,649	10.2
Shandong	14,748	8.4	16,624	8.2	17,509	8.2
Zhejiang	12,633	7.2	14,961	7.4	15,365	7.2
Hebei	10,284	5.9	12,029	5.9	13,318	6.3
Guangdong	10,807	6.2	11,878	5.9	12,212	5.7
Shanxi/Hubei[(1)]	8,167	4.7	9,126	4.5	9,170	4.3
Hubei/Shanxi[(2)]	7,468	4.3	8,728	4.3	9,026	4.2
Heilongjiang	6,888	3.9	8,288	4.1	9,001	4.2
Xinjiang/Sichuan[(3)]	5,378	3.1	6,284	3.1	7,034	3.3
Subtotal	**112,979**	**64.3**	**131,381**	**64.9**	**138,986**	**65.4**
Others	**62,649**	**35.7**	**71,033**	**35.1**	**73,528**	**34.6**
Total GWPs	**175,628**	**100.0**	**202,414**	**100.0**	**212,514**	**100.0**

Note:

(1) In terms of GWPs, Shanxi ranked the seventh in both 2017 and 2018, and Hubei ranked the seventh in 2019, respectively.

(2) In terms of GWPs, Hubei ranked the eighth in both 2017 and 2018, and Shanxi ranked the eighth in 2019, respectively.

(3) In terms of GWPs, Xinjiang ranked the tenth in 2017, and Sichuan ranked the tenth in both 2018 and 2019, respectively.

CPIC Life distributes its products and services to individual customers and group clients through different channels. For individual customers, products are distributed mainly through agency, digital and other channels, whereas for group clients, products are distributed through integrated sales teams formed across business segments.

As at 31 December 2019, the distribution networks for CPIC Life's life and health insurance business included:

- CPIC Life's agency force, which comprises approximately 798,000 agents;
- 43 branches, 2,820 key sub-branches, sub-branches and sales service outlets;
- *CPIC App*, which has 30.1 million installations;
- CPIC Life's official website, which has accumulated 26.5 million members;
- CPIC Life's WeChat official account, which has 6.8 million monthly active users.

The table below sets forth GWPs of CPIC Life by distribution channel for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Individual customers	**170,055**	**96.8**	**195,418**	**96.5**	**204,521**	**96.2**
Agency channel	**154,195**	**87.8**	**182,693**	**90.3**	**195,166**	**91.8**
New policies	49,484	28.2	46,704	23.1	39,594	18.6
Regular premium business	47,083	26.8	42,515	21.0	33,000	15.5
Renewed policies	104,711	59.6	135,989	67.2	155,572	73.2
Other channels	**15,860**	**9.0**	**12,725**	**6.3**	**9,355**	**4.4**
Group clients	**5,573**	**3.2**	**6,996**	**3.5**	**7,993**	**3.8**
Total GWPs	**175,628**	**100.0**	**202,414**	**100.0**	**212,514**	**100.0**

Individual Customers and Distribution Channels

CPIC Life derives its GWPs primarily from its individual customers. In 2017, 2018 and 2019, GWPs derived from individual customers accounted for 96.8%, 96.5% and 96.2% of GWPs of CPIC Life, respectively.

Agency channel

The agency channel is the main channel through which CPIC Life distributes life and health insurance products and services to individual customers. In 2017, 2018 and 2019, GWPs from the agency channel accounted for 87.8%, 90.3% and 91.8%, respectively, of CPIC Life's GWPs, of which, new policies accounted for 28.2%, 23.1% and 18.6%, respectively, and renewed policies accounted for 59.6%, 67.2% and 73.2%, respectively, of CPIC Life's GWPs.

CPIC Life's monthly average number of agents was 874,000, 847,000 and 790,000 in 2017, 2018 and 2019, respectively. These agents are not employees of CPIC Life, and instead enter into exclusive agency agreements with CPIC Life every three years.

CPIC Life is committed to increasing agent productivity and retention. Through the steady growth of core agents and top-performing agents and the recruitment of younger generation agents, CPIC Life aims to build an agency force with high productivity.

CPIC Life manages its agents under a tiered structure, which comprises two parallel career tracks: sales and management. Agents may join either track, depending on suitability. CPIC Life believes that this tiered, parallel-track system provides its agents with more flexible career development opportunities and can help attract and retain good agents. In addition, CPIC Life has implemented measures to encourage productivity, including an agent commission system, which ties agent commission with sales records, policy persistency ratios and other performance indicators. CPIC Life also has measures to encourage high-productivity agents to further improve their performance, and those with management skills to build their own sales teams. Meanwhile, CPIC Life conducts rigorous performance reviews, and strengthens new recruitments and elite selection.

CPIC Life strives to provide its agents with industry-leading, systematic training. Prior to becoming an official agent, each trainee agent is required to complete standard training in insurance business theory, customer development, product sales and compliance requirements, as well as extensive on-site practical training provided by experienced agents. CPIC Life has also collaborated with LIMRA, LOMA and the Registered Financial Planners Institute, to provide training courses for its sales management personnel, coaches, business managers and strong-performing agents.

Other distribution channels

Other distribution channels include digital and multiple other channels, which mainly consist of *CPIC App*, CPIC Life's official website and WeChat official account.

Group Clients and Distribution Channels

In 2017, 2018 and 2019, GWPs derived from group clients accounted for 3.2%, 3.5% and 3.8% of GWPs of CPIC Life, respectively. CPIC Life distributes life and health insurance products to group clients mainly through the integrated sales team across business segments. In recent years, the Group has entered into strategic cooperation agreements with various provincial governments in China to jointly develop critical illness, pension, catastrophe and agricultural insurance, as well as innovative financial products, to serve the development of the Greater Bay Area and the Yangtze River Delta, and to support the real economy.

Synergies

CPIC Life has been building synergies across various business segments in products and services, customers and distribution channels. Through consolidated management of its brand, information technology and operational resources, CPIC Life targets to meet the differentiated needs of individual customers and group clients, enhance customer experience and generate greater customer value. In particular, CPIC Life provides a one-stop integrated financial service platform for individual customers and a full suite of insurance and financial solutions for group clients.

CPIC Life takes the introduction of innovative insurance products as the new breakthrough point for growth. For example, CPIC Life launched *CarEnjoy*, a life insurance product for car owners from the cross-selling distribution channel, which has integrated a car owner's retention and risks label into the design of life insurance products. This product offers greater coverage for premium customers of automobile insurance, reduces automobile insurance claims and encourages the renewal of both automobile insurance and individual life and health insurance policies. In July 2017, CPIC Life and CPIC Allianz Health jointly launched *JoyEnjoy*, a short-term medical insurance product.

CPIC Allianz Health seeks to continually increase the penetration of its health insurance products and services in the Group's existing customers through data sharing platform, distribution channels and operation systems. In September 2019, CPIC Allianz Health and CPIC Life jointly established the first health experience centre in Shandong, which is another example of synergy exploration, channel integration and business innovation between CPIC Life and CPIC Allianz Health. The facility provides product consultation, health management, medical assistance and other "insurance + healthcare" services to customers. In 2019, GWPs of the health insurance business through the cross-selling channel by CPIC Life's life insurance agents were RMB4,354 million.

For group clients, CPIC Life works closely with CPIC Allianz Health, CPIC P/C, Anxin Agricultural, CPIC AMC, Changjiang Pension, CPIC Fund and other subsidiaries of the Group to provide a full suite of insurance and financial solutions. For strategic clients, CPIC Life has formed dedicated teams with a three-tier structure consisting of key account managers and assistants, professional support teams and on-site service teams. As at 31 December 2019, the Group had signed strategic cooperation agreements with 77 major clients with the geographical distribution covering 63.8% of provinces, municipalities and regional governments across China. Through the partnerships, CPIC Life promoted rapid development of the critical illness medical insurance, third-party administration of basic medical insurance and other government-sponsored insurance businesses. As at 31 December 2019, CPIC Life had won the bids for occupational annuity trustee qualifications granted by 30 provincial and municipal governments.

Customer Service

CPIC Life provides comprehensive insurance services, including basic services such as new policy registration, administration, inquiries, claims settlement, complaints and policy alerts, and value-added services such as emergency assistance and health management, through its branches, customer service specialists, life insurance agents, hotlines and the Internet. To provide high-quality customer services, CPIC Life leverages its extensive customer database, highly standardised business processes and information technology platform that integrates the business maintenance system, claims processing system, investigation management system, customer complaint and inquiry system, customer service hotline and online customer service.

CPIC Life has a one-stop interface, *CPIC App*, to provide complete insurance accesses to customers. The Group has developed *Alpha InsurAdvisor*, the first smart insurance adviser in the industry, which utilises big data analytics and artificial intelligence technology to provide customers with insurance recommendation. As at 31 December 2019, it had received 10.7 million visits. In addition, CPIC Life started applying facial recognition technology in October 2017 for the ID identification in the CPIC Life WeChat accounts, which

shortened the customer authentication process to as short as two minutes. In 2018, CPIC Life launched an online claims handling system, *CPIC E-Claim*, which processes small claims of medical insurance more efficiently. CPIC Life also launched an end-to-end claims settlement service system, *CPIC SmartClaim*, which connects CPIC Life's customers to hospitals and third-party platforms, enabling real-time collection and transmission of each customer's medical data from hospitals to CPIC Life. In the same year, CPIC Life launched its cloud-based service programme to provide customers with real time assistance through remote video conference service. According to data published by the CBIT, CPIC Life was rated AA in the Customer Service Evaluation of Insurance Companies in 2017, 2018 and 2019.

The table below sets forth the 13-month and 25-month persistency ratios of CPIC Life's individual customers for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
Individual life insurance customer 13-month persistency ratio (%)[1]	93.4	92.9	90.3
Individual life insurance customer 25-month persistency ratio (%)[2]	89.3	90.4	89.2

Notes:

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

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

Operation Flow

Product Development and Pricing

CPIC Life has established a world-class, standardised and scientific product development system for life and health insurance that is market- and customer-oriented. CPIC Life's product decision-making committee, consisting of senior management members, is responsible for verifying and confirming the feasibility of product development projects. These projects are executed by CPIC Life's product development project teams comprising professionals specialised in product development, actuaries, business, operations, finance, investment, information technology, risk management and compliance. After a new product is designed and priced under the guidance of the appointed actuary and the appointed legal counsel, all relevant documentations are submitted to the Company's actuarial department for review by the Company's product development team. After the Company's chief actuary has signed off the new product, such product is then filed to the CBIRC along with approvals from the chief actuary and legal counsel as required by the CBIRC's product filing requirements. Such product development system covers the full process of product planning, development, launching and management, and involves many parties with clearly delineated responsibilities. It ensures the reasonable pricing of CPIC Life's products.

In order to ensure that CPIC Life's new products are feasible and meet the market demand, the product development project teams extensively survey relevant business departments, sales teams, branches, and customers. CPIC Life also conducts profitability testing and risk assessment, and formulates corresponding risk management plans.

CPIC Life's pricing strategies focus on ensuring long-term growth, balancing the interests of all stakeholders. CPIC Life prices its life and health insurance products based on various operating and economic assumptions. The operating assumptions include mortality, morbidity and expense, which are determined in accordance with its operating experience, industry expertise and market trends. The economic assumptions, such as investment returns, are determined in accordance with historical investment performance, macroeconomic environment, and expected changes in investment portfolio and industry standards. In determining the distributable dividends of participating and universal insurance products, CPIC Life considers factors including customer expectation, actual investment returns, and its business operations and market competition.

CPIC Life has been in the life and health insurance industry for over two decades. It has a team of internationally certified actuaries and has accumulated a large amount of valuable experience and data that serve as the basis for the pricing of its new products.

Underwriting

CPIC Life has strong underwriting risk management capabilities, attributable to the design, implementation and management of its multi-tiered authorisation system, the expertise of its underwriters and the centralised management of its business operations.

CPIC Life's life and health insurance underwriting process involves application and risk evaluation processes that seek to determine the risks related to a particular applicant, including both mortality risk and insurance fraud risk, as well as consistency between the amount of risks that such applicant is willing and able to accept. During this process, CPIC Life considers the risk characteristics of the individuals to be insured, including health condition, occupation and financial profile.

CPIC Life has a centralised control and verification mechanism for its underwriting operations. The primary underwriter at CPIC Life's branches are appointed by the head office to which they report. Depending on the amount of risks to be assumed under a particular insurance policy, and the authorisation level, underwriting decisions are made by relevant underwriters based at CPIC Life's head office and operations centres. Subsidiaries, main branches, sub-branches or sales service outlets have no authority to underwrite any life and health insurance policies unless with the prior approval from its head office or operations centres.

CPIC Life has a multi-tiered underwriting authorisation system. It has been programmed to automatically forward any insurance policies to be underwritten at a more senior level if the insured amount exceeds the authority of the initial underwriter.

CPIC Life has a team of underwriters with highly professional knowledge and skills. In order to be authorised to underwrite insurance policies, each of the underwriters is required to attend a series of training programmes and pass annual and internal qualification exams. The performance of the underwriters is regularly monitored and reviewed according to standards and procedures set in the professional qualification system. Authorisation for each underwriter is only granted after the underwriter passes various internal certification exams. Thereafter, underwriters are evaluated regularly, based on their work experience and performance, as well as the overall performance of the branch at which they work.

CPIC Life has centralised its individual policy underwriting to two operations centres, one in Zhengzhou and one in Changsha, and moved its new policy issuance functions to 17 policy issuance centres. CPIC Life has also created standard form policies, which help streamline its underwriting process, improves its underwriting efficiency and reduces its operational risks.

By 31 December 2019, CPIC Life had consolidated its underwriting and claims adjustment data from its 43 branches across China into its data centres in Shanghai and Chengdu, and created digital archive copies of all issued insurance policies. CPIC Life believes that this approach would enable itself to further manage its risk exposures in the underwriting processes and increase the utility of its data resources, thereby enhancing its core competitiveness.

Claims Settlement

Life and health insurance claims settlement is centrally handled by CPIC Life through the operations department of its head office, operations centres or relevant branches. The claims adjusters, who are authorised and administered by the head office, review life insurance claims within their scope of authorisation.

CPIC Life's claims settlement process consists of claims investigation and claims adjustment. Its claims investigation team specialises in the investigation and verification of the accuracy of claims reported, and records the investigative process in its uniform investigation management system. Thereafter, the claims adjustment team, comprising claims adjusters who are authorised and managed by the head office, reviews life and health insurance claims within its scope of authorisation, and determines the claims payment based on the findings. As at 31 December 2019, CPIC Life had 790 claims investigators assisting in life and health insurance claims investigation. CPIC Life has prudent measures in place to prevent and detect fraud and misconduct, such as cross-checking of insurance terms, claims documentation and qualifications of a claimant. It has also developed its own insurance fraud risk warning system based on historical data and industry experience.

As at 31 December 2019, CPIC Life had 1,116 claims adjusters. CPIC Life's claims adjusters must pass various internal exams to obtain or upgrade their authorisation levels, which are evaluated and adjusted regularly based on their work experience and performance and the performance of the branch at which they

work. In order to ensure more effective control over its risk exposures, CPIC Life has its information technology system automatically forward any claims to the more senior level if the claim amount exceeds the authorisation level of the handling staff.

Capitalising on its nationwide operational network, strong claims investigation capabilities, and technological advantages in claims adjustment, CPIC Life is able to provide convenient and high-quality claims settlement services to its customers in all of its branches, regardless of where any particular policy was purchased.

Actuarial Practices

As at 31 December 2019, CPIC Life had 66 actuarial professionals, primarily in CPIC Life's actuarial department and product development department, who provide actuarial support to CPIC Life's key business units.

CPIC Life's actuarial department is primarily responsible for the reserves and solvency margin calculation, embedded value determination and experience analysis. The actuarial department periodically evaluates various reserves CPIC Life maintains, in accordance with the relevant accounting principles, to ensure that CPIC Life's reserves, including unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance reserves, meet their future obligations. The actuarial department also monitors CPIC Life's solvency condition. In respect of experience analysis, the actuarial department regularly conducts internal experience studies in mortality, morbidity, surrenders and expenses, which form the bases for setting assumptions used in pricing, reserving and projection. CPIC Life's actuarial team also performs regular valuation and analysis on CPIC Life's embedded value and new business value, to help improve its profitability and maintain stable long-term growth.

Reserves

CPIC Life is required to maintain statutory reserves, including unearned premium reserves, claim reserves, life insurance reserves and long-term health insurance reserves, to provide for its future benefit obligations under its life and health insurance policies for the purposes of its Chinese statutory accounts, the amount of which is determined pursuant to the PRC insurance laws and regulations, as well as the PRC GAAP.

CPIC Life maintained unearned premium reserves for its unexpired insurance liabilities as at the date of reserve assessment, which is calculated primarily based on assumptions, including discount rate, loss ratio, expense ratio, and the forecast period for estimation of future net cash outflow in the entire insured period. CPIC Life maintains claim reserves that cover all claims incurred but not reported, claims reported but not settled and related claims handling costs. Claim reserves are determined based on actuarial assumptions calculated according to relevant actuarial methods and statistical procedures. The calculation also takes into account historical claims settlement data and future trends. CPIC Life maintains life insurance reserves and long-term health insurance reserves for its undetermined life insurance liabilities and long-term health insurance liabilities, respectively. CPIC Life determines life insurance reserves and long-term health insurance reserves based on relevant assumptions such as mortality, morbidity, discount rates and expenses, the amount of which is in compliance with the PRC GAAP, and no less than the statutory minimum amount. Please refer to the section headed "Regulation" for details.

As at 31 December 2019, the reserves maintained by CPIC Life before reinsurance amounted to RMB972.5 billion.

The table below sets forth the reserves CPIC Life maintained before reinsurance as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Unearned premium reserves	3,002	3,727	4,500
Claim reserves	2,827	3,644	4,472
Life insurance reserves	681,766	787,284	891,195
Long-term health insurance reserves	36,779	44,053	72,345

Reinsurance

In order to control and reduce its exposure to potential future loss and expand its underwriting capacity, CPIC Life seeks reinsurance for a portion of the risk that it assumes under its life and health insurance policies. Some of the reinsurance agreements are on an excess-of-loss basis, under which a reinsurer is responsible for the loss in excess of a deductible amount, subject to a pre-determined ceiling. CPIC Life also aggregates its life and health insurance policies under a specific type of insurance, or for a specific product, before arranging for reinsurance. These reinsurance arrangements generally have maturities that match those of the underlying policies.

CPIC Life determines the retained insured amounts and reinsurance ratio according to insurance regulations, and its business development needs. Please refer to the section headed "Regulation" for details. To lower the concentration risk of reinsurance, it has entered into reinsurance agreements with various leading international reinsurance companies.

CPIC Life selects reinsurance companies based on their international ratings, financial strength, service level, insurance clauses, claims settlement efficiency and price. CPIC Life only selects international reinsurance companies with ratings of A- or above and domestic reinsurance companies with a proven track record. In 2017, 2018 and 2019, CPIC Life selected international reinsurers such as Swiss Reinsurance Company Ltd and Munich Reinsurance Company, in addition to China Reinsurance (Group) Corporation and its subsidiaries, namely China Life Reinsurance Company Ltd. and China Property & Casualty Reinsurance Company Ltd. CPIC Life monitors the financial condition of its reinsurers on an ongoing basis, and regularly conducts review of its reinsurance arrangements.

In 2017, 2018 and 2019, CPIC Life ceded RMB2,921 million, RMB4,202 million and RMB7,771 million, accounting for approximately 1.7%, 2.1% and 3.7%, respectively, of its GWPs, to reinsurers. In 2017, 2018 and 2019, none of these reinsurers defaulted on, or delayed in, the payment of any life and health insurance related reinsurance obligations to CPIC Life.

The table below sets forth CPIC Life's premiums ceded to reinsurers by product type for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Traditional	1,860	63.7	1,982	47.2	3,694	47.5
Including: Long-term health	1,274	43.6	1,294	30.8	2,832	36.4
Participating	227	7.8	242	5.8	441	5.7
Universal	21	0.7	51	1.2	62	0.8
Tax-deferred pension	—	—	—	—	—	—
Short-term accident and health	813	27.8	1,927	45.9	3,574	46.0
Total	**2,921**	**100.0**	**4,202**	**100.0**	**7,771**	**100.0**

CPIC Allianz Health

As the specialised health insurance provider under the Group, CPIC Allianz Health is committed to building a centralised and professional platform for developing and providing health insurance products and services. In 2017, 2018 and 2019, GWPs and health management fee income of CPIC Allianz Health amounted to RMB1,259 million, RMB2,744 million and RMB4,717 million, respectively, representing a CAGR of 93.6% from 2017 to 2019.

CPIC Allianz Health provides specialised health insurance products and health management services for its customers, and is constantly innovating products tailored for customer needs. In 2016, CPIC Allianz Health launched the high-end family medical scheme, *FamilyArranger*. CPIC Allianz Health has expanded its direct payment network of health care providers to streamline service process since 2018. It has also established partnerships with leading domestic medical institutions, covering health examinations, medical data research, and genetic engineering testing. With the launch of such innovative health insurance products and full-cycle health services, it further strengthened its capabilities in serving premium customers.

CPIC Allianz Health has been expanding its distribution channels and improving the penetration of health insurance products and services among the Group's customers to generate cross-segment synergies. Short-term

health insurance products and health management services provided by CPIC Allianz Health also facilitated life insurance agents' customer acquisition. In 2019, the penetration rate of short-term health insurance products among individual customers purchasing long-term life and health insurance products reached 11.3%.

CPIC Allianz Health focuses on premium customers, and continues enhancing customer experience through technological application including artificial intelligence and digital tools.

PROPERTY AND CASUALTY INSURANCE

Overview

The property and casualty insurance is one of the three business segments of the Group. The Group provides property and casualty insurance products and services through CPIC P/C and Anxin Agricultural, and conducts overseas business through CPIC HK.

The table below sets forth GWPs of the property and casualty insurance segment for the periods indicated (CPIC P/C's data in this Prospectus does not include the corresponding figures of Anxin Agricultural and is arrived at before inter-segment eliminations and adjustments, except for data pertaining to GWPs for the three months ended 31 March 2019 and 2020):

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
GWPs of CPIC P/C	104,614	98.4	117,808	98.5	132,979	98.6
GWPs of Anxin Agricultural	1,132	1.1	1,249	1.0	1,431	1.1
GWPs of CPIC HK	521	0.5	588	0.5	397	0.3
Total GWPs	**106,267**	**100.0**	**119,645**	**100.0**	**134,807**	**100.0**

CPIC P/C

CPIC P/C is committed to providing comprehensive property and casualty insurance products and services to its customers, both in automobile insurance and non-auto insurance. The non-auto insurance includes liability, commercial property, agricultural, guarantee and others, leveraging its industry experience and in-depth understanding of its customers.

CPIC P/C is China's third largest property and casualty insurance company in terms of primary insurance premium income in 2018, according to data published by the CBIRC. In 2016, 2017 and 2018, the market share of CPIC P/C was 10.4%, 9.9% and 10.0%, respectively, in terms of primary insurance premium income. GWPs of CPIC P/C increased from RMB104.6 billion in 2017 to RMB133.0 billion in 2019, which represents a CAGR of 12.7%.

CPIC P/C has one of the largest distribution networks amongst property and casualty insurance companies in China, covering all the provinces and administrative regions in mainland China, through which CPIC P/C has provided services to approximately 52,587,000 individual customers and 1,755,000 group clients as at 31 December 2019, and accumulated an extensive customer base.

CPIC P/C has strong underwriting capabilities and constantly strives to provide innovative insurance products and services to enhance customer experience. In respect of the automobile insurance business, CPIC P/C aims to enhance its policy renewal capabilities and promote a shift in growth drivers by improving the quality of its sales team and customer engagements, as well as building a comprehensive automobile insurance service framework covering claims settlement, vehicle repair and aftermarket services. In respect of the non-auto insurance business, CPIC P/C adopts prudent risk management, accelerates the growth in emerging business lines, such as agricultural insurance, liability insurance, guarantee insurance and overseas insurance for Chinese clients, and promotes innovative personal property insurance and travel accident insurance for individual customers. In 2017, 2018 and 2019, GWPs generated by non-auto insurance products accounted for 21.8%, 25.3% and 29.9% of GWPs of CPIC P/C, respectively. In addition, CPIC P/C has promoted the integration of products, services and technologies based on the "Product +" concept to improve the *CPIC Service* brand and its customer service capability.

Leveraging the Group's full insurance licenses, CPIC P/C has been building synergies in products and services, customers, and distribution channels, to realise the idea of "multiple products and one-stop service for

every customer". Examples of synergies include cross-selling of property and casualty insurance products by CPIC Life's life insurance agents and providing comprehensive solutions for strategic customers through the customer engagement programme. CPIC P/C has consistently improved its underwriting profitability through better service quality, optimised customer mix, technological empowerment and improvements in pricing, underwriting, claims settlement and operation efficiency. In 2017, 2018 and 2019, the combined ratio of CPIC P/C's insurance business was 98.8%, 98.4% and 98.3%, respectively.

Products

Types of Products

CPIC P/C provides automobile insurance and non-auto insurance products. Automobile insurance includes compulsory and commercial automobile insurance. Non-auto insurance includes commercial property, liability, agricultural, guarantee and other insurance.

Automobile insurance is the largest property and casualty insurance business line in terms of GWPs in 2017, 2018 and 2019. In recent years, driven by favourable government policies and technological empowerment, the non-auto insurance experienced strong growth, and accounted for an increasing proportion of GWPs.

The table below sets forth GWPs of CPIC P/C by product type for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Automobile insurance	81,808	78.2	87,976	74.7	93,218	70.1
Compulsory automobile insurance	17,733	17.0	20,017	17.0	21,938	16.5
Commercial automobile insurance	64,075	61.2	67,959	57.7	71,280	53.6
Non-auto insurance	22,806	21.8	29,832	25.3	39,761	29.9
Commercial property insurance	4,842	4.6	5,234	4.4	6,128	4.6
Liability insurance	4,154	4.0	5,288	4.5	6,097	4.6
Agricultural insurance	2,740	2.6	4,243	3.6	5,975	4.5
Guarantee insurance	1,575	1.5	3,509	3.0	5,616	4.2
Others[(1)]	9,495	9.1	11,558	9.8	15,945	12.0
Total GWPs	**104,614**	**100.0**	**117,808**	**100.0**	**132,979**	**100.0**

Note:

(1) Others include health insurance, accident insurance, cargo insurance, engineering insurance, speciality insurance and hull insurance.

In 2017, 2018 and 2019, CPIC P/C consistently achieved underwriting profitability. It also continued to enhance differentiated customer engagement, operation efficiency and cost management through quality control and technological empowerment. The table below sets forth the expense ratio, loss ratio and combined ratio of CPIC P/C's insurance business for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
Expense ratio (%)[(1)]	38.9	42.2	38.1
Loss ratio (%)[(2)]	59.9	56.2	60.2
Combined ratio (%)[(3)]	98.8	98.4	98.3

Notes:

(1) The expense ratio is calculated using the formula: Expense ratio = (expenses for reinsurance assumed + taxes and surcharges for insurance business + commission and brokerage expenses + operating and administrative expenses for insurance business – expenses recoveries from reinsurers + impairment losses of receivables) / premiums earned.

(2) The loss ratio is calculated using the formula: Loss ratio = (claims – claims recoveries from reinsurers + changes in insurance contract reserves – insurance contract reserves recovered from reinsurers + changes in insurance premium reserves) / premiums earned.

(3) Sum of loss ratio and expense ratio.

Automobile Insurance

CPIC P/C's automobile insurance products mainly include compulsory and commercial automobile insurance. In 2017, 2018 and 2019, GWPs generated by the automobile insurance products accounted for 78.2%, 74.7% and 70.1% of GWPs of CPIC P/C, respectively, with the combined ratio of 98.7%, 98.3% and 97.9%, respectively.

All automobiles in operation in China are required to be covered by compulsory automobile insurance. A compulsory automobile insurance product covers, within liability limits, bodily injuries and property damages of the injured party (other than persons in the insured vehicle or the insured party) in a traffic accident caused by the insured vehicle. CPIC P/C started to offer compulsory automobile insurance on 1 July 2006, making itself one of the first insurance companies approved by CIRC to provide such insurance products. In 2017, 2018 and 2019, GWPs generated by compulsory automobile insurance products accounted for 21.7%, 22.8% and 23.5%, respectively, of GWPs generated by automobile insurance products of CPIC P/C.

Commercial automobile insurance products mainly cover automobile damages, thefts and robberies, third-party liabilities, personnel liabilities and riders. In 2017, 2018 and 2019, GWPs generated by the commercial automobile insurance products accounted for 78.3%, 77.2% and 76.5%, respectively, of GWPs generated by automobile insurance products of CPIC P/C.

The deregulation of commercial automobile insurance since 2015 has had a significant impact on the market competition and actuarial pricing systems. In response to such reform, CPIC P/C implemented a series of measures, including enhancing pricing efficiency and accuracy and improving resource allocation efficiency through developing customised actuarial models. CPIC P/C also strengthened customer engagements, focusing accelerating direct sales and cross-selling, to improve its policy renewal capabilities and promote a shift in growth drivers.

CPIC P/C conducts the automobile insurance business based on the types of customers, vehicles, regions and coverages, and adheres to rigorous underwriting criteria. CPIC P/C also has a strong team of claims experts and an efficient claims handling system. It uses new technologies to improve the efficiency of claims service and integrated operation, which helps CPIC P/C effectively reduce its costs and achieve underwriting profitability for automobile insurance business.

Non-auto insurance

CPIC P/C strives to accelerate the development of emerging business lines to better serve people's well-being. Based on prudent risk management, the non-auto insurance has achieved a rapid growth in the emerging business lines including agricultural, liability and guarantee. In 2017, 2018 and 2019, GWPs generated by non-auto insurance products accounted for 21.8%, 25.3% and 29.9%, respectively, of GWPs of CPIC P/C.

Commercial property insurance products mainly include basic property, comprehensive property, property all risks, machine damage, business interruption and various endorsement products. This business line covers buildings, structures and decoration equipment, machineries and ancillary equipment, communications equipment and tools, finished products, semi-finished products and raw materials. Basic property insurance insures against loss of enterprise properties caused by fires, explosions, lightning and flying or falling objects, while comprehensive property insurance insures against property losses caused by typhoons, hail, floods and certain natural disasters. Property all risks insurance insures against all risks except those explicitly excluded in the relevant policies. Machine damage insurance insures against all direct damages caused by unpredictable faults to the insured equipment and ancillary equipment. Business interruption insurance insures against loss of profits due to material losses caused by accidents. In 2017, 2018 and 2019, GWPs generated by the commercial property insurance products accounted for 21.2%, 17.5% and 15.4%, respectively, of GWPs generated by the non-auto insurance products of CPIC P/C, with the combined ratio of 109.2%, 98.7% and 96.0%, respectively.

The customers of commercial property insurance products are diverse in terms of the industries they operate in; and the risk features of the commercial properties cover a wide spectrum, which require sophisticated underwriting skills and in-depth knowledge of various industries. Given the high value of the insured properties, commercial property insurance providers also need to have a strong capital position. CPIC P/C is well-positioned to compete in the commercial property insurance business given its financial strength, wide product offering range, sophisticated underwriting techniques and in-depth understanding of its customers' insurance needs and the insured targets.

Liability insurance products include employer's liability, public liability, product liability and professional indemnity insurance to protect the insured party from liability for third-party damage. CPIC P/C closely monitors the development of China's legal system and launches new liability insurance products to meet customer needs, such as food safety liability insurance for online-to-offline food ordering platforms, and environmental pollution liability insurance. In 2017, 2018 and 2019, GWPs generated by liability insurance products accounted for 18.2%, 17.7% and 15.3%, respectively, of GWPs generated by non-auto insurance products of CPIC P/C, with the combined ratio of 90.7%, 94.9% and 90.7%, respectively.

Agricultural insurance products mainly include crops, livestock and forest insurance which protects against crop and forest losses caused by natural disasters such as droughts, rainstorms, fires, hail, wind disasters, accidents, pests, and rodents, as well as livestock deaths caused by natural disasters, accidents or epidemics. The customers of CPIC P/C's agricultural insurance mainly include farmers, large livestock farming enterprises and agroforestry planting enterprises. In recent years, CPIC P/C has relied on its extensive analyses of customer needs, insurance-specific technical capabilities and new technological means to drive innovation capabilities, launching pilot insurance products such as the regional output or income insurance for corns and soybeans. In 2017, 2018 and 2019, GWPs generated by the agricultural insurance products accounted for 12.0%, 14.2% and 15.0%, respectively, of GWPs generated by the non-auto insurance products of CPIC P/C, with the combined ratio of 96.6%, 95.0% and 99.8%, respectively.

Guarantee insurance products mainly include product quality guarantee, employee loyalty guarantee, loan guarantee, and construction and engineering guarantee insurance. In recent years, the guarantee insurance business has been stepping up in risk management capabilities and has enhanced the risk management system, improving the Group's ability to prevent fraud and credit risks. GWPs generated by the guarantee insurance products realised rapid development, increasing from RMB1,575 million in 2017 to RMB5,616 million in 2019, which represents a CAGR of 88.8%. In 2017, 2018 and 2019, GWPs generated by guarantee insurance products accounted for 6.9%, 11.8% and 14.1% of GWPs generated by the non-auto insurance products of CPIC P/C, with the combined ratio of 147.4%, 84.2% and 95.5%, respectively.

In addition to the aforementioned products, CPIC P/C also provides other types of property and casualty insurance products, including health insurance, accident insurance, cargo insurance, engineering insurance, speciality insurance and hull insurance.

From Product to "Product+"

Leveraging its insurance expertise and new technologies such as artificial intelligence, big data analytics and Internet of Things, CPIC P/C has fostered capabilities in customer analytics, promoted integration of products, services and technologies, enhanced its customer service capability and set the industry standard.

For automobile insurance, CPIC P/C developed an intelligent system for claims loss reduction, *CPIC DriverCare*, which seeks to prevent accidents at the source. As at 31 December 2019, *CPIC DriverCare* had been put into trial operations in 28 provinces and cities, connecting over 43,000 vehicles. Among the vehicles that have installed the *CPIC DriverCare*, the claims ratio has decreased by 35%, accident frequency has decreased by 41%, and the mortality has significantly dropped by 89%, respectively. Please refer to "—Information Technology" for details. CPIC P/C also expanded upstream and downstream along the service value chain, which includes roadside assistance services, disposal of vehicles involved in accidents and provision of courtesy car services. In addition, CPIC P/C launched a series of related services and applications to enhance its policy renewal capabilities. CPIC P/C's automobile roadside assistance service platform has integrated various resources to allow customers to obtain the real time monitoring of service status, improving customer experience. CPIC P/C also launched the *Golden Key* service programme, which includes claims settlement and vehicle repair on behalf of the customers upon their requests, saving customers' time.

For non-auto insurance, CPIC P/C provides integrated services through its development in the agricultural insurance ecosystem. For example, CPIC P/C and Chinese Academy of Agricultural Sciences jointly developed a digital agricultural operation management system, the *E-Agricultural Insurance*, which effectively tackles the technical challenges in agricultural insurance. Please refer to "—Information Technology" for details.

CPIC P/C will continue conducting extensive analyses of the potential needs of customers with the help of technologies, enhancing the reputation of the *CPIC Service* brand, and comprehensively promoting the "Insurance +" concept.

Customers, Channels and Synergies

Customers and Channels

CPIC P/C's customer base is one of the largest in China, comprising approximately 52,587,000 individual customers and 1,755,000 group clients as at 31 December 2019. The group clients mainly consist of corporate clients and social institution clients.

Relying on its nationwide distribution network, CPIC P/C implements differentiated regional development strategies based on factors such as market potential and business profitability. In 2019, GWPs of CPIC P/C's top ten regions, such as Guangdong, Jiangsu, Zhejiang and Shanghai, accounted for approximately 64.7% of GWPs of CPIC P/C. CPIC P/C will continue developing in these areas, and also relying on its well-established distribution network to capture business opportunities in other developing areas. In 2019, GWPs generated by the insurance business from other regions amounted to RMB47.0 billion, which represents a CAGR of 13.8% as compared with RMB36.3 billion in 2017.

The table below sets forth GWPs of CPIC P/C by region for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Guangdong	12,624	12.1	13,933	11.8	15,540	11.7
Jiangsu	11,911	11.4	12,884	10.9	14,348	10.8
Zhejiang	10,369	9.9	11,587	9.8	12,992	9.8
Shanghai	7,839	7.5	8,871	7.5	10,067	7.6
Shandong	5,960	5.7	6,632	5.6	7,449	5.6
Beijing	5,864	5.6	6,151	5.2	6,811	5.1
Sichuan/Hubei[(1)]	3,594	3.4	4,954	4.2	4,832	3.6
Hebei	3,505	3.4	4,156	3.5	4,734	3.6
Chongqing/Henan/Hunan[(2)]	3,385	3.2	3,846	3.3	4,650	3.5
Guangxi/Hubei/Henan[(3)]	3,266	3.1	3,809	3.2	4,578	3.4
Subtotal	**68,317**	**65.3**	**76,823**	**65.2**	**86,001**	**64.7**
Others	**36,297**	**34.7**	**40,985**	**34.8**	**46,978**	**35.3**
Total GWPs	**104,614**	**100.0**	**117,808**	**100.0**	**132,979**	**100.0**

Notes:

(1) In terms of GWPs, Sichuan ranked the seventh in both 2017 and 2018, and Hubei ranked the seventh in 2019, respectively.

(2) In terms of GWPs, Chongqing, Henan and Hunan each ranked the ninth in 2017, 2018 and 2019, respectively.

(3) In terms of GWPs, Guangxi, Hubei and Henan each ranked the tenth in 2017, 2018 and 2019, respectively.

CPIC P/C distributes its products and services to automobile insurance customers and non-auto insurance customers through different channels. Automobile insurance is mainly distributed through automobile dealers, cross-selling by the life insurance agents of CPIC Life, and digital channel. Non-auto insurance is mainly distributed through CPIC P/C's employees and digital channel.

Automobile Insurance Customers and Distribution Channels

The table below sets forth GWPs generated by automobile insurance products by distribution channel for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
GWPs	**81,808**	**100.0**	**87,976**	**100.0**	**93,218**	**100.0**
Primary insurance premiums	**81,413**	**99.5**	**87,966**	**100.0**	**93,218**	**100.0**
Automobile dealership	31,081	38.2	33,021	37.5	34,864	37.4
Cross-selling	7,560	9.3	8,642	9.8	9,571	10.3

Automobile dealership

Automobile dealership channel is an important distribution channel for automobile insurance. In 2017, 2018 and 2019, the primary insurance premiums derived from the automobile dealership channel accounted for 38.2%, 37.5% and 37.4% of that of automobile insurance business of CPIC P/C, respectively. As at 31 December 2019, CPIC P/C has entered into cooperation agreements with 22 dealers and 20,509 4S automobile shops, and established close relationships with them.

Cross-selling

With the Group's customer base of approximately 139 million, CPIC P/C has promoted the cross-selling of property and casualty insurance products through life insurance agents of CPIC Life. By incorporating cross-selling automobile insurance into the *Digital Agency App*, the life insurance agents of CPIC Life can easily market automobile insurance products to its customers, which drives the continued growth in GWPs derived from the cross-selling channel. In 2017, 2018 and 2019, the primary insurance premiums derived from the cross-selling channel accounted for 9.3%, 9.8% and 10.3%, respectively, of that of the Group's automobile insurance products.

CPIC P/C also distributes automobile insurance products through digital and other channels. As at 31 December 2019, CPIC P/C had set up three call centres with 7,449 sales representatives. CPIC P/C also has an official website, *CPIC App*, a WeChat account, and collaboration with 163 third-party internet sales platforms to facilitate its distribution of automobile insurance products.

Non-auto Insurance Customers and Distribution Channels

CPIC P/C mainly distributes non-auto insurance products through its employees at the branch level and sales service outlets, as well as through the digital channel. With strong product and service innovation capabilities and a nationwide distribution network, CPIC P/C provides comprehensive insurance products and services to enterprises. As at 31 December 2019, CPIC P/C had one hull insurance operations centres, 41 branches, 335 key sub-branches, 2,016 sub-branches, and 445 sales service outlets in China. CPIC P/C has been cooperating with local governments and institutions and providing insurance products and services to them.

Synergies

Leveraging the Group's full insurance licences, CPIC P/C has been exploring synergies in its products and services, customers and distribution channels. Through consolidating the management of its brand, information technology and operational resources, CPIC P/C aims to enhance customers experience and generate higher customer value. In particular, CPIC P/C provides a one-stop integrated financial services platform for individual customers, and a full suite of insurance and financial solutions for group clients.

- CPIC P/C and Anxin Agricultural have jointly developed innovative products, such as the local government-subsidised weather-index insurance for freshwater aquatic farming in Hubei province. In March 2019, CPIC P/C and CPIC Allianz Health jointly introduced cancer medical protection schemes and value-added health management services to middle-aged and elderly people.
- CPIC P/C and CPIC Life have promoted cross-selling to generate synergies. In respect of the agency channel, CPIC P/C and CPIC Life introduced product service packages that consolidated resources across different business segments, including product enquiry, sales, insurance policy services, and value-added services, which were also incorporated on the *Digital Agency App*. Meanwhile, this application also launched the cross-selling platform, which integrated the individual insurance products within the Group. Since 2018, CPIC P/C has further promoted a cross-selling programme named *100 Exemplary Bases for Cross-sell*. In 2019, primary insurance premiums generated by automobile insurance products through cross-selling channel reached RMB9,571 million, accounting for 10.3% of the primary insurance premiums generated by the automobile insurance products of CPIC P/C.

  In addition, with big data modelling tools implemented across subsidiaries, business segments and distribution channels, the Group has set up teams to provide a full suite of financial and insurance service solutions for strategic customers to promote the construction of a customer engagement programme named *100 Major Account Ecosystem*. For example, Changjiang Pension was selected as enterprise annuity trustee for CSSC in June 2019, relying on the long-term cooperation relationship

between CPIC P/C and CSSC, leveraging CPIC Allianz Health's capabilities in health management, and with the help of CPIC Life. This project is an illustration of synergy, providing comprehensive insurance solutions for the strategic client via integrating the products and services of multiple subsidiaries of the Group.

Customer Service

CPIC P/C is dedicated to providing quality customer services, including insurance recommendation, inquiry, reporting, appointment reservation, after-sales service reservation, complaint management and emergency assistance, through its extensive customer database, highly standardised business operations, and information technology platform that integrate the business maintenance system, claims processing system, investigation management system, customer complaint and inquiry system, customer service hotline, online customer service, branch service counters, customer service specialists, and sales and customer service representatives.

In recent years, CPIC P/C has further strengthened its customer-oriented approach and constantly enhanced service quality. In addition to its official website, *CPIC App*, and *Alpha InsurAdvisor*, CPIC P/C has also developed a self-assistant function *CPIC E-Claim* on its WeChat account. *CPIC E-Claim* provides a platform through which customers can, among other things, report, claim, seek assistance, settle claims, request vehicle repair and make inquiries with one click. There has also been continued improvements in the online claims settlement of automobile insurance, as smart photo recognition technology can now identify automobile model accessories and determine the extent and value of loss, which enables customers to make online claims by uploading photos or videos and receive payment in as short as 15 minutes. According to data published by the CBIT, CPIC P/C was ranked AA in the Customer Service Evaluation of Insurance Companies in 2017, 2018 and 2019.

Operation Flow

Product Development and Pricing

CPIC P/C has adopted a product development system that emphasises on development by product types under centralised supervision. Branches introduce, modify and develop insurance products upon authorisation from CPIC P/C's head office. In addition to the professional product development team at its head office, CPIC P/C also recruits and trains part-time product development personnel based in its branches to identify local market demands, and develop products according to differentiated customer needs.

There are seven processes in CPIC P/C's product development including idea collection, idea screening, proposal assessment, product design, regulatory filing, product promotion and product monitoring and assessment. This system is supervised by CPIC P/C's product development management committee, appointed actuary and appointed legal counsel, who are collectively responsible for monitoring and managing CPIC P/C's risk exposures at the relevant stages. A newly developed product to be marketed nationwide also needs to be reviewed by the Company's chief actuary before it can be filed with the CBIRC. This product development system seeks to ensure effectiveness in CPIC P/C's risk and compliance management during the product development process, and the marketability and profitability of its products.

Pricing for CPIC P/C's property and casualty insurance products is based on generally accepted actuarial principles as well as relevant CBIRC regulations. Pricing factors include regulatory requirements, severity and frequency of loss, marketing expenses, internal fixed expenses, and claims settlement expenses, as well as target margins and pricing of similar products. As at 31 December 2019, CPIC P/C had a team of 31 actuarial professionals. CPIC P/C has developed strong product pricing capabilities, attributable to its professional actuarial team, large amount of data based on historical claim experience, extensive market research, in-depth analysis of customer needs and technical support of sophisticated reinsurance companies.

CPIC P/C adopts customised pricing strategies depending on types of insured targets. Pricing of CPIC P/C's automobile insurance products takes into consideration the risk profile of the driver, such as age and gender, the vehicle, such as claims frequency, vehicle brand, price, vehicle age and intended use of the vehicle, and the area in which the insured party is located. CPIC P/C participated in a project led by the Insurance Association of China to develop an automobile insurance information-sharing platform currently deployed in a number of cities across China, which captured the driving history of policyholders, and general traffic accident data.

Given the disparity in risk profiles, geographical regions, risk management capabilities and the severity of catastrophes, commercial property and casualty insurance products are almost always tailored to different customers and, as a result, their pricing, while also based on expected losses, expenses and target margins, is generally subject to negotiation.

Underwriting and Claims Settlement

CPIC P/C has established a centralised control and verification mechanism, including a tiered authorisation system, for its underwriting and claims settlement operations to help ensure effective cost-control and risk-management. It has built and strictly enforced standardised underwriting decision-making mechanisms and related operating procedures. Depending on the amount of risks to be assumed under a particular insurance policy and the authorisation level of the underwriters, underwriting decisions are made by relevant underwriters based at CPIC P/C's head office and operations centres. The information technology system of CPIC P/C has been programmed to automatically forward any insurance policy to be underwritten, or any claim to be adjusted, to staff at more senior level if the insured or claim settlement amount exceeds the authorisation level of the handling staff. The level of authorisation for each member of CPIC P/C's underwriting and claims adjustment staff is regularly reviewed, evaluated and adjusted accordingly, based on their work experience and performance.

All sub-branches or sales service outlets can only underwrite property and casualty insurance policies, or settle property and casualty insurance claims, with the prior approval of the underwriters or claims adjusters, as the case may be, at the head office or branches. In cases of major projects or claims, CPIC P/C makes underwriting or claims settlement decisions through its underwriting and claims settlement committee.

CPIC P/C has designed different underwriting and claims adjustment guidelines for different lines of insurance products, and revised these guidelines as its business develops. Where required, CPIC P/C also conducts site visits for special risk objects prior to making an underwriting decision, when such visits are deemed appropriate. CPIC P/C has focused on the disaster or loss prevention management for its customers, capitalising on its extended risk management experience. Through proactive risk management, CPIC P/C helps its customers reduce the frequency and severity of their losses, which, in turn, enhances its profitability.

CPIC P/C has also established standardised claims adjustment procedures. CPIC P/C seeks to effectively control its risk exposures in its claims settlement operations by improving its claims settlement information system, strictly enforcing the segregation of key posts, and increasing the frequency of on-site investigation at the scene of accident, as well as through regular audits by random sampling.

CPIC P/C's underwriting or claims settlement personnel all have professional backgrounds. The underwriters and claims adjusters are required to pass annual internal qualification exams. Their performance is regularly monitored and reviewed according to standards and procedures outlined in the professional qualification system, based on which their authorisation levels are adjusted and their compensation and other performance incentives are determined. In addition, CPIC P/C provides a variety of training opportunities to improve the professional skills of its underwriting and claims settlement personnel.

In recent years, insurance technologies have been widely used in underwriting and claims settlement. CPIC P/C has developed smart claim settlement tools based on artificial intelligence technology to improve claim service efficiency, risk management capabilities, and customer experience. For example, its intelligent loss assessment application integrates loss determination protocols, establishes standardised data and assesses the damage to the vehicle.

Reserves

CPIC P/C is required to maintain statutory reserves, including unearned premium reserves and claim reserves, to provide for its future benefit obligations under its property and casualty insurance policies for the purposes of its Chinese statutory accounts, the amount of which is determined pursuant to China's insurance laws and regulations, as well as the PRC GAAP.

CPIC P/C maintains unearned premium reserves for its unexpired insurance liability as at the date of reserve assessment, which is calculated based on assumptions including discount rate, loss ratio and expense ratio, and the forecast period for estimation of future net cash outflow in the entire insured period. Claim reserves maintained by CPIC P/C cover all claims incurred but not reported, claims reported but not settled, and the related claims-handling costs. Claim reserves are determined based on actuarial assumptions calculated

according to relevant actuarial methods and statistical procedures. The calculation also takes into account historical claims settlement data and future trends. Please refer to the section headed "Regulation" for details.

As at 31 December 2019, the reserves maintained by CPIC P/C before reinsurance amounted to RMB93.7 billion.

The table below sets forth the reserves CPIC P/C maintained before reinsurance as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Unearned premium reserves	40,693	45,036	56,643
Claim reserves	35,873	34,318	37,026

Reinsurance

In order to control and reduce its exposure to potential future losses, and expand its underwriting capacity, CPIC P/C seeks reinsurance for a portion of the risks that it assumes under its property and casualty insurance policies in exchange for a portion of the premiums it receives with respect to these policies.

CPIC P/C determines the retained insured amounts, and cession ratio, according to insurance regulations and its business development needs. Please refer to the section headed "Regulation" for details. CPIC P/C determines its reinsurance arrangements based on the risk exposures and claims settlement history of different types of products as well as the overall risk exposure and risk tolerance, so as to ensure adequate reinsurance coverage and appropriate risk exposure management. For insurance products with high risk concentration, CPIC P/C generally reinsures its risk exposures in excess of a certain insured amount or loss amount. For insurance products with small per-risk exposure, and a highly diversified risk portfolio, such as automobile insurance products, CPIC P/C may also enter into reinsurance arrangements with reinsurers when there are uncertainties with respect to the whole portfolio risk exposure, or when to expand its underwriting capacity.

CPIC P/C selects reinsurance companies based on their international ratings, financial strength, service level, insurance clauses, claims settlement efficiency and price. CPIC P/C generally selects recognised domestic reinsurance companies or international reinsurance companies with ratings of A- or above. In 2017, 2018 and 2019, CPIC P/C selected international reinsurers such as Swiss Reinsurance Company Ltd and Munich Reinsurance Company, in addition to China Reinsurance (Group) Corporation and its subsidiaries, namely China Life Reinsurance Company Ltd. and China Property & Casualty Reinsurance Company Ltd. CPIC P/C monitors the financial condition of its reinsurers on an ongoing basis, and regularly conducts reviews of its reinsurance arrangements.

In 2017, 2018 and 2019, CPIC P/C ceded RMB13.9 billion, RMB15.5 billion and RMB17.2 billion, respectively, accounting for approximately 13.3%, 13.1% and 13.0%, respectively, of its GWPs, to reinsurers.

The table below sets forth the premiums ceded to reinsurers by CPIC P/C's types of property and casualty products for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Automobile	6,994	50.4	6,621	42.8	6,249	36.3
Non-auto	6,883	49.6	8,854	57.2	10,979	63.7
Total	**13,877**	**100.0**	**15,475**	**100.0**	**17,228**	**100.0**

Anxin Agricultural

Anxin Agricultural is China's first specialised agricultural insurance company. CPIC P/C is driving integration with Anxin Agricultural to build a single agricultural insurance development platform for the Group. GWPs of Anxin Agricultural amounted to RMB1,132 million, RMB1,249 million and RMB1,431 million in 2017, 2018 and 2019, respectively, representing a CAGR of 12.4% from 2017 to 2019.

Anxin Agricultural focuses on the agricultural insurance business, promotes technological and product innovations, and develops new agricultural insurance products. In recent years, CPIC P/C and Anxin

Agricultural have jointly explored the urban agricultural insurance business in Jiangsu, Zhejiang and Shanghai, and developed innovative products such as weather-index insurance for tea leaves, vegetables and wheat.

The Group has accelerated the integration of CPIC P/C and Anxin Agricultural, which combines Anxin Agricultural's technological and product innovations and CPIC P/C's extensive network. Anxin Agricultural focuses on government and enterprise clients, provides insurance solutions against natural disasters and workplace accidents, and strives to continually improve customer experience through technological innovation.

CPIC HK

CPIC HK is primarily engaged in delivering a wide range of property and casualty insurance products and services to overseas customers, including accident and health, automobile, aerospace and aircraft, hull, goods in transit, property indemnity, general liability and pecuniary loss insurance. In 2017, 2018 and 2019, GWPs of CPIC HK amounted to RMB521 million, RMB588 million and RMB397 million, respectively.

INVESTMENT MANAGEMENT

Overview

Investment management is one of the core businesses of the Group. Authorised by the Board as well as the asset-liability management committee of the Group, the investment management committee of the Group is responsible for monitoring and directing the Group's investment business. The Group manages its in-house investment assets and third-party assets mainly through CPIC AMC, Changjiang Pension, third-party asset managers and CPIC Fund. CPIC AMC primarily engages in insurance funds and third-party asset management businesses, while Changjiang Pension and CPIC Fund principally carry out pension-related asset management business and mutual fund management business, respectively. The Group was awarded "Institutional Excellence (China)" by *AsianInvestor* in 2019, demonstrating its highly regarded asset-liability management capabilities and investment performance.

As at 31 December 2017, 2018 and 2019, the Group's AuM amounted to RMB1,418.5 billion, RMB1,665.6 billion and RMB2,043.1 billion, respectively, of which in-house investment assets amounted to RMB1,081.3 billion, RMB1,233.2 billion and RMB1,419.3 billion, respectively, and third-party AuM amounted to RMB337.2 billion, RMB432.4 billion and RMB623.8 billion, respectively.

Investment Philosophies and Policies

The Group has established a comprehensive and scientific investment management mechanism, which is effectively implemented during its ordinary course of investment management. The Group conducts prudent asset-liability management and its investment management business in accordance with the guiding principle of "Prudent, Value and Long-Term Investing". It upholds the role of investment management in serving the Group's insurance business. The Group formulates long-term SAA plans that run through macroeconomic cycles, and conducts its TAA and investment practice under the guidance of SAA.

In managing its asset-liability management risks, the Group uses solvency under stress testing as its core risk appetite, while also factoring in the requirements of duration and liquidity. The SAA plans are formulated through a tri-dimensional process:

- A top-down optimisation of the overall asset allocation of the insurance subsidiaries based on the modern portfolio theory and long-term assumptions of investment returns, risks and correlations;
- A 20-year simulation of the balance sheets of the insurance subsidiaries using the top-down optimisation results through the asset-liability management system; and
- A bottom-up optimisation of the sub-investment portfolios of the insurance subsidiaries to disseminate the top-down optimisation results.

With respect to the utilisation of insurance funds, the Group focuses on asset-liability matching and considers safety, liquidity and returns as essential requirements for the Group's investment management business. The Group seeks to achieve sustainable and superior investment returns through macroeconomic

cycles with proper asset allocation and effective risk management. To this end, the Group has adopted multiple investment policies and implemented effective risk controls:

- To formulate prudent and effective SAA plans with the objective of meeting the liabilities associated with the insurance products the Group underwrites, taking into account the Group's operational goals, risk appetite, regulatory requirements and available investment channels. Subsequent execution of the Group's TAA is guided by the SAA to enable investment returns to exceed the costs of liabilities through macroeconomic cycles, with investment risks closely monitored and effectively managed;
- To focus on asset-liability matching from three aspects: (i) duration matching; (ii) cash flow matching; and (iii) return-cost matching, and to set extension of assets duration as a core strategy;
- To explore ways to establish global allocation across asset classes through insourcing, outsourcing and direct investments; and to achieve optimal levels of risk-adjusted returns through sound investment strategies and prudent manager selection, while enhancing the management of associated risks, such as interest rate risk, market risk, credit risk, currency risk and liquidity risk.

Management of the Group's In-house Investment Assets

For the three years ended 31 December 2019, the Group's average total investment yield, average net investment yield and average growth rate of investments' net asset value amounted to 5.1%, 5.1% and 5.7%, respectively.

As at 31 December 2017, 2018 and 2019, the Group's in-house investment assets amounted to RMB1,081.3 billion, RMB1,233.2 billion and RMB1,419.3 billion, respectively. As at 31 December 2019, fixed income investments, equity investments, investment properties, and cash, cash equivalents and others accounted for 80.4%, 15.7%, 0.6% and 3.3% of Group's in-house investment assets, respectively. The table below sets forth the Group's in-house investment portfolio by category as at the dates indicated:

	As at 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Fixed income investments	884,769	81.8	1,024,844	83.1	1,141,767	80.4
Debt securities	521,063	48.2	570,790	46.3	605,147	42.6
Term deposits	103,989	9.6	128,396	10.4	147,756	10.4
Debt investment plans	92,844	8.6	134,043	10.9	151,449	10.7
Wealth management products (fixed income)	89,664	8.3	103,683	8.4	141,327	9.9
Preferred shares (fixed income)	32,000	2.9	32,000	2.6	32,000	2.3
Other fixed income investments	45,209	4.2	55,932	4.5	64,088	4.5
Equity investments	157,745	14.6	154,459	12.5	222,135	15.7
Stocks	58,959	5.5	51,000	4.1	90,610	6.4
Equity funds	20,923	1.9	18,750	1.5	26,409	1.9
Bond funds	16,107	1.5	14,377	1.2	18,175	1.3
Wealth management products (equity investments)	20,584	1.9	7,184	0.6	729	0.1
Preferred shares (equity investments)	7,764	0.7	7,765	0.6	13,621	1.0
Other equity investments	33,408	3.1	55,383	4.5	72,591	5.0
Investment properties	8,727	0.8	8,542	0.7	8,283	0.6
Cash, cash equivalents and others	30,041	2.8	45,377	3.7	47,078	3.3
Total	**1,081,282**	**100.0**	**1,233,222**	**100.0**	**1,419,263**	**100.0**

The table below sets forth the Group's in-house investment portfolio by investment purpose as at the dates indicated:

	As at 31 December					
	2017		2018		2019	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Financial assets at fair value through profit or loss	16,187	1.5	11,835	1.0	4,931	0.3
Available-for-sale financial assets	368,868	34.1	415,868	33.7	511,822	36.1
Held-to-maturity financial assets	287,497	26.6	284,744	23.1	295,247	20.8
Long-term equity investments	5,271	0.5	17,472	1.4	20,442	1.4
Loans and other investments[1]	403,459	37.3	503,303	40.8	586,821	41.4
Total	**1,081,282**	**100.0**	**1,233,222**	**100.0**	**1,419,263**	**100.0**

Note:

(1) Loans and other investments include term deposits, cash at bank and on hand, securities purchased under agreements to resell, policy loans, restricted statutory deposits, investments classified as loans and receivables, and investment properties, among others.

Fixed Income Investments

Debt securities

Debt securities primarily comprise treasury bonds, local government bonds, enterprise bonds, financial bonds issued by policy banks and subordinated bonds. As at 31 December 2017, 2018 and 2019, debt securities accounted for 48.2%, 46.3% and 42.6%, respectively, of the Group's in-house investment assets, among which 99.9%, 99.8% and 99.7%, respectively, of enterprise bonds and financial bonds issued by non-policy banks, had a debt/issuer rating of AA/A-1 or above. As at 31 December 2019, 90.6% of the same categories of debt securities had a debt/issuer rating of AAA.

Term deposits

As at 31 December 2017, 2018 and 2019, term deposits accounted for 9.6%, 10.4% and 10.4%, respectively, of the Group's in-house investment assets, which were deposited in a number of commercial banks in China.

Debt investment plans

Debt investment plans mainly consist of infrastructure investment plans and real estate investment plans. The Group carefully selects borrowers and projects to be financed. In addition to strict standards on borrowers' financial strength and credit quality, all of the Group's debt investment plans have put in place credit enhancements such as guarantees and full-value collateralisation/pledge. As with sector distribution, the financed projects are in a wide range of sectors, including infrastructure, transportation, real estate, energy and manufacturing, among others. The Group has been effectively monitoring and strictly managing the credit risk along the full life cycle of investment from pre-investing to exiting, and there are immaterial exposures as far as default risk is concerned.

As at 31 December 2017, 2018 and 2019, debt investment plans accounted for 8.6%, 10.9% and 10.7%, respectively, of the Group's in-house investment assets.

Wealth management products (fixed income)

Wealth management products (fixed income) mainly consist of fixed-income-based wealth management products offered through commercial banks, collective trust plans offered by trust firms, special asset management plans offered by securities firms and credit assets-backed securities offered by banking institutions. The issuers of these plans and wealth management products have solid credit qualities. The Group has been effectively monitoring and strictly managing the credit risk along the full life cycle of investment from pre-investing to exiting, and there are immaterial exposures as far as default risk is concerned.

As at 31 December 2017, 2018 and 2019, wealth management products (fixed income) accounted for 8.3%, 8.4% and 9.9%, respectively, of the Group's in-house investment assets.

Preferred shares (fixed income)

Preferred shares (fixed income) primarily include equity investments with agreements to repurchase, and generate quasi-fixed income cash flows. As at 31 December 2017, 2018 and 2019, preferred shares (fixed income) accounted for 2.9%, 2.6% and 2.3%, respectively, of the Group's in-house investment assets.

Other fixed income investments

Other fixed income investments primarily comprise restricted statutory deposits and policy loans. As at 31 December 2017, 2018 and 2019, other fixed income investments accounted for 4.2%, 4.5% and 4.5%, respectively, of the Group's in-house investment assets.

Equity Investments

Stocks

Stocks primarily comprise listed shares traded in secondary markets. As at 31 December 2017, 2018 and 2019, stocks accounted for 5.5%, 4.1% and 6.4%, respectively, of the Group's in-house investment assets.

Equity funds

Equity funds represent funds that mainly engage in equity investment products (such as stocks). As at 31 December 2017, 2018 and 2019, equity funds accounted for 1.9%, 1.5% and 1.9%, respectively, of the Group's in-house investment assets.

Bond funds

Bond funds represent funds that mainly engage in bond investments. As at 31 December 2017, 2018 and 2019, bond funds accounted for 1.5%, 1.2% and 1.3%, respectively, of the Group's in-house investment assets.

Wealth management products (equity investments)

Wealth management products (equity investments) mainly consist of equity-investment-based wealth management products offered through commercial banks. As at 31 December 2017, 2018 and 2019, wealth management products (equity investments) accounted for 1.9%, 0.6% and 0.1%, respectively, of the Group's in-house investment assets.

Preferred shares (equity investments)

Preferred shares (equity investments) primarily comprise preferred shares issued by listed banks. As at 31 December 2017, 2018 and 2019, preferred shares (equity investments) accounted for 0.7%, 0.6% and 1.0%, respectively, of the Group's in-house investment assets.

Other equity investments

Other equity investments primarily include unlisted equities. As at 31 December 2017, 2018 and 2019, other equity investments accounted for 3.1%, 4.5% and 5.0%, respectively, of the Group's in-house investment assets.

Investment properties

Investment properties represent real estate properties held for rental income and/or capital gains, including leased buildings. As at 31 December 2017, 2018 and 2019, investment properties accounted for 0.8%, 0.7% and 0.6%, respectively, of the Group's in-house investment assets.

Cash, cash equivalents and others

Cash, cash equivalents and others principally consist of demand deposits, cash on hand and investments with original maturity of no more than three months. As at 31 December 2017, 2018 and 2019, cash, cash equivalents and others accounted for 2.8%, 3.7% and 3.3%, respectively, of the Group's in-house investment assets.

The table below sets forth details of the performance of consolidated investment portfolios of the Group for the periods indicated:

	For the year ended 31 December		
	2017	2018	2019
	(in millions of RMB, except percentages)		
Interest income from fixed income investments	41,815	47,797	54,857
Dividend income from equity investments	10,963	5,566	5,664
Rental income from investment properties	686	739	754
Net investment income	**53,464**	**54,102**	**61,275**
(Losses)/gains from securities trading	(1,571)	(770)	6,174
Gains/(losses) arising from changes in fair value	1,443	(2,168)	801
Charge of impairment losses on investment assets	(658)	(975)	(2,339)
Other income[1]	739	884	1,067
Total investment income	**53,417**	**51,073**	**66,978**
Net investment yield (%)[2]	5.4	4.9	4.9
Total investment yield (%)[2]	5.4	4.6	5.4
Growth rate of investments' net asset value (%)[2][3]	4.8	5.1	7.3

Notes:

(1) Other income includes interest income on cash at bank and on hand, securities purchased under agreements to resell, share of profit/(loss) of associates and joint ventures, and investment income through the step acquisition of a subsidiary among others.

(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 is the sum of total investment yield and the ratio of net fair value changes of available-for-sale financial assets booked as other comprehensive income/(loss) and average investment assets.

Third-party Asset Management

As at 31 December 2017, 2018 and 2019, the Group's third-party AuM amounted to RMB337.2 billion, RMB432.4 billion and RMB623.8 billion, respectively.

CPIC AMC

Founded in 2006, CPIC AMC is one of the largest investment managers in China. In its business management, CPIC AMC focuses on risk management and seeks to achieve quality development by meeting customers' ever-changing and growing demand for differentiated financial services and wealth management.

As at 31 December 2017, 2018 and 2019, CPIC AMC's third-party AuM amounted to RMB147.2 billion, RMB177.9 billion and RMB194.8 billion, respectively.

Product

CPIC AMC closely observes the investment needs of its institutional customers and has developed customised investment strategies based on their risk appetite, required returns and fund's sources and the nature of the liabilities. At present, CPIC AMC has diverse product lines covering defensive, balanced and aggressive portfolios.

- *Defensive portfolios*: mainly include monetary funds, debt securities and bond funds;
- *Balanced portfolios*: mainly include stock-leaning mixed products;
- *Aggressive portfolios*: mainly include quantitative equity products and active equity products.

CPIC AMC strives to align its alternative investment business with the national policies and the real economy. It has established a portfolio covering various sectors, such as infrastructure, transportation, energy, environmental protection and affordable housing, across over 23 provinces, municipalities and autonomous regions in the PRC, using various types of investments, including debt investments, equity investments and assets-backed securities, among others.

Customers and services

Over the years, CPIC AMC has devoted a tremendous amount of effort to developing a competitive customer service team and mechanism for its third-party asset management business, and has established multi-layered marketing and service channels to deliver a wide spectrum of quality services to customers. By 31 December 2019, CPIC AMC had acquired over 705 institutional customers, including banking, insurance and other financial institutions.

Changjiang Pension

Changjiang Pension is a pension fund manager jointly established by 11 large-scale state-owned enterprises in the PRC in 2007, with a major presence in government pension, institutional pension and private pension businesses. It is fully licensed to carry out investment management of basic pension funds, enterprise annuity management, occupational annuity management, retirement benefits management, pension-related asset management and other pension fund management businesses. Changjiang Pension was awarded the "Best Pension Manager in China" in the "2019 Best of the Best Awards" by *Asia Asset Management* and was honoured the "Asian Pension Company of the Year 2019" at the "21st Century Ranking for Competitiveness of Asian Financial Firms" by 21st Century Media.

As at 31 December 2017, 2018 and 2019, Changjiang Pension's third-party AuM amounted to RMB190.0 billion, RMB234.0 billion and RMB395.3 billion, respectively.

Business

As one of the pension fund managers with full licenses in China, Changjiang Pension has built up three pillars of business as follows:

- *First pillar*: investment management of basic pension funds;
- *Second pillar*: enterprise annuity entrustment, investment management and administration management, occupational annuity entrustment and investment management, and issuance of group pension products; and
- *Third pillar*: issuance of individual private pension products, pension-related asset management products and alternative investment products, as well as investment management of bank funds, insurance funds and other funds.

Customers and services

Leveraging its full licenses and solid capabilities in pension-related asset management, Changjiang Pension has established 30 CPIC-Changjiang Pension business cooperation centres all over China. As at 31 December 2019, Changjiang Pension had been awarded with trustee qualification in all existing occupational annuity schemes initiated by 34 provincial and municipal governments. As at 31 December 2019, Changjiang Pension had over 10,000 government and corporate customers.

Changjiang Pension actively promotes business collaboration with CPIC Life and CPIC P/C, with a view to achieving synergies in sales across business lines. In order to expand its group pensions business, Changjiang Pension fully commits itself to the Group's key customer engagement initiatives. Furthermore, in the context of Group's digitalisation development, Changjiang Pension's business has been integrated into *CPIC App* and CPIC's website. Individual private pension products are now available to the market through online distribution and direct sales.

CPIC Fund

Founded in 2003, CPIC Fund is the first Sino-foreign joint venture licensed to carry out mutual fund business in China. In 2018, CPIC AMC became its controlling shareholder with a 51% stake, while the rest of the shares were held by Allianz. Since its inception, CPIC Fund has upheld long-term investment and "investor first" philosophies to pursue sustainable returns. As at 31 December 2019, CPIC Fund had launched 52 mutual fund products, covering equity funds, index funds (including exchange traded funds (ETFs)), hybrid funds, bond funds and money market funds. CPIC Fund has accumulated rich customer service experience following years of cooperations with banks, insurance companies and third-party wealth management institutions.

COMPETITION

Overview

Capitalising on its extensive service network across China, the Group provides customers with life and health insurance, property and casualty insurance, asset management, and other products and services, and remains well-positioned in the insurance and financial markets in the PRC.

The Group faces competition in life and health insurance business, property and casualty insurance business and investment management business. There are multiple factors that affect the competitiveness of insurance players, including brand recognition, reputation, distribution network and customer acquisition capability, service quality, pricing, product development and the extent to which such products match customers' needs, financial strength, quality and stability of professional team, regulatory environment, product innovation, information technology capacity and new business model with the advent of cutting-edge technologies.

The PRC insurance market features high market concentration. According to data published by the CBIRC, in terms of primary insurance premium income, the combined market share of the top five life and health insurance companies in China in 2016, 2017 and 2018 was 57.9%, 48.2% and 55.9%, respectively. Market concentration is even higher in the PRC property and casualty insurance market. According to data published by the CBIRC, in terms of primary insurance premium income, the combined market share of the top three property and casualty insurance companies in China in 2016, 2017 and 2018 was 63.1%, 63.5% and 64.0%, respectively.

The Group's major competitors have been large-scale life and health insurance companies and property and casualty insurance companies. With the PRC government's effort in broadening market access for foreign-owned insurance companies, the Group expects that the presence of multinational insurance players in China's insurance industry will continue rising. Small- and medium-sized insurance companies may choose differentiated business models under the competition pressure from their large-scale counterparts. At the same time, as Chinese investment laws gradually evolve, the general public is now faced with an expanding pool of investment products. With the advent of the internet finance, investors' access to investment products improves, which in turn further intensifies the competition of insurance and asset management products.

Competition in the Life and Health Insurance Market

According to data published by the CBIRC, as at 31 December 2018, there were 91 life and health insurance companies in the PRC. In 2018, the top five life and health insurance companies in the PRC in terms of primary insurance premium income, namely China Life Insurance Co., Ltd., Ping An Life Insurance Company of China Limited, CPIC Life, Huaxia Life Insurance Co., Ltd., and Taiping Life Insurance Co., Ltd., had market shares of 20.4%, 17.0%, 7.7%, 6.0% and 4.7%, respectively, according to data published by the CBIRC.

In recent years, China's life and health insurance market has seen a continued increase in the number of market players. However, the Group believes that its market share in the life and health insurance market will remain largely stable given its product innovation capabilities, extensive service network, optimised business mix, strong capabilities in operational support and technology.

Competition in the Property and Casualty Insurance Market

According to data published by the CBIRC, as at 31 December 2018, there were 88 property and casualty insurance companies in the PRC. In 2018, the top five property and insurance companies in the PRC, PICC Property and Casualty Company Limited, Ping An Property & Casualty Insurance Company of China, Ltd., CPIC P/C, China Life Property & Casualty Insurance Company Limited, and China Continent Property & Casualty Insurance Co., Ltd., had a market share of 33.0%, 21.0%, 10.0%, 5.9% and 3.6%, respectively, in terms of primary insurance premium income, according to data published by the CBIRC.

The competition in China's property and casualty insurance industry further intensified over the past few years with an increase in market players. In addition, the CBIRC continues with the deregulation of commercial automobile insurance, but at the same time tightens the overall risk prevention of the market with a focus on the compliance of insurance entities and their customer service capabilities. Given its strong underwriting capabilities, experienced management team, and relentless effort in enhancing customer services, the Group

believes that it is able to adapt itself to the strict regulatory environment and remain competitive in the industry despite being faced with fierce competition.

Competition in the Investment Management Market

According to the Insurance Asset Management Association of China, as at 1 August 2019, there were 24 insurance asset management companies in the PRC. Competition in the insurance asset management business mainly relates to investment yields, risk control capabilities, quality investment resources and service quality. Insurance asset management companies are generally established to manage the insurance funds of their respective parent insurance companies as a primary goal. As the industry keeps on developing, third-party asset management has drawn increasing attention from insurance asset management companies.

In addition, as the financial services industry of the PRC continues opening up, more foreign-owned insurance institutions are expected to enter China. As a result, the demand for high-quality assets will grow, which may lead to an escalation of competition in the asset management arena.

The Group is committed to the guiding principle of "Prudent, Value and Long-Term Investing", and has established a comprehensive and scientific framework to formulate SAA plans that run through macroeconomic cycles, as well as disciplined TAA procedures. The Group is of the view that these structural strengths will facilitate its stable growth in AuM and generate investment returns that exceed the cost of liabilities.

INFORMATION TECHNOLOGY

Overview

Information technology is critical to the Group's operating efficiency and business performance, and is a key contributor for the Group to maintain its leading market position. Important areas of operating and management processes that rely on the application of information technology include, among others, product development, underwriting and claims settlement, sales support and channel management, customer relationship management, investment management, financial management and risk management.

Since its inception, the Group has sought to align information technology development with its insurance businesses to drive sustainable value growth. The Group places utmost emphasis on the strategic planning of information technology. After carrying out five rounds of information technology planning, the Group has established an all-round, multi-layered, digitalised and centralised operating management system.

The Group has also been actively involved in the formulation of industry standards, and has participated in the drafting of a number of important information technology norms, including "Basic Norms for the Establishment of Data Centre of Insurance Companies" (保险公司数据中心建设基本规范), "Basic Requirements of Disaster Recovery Construction for Insurance Industry" (保险业灾备建设基本要求), "Application Norms of Insurance-Related Electronic Signature Technology" (保险电子签名技术应用规范), and "Basic Requirements of Cloud-Based Public Resources Management for Insurance Industry" (保险业公有云资源管理基本要求), among others.

Management Structure

The Group has formed a three-level information technology management mechanism based on the collaboration of the operating management committee of the Group, information technology operating centre of the Group and its subsidiary-level IT departments.

- *Operating management committee of the Group*: The operating management committee of the Group is the highest decision-making body of the Group's information technology development, which is mainly responsible for determining the overall strategies, development plans, and key projects in connection with information technology.
- *Information technology operating centre of the Group*: The information technology operating centre of the Group primarily engages in the formulation of information technology plans, construction of shared platforms, construction and maintenance of information technology infrastructures, information security, unified data management, and the improvement of forward-looking technological reserves.
- *Subsidiary-level IT departments*: Subsidiary-level IT departments mainly focus on specialised applications development for the respective subsidiaries of the Company, targeted at shortening response time and enhancing quality and efficiency of applications.

System Construction

Over the years, the Group has made remarkable progress in centralised construction and management of information technology infrastructure, including data centres, corporate networks, information exchange platforms and internal information support systems, and established certain digitalised operating support systems, such as *CPIC Cloud* platform, container management platform, data leakage prevention system, automatic operation and maintenance management platform and cloud-based IT management platform. These efforts have substantially improved the efficiency, reliability and safety of the Group's information technology operations. All of these systems have collectively laid a strong foundation for the Group's information technology advancement and have been fully embedded into the Group's business development:

- *Core businesses*: Centralised core business systems of life and health insurance and property and casualty insurance have been operating for more than ten years. The Group has recently optimised the distributed service structure, enabling these systems to serve hundreds of thousands of users and accommodate requests in seconds.
- *Underwriting and claims settlement*: Empowered by such new technologies as rule-based engine, mobile network, multi-dimensional data analytics and artificial intelligence, CPIC Life and CPIC P/C have set up the new automobile insurance claims settlement system, intelligent automobile underwriting system, life insurance big data underwriting engine system and intelligent life insurance claims settlement system, among others, so as to consistently improve the level of intelligence of underwriting and claims settlement procedures and minimise fraud risks, which in turn strengthen the competitiveness of the Group.
- *Customer service*: As early as 2009, the Group introduced an integrated customer service system which was upgraded with an expanded capacity in 2015. The customer service capability is further enhanced by having in place service management platforms that fit into multiple service scenarios covering customer complaint, road-side assistance, health management and value-added services.

System Operation

Having been investing in information technology for decades, the Group has established a stable and reliable information system capable of running without disruptions. Three data centres, each of which is equipped with a specialised disaster recovery backup team and relevant management mechanisms and procedures, were established in Shanghai and Chengdu to strengthen the disaster recovery capability as well as to provide operational support to the Group's information system. In addition, high-availability network architecture design and backup telecommunication lines ensure uninterrupted operations of the Group's nationwide network.

The Company's information security management, information technology service management and personally identifiable information protection have respectively received ISO27001, ISO20000 and ISO29151 certifications. Since 2015, the Company has been awarded "Shanghai City Leading Entity in Internet Security Protection" every year. In 2017, 2018 and 2019, the Group did not have any material system failures caused by software or hardware defects, which resulted in widespread and substantial loss of service or other significant damages.

Technological Empowerment

Following its information technology strategic planning, the Group strives to promote the development of innovative and digitalised applications and seamless integration of cutting-edge technologies, such as artificial intelligence and big data analytics, into the Group's insurance business. For example, the Group has developed *CPIC App*, a unified mobile portal that provides individual customers with one-stop services of life insurance, property and casualty insurance, pension insurance and wealth management services. Relying on multiple information platforms, including *CPIC App*, WeChat, telephone dial-ins and *Alpha InsurAdvisor*, the Group is able to achieve full coverage of online-to-offline (O2O) business processes in relation to marketing, sales, customer engagement and data processing. With the empowerment of technologies, the Group has demonstrated strong resilience and dedication to its customers in navigating through the COVID-19 pandemic. Online services such as Video Doctor were rolled-out at an unprecedented speed to provide medical service guide, health management tips, as well as consultation services for patients. Since its launch in January 2020, Video Doctor has dealt with over 100,000 consultation requests, serving a meaningful role in alleviating the pressure of front-line medical institutions.

"Technological Empowerment" is a Group strategy which comprises four key approaches: tackling pain points along key customer journey, applying technologies to business scenarios, collaboratively building an insurance ecosystem, and enhancing risk management.

Tackling pain points along key customer journey

The Group adheres to the customer-first philosophy and has introduced a number of technological innovations covering four key customer journeys from inquiry to application, claims settlement and customer service, to enhance customer experience.

- *Inquiry*: The Group provides potential customers with professional personalised insurance advisory service through its independently-developed application *Alpha InsurAdvisor*. As the industry's first interactive insurance advisory product with the natural language processing capability, *Alpha InsurAdvisor* plays an extensive role in educating insurance customers and increasing demand for insurance in China. *Alpha InsurAdvisor* is committed to improving interactive user experience through creating the advanced insurance-related word embedding model and, based on the latest deep learning algorithms, the semantic comprehension model, which is capable of continuous learning and optimisation according to the feedback from users. *Alpha InsurAdvisor* was awarded the "2017 Shanghai Financial Innovation of the Year". As at 31 December 2019, *Alpha InsurAdvisor* had recorded 10.7 million visits.
- *Application*: When applying for insurance, customers usually expect convenient and intelligent services on demand. The Group has developed an intelligent life insurance underwriting platform and a cloud-based centralised policy issuance platform for property and casualty insurance. In processing the applications from individual customers, the intelligent life insurance underwriting platform moves manual review upfront as part of the policy information entry process. Millions of new policies from individual customers have thus been saved from the time consuming case-by-case reviewing process. The Group's cloud-based centralised policy issuance platform for property and casualty insurance features precise recommendation, task management, time efficiency management and resource management, reducing policy issuance time by 90%.
- *Claims settlement*: The Group endeavours to provide fast and convenient claims settlement services to customers through digitalisation. *CPIC SmartClaims*, an intelligent life insurance claim settlement system, supports multiple functions, including direct clinic data access, advance medical payment, medical information enquiry services and health management. Collection of customers' claims settlement information has achieved full digitalisation through OCR technology, interface configuration, automatic settlement computation and intelligent claim review, enabling claims to be settled in minutes. As at 31 December 2019, *CPIC SmartClaims* had been connected to 1,000 hospitals distributed in 21 Chinese provinces.
- *Customer service*: The Group has established a customer complaint management system, car owner services platform, health service management system and multi-layered property and casualty insurance customer service management system to address customers' needs in different scenarios, including customer complaints, road-side assistance, health management and value-added services.

Applying technologies to business scenarios

Over the years, the Group has been vigorously exploring possible application opportunities of cutting-edge technologies to improve the overall operating efficiency of the Group, in an effort to strengthen the Group's leading position and create new momentum for business growth in this rapidly transforming insurance industry. In particular, the Group applies big data analytics and artificial intelligence in developing its own big data analytics platform, the *Home*, as well as *CPIC DriverCare*, an operating vehicle safety monitoring and control platform.

- *Big data analytics*: The *Home* marks a breakthrough in tackling the difficulties of information fragmentation with unified data governance. The big data analytics platform now has over 40 applications. By 31 December 2019, the *Home* had accumulated and unified big data from approximately 139 million individual customers. Utilising the Group's analytical tools, such as intelligent recommendation modelling, 360° customer analytics, the Group is able to apply big data analytics to different aspects in each business line, such as business execution, sales, operations and risk control.

- *Artificial intelligence*: *CPIC DriverCare* is the industry's first independently-developed safety monitoring and control platform for operating vehicles featuring data collection, vehicle monitoring and fleet management. By accessing in-vehicle artificial intelligence devices, *CPIC DriverCare* is able to monitor driving behaviours, alert drivers to dangerous driving, playback accident and perform other risk intervention and preventive measures. *CPIC SmartCare*, an underlying technology platform of *CPIC DriverCare*, was ranked number one in the 2019 Artificial Intelligence World Innovations (Finance Track).

Collaboratively building an insurance ecosystem

In deploying its information technology strategies, the Group actively engages different players in the insurance ecosystem for collaborative research and development or business cooperation, so as to expedite the application of new technologies with synergy. For example, in respect of agricultural insurance business, *E-Agricultural Insurance*, a product jointly developed by the Group and Chinese Academy of Agricultural Sciences, has in place a broad library network of subject-matters insured, covering over 40,000 villages in 30 provinces and autonomous regions, boosting verification efficiency by more than 60%, while its biometric recognition platform was able to achieve an 85% recognition rate among more than 20,000 head of cattle in a trial collection of cattle skin pattern information. As for automobile insurance, the Group's road-side assistance service platform has achieved online operation in the entire service process with the adoption of mobile internet technology, enabling real time interaction between car owners and rescue personnel and the automatic assignment of a rescue team. As at 31 December 2019, the Group's road-side assistance service platform had integrated a variety of service resources by connecting more than 46 road-side assistance service providers in China, benefiting over 3.9 million automobile insurance customers each year.

Enhancing risk management

The Group enhances risk management through application of advanced technologies in prevention of insurance incidents, anti-fraud practice and operational compliance.

- *Prevention of insurance incidents*: *CPIC DriverCare* is an intelligent automobile loss mitigation programme that seeks to prevent accidents. Leveraging biometric technology and image recognition, *CPIC DriverCare* is equipped with an in-vehicle real-time driving risk alert system, reducing the number of accidents and associated losses and claims. As at 31 December 2019, *CPIC DriverCare* had been pilot-launched in 28 provinces and cities, including Shenzhen, Shandong and Shanghai, with installations in over 43,000 vehicles. Among the vehicles that had installed *CPIC DriverCare*, claims ratio decreased by 35%, and accident frequency decreased by 41%, while the mortality associated with accidents significantly dropped by 89%.
- *Anti-fraud practice*: The Group's cloud-based digital auditing platform, which serves to assist auditors in risk alert and preventing fraudulent conducts through the use of big data technologies such as parallel computing and graph processing, has proprietary intellectual property rights. Since its introduction, it has identified thousands of fraudulent claims, and has obtained two copyrights in the PRC.
- *Operational compliance*: CPIC P/C's risk monitoring platform, *CPIC Sky Monitor*, applies big data analytics in overseeing its business activities, financial activities, use of funds and organisational management activities. *CPIC Sky Monitor* now has more than 205 monitoring indicators.

Research and Development Capabilities

The Company was the first insurance organisation in China receiving Capability Maturity Model Integration (CMMI) Level 5 and Test Maturity Model integration (TMMi) Level 5 certifications. The Group has a team of experienced engineers dedicated to research and development. As at 31 December 2019, the Group's research and development staff consisted of approximately 2,100 engineers and technicians. As the Group's business continues growing, further investments will be made in expanding the research and development team in order to maintain the competitive edge of the Group in digitalisation. The Group recruits most of its engineers from renowned universities in China and hires experienced management staff from well-established internet and software companies.

EMPLOYEES

As at 31 December 2017, 2018 and 2019, the Company and its major PRC subsidiaries had 101,887, 107,741 and 111,247 employees, respectively. The table below sets out the total number of employees of the Group by education background as at 31 December 2019:

	Number	Percentage (%)
Master's degree or above	4,696	4.2
Bachelor's degree	60,625	54.5
Others	45,926	41.3
Total	111,247	100.0

Insurance agents are not employees and therefore not included in the number of employees of the Company and its major PRC subsidiaries set forth above.

The Group has established a remuneration mechanism based on specific positions and performance of the employees and risk management requirements. The basic remuneration of employees is determined based on their positions, performance and work experience. The performance-related remuneration of employees is determined and paid according to the results of operations of the Group and their individual performance. The Group also provides its employees with benefits and allowances according to the applicable PRC laws and industry standards.

The Group organises training programmes for its employees based on its development strategies and career track of employees. The Group has also set up a training programme and an online training platform with a team of coaches specialising in different business lines.

INTELLECTUAL PROPERTY

The Group believes intellectual property development and protection are key drivers for its transformation, and has gradually established an intellectual property innovation system in line with the market demand and the Group's strategic operating direction. Such intellectual property innovation system is built up primarily with trademarks, copyrights and patents.

As at 31 December 2019, the Company and its major PRC subsidiaries owned a total of 478 registered trademarks in the PRC. As at 31 December 2019, the Company and its major PRC subsidiaries had one invention patent and 92 copyrights (including 75 software copyrights).

The Group is not aware of any material disputes with or claims for infringement of intellectual property rights by third parties for the years ended 31 December 2017, 2018 and 2019.

CURRENT TRADING AND PROSPECTS

The Group is of the view that based on current available information, the COVID-19 pandemic is unlikely to have a material and lasting adverse impact on the Group's business, results of operations, financial condition or prospects. In addition, the Group expects that its working capital will be sufficient for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

As approved by the shareholders of the Company at the 2019 annual general meeting held on 12 May 2020, the Company declared a dividend of RMB1.2 per share (including tax) for the year ended 31 December 2019 to the holders of both A Shares and H Shares (the "**2019 Dividend**"). The 2019 Dividend was paid on 11 June 2020. The holders of GDRs are not entitled to the 2019 Dividend. After completion of the Offering, the holders of GDRs and the existing shareholders of the Company prior to the Offering will share the accumulated profits of the Company after deduction of the 2019 Dividend.

For the five months ended 31 May 2020, the accumulated primary insurance premium income of CPIC Life was RMB116.5 billion, and the accumulated primary insurance premium income of CPIC P/C and Anxin Agricultural was RMB63.0 billion.

The information in respect of the Group's recent business developments set forth below is extracted from the First Quarter Report from which material has been adapted for inclusion in this Prospectus. The First Quarter Report was prepared and published on 24 April 2020 pursuant to the listing rules of the Shanghai

Stock Exchange. More detailed information in respect of the Group's recent business operations and First Quarter Financial Information extracted from the First Quarter Report are set forth from page II-1 to page II-12 of this Prospectus. Investors should be aware that First Quarter Financial Information, which has been prepared based on the requirements of the PRC GAAP, has not been audited or reviewed by PwC PRC.

The Group's GWPs for the three months ended 31 March 2020 amounted to RMB131.1 billion, representing an increase of 2.2% as compared with the same period of 2019. GWPs of CPIC Life and CPIC P/C for the three months ended 31 March 2020 amounted to RMB91.9 billion and RMB39.0 billion, respectively, representing a decrease of 1.1% and an increase of 10.4%, respectively, as compared with the same period of 2019. The Group realised net profit attributable to shareholders of the parent of RMB8,388 million for the three months ended 31 March 2020, representing an increase of 53.1% as compared with the same period of 2019.

CPIC Life

During the three months ended 31 March 2020, the COVID-19 pandemic hindered the sales by life insurance agents and the recruitment and management of the agency force, thus having an adverse impact on the development of life and health insurance business. GWPs of CPIC Life for the three months ended 31 March 2020 were RMB91.9 billion, representing a decrease of 1.1% as compared with the same period of 2019. Of this, GWPs from the agency channel were RMB84.9 billion, representing a decrease of 1.4% as compared with the same period of 2019, and of which, GWPs from new policies were RMB12.0 billion, representing a decrease of 31.1% as compared with the same period of 2019.

CPIC Life took effective disease control and prevention measures, and introduced steps to move its business operations online so as to mitigate the impact of the pandemic. To fulfill its corporate responsibilities, CPIC Life launched new short-term insurance products and expanded the coverage of existing personal accident and long-term disease insurance products to offer protection against the COVID-19. The move also helped it acquire and accumulate customers. In agency force management, CPIC Life conducted online recruitment, attendance checking, training and promoted customer acquisition and product sales. It upgraded the online service to enhance customer experience, improved the convenience and availability of customer service based on smooth and reliable online business processes. Centering on customer needs, it implemented the *CPIC Service*, fulfilled its commitments to customers and streamlined claims handling processes.

CPIC P/C

During the three months ended 31 March 2020, the automobile insurance business was adversely impacted by the COVID-19 pandemic. Shut-downs of businesses and restrictions on the flow of people and goods seriously impacted the commercial property, construction and engineering, travel and cargo insurance. However, demand increased for health protection and coverage for resumption of business, leading to sustained rapid growth of health, agricultural and liability insurance. GWPs of CPIC P/C were RMB39.0 billion for the three months ended 31 March 2020, representing an increase of 10.4% as compared with the same period of 2019, of which, GWPs generated by automobile and non-auto insurance products were RMB23.5 billion and RMB15.5 billion, representing a decrease of 0.5% and an increase of 32.5% as compared with the same period of 2019, respectively.

In the face of the pandemic, CPIC P/C enhanced renewal business management to stabilise business performance, and improved online capacity-building, online service platforms through applications of new technologies in underwriting and claims management, so as to boost online business development. It also accelerated the development of innovative health and liability insurance products to meet market needs.

Investment Management

As at 31 March 2020, the Group's in-house investment assets amounted to RMB1,482.0 billion, representing an increase of 4.4% from 31 December 2019. The investment management of the Group was carried out on a liabilities-driven basis, and the allocation of investment portfolio remained largely stable. Fixed income investments accounted for 80.2% of the Group's in-house investment assets, representing a decrease of 0.2ppt from 31 December 2019. Equity investments accounted for 14.9% of the Group's in-house investment assets, representing a decrease of 0.8ppt from 31 December 2019, of which, the share of stocks and equity funds was 7.8%, representing a decrease of 0.5ppt from 31 December 2019. For the three months ended 31 March 2020, the annualised net investment yield and annualised total investment yield of the Group were 4.2% and 4.5%, respectively.

PRC REGULATORY OVERVIEW

The insurance industry is subject to strict supervision in the PRC. The legal provisions supervising and governing insurance activities in the PRC mainly include the PRC Insurance Law promulgated by Standing Committee of the National People's Congress on 30 June 1995, amended respectively in 2002, 2009, 2014 and 2015 as well as a series of administrative regulations, rules and other regulatory documents promulgated pursuant to the PRC Insurance Law. The CBIRC is the regulatory authority of the PRC insurance industry.

REGULATORY AUTHORITY

The PRC insurance industry is supervised and regulated by the CBIRC and its local offices.

The CIRC, established on 18 November 1998, was a public institution directly under the State Council. The CIRC performed administrative management functions authorised by the State Council, and imposed supervisory administration over the national insurance market in accordance with the laws and regulations to ensure legal and stable operation of insurance institutions.

On 17 March 2018, the first session of the 13th National People's Congress adopted the Decision on the State Council Institutional Reform Proposal (关于国务院机构改革方案的决定), according to which the duties of the CIRC and the CBRC have been consolidated into the newly established CBIRC.

The main responsibilities of the CBIRC with respect to the insurance industry include:

- regulating and supervising the national insurance industry in accordance with laws and regulations; ensuring the legal and robust operation of the insurance industry; exercising vertical leadership over its local offices;
- conducting systematic research on the reform and opening-up as well as supervisory effectiveness of the insurance industry; engaging in making strategic plans for financial reform and development, engaging in drafting important laws and regulations of the insurance industry, basic rules of prudential regulation and financial consumer protection; formulating relevant rules and regulations of the insurance industry, and making recommendations for the formulation and amendment of these rules and regulations;
- formulating supervisory rules for prudential regulation and conduct regulation in accordance with the framework of prudential regulation and financial consumer protection;
- licensing insurance institutions and their business scope in accordance with laws and regulations; reviewing and approving the qualification of senior management of relevant institutions; and formulating codes of conduct for insurance employees;
- conducting supervision on insurance institutions in terms of corporate governance, risk management, internal control, capital adequacy, solvency, business operation, information disclosure;
- conducting on-site examination and off-site supervision on insurance institutions, carrying out risk and compliance assessment, protecting the legitimate rights of financial consumers, and penalising illegal acts and misconducts;
- preparing national regulatory statistic reports of the insurance industry, making due disclosure in accordance with related requirements and fulfilling relevant duties of comprehensive statistical work of financial industry;
- establishing risk monitoring, control, assessment and early warning mechanisms for the insurance industry; tracking, analysing, monitoring and forecasting the operation conditions of the insurance industry;
- making and implementing determinations and recommendations in collaboration with relevant departments on urgent risk resolutions of insurance institutions; and
- participating in international insurance organisations, engaging in the formulation of international supervision regulations; carrying out external communications and international cooperations of the insurance industry.

REGULATORY FRAMEWORK

The insurance industry is a highly regulated financial sector in the PRC. Since the promulgation of the PRC Insurance Law in 1995, the State Council, the CIRC and the CBIRC have promulgated and amended comprehensive administrative regulations, rules and regulatory documents in various aspects including the establishment, operation, corporate governance, internal control, investment of funds, solvency, and operational compliance of insurance companies in accordance with the development of the PRC insurance industry.

In addition to the general provisions of the PRC Company Law, the PRC Securities Law and the regulatory rules applicable to listed companies and financial enterprises, the main laws and regulatory rules applicable to the Group in the insurance industry are as follows (the effective dates of the laws, administrative regulations, rules and regulatory documents indicated in this Regulation section refer to the implementation dates of the latest amendment of such documents if they have been amended from time to time):

- PRC Insurance Law, promulgated by the Standing Committee of the National People's Congress and effective from April 2015
- Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (国务院关于加快发展现代保险服务业的若干意见), promulgated by the State Council and effective from August 2014
- Interpretation of the Supreme People's Court on Issues concerning the Application of the Insurance Law of the People's Republic of China (IV) (最高人民法院关于适用《中华人民共和国保险法》若干问题的解释(四), effective from September 2018
- Interpretation of the Supreme People's Court on Issues concerning the Application of the Insurance Law of the People's Republic of China (III) (最高人民法院关于适用《中华人民共和国保险法》若干问题的解释(三)), effective from December 2015
- Interpretation of the Supreme People's Court on Issues concerning the Application of the Insurance Law of the People's Republic of China (II) (最高人民法院关于适用《中华人民共和国保险法》若干问题的解释(二)), effective from June 2013
- Interpretation of the Supreme People's Court on Issues concerning the Application of the Insurance Law of the People's Republic of China (I)(最高人民法院关于适用《中华人民共和国保险法》若干问题的解释(一)), effective from October 2009
- Interim Measures for the Administration of Insurance Asset Management Products (保险资产管理产品管理暂行办法), promulgated by the CBIRC and effective from May 2020
- Measures for the Administration of the Information Disclosure of Insurance Companies (保险公司信息披露管理办法), promulgated by the CBIRC and effective from July 2018
- Measures for the Administration of the Equity of Insurance Companies (保险公司股权管理办法), promulgated by the CIRC and effective from April 2018
- Measures for the Administration of Investments with Insurance Funds (保险资金运用管理办法), promulgated by the CIRC and effective from April 2018
- Administrative Provisions on the Qualification of Directors, Supervisors and Senior Management of Insurance Companies (保险公司董事、监事和高级管理人员任职资格管理规定), promulgated by the CIRC and effective from February 2018
- Administrative Provisions on Insurance Companies (保险公司管理规定), promulgated by the CIRC and effective from October 2015
- Interim Provisions on the Administration of Insurance Asset Management Companies (保险资产管理公司管理暂行规定), promulgated by the CIRC and effective from April 2011
- Administrative Provisions on the Solvency of Insurance Companies (保险公司偿付能力管理规定), promulgated by the CIRC and effective from September 2008, as well as Notice on Issues concerning

Implementing the Administrative Provisions on the Solvency of Insurance Companies (关于实施《保险公司偿付能力管理规定》有关事项的通知), promulgated by the CIRC and effective from October 2008

- Measures for the Administration of the Insurance Security Fund (保险保障基金管理办法), promulgated by the CIRC and effective from September 2008
- Interim Measures for the Administration of Overseas Investments with Insurance Funds (保险资金境外投资管理暂行办法), jointly promulgated by the CIRC, the PBOC and the SAFE and effective from June 2007, as well as Implementing Rules of the Interim Measures for the Administration of Overseas Investments with Insurance Funds (保险资金境外投资管理暂行办法实施细则), promulgated by the CIRC and effective from October 2012
- Measures for the Administration of Independent Directors of Insurance Institutions (保险机构独立董事管理办法), promulgated by the CBIRC and effective from February 2020
- Guidelines for the Articles of Association of Insurance Companies (保险公司章程指引), promulgated by the CBIRC and effective from February 2020
- Measures for the Administration of the Related Party Transactions of Insurance Companies (保险公司关联交易管理办法), promulgated by the CBIRC and effective from August 2019
- Measures for the Administration of Compliance Management of Insurance Companies (保险公司合规管理办法), promulgated by the CIRC and effective from July 2017
- Interim Measures for the Administration of the Entrusted Investments with Insurance Funds (保险资金委托投资管理暂行办法), promulgated by the CIRC and effective from July 2012
- Notice on Issues concerning the Formal Implementation of the China Risk-oriented Solvency System (关于正式实施中国风险导向的偿付能力体系有关事项的通知) , promulgated by the CIRC and effective from January 2016, as well as Regulatory Standards on Solvency of Insurance Companies (No.1-17) (保险公司偿付能力监管规则 (1-17号)) , promulgated by the CIRC and effective from February 2015
- Guidelines for the Consolidated Supervision of Insurance Groups (保险集团并表监管指引), promulgated by the CIRC and effective from December 2014
- Guidelines for the Risk Management of Insurance Companies (For Trial Implementation) (保险公司风险管理指引(试行)), promulgated by the CIRC and effective from July 2007

MAIN REGULATORY CONTENT

GENERAL MANAGEMENT

Establishment and Business Operation Qualifications

Supervision on Equity and Qualifications of Shareholders

The CBIRC implements "looking-through" supervision and classification-based regulation of the equities of insurance companies in compliance with the principle of substance-over-form pursuant to the law. The supervision and administration of equities is implemented through the following aspects: (i) establishment of insurance companies; (ii) change in the registered capital of insurance companies; (iii) change in the equities of insurance companies; (iv) listing of insurance companies; (v) merger and division of insurance companies; (vi) corporate governance of insurance companies; and (vii) risk resolution or bankruptcy liquidation of insurance companies.

Equity investments in insurance companies duly incorporated in the PRC must comply with the PRC Insurance Law, the Measures for the Administration of the Equity of Insurance Companies (保险公司股权管理办法) and the Administrative Provisions on Insurance Companies (保险公司管理规定).

Pursuant to the Measures for the Administration of the Equity of Insurance Companies (保险公司股权管理办法), shareholders of insurance companies are classified into four categories based on the shareholding percentage and their influence on the operation management of insurance companies: Type I financial shareholders (holding less than 5% of the equity of insurance companies), Type II financial

shareholders (holding 5% or more but less than 15% of the equity of insurance companies), strategic shareholders (holding 15% or more but less than one-third of the equity of insurance companies, or shareholders who may exert substantial influences over resolutions of the meetings of the shareholders of insurance companies through their voting power acquired through the capital contribution or shares they hold), and controlling shareholders (holding one-third or more of the equity of insurance companies, or shareholders who may exert controlling influences on resolutions of the meetings of shareholders of insurance companies through their voting power acquired through the capital contribution or shares they hold). Different regulatory policies and standards have been adopted to specify the various capital investment percentage limits and quantitative restrictions.

The following investors are eligible to be shareholders of insurance companies in compliance with laws and regulations: domestic enterprises, domestic limited partnerships, domestic public institutions, social groups and overseas financial institutions. Natural persons may only be Type I financial shareholders of insurance companies through purchasing shares of listed insurance companies, unless as otherwise prescribed by the CBIRC. Asset management plans and trust products may invest in listed insurance companies through investing in public traded shares.

An investor may acquire equities of an insurance company by the following means: (i) establishing an insurance company; (ii) subscribing for unlisted equities issued by an insurance company; (iii) accepting the equities of an insurance company from other shareholders by way of agreement; (iv) publicly acquiring equities of an insurance company transferred from another shareholder by means of bidding; (v) purchasing equities of a listed insurance company from the stock market; (vi) purchasing convertible bonds of an insurance company, and acquiring its equities in accordance with terms of the bonds; (vii) acquiring equities of such insurance company as the pledgee of the equities of an insurance company in accordance with relevant provisions; (viii) acquiring the equities of an insurance company through participating in the risk resolutions by the CBIRC for an insurance company; (ix) acquiring the equities of an insurance company through administrative allocation; (x) other methods as permitted by the CBIRC.

The shareholding percentage of a single shareholder shall not exceed one-third of the registered capital of an insurance company. A single domestic limited partnership shall not hold equities exceeding 5% of the registered capital of an insurance company, and the aggregate shareholding percentage of domestic limited partnerships in the same insurance company shall not exceed 15% of the registered capital of the insurance company. The shareholding percentage of a shareholder, its related parties and persons acting in concert shall be consolidated when calculating the holding percentages. An investor and its related parties and persons acting in concert may only be the controlling shareholder of one insurance company operating in the same type of insurance business.

The change of a shareholder holding 5% or more of the equity of an insurance company shall be approved by the CBIRC. Except for a listed insurance company, the change of a shareholder holding less than 5% of the equity of an insurance company shall be reported to the CBIRC for record-filing, and be disclosed to the public on the website of the insurance company and the websites designated by the CBIRC respectively. In the case of any change to the *de facto* controller of a shareholder of an insurance company, and the equity value of the insurance company held by the shareholder thereof accounts for half or more of the total assets of such shareholder, the *de facto* controller shall satisfy the relevant shareholder qualification requirements according to the Measures for the Administration of the Equity of Insurance Companies (保险公司股权管理办法).

Where an investor purchases shares of a listed insurance company, with the shareholding percentage thereof reaching the threshold of 5%, 15% and one-third respectively of the total share capital of the insurance company, the investor shall notify the insurance company in writing within 5 business days from the trading day, and the insurance company shall apply to the CBIRC for approval thereof within 10 business days of receiving the notice.

Registered Capital

Pursuant to the Administrative Provisions on Insurance Companies (保险公司管理规定), the registered capital of an insurance company shall be no less than RMB200 million and fully paid up in cash. Where an insurance company established with the minimum registered capital of RMB200 million applies to set up a branch for the first time in each province, autonomous region, or municipality directly under the Central Government other than its place of domicile, not less than RMB20 million shall be added to its registered capital for each new branch. When the registered capital of an insurance company reaches RMB500 million,

the insurance company need not increase its registered capital for setting up new branches provided that it satisfies the solvency requirements.

Qualification for Conducting Insurance Business

Pursuant to the PRC Insurance Law, the Administrative Provisions on Insurance Companies (保险公司管理规定) and other related regulatory documents, the insurance companies engaging in insurance business must first apply to the CBIRC for commencement of business and obtain the insurance business license. To acquire the insurance business license, insurance companies must satisfy the requirements in aspects of shareholders, articles of association, registered capital, organisational structure, management system, business development plan, business premises and the qualifications of directors, supervisors and senior management.

An insurance company may apply for establishing branches to meet its business development needs. The hierarchies of an insurance company's branches include branch, central sub-branch, sub-branch, and business outlet or sales service centre. An insurance company shall file with the CBIRC and its local office when establishing a branch.

Business Scope

Insurance companies must conduct insurance business activities within the business scope approved by the CBIRC in accordance with the law. An insurance company shall not concurrently engage in both property and casualty insurance business and life and health insurance business. However, a property and casualty insurance company may, upon approval by the CBIRC, engage in short-term health insurance business and accidental injury insurance business.

According to the provisions of the PRC Insurance Law, the business scope of insurance companies includes:

- life and health insurance business, including life insurance, health insurance, accident insurance;
- property and casualty insurance business, including insurance against loss or damage to property, liability insurance, credit insurance and guarantee insurance; and
- other insurance business approved by the CBIRC.

Insurance companies may also engage in the outward and/or inward reinsurance business with respect to the aforesaid insurance business, subject to the approval of the CBIRC.

Insurance Group Companies

Pursuant to the Measures for the Administration of Insurance Group Companies (For Trial Implementation) (保险集团公司管理办法(试行)), promulgated by the CIRC and effective from March 2010, insurance group companies refer to those that are established upon the approval of the CBIRC and duly registered with the words "insurance group" or "insurance holding" in their names, and that exert control, joint control or material impact on other member companies of the group.

Conditions on Establishment

Pursuant to the Measures for the Administration of Insurance Group Companies (For Trial Implementation) (保险集团公司管理办法(试行)), the establishment of an insurance group company shall meet the following conditions:

- having in place eligible investors and a reasonable equity structure, with the investors in aggregate controlling 50% or more of the shares in two or more insurance companies respectively;
- among the insurance companies controlled by the investors, at least one having been engaging in insurance business for at least six years and been profitable consecutively for the last three years, with no less than RMB1 billion net assets and no less than RMB10 billion total assets; the insurance companies controlled by the investors having the solvency satisfying the requirements of the CBIRC, relatively well-established corporate governance structures and internal control systems, with no record of material violations of laws or regulations for the last three years;
- having a minimum registered capital of RMB2 billion;

- having directors, supervisors and senior management who meet the qualification requirements as prescribed by the CBIRC;
- having a well-established governance structure, sound organisational structure, effective risk management and internal control management systems; and
- having business premises and office facilities appropriate for its business development.

Business Scope and Investment Targets

An insurance group company shall focus its business on equity investments and management. An insurance group company shall use its own funds to make equity investments and establish relevant enterprises. With approval of the CBIRC, an insurance group company may invest in the following enterprises:

- enterprises in insurance industry, including (i) insurance companies; (ii) insurance asset management companies; (iii) full-time insurance agencies, insurance brokerage companies and insurance assessment companies; and (iv) other enterprises in insurance industry;
- financial institutions other than those in insurance industry (such as commercial banks). The total investment amount in financial institutions (other than those in insurance industry) by an insurance group company and its subsidiaries shall not exceed 30% of the consolidated net assets of the group. In the event that an insurance group company and its subsidiaries invest in enterprises within the same financial sector with the same primary business, in principle they shall not hold a controlling stake in more than one such financial institution;
- non-financial enterprises related to insurance business. Other than the insurance-related non-financial institutions, when investing in non-financial institutions, an insurance group company shall not invest more than 25% of the paid-in capital of such enterprise and shall not participate in its operation. The total investment amount in non-financial institutions by an insurance group company and its subsidiaries shall not exceed 10% of the consolidated net assets of the group; and
- overseas entities. The total investment amount in overseas entities by an insurance group company and its subsidiaries shall not exceed 10% of the consolidated net assets of the group, and the total investment amount in a single overseas entity shall not exceed 5% of the consolidated net assets of the group.

Corporate Governance

Articles of Association

Insurance companies are required to formulate the basic contents of their articles of association, (including the formulation and modification procedures thereof) in accordance with the PRC Insurance Law, the PRC Company Law, the Opinions of Regulating the Articles of Association of Insurance Companies (关于规范保险公司章程的意见), promulgated by the CIRC and effective from October 2008, the Guidelines for the Articles of Association for Insurance Companies (保险公司章程指引), the Measures for the Administration of Insurance Group Companies (For Trial Implementation) (保险集团公司管理办法(试行)) and other applicable laws, regulations and regulatory documents.

Corporate Governance Structure

In accordance with the PRC Company Law, the PRC Insurance Law, the Guiding Opinions of Regulating the Corporate Governance Structure of Insurance Companies (For Trial Implementation) (关于规范保险公司治理结构的指导意见(试行)), promulgated by the CIRC and effective from January 2006, the Guidelines for the Operation of the Board of Directors of Insurance Companies (保险公司董事会运作指引), promulgated by the CBIRC and effective from February 2020, the Measures for the Administration of Independent Directors of Insurance Institutions (保险机构独立董事管理办法) and other relevant laws, regulations and regulatory documents, insurance companies shall establish corporate governance structures under which management and supervisory powers and responsibilities are allocated among the shareholders' general meetings, the board of directors, the board of supervisors and senior management.

Pursuant to the Guidelines for the Consolidated Supervision of Insurance Groups (保险集团并表监管指引), members of the insurance group controlled by an insurance group company shall

be included into the scope of consolidated supervision of the insurance group. An insurance group shall establish and implement a corporate governance framework covering the whole group in response to risks the group faces and shall adequately safeguard the interests of policyholders, the insured, beneficiaries and other stakeholders, and pay special attention to the long-term interests of the group as a whole and members of the insurance group.

Pursuant to the Measures for the Administration of Insurance Group Companies (For Trial Implementation) (保险集团公司管理办法(试行)), an insurance group company shall establish a standardised governance structure in accordance with the PRC Company Law and requirements of the CBIRC. An insurance group company shall reasonably determine the appropriate size and composition of its board of directors based on its own management needs, among which the independent directors shall hold no less than one-third of the board seats. An insurance group company shall be ultimately responsible for the group's overall strategic planning, resources allocation, and risk management and uniformly manage the human resources, accounting practices, branding and corporate culture of the group.

Pursuant to the Guiding Opinions of Regulating the Corporate Governance Structure of Insurance Companies (For Trial Implementation) (关于规范保险公司治理结构的指导意见(试行)), insurance companies shall regulate the operation of the management team, establish an audit department, a risk management department and a compliance department to enhance internal control, risk management and compliance management. Pursuant to the Operating Standards for the Internal Audit of Insurance Institutions (保险机构内部审计工作规范) promulgated by the CIRC and effective from December 2015, an insurance company shall establish a sound internal audit system, conduct internal audits in accordance with the relevant requirements, timely identify problems and effectively guard against operating risks, and promote the robust development of the company.

Qualification of Directors, Supervisors and Senior Management

Pursuant to the Administrative Provisions on the Qualification of Directors, Supervisors and Senior Management of Insurance Companies (保险公司董事、监事和高级管理人员任职资格管理规定), promulgated by the CIRC and effective from February 2018, the director, supervisor and senior management of an insurance institution shall, before taking the office, be confirmed by the CBIRC to satisfy the office qualifications. Senior management of an insurance company refers to the following persons who have the decision-making power or have a significant impact on the business management and risk control of an insurance institution:

- the general manager, deputy general manager and general manager assistant of the headquarters;
- board secretary, chief compliance officer, chief actuary, chief financial officer and officer responsible for auditing of the headquarters;
- general manager, deputy general manager and general manager assistant of branches and central sub-branches;
- manager of sub-branches and business outlets; and
- other management with identical authority as the aforementioned senior management.

Pursuant to the Measures for the Administration of Independent Directors of Insurance Institutions (保险机构独立董事管理办法), an independent director shall possess high professional qualities and good reputation, and shall meet the qualification requirements in accordance with applicable laws, regulations and other relevant conditions prescribed by the CBIRC. An independent director shall ensure that he or she has sufficient time and energy to effectively perform the duties and may only concurrently serve as independent directors in no more than four enterprises.

Internal Control, Compliance and Risk Management

Pursuant to the Basic Standards for Internal Control of Insurance Companies (保险公司内部控制基本准则), promulgated by the CIRC and effective from January 2011, the internal control of an insurance company shall include sales control, operational control, basic management control and control over investments with insurance funds. An insurance company shall establish an internal control organisation system. In such system, the board of directors bears the ultimate responsibility, the management takes direct leadership, the internal control functional department carries out coordination, the internal audit

department carries out inspection and supervision, and the business units hold primary responsibilities, together with explicit division of responsibilities, clear reporting lines, mutual cooperation and efficient implementation.

Pursuant to the Measures for the Administration of Compliance Management of Insurance Companies (保险公司合规管理办法), insurance companies shall establish and improve the compliance management system. Insurance companies shall formulate compliance policies and file with the CBIRC for record once approved by the board of directors. The board of directors of insurance companies shall bear the ultimate responsibility for the compliance management of the company. Insurance companies shall appoint a chief compliance officer, who shall report to the board of directors and work under the leadership of the board of directors and the general manager. Insurance companies shall establish clear cooperation and information exchange mechanisms between the compliance department and the internal audit department.

An insurance group (holding) company shall set up an overall compliance management system for the group, strengthen the planning, leadership and supervision over the compliance management of the whole group, and enhance the level of compliance management. Each member company shall implement the group's overall compliance management requirements and be responsible for its own compliance management.

Pursuant to the Guidelines for the Risk Management of Insurance Companies (For Trial Implementation) (保险公司风险管理指引(试行)), insurance companies shall establish a risk management framework that covers all business units under the direct leadership of the management and with the support of the risk management department, wherein relevant functional departments shall coordinate closely with each other. The ultimate responsibilities of the risk management shall be assumed by the board of directors. Insurance companies shall set up a risk management department or designate a department to take charge of matters relating to risk management. Insurance companies shall identify and assess various types of significant risks in the operating process, including insurance risk, market risk, credit risk and operational risk.

Related Party Transaction

Pursuant to the PRC Insurance Law, insurance companies shall establish systems on the management and disclosure of related party transactions. The controlling shareholders, *de facto* controllers, directors, supervisors and senior management of insurance companies shall not injure the interests of the companies through related party transactions.

Pursuant to the Measures for the Administration of the Related Party Transactions of Insurance Companies (保险公司关联交易管理办法), promulgated by the CBIRC and effective from August 2019, the CBIRC identifies related parties and related party transactions based on the principle of substance-over-form and calculates the transaction amounts by way of looking through the related parties.

The board of directors of an insurance company shall establish a related party transaction control committee to take charge of the recognition and maintenance of related parties, the management, examination, approval and risk control of related party transactions. The related party transaction control committee shall consist of three or more directors, and be chaired by an independent director. The related party transaction control committee shall focus on the compliance, fairness and necessity of related party transactions. Insurance companies shall establish management system for related party transactions, which shall include the identification, reporting, verification and information management of related parties, and the initiation, pricing, examination, reporting, disclosure, auditing and accountability of related party transactions. Insurance companies shall report and disclose related party transaction information in an authentic, accurate, complete and timely manner.

Information Disclosure

Pursuant to the Measures for the Administration of the Information Disclosure of Insurance Companies (保险公司信息披露管理办法), promulgated by the CBIRC and effective from July 2018, insurance companies shall disclose information in compliance with laws, regulations, and other regulatory documents, and comply with the principles of authenticity, accuracy, completeness, timeliness and effectiveness, and the information disclosed shall not contain any misrepresentation, misleading statements or have material omissions. The board secretaries of insurance companies shall be responsible for managing the information disclosure affairs of the company.

Insurance companies shall disclose the following information:

- basic information, including company overview, summary of corporate governance, and basic information of products;
- financial and accounting information, including financial statements and main audit opinions in the audit reports;
- premium reserve information, including the qualitative information and quantitative information on the assessment of the reserves;
- risk management information, including risk evaluation explanations, risk control system, strategies and the implementation;
- business information on insurance products, with different information disclosure requirements applicable to life and health insurance products and property and casualty insurance products;
- solvency information, including the core solvency margin ratio, comprehensive solvency margin ratio, actual capital, minimum required capital;
- information on significant related party transactions, including overview of the transactions and the basic information on the targets of the transaction, transaction counterparties, the main content and pricing method of the transactions, and opinions of independent directors; and
- information on significant matters.

Where any of the following significant issues arises, an insurance company shall disclose the relevant information with a brief explanation:

- change of its controlling shareholder or *de facto* controller;
- replacement of the chairman of the board or the general manager;
- that the cumulative number of the directors replaced in the current year exceeds one-third of the members of the board;
- change of the company name, the registered capital, the company's domicile or business premises, or the business scope;
- that the company merges with another one, spins off or dissolves itself, files for bankruptcy, or cancels its provincial branches;
- significant equity investment in another company, aiming to acquire control;
- significant investment loss in the event that the actual investment loss of a single investment exceeds 5% of the total net assets of the company at the end of the last quarter, or 5% of the company's registered capital if the value of its net assets is negative;
- significant insurance claims in the event that the amount of the actual payout for a single claim or all claims involved in a single insurance accident exceeds 5% of the company's total net assets at the end of the last quarter, or 5% of the company's registered capital if the value of its net assets is negative;
- significant litigation which has a material impact on the company's net assets and actual operation or under which the company is ruled to pay damages of more than RMB50 million;
- significant arbitration which has an important impact on the company's net assets and actual operation or under which the company is ruled to pay damages of more than RMB50 million;
- criminal penalty against the company or its chairman of the board or general manager;
- administrative penalty by the CBIRC or its local office against the insurance company or its provincial branch companies;
- replacement or early dismissal of the accounting firm; and
- other matters prescribed by the CBIRC.

In addition, the CIRC issued various information disclosure guidelines with respect to the insurance fund investment information concerning related party transactions, persons in charge of risk management,

acquisitions of stocks of a listed company or large-amount unlisted shares, and large-amount investments in real estates.

Solvency

To strengthen the solvency supervision of insurance companies and safeguard the interests of the insured, the CIRC promulgated the Administrative Provisions on the Solvency of Insurance Companies(保险公司偿付能力管理规定) and the Notice on Issues concerning Implementing the Administrative Provisions on the Solvency of Insurance Companies (关于实施《保险公司偿付能力管理规定》有关事项的通知), according to which the capital of insurance companies shall be commensurate with their risks and business scales, and insurance companies are required to evaluate their solvency margin ratio on a regular basis, calculate the minimum required capital and actual capital, and carry out dynamic solvency tests.

According to the Regulatory Standards on Solvency of Insurance Companies (No.1-17)(保险公司偿付能力监管规则(1-17号)) and the Notice on Issues concerning Transitional Period of China Risk-oriented Solvency System(关于中国风险导向偿付能力体系实施过渡期有关事项的通知), the PRC insurance industry entered into the transitional period of the C-ROSS in February 2015. Pursuant to the Notice on Issues concerning the Formal Implementation of the China Risk-oriented Solvency System(关于正式实施中国风险导向的偿付能力体系有关事项的通知), promulgated by the CIRC and effective from January 2016, the C-ROSS has been fully implemented since 1 January 2016.

Under the regulatory framework of the C-ROSS, the solvency supervision covers the following aspects: actual capital, minimum required capital, life insurance contract liability valuation, minimum required capital for insurance risk (non-life insurance business), minimum required capital for insurance risk (life insurance business), minimum required capital for insurance risk (reinsurance company), minimum required capital for market risk, minimum required capital for credit risk, stress testing, integrated risk rating (classified supervision), solvency aligned risk management requirements and assessment, liquidity risk, public disclosure of solvency information, exchange of solvency information, credit rating of insurance companies, solvency report and insurance group supervision.

Reserves

Pursuant to requirements of the PRC Accounting Standards for Business Enterprises No. 25—Primary Insurance Contracts (企业会计准则第25号—原保险合同), promulgated by the MOF and effective from January 2007, the PRC Accounting Standards for Business Enterprises No. 26—Reinsurance Contracts (企业会计准则第26号—再保险合同), promulgated by the MOF and effective from January 2007, the Measures for the Administration of the Catastrophe Risk Reserve Funds of Agricultural Insurance (农业保险大灾风险准备金管理办法), promulgated by the MOF and effective from January 2014, the Measures for the Administration of the Reserves for Non-life Insurance Business of Insurance Companies (For Trial Implementation) (保险公司非寿险业务准备金管理办法(试行)), promulgated by the CIRC and effective from January 2005, and the Implementing Rules of the Measures for the Administration of the Reserves of Non-life Insurance Business of Insurance Companies (For Trial Implementation) (保险公司非寿险业务准备金管理办法实施细则(试行)), promulgated by the CIRC and effective from January 2005, insurance companies are required to set aside reserves as follows:

- life insurance liability reserves and long-term health liability reserves which refer to the reserves set aside by an insurer for life insurance liabilities that have not been terminated and long-term health insurance liabilities that have not been terminated. An insurer shall, in the current period of recognition of life insurance premium income, set aside reserves for life insurance liabilities and long-term health insurance liabilities in light of the actuarial amounts;
- unearned premium reserves refer to the reserves set aside by an insurer for non-life insurance liabilities that have not been terminated on the reserve assessment date. An insurance company shall adopt the 1/24 method, 1/365 method or other more prudent and reasonable methods to evaluate the unearned premium reserves of the non-life insurance business;
- reserves for outstanding claims, which refer to the reserves set aside by an insurer for the non-life insurance claims which have not been settled. The reserves for outstanding claims include the reserves for outstanding claims that already occurred and have been reported, the reserves for

outstanding claims that already occurred but have not been reported, as well as the reserves for the expenses of settlement of claims;

- catastrophe risk reserve funds of agricultural insurance, which refer to the reserves set aside by agricultural insurance agencies in order to enhance the ability to withstand risks and cope with the risks of agricultural catastrophes in the process of operating agricultural insurance (referring to agricultural insurance such as planting, breeding, forestry and other agricultural insurance subsidised by central and local finance authorities in accordance with relevant regulations) in accordance with the provisions of relevant laws and regulations. Agricultural insurance agencies shall set aside the reserves in light of a certain proportion of premium income and excess insured profit of the agricultural insurance respectively, and roll over year by year.

General Risk Reserves

Pursuant to the Financial Rules for Financial Enterprises (金融企业财务规则), promulgated by the MOF and effective from January 2007, and the Guidelines for Implementation of Financial Rules for Financial Enterprises (金融企业财务规则实施指南), promulgated by the MOF and effective from March 2007, financial enterprises that engage in insurance businesses shall set aside a general reserve which equals to 10% of the net profits for the current year to cover catastrophic risks. The net profits that are set aside as general reserve shall not be used for dividends distribution or converted to share capital.

Subordinated Debts

Pursuant to the Measures for the Administration of the Subordinated Term Debts of Insurance Companies (保险公司次级定期债务管理办法), promulgated by the CIRC and effective from February 2018, insurance companies may, upon approval by the CBIRC, raise funds through subordinated debts for the purpose of making up its temporary or periodic capital deficiency. The term of the subordinated debts may be five years or more, and the repayment of principal and interest is subordinated to claims of insurance policies and other debts but superior to the equity capital of the insurance company. Funds raised by insurance companies from issuing subordinated debts can be recognised as Tier 2 Capital, but may not be used to cover their daily operating losses. The amount of subordinated debt recognised as Tier 2 Capital of an insurance company may not exceed 50% of its net assets.

Statutory Deposits

Pursuant to the PRC Insurance Law and the Measures for the Administration of Statutory Deposits of Insurance Companies (保险公司资本保证金管理办法) promulgated by the CIRC and effective from April 2015, insurance companies shall follow the principle of adequacy, security and stability, and deposit an amount equal to 20% of its registered capital as statutory deposits with a bank which satisfies the requirements of the CBIRC as its statutory deposits (which shall be increased correspondingly together with the increase of registered capital). Insurance companies shall not change the nature of the statutory deposits, or pledge them for financing during the term of statutory deposits.

Insurance companies' early withdrawal of the statutory deposits shall be limited to purposes of debts repayment during liquidation, or partial withdrawal of statutory deposits when the registered capital is reduced. Insurance companies shall report to the CBIRC within ten business days after the following disposal of the statutory deposits: (i) deposit statutory deposits upon opening-up for business or capital increase; (ii) renewal of the deposit at the original deposit bank upon maturity thereof; (iii) transferring of the deposits to another bank upon maturity thereof, including transferring the deposits to another branch of the same bank; (iv) change of the nature of the deposits upon maturity thereof; (v) early withdrawal; and (vi) other uses or disposals of the statutory deposits.

Anti-money Laundering

The PBOC is the main anti-money laundering ("**AML**") regulatory authority. Pursuant to the Anti-money Laundering Law of the People's Republic of China (中华人民共和国反洗钱法) promulgated by the Standing Committee of the National People's Congress and effective from January 2007, and Guidelines for the Management of Money Laundering and Terrorist Financing Risks of Corporate Financial Institutions (For Trial Implementation) (法人金融机构洗钱和恐怖融资风险管理指引(试行)), promulgated by the PBOC and effective from January 2019, corporate financial institutions shall pay high attention to the management of

money laundering, terrorism financing and proliferation financing risks, be fully aware of the risks for money laundering arising from illegal criminal activities during the course of business and operation management, and assume the responsibilities as following:

- establishing a money laundering risk management structure with sound organisation, complete structure and specific duties, regulating the division of duties of the board of directors, the board of supervisors, the senior management, business departments, the AML management department, internal audit department, human resources department, information technology department, domestic and overseas branches and relevant subsidiary bodies in money laundering risk management, and establishing an operating mechanism featured by clear structure, mutual coordination and effective cooperation;
- formulating scientific, clear and feasible money laundering risk management strategies, improving relevant systems and work mechanisms, rationally allocating and making overall arrangements on AML resources such as personnel, funds and systems, and evaluating effectiveness on a periodical basis. Money laundering risk management strategies shall be adjusted in a timely manner according to the money laundering risk status and market changes;
- formulating money laundering risk management policies and procedures, including but not limited to AML internal control rules (including flow and operating guidelines), methods for money laundering risk management, emergency response plans, AML measures and mechanism of information confidentiality and sharing;
- establishing and improving the AML information system based on clients covering all businesses (including products and services); collecting and recording the information required for money laundering risk management in a timely, accurate and complete manner; identifying, assessing, monitoring and reporting money laundering risks, and continually optimising and upgrading the system as required for money laundering risk management;
- conducting AML work inspection of business departments, domestic and overseas branches and related subsidiary bodies on a periodical or *ad hoc* basis; analysing the inspection results, and actively rectifying the identified problems. The inspection results shall be linked to the performance assessment and management authorisation of the business departments, domestic and overseas branches and related subsidiary bodies;
- implementing more pertinent, stricter, and more effective measures to better manage money laundering risks, on top of the AML laws and regulations as well as regulatory policies.

Insurance Security Fund

Pursuant to the Measures for the Administration of Insurance Security Fund (保险保障基金管理办法) and the Notice on Issues concerning the Payment of Insurance Security Fund (关于缴纳保险保障基金有关事项的通知) promulgated by the CIRC and effective from January 2009, insurance security fund shall be divided into the property and casualty insurance security fund (founded by the payments from the property and casualty insurance companies) and the life and health insurance security fund (founded by the payments from the life and health insurance companies).

The insurance businesses that make payments to the insurance security fund shall be covered in its scope of relief. An insurance company shall, in accordance with the following provisions, make a timely and full payment to the insurance security fund for the property and casualty insurance business or life and health insurance business as follows:

- for the non-investment type of the property and casualty insurance business, 0.8% of the premium income shall be paid to the insurance security fund; for the investment type of the property and casualty insurance business with guaranteed return, 0.08% of the business income shall be paid to the insurance security fund, and for the investment type of the property and casualty insurance business without guaranteed return, 0.05% of the business income shall be paid to the insurance security fund;
- for the life and health insurance business with guaranteed return, 0.15% of the business income shall be paid to the insurance security fund, and for the life and health insurance business without guaranteed return, 0.05% of the business income shall be paid to the insurance security fund;

- for the short-term health insurance business, 0.8% of the premium income shall be paid to the insurance security fund, and for the long-term health insurance business, 0.15% of the premium income shall be paid to the insurance security fund; and
- for the non-investment type of accident insurance business, 0.8% of the premium income shall be paid to the insurance security fund; for the investment type of the accident insurance business with guaranteed return, 0.08% of the business income shall be paid to the insurance security fund, and for the investment type of accident insurance business without guaranteed return, 0.05% of the business income shall be paid to the insurance security fund.

The payment of insurance security fund may be suspended when:

- the balance of the insurance security fund of a property and casualty insurance company amounts to 6% of the company's total assets; or
- the balance of the insurance security fund of a life and health insurance company amounts to 1% of the company's total assets.

Where the balance of the insurance security fund declines or its total assets increase, resulting in the percentage of the balance of the insurance security fund in its total assets falling short of the requirements as prescribed in the preceding paragraph, an insurance company shall automatically resume its payment to the insurance security fund.

The insurance security fund shall be invested in the spirit of protecting the interests of the policyholders and maintaining the stable and healthy development of the insurance industry. The insurance security fund shall be subject to centralised management in accordance with the law and shall be planned as a whole for its utilisation. Under any of the following circumstances, the insurance security fund may be invested to offer relief to policyholders and assignee companies holding assigned policies and for risk resolutions in accordance with the Measures for the Administration of Insurance Security Fund (保险保障基金管理办法):

- where an insurance company is dissolved or goes through bankruptcy in accordance with the law and its liquidating properties are not adequate to pay off policy benefits; or
- where the CBIRC, upon consultation with the relevant departments, determines that an insurance company is exposed to significant risks which may seriously endanger the public interest and the financial stability.

INSURANCE BUSINESS

Property and Casualty Insurance Clauses and Premium Rate

Overview

Pursuant to the Measures for the Administration on the Insurance Clauses and Premium Rates of Property and Casualty Insurance Companies (财产保险公司保险条款和保险费率管理办法), promulgated by the CIRC and effective from April 2010, the Notice on Issues concerning the Implementation of the Measures for the Administration of the Insurance Clauses and Premium Rates of Property and Casualty Insurance Companies (关于实施《财产保险公司保险条款和保险费率管理办法》有关问题的通知), promulgated by the CIRC and effective from May 2010, and the Notice on Issues concerning Further Strengthening and Improving the Regulation of Products of Property and Casualty Insurance Companies (关于进一步加强和改进财产保险公司产品监管有关问题的通知), promulgated by the CBIRC and effective from March 2020, the insurance clauses and premium rates of the following insurance products shall be reported to the CBIRC for examination and approval:

- automobile insurance (except for the commercial automobile insurance which uses model products);
- investment-type non-life insurance; and
- other insurance products concerning public interest as determined by the CBIRC and compulsory insurance products as prescribed by laws and administrative regulations.

The insurance clauses and premium rates of insurance products other than categories listed above shall be filed with the CBIRC for record within 10 business days after being adopted.

Automobile Insurance for Automobile and Compulsory Insurance for Automobile Accident Liability

Pursuant to the Notice on Strengthening Administration on Insurance Clauses and Premium Rates of Commercial Automobile Insurance (关于加强机动车辆商业保险条款费率管理的通知), promulgated by the CIRC and effective from February 2012, and the Notice on Issues concerning Further Strengthening and Improving the Regulation of Products of Property and Casualty Insurance Companies (关于进一步加强和改进财产保险公司产品监管有关问题的通知), insurance companies shall draft the clauses and premium rates of commercial automobile insurance in accordance with laws, regulations and relevant rules promulgated by the CBIRC, and conform to the principle of compliance with laws and regulations, fairness and reasonableness, good faith and plain language. The clauses and premium rates of commercial automobile insurance drafted by insurance companies shall be submitted to the CBIRC for approval (except for the commercial automobile insurance which uses model products). Insurance companies shall strictly abide by the commercial automobile insurance clauses and premium rates approved by the CBIRC, failing which the companies and relevant responsible personnel shall be subject to investigation of the CBIRC. Insurance companies shall, prior to 30 June each year, submit an annual report on commercial automobile insurance to the CBIRC, detailing the use and implementation of the commercial automobile clauses and premium rates, reasonableness appraisal as well as verification on commercial automobile insurance premium rates and so forth.

Pursuant to the Regulations on Compulsory Insurance for Automobile Accident Liability (机动车交通事故责任强制保险条例), promulgated by the State Council and effective from March 2019, the owners or managers of automobiles driving on the roads within the territory of the PRC shall purchase compulsory insurance for automobile accident liability. Insurance companies may engage in the business of compulsory insurance for automobile accident liability business. To ensure the implementation of the system of compulsory insurance for automobile accident liability, the CBIRC shall have the power to require insurance companies to engage in the business of compulsory insurance for automobile accident liability. Compulsory insurance for automobile accident liability shall adopt uniform insurance clauses and basic premium rates. The CBIRC shall approve premium rates of compulsory insurance for automobile accident liability business under the principle that the business shall be no profit and no loss in general.

Agricultural Insurance

Pursuant to the Regulations on Agricultural Insurance(农业保险条例), promulgated by the State Council and effective from February 2016, agriculture insurance refers to the insurance activities where an insurance institutions is liable to pay indemnities under an agriculture insurance contract to the insured for the property losses caused by the agreed insured events such as a natural disaster, accident, epidemic, and disease that happen to the insured in the production activities of planting, forestry, animal husbandry, and fishery.

Insurance institutions engaging in agricultural insurance business shall operate independently and be responsible for their own gains and losses. The agricultural insurance business shall be managed separately from other business lines, with separate accounting for gains and losses. The insurance clauses and premium rates shall be drafted fairly and reasonably, and be submitted to the CBIRC for approval or filing according to the law. The reserve assessment and solvency reports of insurance institutions for its agricultural insurance business shall comply with the rules issued by the CBIRC.

Life and Health Insurance Clauses and Premium Rate

Overview

Pursuant to the Measures for the Administration of Insurance Clauses and Premium Rates of Life and Health Insurance Companies (人身保险公司保险条款和保险费率管理办法), promulgated by the CIRC and effective from October 2015, the Notice on Several Issues concerning the Measures for the Administration of Insurance Clauses and Premium Rates of Life and Health Insurance Companies (关于《人身保险公司保险条款和保险费率管理办法》若干问题的通知), promulgated by the CIRC and effective from December 2011, and the Notice on Issues concerning Strengthening the Administration of Products under the Reform of the Policy on Life and Health Insurance Premium Rates (关于加强人身保险费率政策改革产品管理有关事项的通知), promulgated by the CIRC and effective from July 2015, the insurance clauses and premium rates of the following insurance products shall be reported to the CBIRC for approval before being adopted:

- types of insurance concerning the public interest;

- types of insurance which is compulsory according to laws;
- types of innovative life and health insurance prescribed by the CBIRC;
- types of life and health insurance products other than ordinary types, participating types, universal types and investment-linked types;
- types of annuity insurance products other than ordinary annuity types, participating annuity types, universal annuity types, and investment-linked annuity types; and
- other types of insurance that shall be subject to approval as prescribed by the CBIRC.

The insurance clauses and premium rates of other types of life and health insurance products shall be filed with the CBIRC for record within 10 business days after being adopted.

Health Insurance

Pursuant to the Measures for the Administration of Health Insurance (健康保险管理办法), promulgated by the CBIRC and effective from December 2019, health insurance companies, life insurance companies and pension insurance companies duly established according to the law, may engage in the business of health insurance upon approval by the CBIRC.

An insurance company shall draft insurance clauses and premium rates of health insurance and submit to the CBIRC for approval or filing in accordance with relevant rules of the CBIRC. If health products have a guaranteed renewal clause, the pricing methods and calculation methods for the liability reserves of the guaranteed renewal shall be specified in the product actuarial report when submitted for approval or filing. For health insurance products enjoying preferential tax policies, the relevant policies and regulatory requirements must be satisfied in terms of product design and loss ratio. When selling health insurance products, insurance companies shall strictly implement the insurance clauses and premium rates that have been approved by or filed with the CBIRC.

An insurance company may combine health insurance products with health management services and provide health risk assessment and intervention, disease prevention, health examination, consultation and maintenance, chronic disease management, health preserving, healthcare and other services so as to reduce health risks and disease losses. Where an insurance company provides health management services, it may list the contents of the relevant health management services in the insurance contract, or enter into a health management service contract separately. An insurance company shall, in accordance with laws and regulations, fully protect its customers' privacy and data security, and conduct necessary information interconnection and data sharing with medical institutions and basic medical insurance departments according to the scope of services and the customers.

Pension Insurance

Pursuant to the Measures for the Administration of Pension Insurance of Insurance Companies (保险公司养老保险业务管理办法), promulgated by the CIRC and effective from December 2010, pension insurance business includes individual pension annuity insurance business, group pension annuity insurance business, and enterprise annuity management business. Life insurance companies and pension insurance companies may, upon the approval by the CBIRC, operate pension insurance business. Where license from the relevant authority is required to operate enterprise annuity management business, the corresponding licensing procedure shall also be completed.

The clauses and premium rates of pension annuity insurance (including individual pension annuity insurance and group pension annuity insurance) drafted by insurance companies shall be submitted to the CBIRC for approval or filing as required by the relevant provisions of the CBIRC. Insurance companies which operate enterprise annuity management business shall regularly submit relevant enterprise annuity fund management reports, enterprise annuity fund account management reports, and investment reports as required by relevant provisions, and submit enterprise annuity fund management status reports to the CBIRC.

Reinsurance Business

Pursuant to the PRC Insurance Law, the liability borne by an insurance company for each risk unit, that is, the maximum loss caused by the occurrence of a single insurance accident, shall not exceed 10% of the combination of its actual capital and capital reserves. The portion in excess of the amount shall be reinsured.

Pursuant to the Administrative Provisions on Reinsurance Business (再保险业务管理规定), promulgated by the CIRC and effective from October 2015, insurance companies shall determine its total premium retained and its retained liability for each risk unit for the current year, and the excess shall be reinsured. An insurer shall conduct reinsurance according to the provisions issued by the CBIRC, and prudently select a reinsurer according to the relevant provisions issued by the CBIRC.

Except aviation and spaceflight insurance, nuclear insurance, oil insurance and credit insurance, a direct insurance company shall abide by the following provisions when developing contract reinsurance business or temporary reinsurance business:

- when the direct insurance business for property and casualty insurance is ceded by means of proportional reinsurance, for each risk unit, the proportion ceded to the same reinsurer shall not exceed 80% of the insured amount or the limit of liability specified in the direct insurance contract undertaken by the ceding insurer; and
- the insured amount or the limit of liability assumed by the affiliated enterprises of a policyholder as ceded pursuant to a temporary reinsurance contract shall not exceed 20% of the insured amount or the limit of liability assumed by the direct insurance business.

An insurer shall, according to the actual circumstances, arrange catastrophe reinsurance scientifically and rationally, and report its catastrophe risk arrangement plan to the CBIRC before 30 June each year.

Insurance Intermediaries

Insurance Agent

An insurance agent is an institution or individual entrusted by insurance companies to collect commissions from insurance companies and to handle insurance business within the scope authorised by insurance companies. Insurance agents include individual insurance agents, full-time insurance agencies and sideline insurance agencies. An insurance company shall not entrust institutional or individual insurance agent that has not been approved by the CBIRC to handle insurance business on its behalf.

Pursuant to the PRC Insurance Law, insurance companies shall sign entrustment agreement with insurance agents, which shall set forth the rights and obligations of the parties and other matters related to the entrustment. An insurance company shall be responsible for the behaviours of its insurance agents in handling the insurance business on its behalf according to its authorisation. If an insurance agent enters into a contract on behalf of an insurance company without its authorisation, beyond its authorisation or after the termination of the agent entrustment, while the applicant, as its contractual party, has good reasons to believe that it has the authorisation from the insurance company, the agent's act shall be effective and the insurance company shall bear the responsibilities of such act. However, an insurance company may pursue the liability of the ultra vires act by the insurance agent.

Individual Insurance Agent

Pursuant to the Administrative Measures for Insurance Sales Personnel (保险销售从业人员监管办法), promulgated by the CIRC and effective from July 2013, insurance sales personnel of insurance companies and insurance agencies shall satisfy the qualification criteria stipulated by the CBIRC, obtain a qualification certificate issued by the CBIRC, and obtain a practising certificate issued by the insurance company or the insurance agency (as the case may be). The geographical scope of practice for a practising certificate holder shall not exceed the scope of geographical region of practice stipulated in the qualification certificate.

Full-time Insurance Agency

Pursuant to the Provisions on the Supervision and Administration of Full-time Insurance Agencies (保险专业代理机构监管规定), promulgated by the CIRC and effective from October 2015, a full-time insurance agent shall satisfy the qualification requirements prescribed by the CBIRC and obtain an insurance agency business permit. A full-time insurance agent shall take out professional liability insurance or deposit a bond within 20 business days of obtaining a permit. A full-time insurance agency may engage in selling insurance products as an agent, collecting insurance premiums as an agent, conducting damage survey and claim settlement for the relevant insurance business as an agent, and other business approved by the CBIRC.

Sideline Insurance Agency

Pursuant to the Interim Measures for the Administration of Sideline Insurance Agencies (保险兼业代理管理暂行办法), promulgated by the CIRC and effective from August 2000, sideline insurance agencies should satisfy the qualification criteria stipulated by the CBIRC, and obtain the permit for concurrent insurance agency from the CBIRC. When establishing the agency relationship, insurance companies shall make sure that the concurrent insurance agency has the permit for concurrent insurance agency. Insurance companies shall not entrust an institution to handle insurance agency business if such institution has not been licensed by the CBIRC to carry out sideline insurance business.

Insurance Broker

Pursuant to the PRC Insurance Law and the Provisions on the Supervision and Administration of Insurance Brokers (保险经纪人监管规定), promulgated by the CIRC and effective from May 2018, insurance brokers, including insurance brokerage companies and their branches, are institutions that provide intermediary services for an insured and an insurance company to enter into an insurance contract, based on the interests of the insured, and collect commissions according to law. Insurance brokerages shall satisfy the qualification requirements prescribed by the CBIRC, and obtain an insurance brokerage business permit.

ASSET MANAGEMENT

Investment of Insurance Funds

Overview

Insurance funds means the capital, capital reserves, retained profits, various reserves and other funds of insurance group (holding) companies and insurance companies, denominated in Renminbi or foreign currencies.

An insurance group (holding) company or insurance company shall manage its insurance funds in an intensive and professional manner in accordance with the principles of "centrally managed, uniformly allocated, and professionally operated". Insurance funds shall be centrally managed and invested at the head office level of insurance group (holding) companies or insurance companies, and the branches of insurance group (holding) companies or insurance companies shall not engage in the investment of insurance funds.

Pursuant to the Measures for the Administration of Investments with Insurance Funds (保险资金运用管理办法), insurance funds may only be invested in: bank deposits, marketable securities such as bonds, stocks and securities investment fund units, real estates, equity investments and other forms of investments as prescribed by the State Council. Overseas investment with insurance funds shall comply with the relevant requirements of the CBIRC, the PBOC and the SAFE. Pursuant to the Notice on Strengthening and Improving the Regulation of the Proportions of Insurance Funds Invested (关于加强和改进保险资金运用比例监管的通知), promulgated by the CIRC and effective from January 2014, insurance funds may be invested in five major categories of assets: liquid assets, fixed-income assets, equity assets, real estate assets, and other financial assets.

Pursuant to the Interim Measures for the Administration of the Entrusted Investments with Insurance Funds (保险资金委托投资管理暂行办法) and the Interim Measures for the Administration of the Insurance Asset Allocation (保险资产配置管理暂行办法), both promulgated by the CIRC and effective from July 2012, insurance group (holding) companies and insurance companies shall allocate their assets in a prudent manner in accordance with the principles of security, liquidity and profitability. Insurance group (holding) companies and insurance companies may, in addition to investing their insurance funds on their own, engage qualified investment managers to invest their insurance funds in targeted asset management plans, specialised asset management plans or customer-specific asset management plans and other investment business.

Pursuant to the Several Opinions of Accelerating the Development of the Modern Insurance Service Industry (国务院关于加快发展现代保险服务业的若干意见), promulgated by the State Council and effective from August 2014, the State Council requires that the unique long-maturity advantages of insurance funds should be fully utilised when making investments. Efforts shall be made to innovate the investment models of insurance funds and improve the efficiency of insurance fund allocation on the precondition that the security and profitability is guaranteed.

Overseas Investment

Pursuant to the Interim Measures for the Administration of Overseas Investments with Insurance Funds (保险资金境外投资管理暂行办法) and the Implementing Rules of the Interim Measures for the Administration of Overseas Investments with Insurance Funds (保险资金境外投资管理暂行办法实施细则), insurance funds of an insurance company in the overseas investments refer to the self-owned foreign exchange funds and the foreign exchange funds purchased with Renminbi, and the assets formed from overseas investment with the aforesaid funds.

To engage in overseas investment of insurance funds, an insurance company shall meet the relevant qualification requirements, comply with the principles of security, liquidity, profitability and matching of assets and liabilities, make investment decisions prudently, and bear the risks of such investment. The parties of the overseas investment with insurance funds shall comply with the relevant PRC laws and administrative regulations, as well as relevant foreign laws and regulations.

To engage in overseas investments with insurance funds, an insurance company shall obtain the approval from the CBIRC. Insurance funds' overseas investments shall be made in developed capital markets in the world and allocated to currencies of main countries and regions. The Implementing Rules further lists the financial markets of the countries and regions and specifies the products from which the overseas investments with insurance funds should choose. In general, the overseas investments of insurance funds may be made to:

- money market products, such as commercial papers, large-value negotiable certificates of deposit, repurchase and reverse repurchase agreements, and money market funds;
- fixed-income products, such as bank deposits, structured deposits, bonds, convertible bonds, bond funds, securitised products and trust products;
- equity products, such as stocks, stock funds, equity interests and other equity products; and
- other forms of investments or investment products as set out in the PRC Insurance Law or otherwise prescribed by the State Council.

An insurance company may, in accordance with its asset allocation and risk management needs, determine the proportion of its insurance funds to be invested overseas within proportions approved by the CBIRC, and shall meet the following requirements:

- the total amount of overseas investments shall not exceed 15% of the total assets of the insurance company as at the end of the prior year;
- the actual amount of total overseas investments shall not exceed the foreign exchange payment quota for investments approved by the SAFE;
- the proportion of investments in any single investee shall comply with the regulations of the CBIRC;
- any change to the approved proportions of overseas investments, investment forms or investment products, shall be submitted to the CBIRC for approval; and
- any significant equity investments shall be submitted to the CBIRC for approval.

Restriction and Prohibition of Insurance Funds Investment

Pursuant to the Measures for the Administration of Investment of Insurance Funds (保险资金运用管理办法), an insurance group (holding) company or an insurance company shall not engage in the following conducts in the investment of insurance funds:

- making deposits with non-banking financial institutions;
- buying stocks marked as "special treatment" (ST) or "special treatment with delisting risk warning" (*ST) by stock exchanges;
- investing in equity interests in enterprises or in real estate not in conformity with the national industrial policies;
- engaging directly in real estate development and construction;
- using assets formed in insurance funds investments to provide guarantees or grant loans to others, except for loans secured by insurance policies of individuals; and

- other investment activities prohibited by the CBIRC.

An insurance company investing insurance funds overseas shall not engage in the following conducts:

- providing guarantees to any other entities or individuals with insurance funds invested overseas;
- engaging in speculative foreign exchange trading or money laundering;
- colluding with any other institution or individual to obtain unlawful benefits by taking advantage of overseas investment activities with insurance funds;
- investing in physical commodities, precious metal or other instruments or commodity derivatives products representing precious metal;
- utilising financing from securities firms to purchase securities or participate in naked short sales;
- borrowing funds in any other form except for the purpose of transaction settlement;
- conducting conveyance of interests other than paying legal commissions, taxes and fees, or receiving illegitimate benefits by utilising insurance funds investments; and
- any other activities prohibited by applicable PRC or foreign laws or rules.

Further, pursuant to the Guiding Opinions of Further Directing and Regulating the Direction of Overseas Investments (关于进一步引导和规范境外投资方向的指导意见), promulgated by the General Office of the State Council and effective from August 2017, domestic enterprises are restricted from making overseas investments inconsistent with the national foreign affairs policy of peaceful development, the national strategy of mutually-beneficial opening up or the national macro-control policies, including:

- overseas investments in sensitive countries or regions that are without diplomatic relations with China, undergoing wars, or restricted under any bilateral or multilateral treaty or agreement of China;
- overseas investments in real estates, hotels, cinemas, entertainment or sports clubs;
- forming overseas equity investment funds or investment platforms without specific industrial target projects;
- making overseas investments with outdated production equipment failing to meet the technical standards of the host country; and
- making overseas investments that do not comply with the environmental protection, energy consumption or safety standards of the host country.

Domestic enterprises are prohibited to make overseas investments that harm or are likely to harm national interests or national security, including:

- overseas investments involving the export of core military technology or products without necessary approvals;
- overseas investments applying any technologies, techniques or products, the export of which is prohibited;
- overseas investments in the gaming or pornography industries;
- overseas investments banned under any international treaties concluded or acceded by the PRC; and
- other overseas investments that harm or are likely to harm national interests or national security.

Proportional Supervision

In order to strengthen and improve the supervision and regulation on the proportions of insurance funds, the CBIRC has sorted out its regulatory policies in this regard and promulgated the Notice on Strengthening and Improving the Supervision of the Proportions of Insurance Funds (关于加强和改进保险资金运用比例监管的通知), according to which the assets invested by insurance companies (excluding assets in separate accounts) are classified into five major categories, namely, liquid assets, fixed-income assets, equity assets, real estate assets and other financial assets.

To prevent systemic risks, insurance companies should comply with the following requirements when allocating its assets to each major category above:

- the total book balance of investments in equity assets shall not exceed 30% of its total assets at the end of the prior quarter, and the book balance of significant equity investments shall not exceed its net assets at the end of the prior quarter (such book balances does not include the equity of any other insurance companies it invests with its own funds);
- the total book balance of investments in real estate assets shall not exceed 30% of its total assets at the end of the prior quarter (such book balance does not include the real estates purchased by the insurance company for its own use, the book balance of which shall not exceed 50% of its net assets at the end of the prior quarter);
- the total book balance of investments in other financial assets shall not exceed 25% of its total assets at the end of the prior quarter; and
- the total balance of overseas investments shall not exceed 15% of its total assets at the end of the prior quarter.

To prevent concentration risks, insurance companies should comply with the following requirements when setting the concentration limits for its investments with insurance funds in any single asset or single counterparty:

- the book balance of investment in any single fixed-income asset, equity asset, real estate asset, or other financial asset shall not exceed 5% of its total assets at the end of the prior quarter, except for its investments within the PRC in central government bonds, quasi government bonds, bank deposits, significant equity investments and investments in the equity interest in any other insurance company with its own funds, as well as purchases of self-use real properties and insurance asset management products issued by members of its own insurance group; and
- the total balance of investments in any single legal person shall not exceed 20% of its total assets at the end of the prior quarter, except for investments within the PRC in central government bonds or quasi government bonds, and investments in the equity interest of any other insurance company with its own funds.

Insurance Asset Management Company

Pursuant to the Interim Provisions on the Administration of Insurance Asset Management Companies (保险资产管理公司管理暂行规定), the term "insurance asset management companies" refers to financial institutions approved by the CBIRC and other relevant authorities, registered in accordance with law and managing funds (including insurance funds) for others.

Shareholder's Qualifications

When establishing an insurance asset management company, the main promoter(s) shall be insurance group (holding) companies or insurance companies, which shall satisfy the following conditions:

- having engaged in insurance business for more than five years;
- having no record of administrative penalties for violation of requirements on management of insurance funds in the past three years;
- having a solvency of no less than 150% and total assets of no less than RMB10 billion (or RMB15 billion for insurance group (holding) companies);
- meeting the solvency requirements of the CBIRC;
- having in place a well-established corporate governance structure and internal control system;
- having established departments for asset-liability matching management and risk control, and having a sound investment information management system;
- having assets centrally managed by the insurance funds management department of no less than 50% of the total assets of the company (or 80% for insurance companies engaging in life insurance business); and

- other conditions as prescribed by the CBIRC.

No less than 75% of the shares of each insurance asset management company must be held by domestic insurance companies (including insurance group (holding) companies).

Registered Capital

The registered capital of an insurance asset management company shall be no less than RMB100 million or an equivalent amount in a freely convertible currency, which shall be fully paid up in cash.

Business Scope

The business scope of an insurance asset management company may include all or part of the following:

- managing RMB or foreign currency funds as entrusted by others;
- managing its own RMB or foreign currency funds;
- carrying out insurance asset management product business;
- other businesses approved by the CBIRC; and
- businesses approved by other departments of the State Council.

Insurance funds under management may only be invested in bank deposits, government bonds, financial bonds and other forms of investments as prescribed by the State Council.

Insurance Asset Management Product Business

Insurance asset management product business refers to financial services where insurance asset management institutions are engaged by investors to set up insurance asset management products and act as managers to invest and manage the entrusted property of the investors in accordance with laws, regulations and relevant contracts. Insurance asset management products include debt investment plans, equity investment plans, mixed investment plans, and other products prescribed by the CBIRC, and must be offered to qualified investors in a non-public manner.

Insurance asset management products are supervised and regulated by the CBIRC in accordance with law. In order to unify the rules of various insurance asset management products, to further fill in the regulatory gaps as well as the regulatory frailties, and to strengthen business supervision, the CBIRC promulgated the Interim Rules on Insurance Asset Management Products (保险资产管理产品管理暂行办法) which became effective in May 2020.

Pursuant to the Interim Rules on Insurance Asset Management Products (保险资产管理产品管理暂行办法), insurance asset management products are classified, based on the nature of the underlying investments, into fixed income products, equity products, commodities and financial derivatives products, and mixed products. Insurance asset management institutions shall register the insurance asset management products they issue with the authorities approved by the CBIRC, and register the basic elements of the products, the offering status, the distribution of returns, and product unit-holding information on a continuous basis throughout the life of the products.

Funds raised from the offering of insurance asset managements products may be invested in treasury bonds, local government bonds, central bank bills, government agency bonds, financial bonds, bank deposits, large-value certificates of deposit, interbank certificates of deposit, corporate bonds, securitised products offered on the interbank bond market, stock exchange markets or other markets as approved by the State Council, publicly-offered securities investment funds, other debt assets, equity assets and other assets permitted by the CBIRC. The investment scope of insurance asset management products invested with insurance funds shall comply with the regulatory requirements on investments with insurance funds.

With respect to the product operation regulation, insurance asset management institutions shall not provide channel services to asset management products of other financial institutions that circumvent regulatory requirements such as restrictions on investment scope and leverage levels. Insurance asset management institutions shall ensure that the funds raised under each asset management product are managed, booked and accounted separately, and shall not engage in or participate in the pooling of funds based on which insurance asset management products are offered on a rolling basis, managed in a collective manner and priced separately.

REGULATIONS ON SHANGHAI-LONDON STOCK CONNECT AND FOREIGN EXCHANGE CONTROL

Regulations on Shanghai-London Stock Connect

In order to further expand the mutual opening-up of the capital markets and to realise the Shanghai-London Stock Connect where both markets are interconnected, Shanghai and London adopt the depositary receipts as the intermediary to connect the two markets. Global Depositary Receipts issued under Shanghai-London Stock Connect shall be regulated by the CSRC, the PBOC, the SAFE and other relevant authorities.

Conditions for GDR Offerings and Restrictions on Offer Price

Pursuant to the DR Provisions, a domestic listed company may not offer depositary receipts overseas representing newly-issued shares if:

- the application documents for the offering contain any misrepresentations, misleading statements or have major omissions;
- the rights and interests of the listed company are severely impaired by its controlling shareholder or *de facto* controller, and such impairment has not been relieved;
- the listed company or its subsidiaries have illegally provided any external guarantees, and such guarantee has not been discharged;
- incumbent board directors or senior executives of the listed company have received administrative penalties from the CSRC in the last 36 months or have been reprimanded publicly by the stock exchange in the last 12 months;
- the listed company or its incumbent board directors and senior executives are under on-going investigations by judicial authorities for suspected criminal offenses, or under on-going investigations by the CSRC for suspected violations of laws or regulations;
- qualified opinion, adverse opinion, or disclaimer of opinion on the listed company's financial reports for the last year and the last accounting period are given by the auditors, unless the major consequences of the issues indicated by aforesaid opinions have been completely relieved or unless the current offering involves material asset restructuring; or
- other circumstances that impose severe damages to the legitimate rights and interests of the investors or public interests.

For depositary receipts offered overseas by a domestic listed company representing newly-issued shares, the offer price following pro-rata conversion shall, in principle, not be lower than 90% of the average closing price of the underlying shares over the 20 trading days preceding the pricing benchmark date (being the first day of the offering period of the depositary receipts).

Upper Limit of Equity Holding

Pursuant to the DR Provisions, the proportion of equity interests held by any single foreign investor in a single domestic listed company shall not exceed 10% of the total number of shares of the company, and the aggregate interests held by all foreign investors in the A shares of a single domestic listed company shall not exceed 30% of the total number of shares of the company, except for foreign investors' strategic investments in the domestic listed company in accordance with applicable laws, which are not subject to these restrictions.

Redemption Limitation

Pursuant to the DR Provisions, the depositary receipts offered overseas by a domestic listed company may be redeemed for, or generated from, domestic underlying A shares. For the initial offering of depositary receipts overseas by a domestic listed company, the depositary receipts may not be redeemed for domestic underlying shares within the 120 days following the date of listing of the depositary receipts. The depositary receipts subscribed by the controlling shareholders, the *de facto* controller of the domestic listed company and the enterprises controlled by them may not be transferred within the 36 months following the date of listing of the depositary receipts.

Cross-Border Fund Regulations

Pursuant to the Measures for the Administration of Cross-Border Funds of Depositary Receipts (For Trial Implementation) (存托凭证跨境资金管理办法(试行)) , promulgated by the PBOC and the SAFE and effective from May 2019, the SAFE and its branches shall be responsible for the supervision, administration and inspection of the business registration, opening and use of accounts, cross-border payments and receipts and fund transfers under the offering of GDRs by domestic companies. A domestic enterprise offering depositary receipts overseas representing newly-issued securities shall complete the registration procedures, open and use the relevant accounts, and pay, receive and transfer relevant funds in accordance with the Notice on Further Improving Policies on Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (中国人民银行关于进一步完善人民币跨境业务政策促进贸易投资便利化的通知) and the Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing (国家外汇管理局关于境外上市外汇管理有关问题的通知). Institutions involved in the redemption and generation of GDRs shall observe the relevant provisions of the authorities regarding cross-border securities transactions, and shall not use the funds for other purposes irrelevant to depositary receipts. Derivatives transactions conducted by the relevant institutions involved in the redemption and generation of GDRs for hedging purposes shall have reasonable correlations with the underlying cross-border securities transactions, and the balance of assets held by such institutions in connection with the depositary receipt business shall be within the limit imposed by PRC regulatory authorities.

Securities firms engaging in the redemption and generation of depositary receipts shall comply with the relevant rules of the PBOC and the SAFE on the cross-border currency flow, and may hold cash and specific investment products of no more than RMB500 million in the other market to shorten the cross-border conversion cycle and hedge market risks. However, the underlying A shares and the corresponding cash held by a securities firm on behalf of clients for redemption under the Shanghai-London Stock Connect scheme are not subject to such limit.

Foreign Exchange Control

The SAFE is the regulatory authority of managing foreign exchange in the PRC, participating in the drafting of relevant laws, regulations and rules on foreign exchange administration. The SAFE is responsible to examine the authenticity and legality of current-account payments, manage capital account foreign exchange transactions, improve foreign exchange management in line with the convertibility of the Renminbi capital accounts, supervise and regulate foreign exchange sales and settlement businesses, and manage foreign exchange reserves, gold reserves and other foreign exchange assets of the state. The SAFE also has the power to conduct foreign exchange supervisions and inspections, and impose penalties on violations of foreign exchange management requirements.

According to the Regulations on the Administration of Foreign Exchange of the People's Republic of China (中华人民共和国外汇管理条例) promulgated by the State Council and effective from August 2008, international payments and fund transfers under current accounts are not subject to restrictions and shall be filed for registration. Financial institutions engaging in foreign exchange business shall open designated foreign exchange accounts for clients, operate foreign exchange business through such foreign exchange accounts, and report foreign exchange receipts, payments and account changes as required.

Pursuant to the Notice on Further Improving Policies on Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (中国人民银行关于进一步完善人民币跨境业务政策促进贸易投资便利化的通知), promulgated by the PBOC and effective from January 2018, and the Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing (国家外汇管理局关于境外上市外汇管理有关问题的通知), promulgated by the SAFE and effective from December 2014, enterprises are encouraged to use Renminbi for cross-border settlements and to raise Renminbi funds overseas for their use in China. Domestic companies listed overseas shall submit the registration documents for their overseas listings to domestic banks to open designated foreign exchange accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts. Such companies shall also open RMB accounts matched to their designated foreign exchange accounts with the account banks for its designated foreign exchange accounts to deposit the RMB funds converted from the foreign currency funds in the designated foreign exchange account and the RMB funds raised and remitted from outside the PRC, to make RMB payments outside the PRC for share repurchases, and to receive the residual RMB funds after the implementation of share repurchases.

Proceeds raised from overseas listing of a domestic company may be remitted into the PRC or deposited overseas. The use of proceeds shall be consistent with those set out in the prospectus or other publicly disclosed documents such as the corporate bonds offering documentations, shareholders' circulars, board resolutions or shareholders' resolutions.

The foregoing presents a summary of PRC laws applicable to the Group only, and is summarised in English solely for the purposes of this Prospectus. If you wish to know more about how PRC laws are interpreted and applied, you may consult your own PRC legal adviser.

The following selected consolidated financial information and other financial data relating to the Group as at 31 December 2017, 2018 and 2019, and for the years ended 31 December 2017, 2018 and 2019, have been extracted from, and should be read in conjunction with, the Annual Audited Financial Statements, which are included in the F-pages of this Prospectus. Certain operating data relating to the Group is also set forth as follows.

The selected consolidated financial information should be read in conjunction with the section headed "Operating and Financial Review".

SELECTED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Operating income	**319,809**	**354,363**	**385,489**
Premiums earned	263,554	299,724	313,246
Gross written premiums	281,644	321,895	347,517
Including: Premiums from reinsurance assumed	2,307	1,558	998
Less: Premiums ceded to reinsurers	(15,784)	(17,563)	(22,358)
Net change in unearned premium reserves	(2,306)	(4,608)	(11,913)
Other income	24	142	125
Investment income	51,946	53,477	67,762
Including: Share of profit of associates and joint ventures	74	335	494
Gains/(losses) arising from changes in fair value	1,443	(2,168)	801
Exchange (losses)/gains	(140)	53	56
Other operating income	2,814	3,117	3,484
Gains on disposal of assets	168	18	15
Operating expenses	**(298,786)**	**(326,108)**	**(357,422)**
Surrenders	(10,168)	(12,641)	(11,104)
Claims	(94,786)	(107,216)	(128,541)
Less: Claim recoveries from reinsurers	7,723	9,434	10,858
Changes in insurance contract reserves	(105,558)	(105,078)	(122,776)
Less: Insurance contract reserves recovered from reinsurers	1,605	320	1,490
Changes in insurance premium reserves	(124)	(22)	58
Policyholder dividends	(8,946)	(11,263)	(10,777)
Expenses for reinsurance assumed	(271)	(119)	(455)
Taxes and surcharges	(966)	(900)	(882)
Commission and brokerage expenses	(47,281)	(56,251)	(46,853)
Operating and administrative expenses	(36,293)	(39,943)	(45,439)
Less: Expenses recoveries from reinsurers	5,770	5,437	7,418
Interest expenses	(3,703)	(2,959)	(3,511)
Other operating expenses	(5,075)	(3,805)	(4,454)
Asset impairment losses	(713)	(1,102)	(2,454)
Operating profit	**21,023**	**28,255**	**28,067**
Add: Non-operating income	186	103	82
Less: Non-operating expenses	(107)	(350)	(183)
Profit before tax	**21,102**	**28,008**	**27,966**
Less: Income tax	(6,111)	(9,574)	388
Net profit	**14,991**	**18,434**	**28,354**

SELECTED CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Cash at bank and on hand	11,660	15,323	14,872
Financial assets at fair value through profit or loss	16,187	11,835	4,931
Securities purchased under agreements to resell	17,126	23,095	28,045
Premium receivables	8,492	12,063	17,916
Reinsurance receivables	7,841	6,949	5,340
Interest receivables	16,757	19,282	19,493
Reinsurers' share of unearned premium reserves	5,177	5,781	6,385
Reinsurers' share of claim reserves	6,719	6,018	6,841
Reinsurers' share of life insurance reserves	1,360	1,884	1,881
Reinsurers' share of long-term health insurance reserves	9,319	9,784	10,453
Policy loans	38,643	49,194	57,194
Term deposits	103,989	128,396	147,756
Available-for-sale financial assets	368,868	415,868	511,822
Held-to-maturity financial assets	287,497	284,744	295,247
Investments classified as loans and receivables	216,748	272,015	324,013
Long-term equity investments	5,271	17,472	20,442
Restricted statutory deposits	6,566	6,738	6,658
Investment properties	8,727	8,542	8,283
Fixed assets	12,986	15,058	16,378
Construction in progress	4,176	3,386	1,987
Right-of-use assets[1]	—	—	4,130
Intangible assets	1,545	2,886	3,652
Goodwill	962	1,357	1,357
Deferred income tax assets	1,742	2,379	860
Other assets	12,866	15,910	12,397
TOTAL ASSETS	**1,171,224**	**1,335,959**	**1,528,333**

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Securities sold under agreements to repurchase	66,243	75,075	78,366
Premium received in advance	21,156	16,384	21,000
Commission and brokerage payable	3,888	4,520	4,364
Reinsurance payables	6,002	6,233	4,543
Employee benefits payable	4,703	4,972	5,573
Taxes payable	6,629	9,246	2,166
Interest payable	309	585	516
Claims payable	19,035	20,789	21,712
Policyholder dividend payable	24,422	26,501	25,447
Policyholders' deposits and investment contract liabilities	56,343	62,325	75,576
Unearned premium reserves	44,247	49,455	61,975
Claims reserves	39,429	38,864	42,504
Life insurance reserves	681,766	787,284	891,195
Long-term health insurance reserves	36,797	44,068	72,347
Insurance premium reserves	385	407	349
Bonds payable	3,999	13,985	9,988
Lease liabilities(1)	—	—	3,668
Deferred income tax liabilities	920	1,168	2,911
Other liabilities	13,832	20,050	20,813
Total liabilities	**1,030,105**	**1,181,911**	**1,345,013**
Issued capital	9,062	9,062	9,062
Capital reserves	66,613	66,635	66,650
Other comprehensive income	1,505	2,792	12,949
Surplus reserves	4,835	4,835	4,835
General reserves	9,761	11,642	14,329
Retained profits	45,722	54,610	70,602
Equity attributable to shareholders of the parent	137,498	149,576	178,427
Non-controlling interests	3,621	4,472	4,893
Total equity	**141,119**	**154,048**	**183,320**
TOTAL LIABILITIES AND EQUITY	**1,171,224**	**1,335,959**	**1,528,333**

Note:

(1) In 2018, the MOF released the New Standard on Leases, which has come into effect since 1 January 2019. Details of the first time adoption of the New Standard on Leases are discussed in Note II to Annual Audited Financial Statements in F-pages of this Prospectus.

SELECTED CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Net cash flows from operating activities	86,051	89,449	111,795
Net cash flows used in investing activities	(104,209)	(91,748)	(96,855)
Net cash flows from/(used in) financing activities	10,629	11,554	(10,544)
Effects of exchange rate changes on cash and cash equivalents	(80)	80	29
Net (decrease)/increase in cash and cash equivalents	**(7,609)**	**9,335**	**4,425**
Cash and cash equivalents at the beginning of the year	36,395	28,786	38,121
Cash and cash equivalents at the end of the year	**28,786**	**38,121**	**42,546**

GROSS WRITTEN PREMIUMS

The table below sets forth the Group's gross written premiums by business segment for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Life and health insurance	176,072	203,202	213,663
Property and casualty insurance	105,859	119,218	134,650
Eliminations[1]	(287)	(525)	(796)
Total	**281,644**	**321,895**	**347,517**

Note:

(1) Eliminations were attributable to overlapping recognition of gross written premiums among business segments.

KEY PERFORMANCE INDICATORS AND OTHER FINANCIAL METRICS

The tables below set forth the key performance indicators and other financial metrics of the Group for the periods/as at the dates indicated:

	Year ended 31 December		
	2017	2018	2019
	(%)	(%)	(%)
Total investment yield	5.4	4.6	5.4
Weighted average return on equity[1]	10.9	12.6	16.9

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Embedded value[2]	286,169	336,141	395,987

	As at 31 December		
	2017	2018	2019
	(%)	(%)	(%)
Comprehensive solvency margin ratio[3]	284	301	295

Note:

(1) Ratio of net profit attributable to shareholders of the parent to average balance of equity attributable to shareholders of the parent.

(2) The sum of the Group's adjusted net worth and the value of in force business of CPIC Life attributable to the shareholders of the Company.

(3) Ratio of the actual capital of the Group to the statutory minimum required capital of the Group.

The following discussion and analysis of the Group's operating and financial results is based on, and should be read in conjunction with, the Annual Audited Financial Statements. Investors should read the following discussion together with the whole of this Prospectus, including the sections headed "Risk Factors", "Selected Consolidated Financial and Other Information", and the Annual Audited Financial Statements (including the related notes) as set out in the F-pages, and should not rely solely on the information set out in this section.

The following discussion includes certain forward-looking statements that, although based on assumptions that the Group considers to be reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied in this Prospectus. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those factors that are discussed in the sections headed "Presentation of Financial and Other Information—Forward-looking statements" and "Risk Factors" in this Prospectus. All statements, other than statements of historical fact, such as statements regarding the Group's future financial position and risks and uncertainties related to the Group's business, plans and objectives for future operations, are forward-looking statements.

OVERVIEW

Founded in 1991 and listed on both Shanghai and Hong Kong stock exchanges, the Group is a leading insurance group that offers a wide range of financial products and services to approximately 139 million individual and institutional customers in China through its nationwide distribution network and diverse service platform. The Group operates the following businesses:

- *Life and health insurance*: Life and health insurance business comprises life and health insurance denominated in Renminbi underwritten by the Group (including CPIC Life and CPIC Allianz Health);
- *Property and casualty insurance*: Property and casualty insurance business comprises property and casualty insurance denominated in Renminbi or foreign currencies underwritten by the Group; and
- *Investment management*: Investment management business mainly comprises in-house investment asset management and third-party asset management.

As at 31 December 2017, 2018 and 2019, the Group's total assets were RMB1,171,224 million, RMB1,335,959 million and RMB1,528,333 million, respectively, representing a CAGR of 14.2%. For the years ended 31 December 2017, 2018 and 2019, the Group's operating income was RMB319,809 million, RMB354,363 million and RMB385,489 million, respectively, representing a CAGR of 9.8%. For the years ended 31 December 2017, 2018 and 2019, the Group's net profit was RMB14,991 million, RMB18,434 million and RMB28,354 million, respectively, representing a CAGR of 37.5%.

BASIS OF PRESENTATION

The financial statements of the Group have been prepared in accordance with the PRC GAAP. The financial statements of the Group are presented in Renminbi, which is the reporting currency. The Group's financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for certain financial instruments and insurance contract reserves. The financial statements have been prepared on a going concern basis.

If the accounting treatments of a transaction are inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustments regarding the transaction will be made from the perspective of the Group. All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The subsidiaries' shareholders' equity, net profit or loss of the period, and the portion in their comprehensive income not attributable to the Company are presented separately as non-controlling interests, net profit attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests in the consolidated financial statements under equity, net profit and total comprehensive income respectively. However, a liability is recognised to reflect the corresponding shares of net assets in the consolidated entity when non-controlling interests arise from the structured entities they have invested in.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, as the Group expects, will continue affecting the Group's business, financial condition, results of operations and prospects, among which certain factors are out of the Group's control.

Economic Conditions and Demographics and Socio-economic Policies in the PRC

As the Group carries out most of its businesses and generates substantially all of its revenues in China, economic conditions and demographics, as well as socio-economic policies in China, have a significant effect on the Group's results of operations, financial condition and future prospects.

Benefitting from the economic reforms implemented by the PRC government, China's economy has achieved significant development over the past few decades and has become one of the world's most rapidly-growing economies. For details of the economic growth in China, please refer to the section headed "Industry Overview—Overview". With further expansion of the economic scale and an aging population, however, China's economy has entered into the "new normal" in recent years, which features stronger emphasis on the quality of the economic growth in lieu of nominal growth rates, following the implementation of comprehensive reform policies by the PRC government. Despite the lower GDP growth rate, there has been steady expansion of middle and high income groups. The tax reduction policies further promote the increase of the disposable income per capita. In addition, the level of urbanisation is on the rise in China and it is expected that approximately an additional 100 million people will settle in cities and towns by the end of 2020. A rise in household income and rapid urbanisation are expected to foster (i) stronger demand for insurance products and services; (ii) greater demand particularly for life insurance products that can provide protection and long-term savings; and (iii) significant opportunities for insurance funds management and third-party asset management.

China has undergone demographic changes, including an increase in life expectancy, a decrease in birth rate and an aging population. Please refer to the section headed "Industry Overview—Key Industry Drivers—Population aging" for details. The aging of population entails tremendous growth opportunities for life insurance, health insurance, pension products, and particularly elderly caring services.

China is also reforming its social welfare system, gradually transitioning from one that is mainly government-sponsored to one that is jointly supported by the government, enterprises and individuals. Further, the PRC government is promoting reforms in the pension system to incorporate retirement provisions, supplementary pension plans provided by enterprises or enterprise annuity and private pension insurance. These measures have stimulated the demand for life and health insurance, and created new opportunities for the life insurance industry. In addition, the PRC government has been focusing on the developments of agriculture and rural areas, as well as the well-being of farmers, which is evidenced by increasing investments in rural constructions. It has announced its agenda relating to the establishment of a comprehensive agricultural insurance system, with the aforementioned factors contributing to the acceleration of the development of the agricultural insurance. As the PRC government further commits itself to the management and protection of the environment, food safety and public premises, there is also great potential for the liability insurance business.

Investment Environment

Rooted in the largest developing country in the world, China's capital market has experienced years of remarkable growth, presenting vast potential to be unleashed. With decades of effort taken by the PRC government in promoting the development of market economy and enhancing the dynamics of its domestic capital market, there has been continued advancement of China's investment environment. In recent years, the PRC government has gradually expanded the permitted scope of investments by Chinese insurance companies to include a number of categories such as bank deposits, bonds, stocks, securities investment funds, real estate and equity investment. The Group believes that as an insurance organisation, investment management should primarily serve the purpose of supporting its insurance business and, therefore, has put utmost emphasis on asset-liability management, with solvency being the core measurement of risk appetite. The Group has established an advanced SAA framework that will carry it through macroeconomic cycles, as well as highly disciplined TAA and value-investing securities selection processes, to implement the guiding principle of "Prudent, Value and Long-Term Investing". The Group will adopt a progressive approach in exploring new investment channels, and comply with applicable laws and regulations in respect of the amount and proportional limits of insurance funds.

Some of the Group's insurance products and investments are sensitive to interest rate fluctuations. As such, changes in interest rates may affect the Group's financial condition and results of operations. As at 31 December 2017, 2018 and 2019, the Group's fixed income investments accounted for 81.8%, 83.1% and 80.4%, respectively, of its in-house investment assets. In periods of rising interest rates, on one hand, the investment yield of newly-added fixed income investments may increase, the fair value of fixed income investments previously acquired may decrease. On the other hand, a decline in interest rates may reduce the investment yield of the Group's newly-added fixed income investments, while the fair value of fixed income investments previously purchased may increase. Certain life insurance products contain an adjustment mechanism for customer policy benefit, which allows, to the extent permitted under the current regulatory framework, customer policy benefit for a specific period to be reassessed at the insurer's discretion according to the actual investment yield. All of the aforementioned factors will collectively influence the Group's growth rate of investments' net asset value.

In addition to interest rates, other segments of the capital market are subject to volatilities arising from changes in political, economic and social conditions. For instance, the Group's gains from stock investments significantly decreased in 2018 due to the fluctuations in the Chinese stock market, resulting in a decrease in total investment yield from 5.4% for the year ended 31 December 2017 to 4.6% for the year ended 31 December 2018.

Regulatory Environment of the PRC Insurance Industry

The Group's business is subject to extensive regulations and supervisions, including legal and compliance inspections, by the PRC regulatory authorities such as the CBIRC and the PBOC. As at 31 December 2017, 2018 and 2019, the Group's comprehensive solvency margin ratio was 284%, 301% and 295%, respectively. Although the Group maintained a strong solvency position during these years, there is no assurance that it can continue maintaining its comprehensive solvency margin ratio to meet the minimum requirement of the CBIRC in extreme circumstances, such as unprecedented catastrophic events. If the Group violates relevant regulations (including but not limited to the minimum statutory requirements for solvency), regulatory authorities may impose on the Group corresponding regulatory measures, including penalties and issuance of negative reports or opinions about the Group. In addition, changes in laws, regulations and regulatory policies (such as relevant regulations relating to the terms and conditions and premium rates of the Group's insurance products) may adversely affect the Group's results of operations and financial condition. Please refer to the section headed "Risk Factors—Risks Related to the PRC Insurance Industry—The Group is subject to extensive regulations and exposed to compliance risks. Changes in laws, regulations and regulatory policies from time to time may also affect the Group's profitability or business development." for details.

Frequency and Severity of Catastrophic Events

The Group's business involves insurance of catastrophic events which can be caused by various reasons, including natural disasters such as earthquakes, typhoons, floods, droughts, storms, hailstorms, severe winter weather, industry or engineering accidents, fires and explosions, major diseases or virus outbreaks. The frequency and severity of catastrophic events directly affect the amount of claims. Although there were no major catastrophes causing significant negative impacts on the Group's operating results and financial condition for the years ended 31 December 2017, 2018 and 2019, the economic disruptions brought about by the COVID-19 pandemic in 2020 as well as other catastrophic events occurring in the future may still adversely affect the Group's results of operations, liquidity and solvency. As such, the Group has assessed the potential losses that may be incurred, and made provision of reserves accordingly. Risk of losses from catastrophic events is further mitigated by having certain reinsurance arrangements in place.

Product Portfolio

In respect of the life and health insurance business, the Group has been focusing on the development of the long-term insurance businesses in recent years. For example, CPIC Life's gross written premiums generated from long-term health insurance products have shown rapid growth, reaching RMB20,650 million, RMB33,010 million and RMB43,900 million for the years ended 31 December 2017, 2018 and 2019, respectively, representing a CAGR of 45.8%. The Group expects that with China's demographic shift and the growing wealth, its long-term insurance businesses will see enormous potential for expansion. If the Group is able to seize such opportunities, its operating results and financial performance will be further strengthened.

In respect of property and casualty insurance business, automobile insurance is currently the main source of CPIC P/C's gross written premiums. For the year ended 31 December 2019, CPIC P/C's gross written premiums generated from automobile insurance were RMB93,218 million, accounting for 70.1% of CPIC P/C's gross written premiums. Recently, CPIC P/C has expanded its business from the traditional automobile insurance business into non-auto insurance business such as agricultural insurance, guarantee insurance and liability insurance. Gross written premiums generated from the latter continued increasing, reaching RMB22,806 million, RMB29,832 million and RMB39,761 million for the years ended 31 December 2017, 2018 and 2019, respectively, representing a CAGR of 32.0%. The Group believes that, as China's economic restructuring further deepens, emerging non-auto insurance business has a bright prospect. If the Group is able to seize the aforementioned opportunities, its operating results and financial performance may be positively affected.

Customer Base and Customer Satisfaction

The Group's operating results depend on its ability to maintain and expand its customer base. As at 31 December 2017, 2018 and 2019, the number of customers of the Group was increasing, which amounted to 116 million, 126 million and 139 million, respectively.

The growth in the number of customers is primarily due to the higher quality of customer service and customer experience. In recent years, in order to improve customer satisfaction and loyalty, the Group has made services more convenient and efficient through such efforts as technological empowerment. For details of technological empowerment efforts made by the Group, please refer to the section headed "Business Description—Information Technology". It should be noted that, while the Group endeavours to introduce products and services that meet the needs of customers, customer preferences are constantly changing. The Group's operating performance and financial condition may be affected by the Group's ability to launch new products and maintain a high level of customer satisfaction.

Distribution Channels

Distribution channels have historically affected and will continue affecting the Group's operating results and financial condition.

In the life and health insurance business, the Group's individual life insurance products are mainly sold through its agency channel with a nationwide distribution network. Agents are not employees of CPIC Life, and they are engaged through entering into an exclusive agency agreement with CPIC Life every three years. For the years ended 31 December 2017, 2018 and 2019, the gross written premiums from the agency channel accounted for 87.8%, 90.3% and 91.8%, respectively, of the gross written premiums of CPIC Life. Capitalising on the Group's industry-leading insurance agent training system, gross written premiums generated from CPIC Life's agency channel have grown rapidly in recent years, recording RMB154,195 million, RMB182,693 million and RMB195,166 million for the years ended 31 December 2017, 2018 and 2019, respectively, representing a CAGR of 12.5%. Looking forward, the Group's stability of business operation and financial performance may be affected by its ability to retain competent agents or internal sales staff, or the ability to replace these personnel in time.

In the property and casualty insurance business, automobile dealership is the primary distribution channel for the Group's automobile insurance. Meanwhile, the share of cross-selling in terms of gross written premiums has been increasing in recent years. For details of the respective shares of automobile dealership and cross-selling channels in gross written premiums derived from the automobile insurance business of CPIC P/C, please refer to the section headed "Business Description—Property and Casualty Insurance—Customers, Channels and Synergies".

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENT

Gross Written Premiums

Gross written premiums mainly consist of gross written premiums from the life and health insurance business and the property and casualty insurance business. The table below sets forth a breakdown of gross written premiums by business segment for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Life and health insurance	176,072	203,202	213,663
Property and casualty insurance	105,859	119,218	134,650
Eliminations[(1)]	(287)	(525)	(796)
Total	**281,644**	**321,895**	**347,517**

Note:

(1) Eliminations were attributable to overlapping recognition of gross written premiums among business segments.

The Group's gross written premiums of life and health insurance business were generated primarily from life insurance, annuity insurance, health insurance and accident insurance products, while the gross written premiums of its property and casualty insurance business were generated principally from automobile insurance, agricultural insurance and liability insurance products.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers represent the amount of premiums ceded to reinsurers, which shall bear the insurance risks transferred thereto according to the reinsurance contracts.

Net Change in Unearned Premium Reserves

Net change in unearned premium reserves represents the difference between unearned premium reserves as at the end of the year and that as at the beginning of the year, net of reinsurance.

Investment Income

Investment income primarily comprises: (i) interest income from debt investments; (ii) interest income from other fixed-income investments; (iii) net gains on disposal of stock investments; (iv) stock dividend income; and (v) income from other equity investments. The table below sets forth the investment income of the Group by nature for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Net gains/(losses) on disposal of stock investments	3,651	(848)	5,055
Net (losses)/gains on disposal of fund investments	(4,972)	(120)	923
Net (losses)/gains on disposal of bond investments	(311)	139	282
Interest on securities purchased under agreements to resell	363	329	346
Interest income from debt investments	34,455	39,104	44,200
Interest income from other fixed-income investments	7,525	8,810	10,796
Fund dividend income	7,635	1,718	1,213
Stock dividend income	931	1,498	2,288
Income from other equity investments	2,596	2,512	2,167
Share of profit of associates and joint ventures	74	335	494
Net losses on sales of derivatives	(1)	—	(2)
Total	**51,946**	**53,477**	**67,762**

Other Operating Income

Other operating income mainly includes: (i) income from third-party assets management fee; (ii) rental income from investment properties; and (iii) amortisation of initial policy fee and account management fee. The table below sets forth a breakdown of other operating income of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Income from third-party assets management fee	961	1,155	1,625
Rental income from investment properties	686	739	754
Amortisation of initial policy fee and account management fee	167	148	224
Others[(1)]	1,000	1,075	881
Total	**2,814**	**3,117**	**3,484**

Note:

(1) Others primarily include commission fee income arising from withholding and remitting vehicle and vessel tax.

Surrenders

Surrenders consist of: (i) surrenders in connection with individual life insurance; and (ii) surrenders in connection with group life insurance. The table below sets forth a breakdown of surrenders of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Individual life insurance	10,118	12,566	11,033
Group life insurance	50	75	71
Total	**10,168**	**12,641**	**11,104**

Claims

Claims are principally comprised of: (i) indemnity; (ii) payment upon maturity; (iii) payment of annuity; and (iv) payment upon death, injury or medical treatment. The table below sets forth the Group's claims by nature for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Indemnity	64,375	72,132	79,215
Payment upon maturity—direct insurance contracts	14,796	15,655	22,660
Payment of annuity—direct insurance contracts	9,877	11,506	16,676
Payment upon death, injury or medical treatment—direct insurance contracts	5,737	7,922	9,989
Payment upon death, injury or medical treatment—reinsurance contracts	1	1	1
Total	**94,786**	**107,216**	**128,541**

The table below sets forth the Group's claims by business segment for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Life and health insurance	36,001	42,568	58,355
Property and casualty insurance	58,928	64,845	70,500
Eliminations[(1)]	(143)	(197)	(314)
Total	**94,786**	**107,216**	**128,541**

Note:

(1) Eliminations were attributable to overlapping recognition of claims among business segments.

Changes in Insurance Contract Reserves

Changes in insurance contract reserves consist of: (i) changes in life insurance reserves; (ii) changes in long-term health insurance reserves; and (iii) changes in claims reserves. The table below sets forth the changes in insurance contract reserves of the Group by nature for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Changes in claims reserves	2,789	(552)	3,637
Changes in life insurance reserves	92,232	98,359	90,860
Changes in long-term health insurance reserves	10,537	7,271	28,279
Total	**105,558**	**105,078**	**122,776**

Commission and Brokerage Expenses

Commission and brokerage expenses include: (i) commission; (ii) fee incurred from the property and casualty insurance business; and (iii) fee incurred from the life insurance business. Fees and commission are paid to third parties. The table below sets forth a breakdown of the commission and brokerage expenses of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Fee	18,676	24,939	19,286
Property and casualty insurance	17,127	23,365	17,925
Life insurance	1,549	1,574	1,361
Commission	28,605	31,312	27,567
Total	**47,281**	**56,251**	**46,853**

Operating and Administrative Expenses

Operating and administrative expenses principally comprise: (i) payroll and welfare benefits; (ii) advertising expenses (including business publicity expenses); and (iii) general office expenses. The table below sets forth a breakdown of the operating and administrative expenses of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Payroll and welfare benefits	16,860	18,802	21,222
Advertising expenses (including business publicity expenses)	4,176	3,674	5,237
General office expenses	3,249	3,219	3,571
Rent for operating leases[(1)]	1,179	1,333	—
Depreciation of fixed assets	1,022	1,104	1,275
Others[(2)]	9,807	11,811	14,134
Total	**36,293**	**39,943**	**45,439**

Note:

(1) In 2018, the MOF released the New Standard on Leases, which has come into effect since 1 January 2019. Details of the first time adoption of the New Standard on Leases are discussed in Note II to Annual Audited Financial Statements in F-pages of this Prospectus.

(2) Others primarily include professional service fees, depreciation of right-of-use assets, prevention expenses, labour costs, property management fee, consulting fee and amortisation of intangible assets.

Policyholder Dividends

Policyholder dividends represent dividends paid on the Group's participating life insurance products.

Interest Expenses

Interest expenses are mainly derived from: (i) securities sold under agreements to repurchase; (ii) unclaimed policy dividend; (iii) debts; and (iv) interest on lease liabilities. The table below sets forth a breakdown of the interest expenses of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Securities sold under agreements to repurchase	2,676	1,804	1,922
Unclaimed policy dividend	517	596	657
Debts	455	543	551
Interest on lease liabilities	—	—	140
Others	55	16	241
Total	**3,703**	**2,959**	**3,511**

Other Operating Expenses

Other operating expenses primarily include: (i) interest expenses for policyholders' investment contract liabilities; and (ii) depreciation of investment properties. The table below sets forth a breakdown of other operating expenses of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Interest expenses for policyholders' investment contract liabilities	1,910	2,531	3,005
Depreciation of investment properties	312	328	334
Amortisation of fee and commission for acquiring policyholders' investment contract	2	2	2
Others	2,851	944	1,113
Total	**5,075**	**3,805**	**4,454**

Asset Impairment Losses

Asset impairment losses consist of: (i) net provision for available-for-sale financial asset impairment; (ii) net provision for bad debts; and (iii) net provision for investments classified as loans and receivables. The table below sets forth a breakdown of asset impairment losses of the Group for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Provision for available-for-sale financial assets impairment—net	658	975	2,095
Provision for bad debts—net	55	127	115
Provision for investments classified as loans and receivables—net	—	—	197
Provision for held-to-maturity financial assets—net	—	—	47
Total	**713**	**1,102**	**2,454**

Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. The Company and its PRC subsidiaries are subject to an EIT rate of 25.0% in accordance with the EIT law. For the years ended 31 December 2017, 2018 and 2019, the Hong Kong subsidiaries of the Company were subject to Hong Kong profits tax provided primarily at the rate of 16.5% on the estimated assessable profits, except for partial assessable profits eligible for the rate of 8.25% pursuant to the applicable Hong Kong tax laws. The effective income tax rate of the Group (calculated as income tax divided by profit before tax) was 29.0%, 34.2% and –1.4% for the years ended 31 December 2017, 2018 and 2019, respectively.

RESULTS OF OPERATIONS

The following table summarises the results of operations for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Operating income	**319,809**	**354,363**	**385,489**
Premiums earned	263,554	299,724	313,246
Gross written premiums	281,644	321,895	347,517
Including: Premiums from reinsurance assumed	2,307	1,558	998
Less: Premiums ceded to reinsurers	(15,784)	(17,563)	(22,358)
Net change in unearned premium reserves	(2,306)	(4,608)	(11,913)
Other income	24	142	125
Investment income	51,946	53,477	67,762
Including: Share of profit of associates and joint ventures	74	335	494
Gains/(losses) arising from changes in fair value	1,443	(2,168)	801
Exchange (losses)/gains	(140)	53	56
Other operating income	2,814	3,117	3,484
Gains on disposal of assets	168	18	15
Operating expenses	**(298,786)**	**(326,108)**	**(357,422)**
Surrenders	(10,168)	(12,641)	(11,104)
Claims	(94,786)	(107,216)	(128,541)
Less: Claim recoveries from reinsurers	7,723	9,434	10,858
Changes in insurance contract reserves	(105,558)	(105,078)	(122,776)
Less: Insurance contract reserves recovered from reinsurers	1,605	320	1,490
Changes in insurance premium reserves	(124)	(22)	58
Policyholder dividends	(8,946)	(11,263)	(10,777)
Expenses for reinsurance assumed	(271)	(119)	(455)
Taxes and surcharges	(966)	(900)	(882)
Commission and brokerage expenses	(47,281)	(56,251)	(46,853)
Operating and administrative expenses	(36,293)	(39,943)	(45,439)
Less: Expenses recoveries from reinsurers	5,770	5,437	7,418
Interest expenses	(3,703)	(2,959)	(3,511)
Other operating expenses	(5,075)	(3,805)	(4,454)
Asset impairment losses	(713)	(1,102)	(2,454)
Operating profit	**21,023**	**28,255**	**28,067**
Add: Non-operating income	186	103	82
Less: Non-operating expenses	(107)	(350)	(183)
Profit before tax	**21,102**	**28,008**	**27,966**
Less: Income tax	(6,111)	(9,574)	388
Net profit	**14,991**	**18,434**	**28,354**

The following discussion compares the principal components of the Group's operating results for the years ended 31 December 2017, 2018 and 2019.

Gross Written Premiums

Comparisons between the Years ended 31 December 2018 and 2019

The Group's gross written premiums increased by 8.0% from RMB321,895 million for the year ended 31 December 2018 to RMB347,517 million for the year ended 31 December 2019, primarily due to the growth in both the life and health insurance business and the property and casualty insurance business.

Gross written premiums of the life and health insurance business increased by 5.1% from RMB203,202 million for the year ended 31 December 2018 to RMB213,663 million for the year ended 31 December 2019, primarily due to the fact that CPIC Life's gross written premiums generated from long-term health insurance products increased.

Gross written premiums of the property and casualty insurance business increased by 12.9% from RMB119,218 million for the year ended 31 December 2018 to RMB134,650 million for the year ended 31 December 2019, primarily due to (i) a rapid increase in CPIC P/C's gross written premiums generated from non-auto insurance business, demonstrating the Group's enhancing effort in diversifying its business mix; and (ii) an increase in CPIC's gross written premiums generated from automobile insurance business.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's gross written premiums increased by 14.3% from RMB281,644 million for the year ended 31 December 2017 to RMB321,895 million for the year ended 31 December 2018, primarily attributable to the rapid growth in gross written premiums of both the life and health insurance business and the property and casualty insurance business.

Gross written premiums of the life and health insurance business increased by 15.4% from RMB176,072 million for the year ended 31 December 2017 to RMB203,202 million for the year ended 31 December 2018, primarily due to the improvements of business mix of CPIC Life, in particular by an increase in the share of long-term health insurance products from 11.8% for the year ended 31 December 2017 to 16.3% for the year ended 31 December 2018 in CPIC Life's gross written premiums.

Gross written premiums of the property and casualty insurance business increased by 12.6% from RMB105,859 million for the year ended 31 December 2017 to RMB119,218 million for the year ended 31 December 2018, primarily because (i) CPIC P/C's gross written premiums generated from the non-auto insurance (such as agricultural insurance, guarantee insurance and liability insurance) business significantly increased by 30.8% as the Group vigorously accelerated the expansion of non-auto insurance; and (ii) CPIC P/C's gross written premiums generated from the automobile insurance business increased by 7.5% as a result of the enhancement of customer engagement and performance in cross-selling and automobile dealership distribution channels.

Premiums Ceded to Reinsurers

Comparisons between the Years ended 31 December 2018 and 2019

The Group's premiums ceded to reinsurers increased by 27.3% from RMB17,563 million for the year ended 31 December 2018 to RMB22,358 million for the year ended 31 December 2019, primarily as a result of the growth of gross written premiums for the same period.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's premiums ceded to reinsurers increased by 11.3% from RMB15,784 million for the year ended 31 December 2017 to RMB17,563 million for the year ended 31 December 2018. The increase was in line with the growth in the Group's gross written premiums for the same period, and was primarily a result of a significant increase in premiums ceded to reinsurers in relation to the non-auto insurance business.

Net Change in Unearned Premium Reserves

Comparisons between the Years ended 31 December 2018 and 2019

The Group's net change in unearned premium reserves increased by 158.5% from RMB4,608 million for the year ended 31 December 2018 to RMB11,913 million for the year ended 31 December 2019. Such a significant increase was principally driven by the growth of the Group's gross written premiums.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's net change in unearned premium reserves increased by 99.8% from RMB2,306 million for the year ended 31 December 2017 to RMB4,608 million for the year ended 31 December 2018. The increase was principally driven by the increase in the Group's gross written premiums for the same period.

Investment Income

Comparisons between the Years ended 31 December 2018 and 2019

The Group's investment income increased by 26.7% from RMB53,477 million for the year ended 31 December 2018 to RMB67,762 million for the year ended 31 December 2019, primarily attributable to

(i) an increase in interest income from fixed-income investments driven by the rapidly expanding fixed-income investment portfolios of the Group and tactical acquisition of fixed-income investments during the temporary rallies of market interest rates; and (ii) a significant increase in net gains on disposal of stock investments in the context of the favourable performance in Chinese stock market.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's investment income increased by 2.9% from RMB51,946 million for the year ended 31 December 2017 to RMB53,477 million for the year ended 31 December 2018, primarily due to (i) an increase in the Group's investment assets; (ii) a substantial increase in investment income generated from fixed income investments which the Group purchased during the periods of high interest rates; and (iii) the enhanced investment in private financing instruments with high credit rating and low risk, the effects of which were partially offset by a significant decrease in gains on disposal of stock investments as a result of the fluctuations in the Chinese stock market.

Other Operating Income

Comparisons between the Years ended 31 December 2018 and 2019

The Group's other operating income increased by 11.8% from RMB3,117 million for the year ended 31 December 2018 to RMB3,484 million for the year ended 31 December 2019, primarily due to an increase in fee income generated from its third-party asset management business.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's other operating income increased by 10.8% from RMB2,814 million for the year ended 31 December 2017 to RMB3,117 million for the year ended 31 December 2018, primarily as a result of an increase in fee income generated from its third-party asset management business, reflecting the growth of the Group's third-party AuM.

Surrenders

Comparisons between the Years ended 31 December 2018 and 2019

The Group's surrenders decreased by 12.2% from RMB12,641 million for the year ended 31 December 2018 to RMB11,104 million for the year ended 31 December 2019. Such decrease was primarily attributable to a cedant's early termination of certain reinsurance arrangements due to its change of business plan in 2018.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's surrenders increased by 24.3% from RMB10,168 million for the year ended 31 December 2017 to RMB12,641 million for the year ended 31 December 2018, primarily as a result of a cedant's early termination of certain reinsurance arrangements due to its change of business plan.

Claims

Comparisons between the Years ended 31 December 2018 and 2019

The Group's claims increased by 19.9% from RMB107,216 million for the year ended 31 December 2018 to RMB128,541 million for the year ended 31 December 2019, primarily attributable to the growth of the Group's insurance business.

Claims of the life and health insurance business increased by 37.1% from RMB42,568 million for the year ended 31 December 2018 to RMB58,355 million for the year ended 31 December 2019, primarily due to the rapid growth of payment upon maturity and payment of annuity following years of the Group's life and health insurance business expansion.

Claims of the property and casualty insurance business increased by 8.7% from RMB64,845 million for the year ended 31 December 2018 to RMB70,500 million for the year ended 31 December 2019, primarily due to the growth of the property and casualty insurance business.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's claims increased by 13.1% from RMB94,786 million for the year ended 31 December 2017 to RMB107,216 million for the year ended 31 December 2018, primarily attributable to (i) the growth of insurance business; and (ii) improvements in claims settlement efficiency. For details of the improvements in claims settlement efficiency, please refer to the section headed "Business Description—Information Technology".

Claims of the life and health insurance business increased by 18.2% from RMB36,001 million for the year ended 31 December 2017 to RMB42,568 million for the year ended 31 December 2018, primarily due to (i) the growth of the life and health insurance business; and (ii) an increase in claims settlement for individual life insurance as a result of the improvements in claims settlement efficiency.

Claims of property and casualty insurance business increased by 10.0% from RMB58,928 million for the year ended 31 December 2017 to RMB64,845 million for the year ended 31 December 2018, primarily due to (i) the growth of the property and casualty insurance business; and (ii) an increase in claims payout of the automobile insurance business as a result of the improvements in claims settlement efficiency.

Changes in Insurance Contract Reserves

Comparisons between the Years ended 31 December 2018 and 2019

The Group's changes in insurance contract reserves increased by 16.8% from RMB105,078 million for the year ended 31 December 2018 to RMB122,776 million for the year ended 31 December 2019. The increase was primarily driven by the growth of the insurance business.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's changes in insurance contract reserves for each of the two years ended 31 December 2017 and 2018 were RMB105,558 million and RMB105,078 million, respectively, remaining relatively stable.

Commission and Brokerage Expenses

Comparisons between the Years ended 31 December 2018 and 2019

The Group's commission and brokerage expenses decreased by 16.7% from RMB56,251 million for the year ended 31 December 2018 to RMB46,853 million for the year ended 31 December 2019, primarily attributable to (i) a decrease in the first-year commission for regular premium policy of life insurance; and (ii) a decrease in commission for automobile insurance, reflecting the downward industry trend pertaining to commission and brokerage expenses for commercial automobile insurance products.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's commission and brokerage expenses increased by 19.0% from RMB47,281 million for the year ended 31 December 2017 to RMB56,251 million for the year ended 31 December 2018, principally due to (i) the growth of its insurance business; and (ii) an increased share of long-term risk protection business, which generally have higher commission rates.

Operating and Administrative Expenses

Comparisons between the Years ended 31 December 2018 and 2019

The Group's operating and administrative expenses increased by 13.8% from RMB39,943 million for the year ended 31 December 2018 to RMB45,439 million for the year ended 31 December 2019, primarily attributable to (i) an increase in payroll and welfare benefits due to the Group's business expansion and associated increase in staff headcount; and (ii) an increase in advertising expenses due to business expansion.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's operating and administrative expenses increased by 10.1% from RMB36,293 million for the year ended 31 December 2017 to RMB39,943 million for the year ended 31 December 2018, primarily attributable to an increase in payroll and welfare benefits due to the Group's business expansion and associated

increase in staff headcount, the effect of which was partially offset by a decrease in advertising expenses as a result of the Group's cost control measures.

Policyholder Dividends

Comparisons between the Years ended 31 December 2018 and 2019

For the years ended 31 December 2018 and 2019, the Group's policyholder dividends were RMB11,263 million and RMB10,777 million, respectively, remaining relatively stable.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's policyholder dividends increased by 25.9% from RMB8,946 million for the year ended 31 December 2017 to RMB11,263 million for the year ended 31 December 2018, primarily attributable to the growth of the participating insurance business.

Interest Expenses

Comparisons between the Years ended 31 December 2018 and 2019

The Group's interest expenses increased by 18.7% from RMB2,959 million for the year ended 31 December 2018 to RMB3,511 million for the year ended 31 December 2019, primarily attributable to (i) an increase in the Group's short-term financing activities; and (ii) an increase in interest expenses incurred from lease liabilities following the adoption of new accounting standards.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's interest expenses decreased by 20.1% from RMB3,703 million for the year ended 31 December 2017 to RMB2,959 million for the year ended 31 December 2018, principally due to (i) a decrease in the Group's short-term financing activities; and (ii) a decrease in market repurchase interest rates in the capital market.

Other Operating Expenses

Comparisons between the Years ended 31 December 2018 and 2019

The Group's other operating expenses increased by 17.1% from RMB3,805 million for the year ended 31 December 2018 to RMB4,454 million for the year ended 31 December 2019, primarily due to an increase in interest expenses for policyholders' deposits and investment contract liabilities as a result of an increase in policyholders' deposits and investment contract liabilities.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's other operating expenses decreased by 25.0% from RMB5,075 million for the year ended 31 December 2017 to RMB3,805 million for the year ended 31 December 2018, principally due to an adjustment in presentation of expenses associated with cross-selling as a result of its expansion.

Assets Impairment Losses

Comparisons between the Years ended 31 December 2018 and 2019

The Group's asset impairment losses significantly increased by 122.7% from RMB1,102 million for the year ended 31 December 2018 to RMB2,454 million for the year ended 31 December 2019, primarily due to a substantial increase in net provision for available-for-sale financial asset impairment in response to the fluctuations of the capital market since 2018.

Comparisons between the Years ended 31 December 2017 and 2018

The Group's asset impairment losses increased by 54.6% from RMB713 million for the year ended 31 December 2017 to RMB1,102 million for the year ended 31 December 2018, primarily due to an increase in asset impairment in relation to equity investments following the unfavourable performance of the Chinese equity markets in 2018.

Profit before Tax

Comparisons between the Years ended 31 December 2018 and 2019

As a result of the foregoing, for the years ended 31 December 2018 and 2019, the Group's profit before tax was RMB28,008 million and RMB27,966 million, respectively.

Comparisons between the Years ended 31 December 2017 and 2018

As a result of the foregoing, the Group's profit before tax increased by 32.7% from RMB21,102 million for the year ended 31 December 2017 to RMB28,008 million for the year ended 31 December 2018.

Income Tax

Comparisons between the Years ended 31 December 2018 and 2019

The Group's income tax for the years ended 31 December 2018 and 2019 was RMB9,574 million and RMB-388 million, respectively. Such change was primarily a result of the tax benefit the Group was entitled to with the implementation of the tax deduction policy in relation to commission and brokerage expenses of the PRC insurance companies, which was announced in May 2019. For details of the tax deduction, please refer to the section headed "Risk Factors—Risks Related to the Group's Business and Industry—Risks Related to the PRC Insurance Industry—The pre-tax deduction of commission and brokerage expenses in respect of the year ended 31 December 2018 was a one-off adjustment recorded in the 2019 financial statements."

Comparisons between the Years ended 31 December 2017 and 2018

The Group's income tax increased by 56.7% from RMB6,111 million for the year ended 31 December 2017 to RMB9,574 million for the year ended 31 December 2018, while the effective tax rate increased from 29.0% to 34.2%, primarily due to (i) an increase in taxable profit; and (ii) an increase in non-deductible costs such as commission and brokerage expenses.

Net Profit

Comparisons between the Years ended 31 December 2018 and 2019

As a result of the foregoing, the Group's net profit significantly increased by 53.8% from RMB18,434 million for the year ended 31 December 2018 to RMB28,354 million for the year ended 31 December 2019.

Comparisons between the Years ended 31 December 2017 and 2018

As a result of the foregoing, the Group's net profit increased by 23.0% from RMB14,991 million for the year ended 31 December 2017 to RMB18,434 million for the year ended 31 December 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

In the insurance industry, liquidity generally refers to the ability of an insurance company to generate adequate amounts of cash from its ordinary operations, including its investment portfolios, in order to meet its financial commitments, which are principally liabilities under its insurance policies. The Group's principal sources of funds are generated from written premiums, net investment return and cash received from the sale or maturity of investment assets or financing activities, while the major uses of these funds include settlement of surrenders, withdrawals and early terminations of policy by other means, claims payment, policy benefits, dividends distributed to the shareholders, as well as other operating costs.

To the extent permitted under the applicable laws and regulations and taking into account market conditions, the Group manages liquidity risks primarily through matching the cash flows of investment assets and the maturities of corresponding insurance liabilities, so as to ensure timely discharge of liabilities and sufficient funds for investment activities. The Group maintains ample liquidity in its investment portfolios and also has access to additional liquidity through securities sold under agreements to repurchase.

In the opinion of the Company, taking into account the net proceeds receivable by the Company in the Offering, the working capital available to the Group is sufficient to meet its present requirements, that is for at least 12 months following the date of this Prospectus.

Cash Flow

The table below sets forth selected cash flow statements information for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	(RMB in millions)		
Net cash flows from operating activities	86,051	89,449	111,795
Net cash flows used in investing activities	(104,209)	(91,748)	(96,855)
Net cash flows from/(used in) financing activities	10,629	11,554	(10,544)
Effects of exchange rate changes on cash and cash equivalents	(80)	80	29
Net (decrease)/increase in cash and cash equivalents	**(7,609)**	**9,335**	**4,425**
Cash and cash equivalents at the beginning of the year	36,395	28,786	38,121
Cash and cash equivalents at the end of the year	**28,786**	**38,121**	**42,546**

Operating activities

Cash inflows of operating activities primarily reflect (i) cash received from premium income from direct insurance contracts; (ii) net increase in policyholders' deposits and investments contract liabilities; and (iii) cash received relating to other operating activities.

For the year ended 31 December 2019, the Group's net cash flows from operating activities were RMB111,795 million, primarily reflecting cash received from premium income from direct insurance contracts of RMB353,406 million. These cash inflows were partially offset by: (i) cash paid for claims under direct insurance contracts of RMB124,698 million; (ii) cash paid for commission and brokerage expenses of RMB47,924 million; (iii) cash paid relating to other operating activities of RMB34,180 million; and (iv) cash paid to and on behalf of employees of RMB23,532 million. Net cash flows from operating activities for the year ended 31 December 2019 increased by 25.0% as compared to the year ended 31 December 2018, primarily due to the rapid growth of the Group's long-term health insurance business and property and casualty insurance business.

For the year ended 31 December 2018, the Group's net cash flows from operating activities were RMB89,449 million, primarily reflecting cash received from premium income from direct insurance contracts of RMB319,175 million. These cash inflows were partially offset by: (i) cash paid for claims under direct insurance contracts of RMB102,744 million; (ii) cash paid for commission and brokerage expenses of RMB54,765 million; (iii) cash paid relating to other operating activities of RMB32,828 million; and (iv) cash paid to and on behalf of employees of RMB21,632 million. Net cash flows from operating activities for the year ended 31 December 2018 increased by 3.9% as compared to the year ended 31 December 2017, principally attributable to the growth of the Group's insurance business, in particular the long-term insurance businesses.

For the year ended 31 December 2017, the Group's net cash flows from operating activities were RMB86,051 million, primarily reflecting: (i) cash received from premium income from direct insurance contracts of RMB282,577 million; and (ii) net increase in policyholders' deposits and investments contract liabilities of RMB5,368 million. These cash inflows were partially offset by: (i) cash paid for claims under direct insurance contracts of RMB89,549 million; (ii) cash paid for commission and brokerage expenses of RMB47,917 million; (iii) cash paid relating to other operating activities of RMB29,546 million; and (iv) cash paid to and on behalf of employees of RMB18,816 million.

Investing activities

Cash outflows of investing activities primarily reflect: (i) cash paid to acquire investments; and (ii) net increase in policy loans.

For the year ended 31 December 2019, the Group's net cash flows used in investing activities were RMB96,855 million, primarily reflecting cash paid to acquire investments of RMB417,465 million. These cash outflows were partially offset by: (i) cash received from disposal of investments of RMB274,369 million; and

(ii) cash received from returns on investments of RMB61,689 million. Net cash flows used in investing activities for the year ended 31 December 2019 increased by 5.6% as compared to the year ended 31 December 2018, primarily due to the Group's acquisition of additional treasury bonds with long duration, credit bonds with high rating and equity investments, leveraging advantageous market conditions such as increasing short-term market interest rate and strong performance of Chinese stock market.

For the year ended 31 December 2018, the Group's net cash flows used in investing activities were RMB91,748 million, primarily reflecting: (i) cash paid to acquire investments of RMB353,150 million, (ii) net cash paid to acquire subsidiaries and other business entities of RMB12,887 million; and (iii) net increase in policy loans of RMB10,424 million. These cash outflows were partially offset by: (i) cash received from the disposal of investments of RMB235,774 million; and (ii) cash received from returns on investments of RMB52,836 million. Net cash flows used in investing activities for the year ended 31 December 2018 decreased by 12.0% compared to the year ended 31 December 2017, principally due to the fact that the Group took a prudent approach in asset allocation by reducing equity investments, such as wealth management products (equity investments type) and stock investments, in light of the unfavourable performance of Chinese stock market and increasing economic uncertainties as a result of the escalation of trade tensions in 2018.

For the year ended 31 December 2017, the Group's net cash flows used in investing activities were RMB104,209 million, primarily reflecting: (i) cash paid to acquire investments of RMB469,683 million; and (ii) net increase in policy loans of RMB10,832 million. These cash outflows were partially offset by: (i) cash received from disposal of investments of RMB331,019 million; and (ii) cash received from returns on investments of RMB55,230 million.

Financing activities

Cash inflows of financing activities primarily reflect: (i) net cash received from issuance of bonds; (ii) net increase in securities sold under agreements to repurchase; and (iii) cash received relating to other financing activities. Cash outflows of financing activities primarily reflect: (i) cash payments for distribution of dividends, profits or interest expenses; and (ii) cash repayments of borrowings.

For the year ended 31 December 2019, the Group's net cash flows used in financing activities were RMB10,544 million, primarily reflecting: (i) cash payments for distribution of dividends, profits or interest expenses of RMB12,211 million; and (ii) cash repayments of borrowings of RMB6,750 million. These cash outflows were partially offset by cash received relating to other financing activities of RMB6,515 million. Since the Group did not issue new bonds but redeemed bonds previously issued during 2019, in contrast with the net cash flows from financing activities for the year ended 31 December 2018, the Group recorded net cash flows used therein for the year ended 31 December 2019.

For the year ended 31 December 2018, the Group's net cash flows from financing activities were RMB11,554 million, primarily reflecting: (i) net cash received from issuance of bonds of RMB9,980 million; and (ii) net increase in securities sold under agreements to repurchase of RMB8,595 million. These cash inflows were partially offset by cash payments for distribution of dividends, profits or interest expenses of RMB9,544 million. Net cash flows from financing activities for the year ended 31 December 2018 increased by 8.7% as compared to the year ended 31 December 2017, mainly due to a significant decrease in cash repayments of borrowings in 2018 as the Group redeemed the subordinated debt in the amount of RMB7,500 million in 2017.

For the year ended 31 December 2017, the Group's net cash flows from financing activities were RMB10,629 million, primarily reflecting cash received relating to net increase in securities sold under agreements to repurchase of RMB26,842 million. These cash inflows were partially offset by: (i) cash payments for distribution of dividends, profits or interest expenses of RMB9,921 million; and (ii) cash repayments of borrowings of RMB8,498 million.

Solvency Margin Ratio

Solvency margin ratio is a measurement of capital adequacy for insurance companies in China and is calculated according to the regulations promulgated by the CBIRC. Insurance companies carrying out business in China are required to comply with requirements on the solvency margin ratio imposed by the CBIRC.

Under the C-ROSS, insurance companies in China must comply with (i) quantitative capital requirements; (ii) qualitative regulatory requirements, and (iii) market discipline mechanism. C-ROSS requires each insurance

company to maintain a minimum core solvency margin ratio of 50% and a minimum comprehensive solvency margin ratio of 100%. As at 31 December 2017, 2018 and 2019, the Group's comprehensive solvency margin ratio was 284%, 301% and 295%, respectively, significantly higher than the statutory minimum requirement.

INDEBTEDNESS

The table below sets forth the details of the Group's indebtedness as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Bonds payable	3,999	13,985	9,988
Securities sold under agreements to repurchase	66,243	75,075	78,366
Total	**70,242**	**89,060**	**88,354**

For details of the Group's indebtedness as at 30 April 2020, which has been extracted without material adjustments from the Group's unaudited and unreviewed accounting records, please refer to the section headed "Capitalisation and Indebtedness" in this Prospectus.

Bonds Payable

As at 31 December 2019, the outstanding balance of the Group's bonds payable was RMB9,988 million, details of which are as follows:

On 23 March 2018, CPIC P/C issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC P/C 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 P/C 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 P/C issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC P/C 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 P/C does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

Securities Sold under Agreements to Repurchase

The Group has entered into repurchase agreements whereby securities are sold with a concurrent agreement to repurchase at a specified date. Funds are duly borrowed to enter into repurchase transactions and recorded at the actual amount received from the sale of the securities. As at 31 December 2017, 2018 and 2019, the Group's securities sold under agreements to repurchase amounted to RMB66,243 million, RMB75,075 million and RMB78,366 million, respectively.

COMMITMENTS

Operating Lease Commitments

The Group leases office premises and staff quarters under various operating lease agreements as the lessee. Future minimum lease payments under non-cancellable operating leases as at the dates indicated are set forth below:

	As at 31 December	
	2017	2018
	(RMB in millions)	
Within 1 year (including 1 year)	1,014	1,246
1 to 2 years (including 2 years)	817	992
2 to 3 years (including 3 years)	648	688
3 to 5 years (including 5 years)	474	625
More than 5 years	278	377
Total	**3,231**	**3,928**

With the adoption of the New Standard on Leases, from 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated balance sheet of the Group. Details of the first time adoption of the New Standard on Leases are discussed in Note II to Annual Audited Financial Statements in F-pages of this Prospectus.

Capital Commitments

The table below sets forth the details of the Group's capital commitments as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Contracted, but not provided for	850	355	3,485
Authorised, but not contracted for	1,023	6,256	3,115
Total	**1,873**	**6,611**	**6,600**

As at 31 December 2017, 2018 and 2019, the Group's capital commitments primarily related to the acquisitions of land use rights in connection with two parcels of land in Shanghai, for the purpose of the construction of headquarter office buildings and commercial premises. For details of the Group's capital commitments as at 31 December 2017, 2018 and 2019, please refer to Note XIII of Annual Audited Financial Statements in F-pages of this Prospectus.

CONTINGENCIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies.

Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 31 December 2017, 2018 and 2019, the Group was a 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 could not be reasonably estimated or the probability of loss was extremely low.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed in the sections headed "—Commitments" and "—Contingencies", for the years ended 31 December 2017, 2018 and 2019, the Group did not have any off-balance sheet arrangement that, if adversely determined, would materially adversely affect the Group's financial position or results of operation.

KEY PERFORMANCE INDICATORS AND OTHER FINANCIAL METRICS

The tables below set forth the key performance indicators and other financial metrics of the Group for the periods/as at the dates indicated:

	Years ended 31 December		
	2017	2018	2019
	(%)	(%)	(%)
Total investment yield	5.4	4.6	5.4
Weighted average return on equity[1]	10.9	12.6	16.9

	As at 31 December		
	2017	2018	2019
	(RMB in millions)		
Embedded value[2]	286,169	336,141	395,987

	As at 31 December		
	2017	2018	2019
	(%)	(%)	(%)
Comprehensive solvency margin ratio[3]	284	301	295

Notes:

(1) Ratio of net profit attributable to shareholders of the parent to average balance of equity attributable to shareholders of the parent.

(2) The sum of the Group's adjusted net worth and the value of in force business of CPIC Life attributable to the shareholders of the Company.

(3) Ratio of the actual capital of the Group to the statutory minimum required capital of the Group.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored, and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by the policyholders.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until the maturity date.

The Group is not exposed to significant concentration risks arising from interest rate risk on interest-bearing financial instruments.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

	For the year ended/As at 31 December 2019	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
	(RMB in millions)	
+50 basis points	(24)	(5,619)
–50 basis points	22	5,732

	For the year ended/As at 31 December 2018	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
	(RMB in millions)	
+50 basis points	(44)	(5,695)
–50 basis points	43	6,272

	For the year ended/As at 31 December 2017	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
	(RMB in millions)	
+50 basis points	(22)	(4,221)
–50 basis points	21	4,610

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate for the years/as at the dates indicated.

	For the year ended/As at 31 December 2019	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
	(RMB in millions)	
+50 basis points	76	76
–50 basis points	(76)	(76)

	For the year ended/As at 31 December 2018	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
	(RMB in millions)	
+50 basis points	101	101
–50 basis points	(101)	(101)

	For the year ended/As at 31 December 2017	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
	(RMB in millions)	
+50 basis points	84	84
–50 basis points	(84)	(84)

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing the fluctuations arising from price risk in operating performance.

Equity investment exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("**VAR**") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2019, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB3,183 million; As at 31 December 2018, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB2,106 million; As at 31 December 2017, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB1,177 million.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in the PRC, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the US Dollars or the Hong Kong Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

Sensitivities

The analysis below is performed to show reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Sensitivity analysis below shows changes in exchange rates, and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency for the years/as at the dates indicated.

	For the year ended/As at 31 December 2019	
USD and HKD to RMB exchange rate	**Impact on profit before tax**	**Impact on equity**
	(RMB in millions)	
+5%	223	506
–5%	(223)	(506)

	For the year ended/As at 31 December 2018	
USD and HKD to RMB exchange rate	**Impact on profit before tax**	**Impact on equity**
	(RMB in millions)	
+5%	174	255
–5%	(174)	(255)

	For the year ended/As at 31 December 2017	
USD and HKD to RMB exchange rate	**Impact on profit before tax**	**Impact on equity**
	(RMB in millions)	
+5%	183	229
–5%	(183)	(229)

The impact on profit and equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both changes in total profit and fair value.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has identified certain accounting policies and estimates significant to the preparation of the financial statements in accordance with the PRC GAAP. The Annual Audited Financial Statements in F-pages to this Prospectus set forth these significant accounting policies in Note III, which are important for the understanding of the Group's financial condition and results of operations. Some of the accounting policies involve subjective assumptions, estimates and judgements that are discussed in Note III to the Annual Audited Financial Statements in F-pages of this Prospectus.

In the application of the accounting policies, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed by the management on an ongoing basis.

The management has identified below the accounting policies, estimates and judgements that they believe are critical to the preparation of the financial statements.

Financial Instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

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

Classification and measurement of financial assets

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivative financial instruments

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

Impairment of financial assets

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

The objective evidence used to determine whether impairment exists is as follows:

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

Financial assets at amortised cost

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

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

and for which an impairment loss is or continues to be recognised are not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

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

Available-for-sale financial assets

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

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

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

Transfer of financial assets

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

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

Offsetting of financial assets and financial liabilities

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

Significant Insurance Risk Test

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

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

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

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

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

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

Insurance Contract Reserves

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

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

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

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

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

- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue

Premium income

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

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

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

Initial policy fee and account management fee

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

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

Interest income

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

Management fee income

Management fee income is calculated in accordance with the calculation method specified in the contracts on an accrual basis.

Management fees are recognised at agreed contractual basis rates if revenue recognition principles and fee accrual criteria are met.

Summary of Significant Accounting Judgements and Accounting Estimates

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

Significant judgements

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

Classification of financial assets

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

Unbundling and classification of hybrid contracts

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

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

Measurement unit for insurance contracts

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

Provision for impairment of available-for-sale financial assets

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

Determination of control over structured entities

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

Estimation uncertainty

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

Measurement of insurance contract reserves

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

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

(a) Unearned premium reserves

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

- Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2017 were from 3.25% to 4.80%, as at 31 December 2018 were from 3.41% to 4.80% and as at 31 December 2019 were from 3.43% to 4.80%.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. The ranges of discount rates used as at 31 December 2017 were from 4.90% to 5.00%, the discount rates used as at 31 December 2018 and as at 31 December 2019 were 5.00%.

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

- Mortality and morbidity

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

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

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

- Loss ratios

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

- Surrender rates

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

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

- Expenses assumptions

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

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

- Policy dividend assumptions

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

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

(b) Claim reserves

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

Fair values of financial assets determined using valuation techniques

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

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

Overview

The Group takes a centralised approach to risk management, and has established an overarching risk management framework for the whole Group, with consistent risk management objectives, policies and procedures, assessment tools and information system, which altogether guide, supervise and co-ordinate the implementation of risk management within the Group. Each of the subsidiaries follows the Group's risk management framework and is responsible for managing various risks in its business segments, whilst maintaining its own independent governance for risk management and setting up necessary firewalls among the members of the Group.

The Group has established a risk management framework with three lines of defence. Each line performs its respective duties and co-ordinates with others in order to effectively manage risks. The first line of defence comprises all departments and institutions of the Group at all levels, which bear the direct and primary responsibilities for the risk management within their scope of duties. The second line of defence comprises the risk management departments, which support, organise, co-ordinate and supervise all departments and institutions of the Group at all levels. The third line of defence comprises the internal audit departments, which provide independent audits on the risk management of the Company and its subsidiaries on a regular basis.

The Group continually focuses on identifying potential deficiencies and risks, strictly safeguards the bottom line for risk-taking, optimises the risk limit control mechanism, establishes the penetrating control mechanism from the group level to subsidiaries and branches, and improves the enterprise risk management, so as to achieve the strategic objective of becoming "the best in risk management". The Group has a sound reputation in the market. According to data newly released by the CBIRC, for the first quarter of 2020, the Integrated Risk Rating for legal entity of CPIC Life, CPIC Allianz Health and Anxin Agricultural were Class A, and that of CPIC P/C was Class B, demonstrating that all these subsidiaries have satisfied capital requirements of solvency and have low operational, strategic, reputational and liquidity risks.

Risk Management Structure

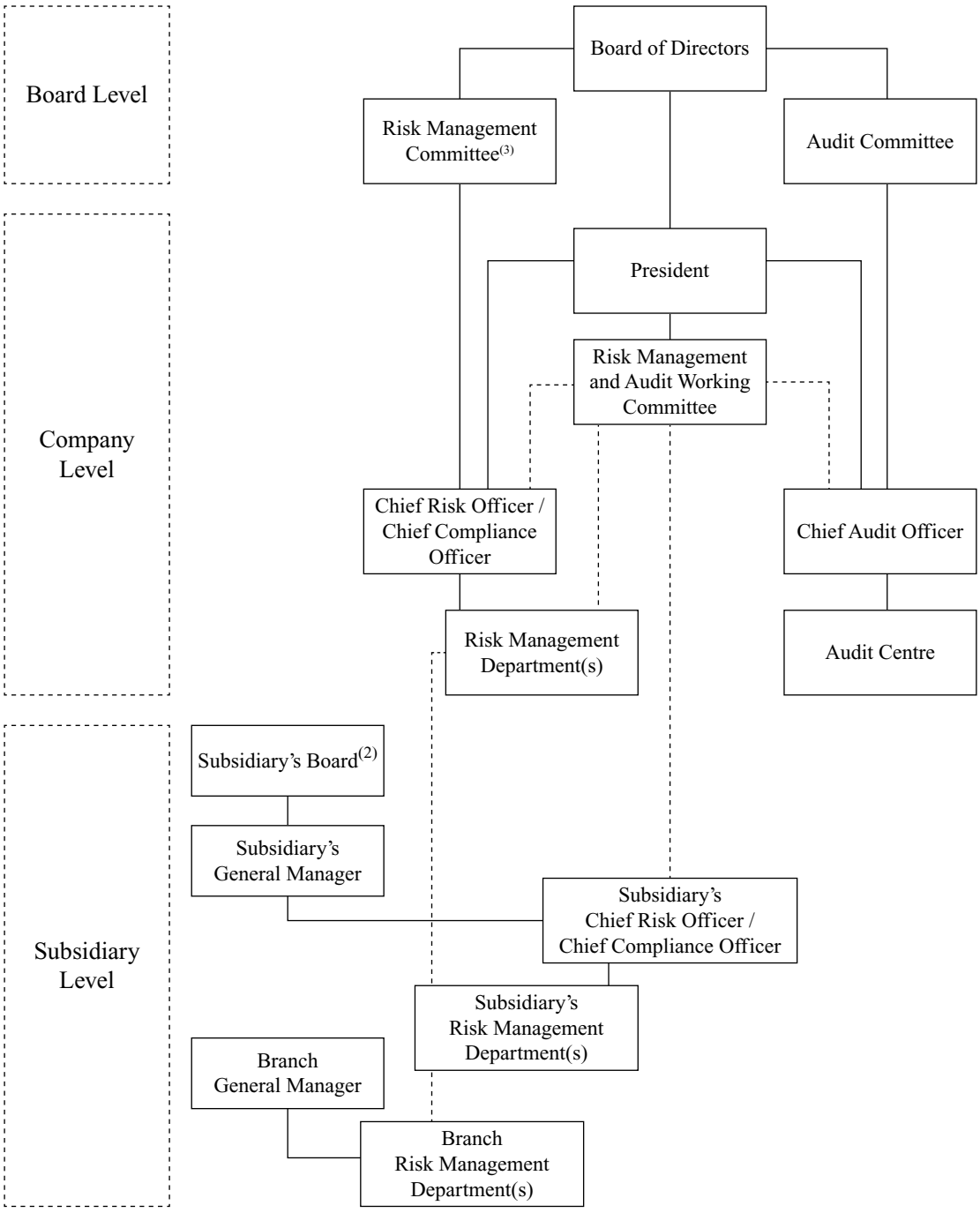
The Group has established an organisational structure of risk management that consists of the Board, the management, and all institutions and positions within the Group, which rely on the support from risk management departments and close co-operation amongst relevant functional departments.

The Board is the highest decision-making body for risk management and bears the ultimate responsibilities of evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Company has set up a risk management committee under the Board. Certain subsidiaries have set up their respective risk management committees under the board, except for CPIC Life, CPIC P/C and CPIC AMC, which are exempted by the regulator from having a risk management committee under their board, the relevant duties of which shall be performed by the risk management committee of the Board.

The management of the Company is responsible for the implementation and monitoring of the risk management and internal control systems. The management authorises the risk management and audit working committee under it to assist in performing the duties. The management of subsidiaries assumes the same responsibilities as well. The Company and its licensed subsidiaries (i.e. insurance subsidiaries and asset management subsidiaries) each designates one chief risk officer to be in charge of risk management. Each of the other major subsidiaries designates one senior management officer to be in charge of risk management.

The Company and its licensed subsidiaries each has set up its own independent risk management departments. Under the leadership and supervision of chief risk officer or its equivalent, each risk management department is responsible for organising, guiding and supervising the implementation of daily risk management tasks determined by the management of the Company and its subsidiaries. Insurance subsidiaries have further established risk management departments or positions at provincial subsidiaries and branches.

As at the date of this Prospectus, the organisational structure of risk management of the Group is as follows:



Note:

(1) The dotted line connecting organisational components denotes a functional reporting relationship, while the solid line connecting organisational components denotes an administrative reporting relationship.

(2) Certain subsidiaries had set up their respective risk management committees under their respective board, except for CPIC Life, CPIC P/C and CPIC AMC, the relevant duties of which shall be performed by the risk management committee of the Board.

(3) According to the proposed amendments to the Articles of Association considered and approved at the 2019 annual general meeting of the Company held on 12 May 2020, the risk management committee will be changed to the risk management and related party transaction control committee. Such amendments to the Articles of Association are subject to the approval by the CBIRC.

Board Level

The Board bears the ultimate responsibility for the Company's risk management. The Board supervises and approves the following matters regarding risk management: (1) the overall objectives of risk management, risk appetite, risk tolerance and risk management policies of the Company; (2) the organisational structure and duties of risk management; (3) the management of the Company for effective management and control of risks; (4) capital planning; (5) the solvency report of the Company; and (6) other relevant and significant matters on risk management.

Risk Management Committee of the Board

The Company has established a risk management committee under the Board, which, as authorised by the Board, performs, amongst others, the following duties: (1) advising the Board on the overall objectives, basic policies and working rules of risk management; (2) advising the Board on the risk evaluation for major decisions and solutions for significant risks; (3) reviewing material related-party transactions and connected transactions; (4) reviewing the management system for investment of insurance funds; (5) advising the Board on the strategic asset allocation plan, annual investment plan and investment guidelines and their adjustments; (6) advising the Board on the coordination mechanisms for product design, sales and investment, and their performance; (7) discussing with the management to ensure that effective risk management system is established; (8) conducting research on important risk management issues; (9) conducting solvency management; and (10) conducting risk management for subsidiaries.

Audit Committee of the Board

The Company has established an audit committee under the Board, which, as authorised by the Board, is primarily responsible for the coordination, monitoring and supervision of internal and external audit functions. The audit committee principally discharges the following duties: (1) reviewing and advising the Board on the internal audit process, and reviewing the annual internal audit plans and internal audit budgets; (2) supervising the independence of internal audit departments and the implementation of internal audit policy, and directing the effective operation of internal audits; (3) periodically reviewing financial control reports as well as internal control evaluation reports submitted by the internal audit department, reporting findings to the Board with respect to financial controls, internal controls, risk management and compliance, and advising the Board on the aforesaid matters; (4) periodically reviewing and assessing the soundness and effectiveness of internal control, handling complaints arising from significant internal control issues, and supervising the rectification of significant issues; (5) discussing with the management on issues regarding the internal control system to ensure that the management has fulfilled its responsibilities regarding the establishment of an effective internal control system, including the adequacy of resources, qualifications and experience of accounting and financial reporting staff, and their training programmes and budget; (6) conducting research, as requested by the Board, on significant findings of internal control and reviewing the management's responses towards the findings; and (7) reviewing disclosures regarding the internal control system in annual reports, prior to their submission to the Board for review.

Management Level

At the Company level, the management directly leads risk management of the Company and performs the following duties for risk management: (1) establishing and improving the risk management system of the Company, formulating the organisational structure and duties of risk management, and promoting, guiding, assisting and supervising risk management of the Group; (2) formulating the overall objective of risk management, risk appetite and risk tolerance that are commensurate with the strategy of the Company; and formulating and implementing the basic policies on risk management of the Company; (3) considering and approving the risk evaluation reports and risk management reports of the Company; (4) conducting risk assessment of the Company on significant issues, policies and business procedures and the allocation plan for significant risks, and organising and implementing mechanisms and contingency plans to enhance the Company's capability to tackle emergencies; (5) considering and approving the annual risk management plan, risk limits, risk management policies and rules for major risks, and supervising their implementation; (6) reviewing the solvency level on a regular basis and prepare solvency reports; (7) developing the Company's risk management information system; (8) fostering a culture of risk management within the Company; and (9) performing other duties and responsibilities of risk management authorised by the Board.

Risk Management and Audit Working Committee

The risk management and audit working committee was established under the management of the Company, with the president of the Company serving as chairman and chief risk officer/chief compliance officer and chief auditor of the Company serving as vice chairmen. With the authorisation of the management, the risk management and audit working committee assists the management to perform the duties for risk management. Certain insurance subsidiaries have also established similar institutions under the leadership of the management and with the participation of department heads, such as the compliance and risk management, business, finance, actuary, product development and information technology department.

Chief Risk Officer/Chief Compliance Officer

The Company and its insurance subsidiaries and asset management subsidiaries have designated a senior management officer as chief risk officer or chief compliance officer. Chief risk officer/chief compliance officer report to the board of directors or the risk management committee, and are led by the board of directors and president or by the general manager of the companies they serve. Chief risk officer/chief compliance officer are responsible for risk and compliance management. They directly lead the risk management departments and the legal and compliance departments, attend meetings of the risk management committee, and regularly and timely report to the management, the risk management committee, and the board of directors on risk and compliance status and operation of the risk and compliance management system. In order to ensure their independence, objectivity and professionalism, chief risk officer/chief compliance officer do not concurrently undertake tasks which have potential conflicts of interest with the performance of their risk and compliance management duties.

Risk Management Department

The Company has set up independent risk management departments, which consist of the risk monitoring department and the legal and compliance department. The main responsibilities of the risk management departments include: (1) formulating risk management policies and regulations; (2) establishing and improving risk management methods, techniques, models and systems, and making qualitative and quantitative risk assessment; (3) setting up risk limits and monitoring their implementation; (4) executing the *ex ante* and in-process coordination and planning of the Group's internal controls as well as their organisation, monitoring, regular inspection, optimisation and rectification; (5) guiding and supervising the Company's subsidiaries, business units, and functional departments at all levels, to develop, improve and implement risk control measures and solutions; (6) participating in the Company's decision-making regarding major issues in strategy, business and investment, and putting forward risk response recommendations; (7) co-ordinating and assisting the Company's asset-liability management and making recommendations on how to deal with risks that have occurred; and (8) carrying out risk management training and cultivating risk management culture.

Subsidiary Level

The board of directors of subsidiaries assumes the ultimate responsibility for the performance of subsidiary-level risk management, while the management of subsidiaries directly leads risk management at the subsidiary level. Insurance subsidiaries and asset management subsidiaries have established their risk management departments which carry out daily work and report to the risk management departments of the Company. Other major subsidiaries and functional departments and branches have also appointed persons in charge of risk management within their scope of duties, who should communicate with the risk management departments within their entities.

Risk Management Strategy and Basic Procedures

As the overall strategy of risk management, the Group endeavours to set reasonable risk management objectives, to establish an integrated risk management system consisting of all specialised committees under the Board and a centralised auditing function, with consistent risk appetite, risk management policy, risk model and indicator, and risk management information system. In this way, risk targets and risk management are aligned throughout the Group, and a closed-loop risk management mechanism is enforced, with a view to achieving the strategic objective of becoming "the best in risk management".

The Group's basic procedures of risk management include objective setting, information collection, risk identification and assessment, risk control, risk reporting, and supervision and rectification.

- **Objective Setting**: the Board establishes the overall risk appetite and risk tolerance of the Company. The management conducts analysis on risk appetite and tolerance to determine the risk limits of key risks of each business entity. The management also ensures that the risk appetite of the Company is consistent with its strategy and business objectives and that the overall risk exposure falls within the acceptable level of risk tolerance.
- **Information Collection**: the functional departments and business units of the Company and licensed subsidiaries (i.e. insurance subsidiaries and asset management subsidiaries) are responsible for risk management within the scope of their duties, including the collection and delivery of risk information in daily business activities, preliminary assessment of risks, risk self-monitoring, risk control, and risk reporting.
- **Risk identification and assessment**: the risk management departments of the Company and licensed subsidiaries consolidate the risk information from various sources in the Group to identify risks, to assess the overall risk situation of the Company through quantitative risk assessment tools, and to determine the risk limits of major risks.
- **Risk control**: the risk management departments of the Company and licensed subsidiaries help functional departments and business units apply appropriate risk control measures, and exercise centralised monitoring and feedback on the implementation of various risk management measures.
- **Risk reporting**: the risk management departments of the Company and licensed subsidiaries are also responsible for providing various regular and timely risk assessment reports to the management, the Board of the Company and regulatory authorities. The risk management departments are also responsible for assisting the Company with decision-making on risk-related issues in the operation and management activities of the Company and fulfilling regulatory requirements.
- **Supervision and rectification**: the audit centre of the Company performs internal audit of the Company, and makes independent audit and evaluation of the soundness, rationality and effectiveness of the risk management system of the Company, its licensed subsidiaries and branches. The legal and compliance department of the Company is responsible for supervising and rectifying issues discovered in the process of auditing. The Company actively promotes an integrated combination of compliance, risk and internal audit to steadily develop a long-term risk prevention and control mechanism which aims for both risk supervision and risk prevention.

Risk Appetite

The Group adopts a prudent risk appetite and prudently manages all kinds of risks during its operation. The Group and all insurance subsidiaries maintain adequate solvency and sufficient liquidity, and pursue stable profitability and sustained value growth. In this way, the Group aims to establish sound risk management and a reputable market image, and to become a leader of healthy and stable development in the industry.

The risk tolerance of the Group concerns five core dimensions: maintaining adequate capital, pursuing stable profitability, achieving sustained value growth, maintaining appropriate liquidity, and establishing a reputable market image.

In respect of the risk limits, the Company has established the overall risk limits, which are also transmitted to subsidiaries. Each major subsidiary, based on its own business characteristics and needs, has determined its unique risk appetite dimension. Such risk appetite dimension is further broken down into specific risk limits for various types of risks and applied to daily business decisions, risk monitoring and early warnings, so as to achieve positive interaction and balance between risk management and business development.

Risk Management Tool

Specific risk management tools adopted by the Group are as follows:

- **Comprehensive budget**: the risk management departments of the Company and its insurance subsidiaries conduct an independent risk assessment on the comprehensive business plans and budgets of the Company to ensure that they meet the risk appetite of the Company. The comprehensive business plans and budgets are subject to the approval of the chief risk officer of the Company before submitting to the Board. In formulating the comprehensive business plans and budgets, risk management departments consolidate the results of stress testing, analyse significant risks and their

impacts under adverse situations, and adjust the comprehensive business plans and budgets accordingly.

- **Asset-Liability management**: the Company and headquarters of the insurance subsidiaries integrate risk management objectives in the asset-liability management process, considering solvency when making plans and decisions of asset-liability management. Meanwhile, the Company has established an assets and liabilities management committee which supports decision-making on risk management regarding insurance products, investment and solvency. The insurance subsidiaries have also established the corresponding asset-liability management mechanism and review systems for significant matters in relation to asset-liability management, so as to ensure that the aggregate adverse effects of assets and liabilities fall within the scope of risk appetite.
- **Capital planning and allocation**: the Company and headquarters of the insurance subsidiaries have established capital management systems. Based on its future development strategy, the Company formulates a three-year rolling capital plan on an annual basis and reports the same to regulatory authorities.
- **Stress testing**: the Company and the insurance subsidiaries conduct stress testing on solvency at least once a year. The Company, in the process of stress testing, makes predictions, early warnings and takes prevention measures on solvency under assumed stress scenarios for a specific period in future.
- **System control**: based on the needs of risk management, the Company and its subsidiaries embed risk control function into their IT systems. Prior to developing new IT systems or upgrading existing systems, developers will seek advice from risk management departments of the Company on risk control requirements for development. Risk management departments or assigned personnels will be responsible for reviewing the requirements of the risk control function of the systems. Upon completion of the system's development or upgrade, risk management departments will also participate in testing and confirming of the risk control function of the systems.
- **Risk management information system**: The Group organises and develops a risk management information system covering all of the Group's business. Such system is a tool to support various departments and subsidiaries of the Group in fulfilling their duties for risk and internal control management. As a management platform for the daily work used by risk management departments at all levels, the system is based on risk data market and is technically supported by modules of calculating KRIs, risk measurement engine and work flow processing engine. The system supports the whole process of risk management.

Monitoring and Management of Major Risks

The Group continues paying attention to macroenvironment, regulatory policies and market changes, and monitors and manages major risks faced by the Group. The major risks faced by the Group include: insurance, market, credit, liquidity, operational, strategy, reputational, capital management risks, and Group specific risk.

Insurance Risk

Insurance risk is that of a potential loss arising from, amongst others, mispricing of products or inadequate reserves due to inaccurate assumptions regarding such factors as mortality, morbidity, loss ratio and surrender rate. The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency and severity of claims, actual benefits paid, and the subsequent development of long-term claims.

The following policies and procedures are in place to mitigate the Group's exposure to insurance risks:

- In terms of pricing, the Company conducts an actuarial assessment during product development based on assumptions derived from historical claim experience data, carries out actuarial-based pricing and related testing, and reflects the actuarial results and risks in a detailed actuarial assessment report, so as to ensure that the pricing conforms to a specific type of product and to reduce the insurance risk caused by product mispricing.
- In terms of risk diversification, the Company seeks to: (i) make appropriate reinsurance arrangements on an overall basis; (ii) set different retention ratios by product categories and regions; (iii) request underwriting staff to have a good understanding of the terms of the Group's reinsurance contracts and

to strictly enforce the policies governing maximum retention; and (iv) for that part of the insurance business which exceeds the retention policy of the Company, spread the risks on insurance liabilities through various reinsurance arrangements, including quota share basis and surplus basis.

- In respect of insurance claims, adequate insurance contract reserves are withdrawn to cover possible insurance liabilities.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group monitors and assesses the interest rate risk on a regular basis through means such as sensitivity analysis and stress testing, and manages interest rate risk by maintaining an appropriate portfolio of fixed and variable interest rate instruments.

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since the Group operates principally in the PRC, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the US Dollars or the Hong Kong Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Company. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

Credit Risk

Credit risk is the risk that one party to a financial instrument (debt instrument) or reinsurance asset will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Company complies with relevant measures, procedures and rules for credit risk management, conducts internal ratings of counterparties, sets credit limits for counterparties, strictly implements credit policies, conducts credit and risk assessments on each investment, implements the diversification of the fixed income portfolio, and strengthens the monitoring of credit risk by taking into consideration changes in the macroenvironment and regulatory policies.
- Based on receivable management system, the Company implements the classification management of premiums receivable, standardisation of operational procedures, rational selection of customers and strict performance assessments. Such strong measures have controlled the size of premiums receivable within a reasonable range.

- The Company has strengthened the credit risk management of reinsurance companies in accordance with regulatory requirements and its own demand for the safety of reinsurance treaties. The Company only carries out business co-operation with domestic and international reinsurers with a good credit history that meet the requirements. At the same time, the Group has paid increasing attention to the change of credit rating of reinsurers and the risks of reinsurance business, which have reduced the risk concentration of reinsurers and avoided excessive risk accumulation for a single reinsurer.

Liquidity Risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities. Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment.
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations.
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

Operational Risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continued optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following policies and procedures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system.
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits.
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects.
- Implementing staff education and appraisals.

Strategy Risk

Strategy risk is the risk of a mismatch between strategies and market environment for the Company, resulting from the invalid formulation or implementation of strategies and procedures, or changes in operating environment.

The following policies and procedures are in place to mitigate the Group's exposure to strategy risk:

- Establishing the organisational structure and work procedures for strategic risk management and formulating strategic plans upon full consideration of various factors such as market environment, risk appetite and the capital position of the Company. The basic process of strategy risk management includes the identification, analysis and monitoring of strategy risks, the establishment of an internal reporting mechanism for strategy risk management, and the regular reporting of the evaluation and management of strategy risks to senior management.
- By reinforcing the early warning mechanism, strengthening solvency sensitivity testing, and constantly improving contingency plans for insufficient solvency, the Company dynamically monitors the risk of insufficient solvency and has steadily improved the ability to deal with capital inadequacy.

Reputational Risk

Reputational risk refers to the risk of suffering losses due to negative comments on insurance companies from stakeholders as a result of the operation and administration of the Company or certain external events.

The following policies and procedures are in place to mitigate the Group's exposure to reputational risk:

- Formulating the Measures for Reputational Risk Management and its implementation rules to specify the duties and work mechanism of relevant departments in terms of reputational management.
- Establishing reputational risk management processes, including the identification, assessment, disposal, supervision of reputational risk and improvement of its management.
- Formulating the classification of events which can impact reputation, as well as the solutions to and emergency response plans for such events; and reporting the assessment and management of reputational risk to senior management regularly.

Capital Management Risk

Capital management risk refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure that insurance companies can maintain sufficient solvency margins.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis.
- Stepping up effort to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities.
- Continually and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

Group Specific Risk

In addition to the above risks, the Group also faces other specific risks at the group level, including risk contagion, risk due to an opaque organisational structure, concentration risk, and non-insurance risk.

The following policies and procedures are in place to mitigate the Group's exposure to group specific risk:

- In respect of capital management, business operations, information system management and personnel, establishing reinforced firewalls for the Group to prevent and reduce the occurrence and degree of risk contagion.
- Maintaining a clear shareholding structure of the Company and its subsidiaries, preventing cross-shareholdings and reverse shareholdings, and limiting the number of levels within subsidiaries, so as to ensure that the Group's organisational structure is clear and transparent.
- Putting in place concentration management strategies and monitoring mechanisms for transaction counterparties, insurance business, non-insurance business and investment assets.

- Enforcing strategy of focusing principally on insurance business and, at a more moderate pace, on non-insurance business.

Anti-Money Laundering Measures

The Group complies with relevant laws and regulations in relation to anti-money laundering in the PRC and relevant regulations of the PBOC and the CBIRC. The Group effectively conducts work on anti-money laundering by forming rational organisations, strategies, processes and systems.

At the subsidiary level, the Group is responsible for the implementation of, and assumes the ultimate responsibility for, its respective anti-money laundering measures. Under the principle of "know your client", the Group has established a record system for client identity information and transactions so as to conduct follow-up reviews of customer identities based on reliable certification documents, information and materials. In addition, the Group has adopted targeted due diligence and other control measures for different clients, business relationships or transactions with different risks of money laundering, and timely and accurately reported substantial and/or suspicious transactions to the China Anti-Money Laundering Monitoring & Analysis Centre or the PBOC and its branches, in accordance with relevant requirements.

The Group has strengthened the management, guidance and supervision of domestic and overseas subsidiaries and branches and implemented internal inspections, audits, performance appraisals and a punishment and reward mechanism, so as to ensure the consistency and efficiency of work on anti-money laundering management. With regular and irregular anti-money laundering inspections, the Group has actively rectified the problems identified, and the audit department of the Group conducts an annual internal audit on anti-money laundering with the scope, methods and frequency that is applicable to the risks relevant to money laundering. The Group assesses the performance of money laundering risk management of directors, supervisors, senior management and persons-in-charge of money laundering risk management, as well as the performance of money laundering risk management of business departments, domestic and overseas branches and relevant subsidiaries; the Group includes the same in the performance appraisal system. The Group has built a punishment and reward mechanism for anti-money laundering to grant appropriate rewards to or compliment on such institutions and staff for outstanding performance in anti-money laundering. Meanwhile, the Group has also proactively assisted in and cooperated with judicial authorities and administrative authorities in carrying out various anti-money laundering activities.

Overview

The Company is principally governed by the shareholders' general meeting, Board of Directors, Board of Supervisors and the senior management. The current Articles of Association have been considered and approved at the 2018 annual general meeting of the Company, and have been approved by the CBIRC. The proposed amendments to the Articles of Association have been considered and approved at the 2019 annual general meeting of the Company held on 12 May 2020, but such amendments are subject to the approval by the CBIRC.

The following is a brief introduction to the shareholders' general meeting, Board of Directors, Board of Supervisors and the senior management of the Company.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of the Company. The shareholders' general meetings consist of annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once every year and shall be held within six months from the end of the preceding fiscal year. The Board shall convene an extraordinary general meeting within two months in any of the following circumstances:

- the number of Directors falls below the number stipulated by the PRC Company Law or two-thirds of the number as required under the Articles of Association;
- the unrecovered loss of the Company reaches one-third of the Company's total paid-in share capital;
- shareholders who individually or in aggregate hold 10% or more of the total number of the shares of the Company so request;
- the Board deems it necessary;
- the Board of Supervisors proposes that the meeting be convened;
- more than half of all Directors and no less than two independent Directors propose to convene the same;
- any other circumstances as provided for by the laws, administrative regulations, rules and regulations, the securities regulators located at the places where the shares of the Company are listed and the Articles of Association.

According to the Articles of Association, the shareholders' general meeting shall exercise the following functions and powers:

- to decide on the business operation policies and investment plans of the Company;
- to elect and replace Directors and Supervisors who are not employee representatives, and to decide on matters concerning the remuneration of the Directors and Supervisors;
- to consider and approve reports of the Board;
- to consider and approve reports of the Board of Supervisors;
- to consider and approve proposals on the annual financial budget and final accounts of the Company;
- to consider and approve the profit distribution plans and loss recovery plans of the Company;
- to adopt resolutions concerning the increase or reduction of the Company's registered share capital;
- to adopt resolutions on the merger, division, dissolution, liquidation or change of the corporate form of the Company;
- to consider and approve all or part of the shares of the Company to be listed on any stock exchange or any plan to issue bonds or other securities of the Company;
- to adopt resolutions on the appointment or dismissal of an accounting firm which acts for the Company to conduct periodical statutory audit on the financial reports of the Company;
- to amend the Articles of Association and to consider the respective rules of procedures for the shareholders' general meeting, the Board meeting and the meeting of the Board of Supervisors;

- to consider proposals presented by shareholders who individually or in aggregate hold 3% or more of the total number of the shares of the Company;
- to consider and approve the matters relating to the guarantees provided by the Company for its subsidiaries;
- to consider and approve matters in connection with the acquisition or disposal of material assets conducted within the year with a value in excess of 30% of the audited total assets of the Company for the most recent period;
- to consider investment matters in which any of the assets ratio, consideration ratio, profits ratio, revenue ratio and equity capital ratio is more than 25% pursuant to the Hong Kong Listing Rules (as amended from time to time) applicable to the Company;
- to consider and approve an external investment and the related disposal matters of the Company with a single transaction value in excess of 50% of the audited net asset value of the Company for the most recent period (other than the transaction entered into between the Company and its subsidiaries);
- to consider and approve matters in connection with the write-off of assets in which the initial cost of a single or individual asset is in excess of 2% of the audited net asset value of the Company for the most recent period or 5% in aggregate of the audited net asset value of the Company for the most recent period on an annual basis;
- to consider and approve matters in connection with donation to third parties with a total expense in excess of 5‰ of the registered share capital of the Company;
- to consider and approve single asset pledge project with an amount representing more than 10% of the latest audited net assets of the Company or any event that involves an annual asset pledge amount representing more than 30% of the latest audited net assets of the Company (excluding the employment of funds in the ordinary course of business operation);
- to consider and approve matters in connection with the change of the use of proceeds;
- to consider and approve the employee stock ownership plan or share incentive scheme;
- to resolve to purchase the shares of the Company;
- to consider and approve matters in relation to the establishment of institutions with legal person status by the Company. The foregoing institutions with legal person status refer to domestic and overseas companies directly invested and established by the Company, over which the Company can exert effective control;
- to consider and approve the following related party transactions:

  (1) material related party transactions of the Company with related parties with a single transaction amount or cumulative transaction amount representing 5% and above of net assets of the Company as at the end of the previous year, save for related party transactions between the Company and its subsidiaries;

  (2) matters in relation to guarantees provided by the Company for its related parties;

  (3) other related party transactions subject to approval of the shareholders' general meeting as required by the relevant regulatory rules and the Articles of Association.

- to decide on other matters which, according to the laws, administrative rules, regulatory stipulations and regulations and provisions stipulated by the securities regulators of the places where the shares of the Company are listed and any other provisions which may have a material impact on the business development of the Company together with the Articles of Association, should be resolved at a shareholders' general meeting.

Where the shareholders' general meeting authorises the Board to exercise its certain functions and powers, the shareholders' general meeting shall make a resolution and specify the explicit and specific contents of its authorisation.

Board of Directors

The Board of Directors implements the resolutions made by the shareholders' general meeting, exercises the decision-making power of the Company and is responsible for the overall leadership of the Company. According to the Articles of Association, the Board of Directors shall be accountable to the shareholders' general meeting. The Board meetings include regular Board meetings and extraordinary Board meetings. The Board shall convene four regular Board meetings a year. The Board meetings shall be convened by the chairman. Where there is an urgent matter, shareholders representing one-tenth or more of the voting rights, one-third or more of the Directors, two or more independent Directors, or the chairman of the Board or the Board of Supervisors, may propose that an extraordinary Board meeting be convened.

The Board of Directors exercises the following functions and powers:

- to be responsible for convening the shareholders' general meeting and to report its work to the shareholders' general meeting;
- to implement the resolutions of the shareholders' general meeting;
- to decide on the business plans and investment plans of the Company;
- to formulate the annual financial budget plans and the final accounts of the Company;
- to formulate the plans for profit distribution (including plans for year-end dividend distribution) and loss minimisation of the Company;
- to formulate plans for the increase or reduction of the registered share capital of the Company, and for issuance and listing of corporate bonds and other securities;
- to formulate plans for substantial acquisition or acquisition of the shares of the Company or for merger, division, dissolution and change of the corporate form of the Company;
- to decide on the setup of the Company's internal management departments;
- to nominate the Director candidates;
- to appoint or dismiss the president, to appoint or dismiss the Board secretary in accordance with the nomination by the chairman, to appoint or dismiss the chief auditor, officer responsible for auditing of the Company in accordance with the nomination by the chairman or the audit committee, and to appoint or dismiss the vice presidents, chief actuary, chief legal councilor, chief risk officer, chief technology officer, chief investment officer, chief financial officer, chief compliance officer, and other senior management of the Company in accordance with nominations by the president, and determine the remuneration, rewards and punishments of the abovementioned senior management;
- to formulate and decide the basic management system of the Company;
- to formulate amendments to the Articles of Association, to draw up the procedural rules for shareholders' general meetings and the rules of procedure of the Board, and to consider working rules for the special committees under the Board;
- to take charge of the information disclosure of the Company;
- to report the status of related party transactions and the implementation of management system for related party transactions to the shareholders' general meeting on an annual basis; this function and power of the Board has been deleted according to the proposed amendments to the Articles of Association considered and approved at the 2019 annual general meeting of the Company, but such amendments are subject to the approval by the CBIRC;
- to consider and approve the following related party transactions:

  (1) a single transaction between the Company and a related party amounting to not less than 1% of the net assets of the Company as at the end of the previous year or exceeding RMB30 million but less than 5% of the net assets of the Company as at the end of the previous year; this function and power of the Board has been amended to "a single transaction or cumulative annual transactions between the Company or its subsidiary and a related party amounting to less than 5% of the net assets of the Company as at the end of the previous year" according to the proposed amendments to the Articles of Association considered and approved at the 2019 annual

general meeting of the Company, but such amendments are subject to the approval by the CBIRC;

(2) material related party transactions between the Company and its subsidiaries;

(3) other related party transactions to be approved by the Board as required by relevant regulatory requirements or the policies of the Company;

- to submit for the consideration of the shareholders' general meeting proposals on the engagement, dismissal of an accounting firm which provides regular statutory audit on the financial report of the Company;
- to explain to the shareholders' general meeting the auditor's reports with modified audit opinion given by the certified public accountant in relation to the financial report of the Company;
- to engage external audit institutions which implement the audit for the Directors and senior management of the Company;
- to receive work reports of the president of the Company and review the president's work;
- other functions and powers conferred by laws, administrative regulations, departmental rules, regulatory rules of the stock exchange of the place of listing or the Articles of Association.

As at the Latest Practicable Date, the Board of Directors consists of seven members. Among them, there is one executive Director, three non-executive Directors and three independent non-executive Directors (namely independent Directors). The number of independent non-executive Directors exceeds one-third of the total number of Directors, as required by the Measures for the Administration of Independent Directors of Insurance Institutions (保险机构独立董事管理办法). The number of Directors and composition of the Board of Directors are in compliance with applicable regulatory requirements. Members of the Board of Directors shall be elected at the shareholders' general meeting. The term of office of the Directors shall be three years and may be re-elected to serve consecutive terms upon expiration of such term of office. The consecutive term of the independent non-executive Directors shall not exceed six years.

Independent non-executive Directors of the Company shall be elected at the shareholders' general meeting. In order to bring the role of the independent non-executive Directors into full play, in addition to the functions and powers conferred on them by the PRC Company Law and other applicable laws and regulations, independent non-executive Directors are also entitled to the following special functions and powers:

- to examine and give views on the fairness of material related party transactions, the execution of internal review procedures for material related party transactions and their impacts on the insurance consumers' interests; this function and power of independent non-executive Directors has been amended to "to examine and give views on the fairness and compliance of material related party transactions, the execution of internal review procedures for material related party transactions and their impacts on the insurance consumers' interests" according to the proposed amendments to the Articles of Association considered and approved at the 2019 annual general meeting of the Company, but such amendments are subject to the approval by the CBIRC;
- to submit to the Board of Directors the engagement or dismissal of an accounting firm;
- to request the Board of Directors to convene an extraordinary shareholders' general meeting;
- to propose to convene a Board meeting;
- to engage external audit institutions or consultation institutions independently.

In addition to the aforesaid functions and powers conferred on them, independent non-executive Directors shall also provide independent opinions on the following matters:

- nomination or removal of Directors;
- appointment or dismissal of senior management;
- remuneration of the Directors and senior management of the Company;
- material related party transactions;

- existing or new borrowings lent by the Company to the actual controller of the Company or his affiliated enterprises with a total value exceeding 5% of the latest audited net asset value of the Company or other financial transactions, and whether the Company has taken effective measures to recover the amounts owed;
- profit distribution plans;
- investments, leasing, assets trading, guarantee and other material transactions that do not fall within the business plan;
- other matters considered by the independent Directors to potentially have a significant impact on the rights and interests of the Company, minority shareholders or insurance consumers;
- other matters as stipulated by laws and regulations, regulatory rules or the Articles of Association.

The list of members of the Board of Directors is set out as follows:

Name	Date of birth	Current position	Initial date of appointment[1]	Date of appointment of current term	Date of expiration of current term
KONG Qingwei	June 1960	Chairman, executive Director	June 2017	May 2020	May 2023
HUANG Dinan	December 1966	Vice chairman, non-executive Director	June 2019	May 2020	May 2023
WANG Tayu	October 1970	Non-executive Director	June 2017	May 2020	May 2023
WU Junhao	June 1965	Non-executive Director	July 2012	May 2020	May 2023
CHEN Jizhong	April 1956	Independent non-executive Director	July 2019	May 2020	May 2023
LAM Tyng Yih, Elizabeth	October 1964	Independent non-executive Director	July 2019	May 2020	May 2023
JIANG Xuping	May 1955	Independent non-executive Director	August 2019	May 2020	May 2023
FU Fan[2]	October 1964	Executive Director	TBD	TBD	TBD
		President	March 2020	May 2020	May 2023
ZHOU Donghui[2]	April 1969	Non-executive Director	TBD	TBD	TBD
LU Qiaoling[2]	March 1966	Non-executive Director	TBD	TBD	TBD
LIU Xiaodan[2]	June 1972	Independent non-executive Director	TBD	TBD	TBD
WOO Ka Biu, Jackson[2]	September 1962	Independent non-executive Director	TBD	TBD	TBD

(1) The initial date of appointment as a Director stated here represents the date on which the relevant Director obtained the approval of qualification as a director from the CBIRC.

(2) The Directors for the new session of the Board of Directors were elected at the 2019 annual general meeting of the Company held on 12 May 2020. The appointment qualifications of some Directors are subject to the approval by the CBIRC, namely Mr. FU Fan as executive Director, Mr. ZHOU Donghui and Ms. LU Qiaoling as non-executive Directors, and Ms. LIU Xiaodan and Mr. WOO Ka Biu, Jackson as independent non-executive Directors.

As at the Latest Practicable Date, biographical details of the members of the Board of Directors are as follows. The business address of the Board of Directors is the registered address of the Company: 1 South Zhongshan Road, Huangpu District, Shanghai, PRC.

Mr. KONG Qingwei, currently serves as chairman and executive Director of the Company. Mr. KONG also currently serves as chairman of CPIC Life. Previously, Mr. KONG served as deputy general manager of Shanghai Bund House Exchange Co., Ltd., general manager of the Housing Exchange Headquarter of Shanghai Jiushi Corporation, executive deputy director of Shanghai Provident Fund Management Centre, deputy general manager of Shanghai Urban Construction Investment and Development Corporation, vice chairman of Shanghai Minhong (Group) Co., Ltd., director of Shanghai World Expo Land Reserve Centre, president of Shanghai World Expo Land Holding Co., Ltd., general manager of Shanghai Urban Construction Investment and Development Corporation, party secretary of the financial working committee of the CPC of the city of Shanghai, and chairman of Shanghai Guosheng (Group) Co., Ltd. Mr. KONG holds a master's degree.

Mr. HUANG Dinan, currently serves as vice chairman and non-executive Director of the Company, chairman of Shenergy Group Co., Ltd. and president of Shanghai Society for Electrical Engineering. Mr. HUANG previously served as research fellow at the Research Institute of Shanghai Turbine Plant,

vice-head of the No.3 Research Team of the Research Institute of Shanghai Turbine Plant, assistant to the director, and vice director of Research Institute of Shanghai Turbine Plant, assistant to general manager, deputy general manager and general manager of Shanghai Turbine Plant, assistant to president, head of the president's office, vice chairman and chairman of Shanghai Turbine Company, vice president, president and vice chairman of Shanghai Electric (Group) Corp., and president, vice chairman and chairman of Shanghai Electric Group Company Limited which is listed on the SSE and the SEHK (SSE stock code: 601727, SEHK stock code: 02727) and president of China Society of Power Engineering. Mr. HUANG holds a master's degree and a title of senior engineer (professor level).

Mr. WANG Tayu, currently serves as non-executive Director, general manager of the investment management department No. 1 of Shanghai International Group Co., Ltd., director and general manager of Shanghai Xieyi Asset Management Co., Ltd., director of Shanghai Rural Commercial Bank Co., Ltd., and director of AVIC Investment Holdings Co., Ltd. Mr. WANG previously served as investment supervisor 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 to 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., and vice chairman and director of Shanghai Guotai Junan Investment Management Co., Ltd. Mr. WANG holds a master's degree.

Mr. WU Junhao, currently serves as non-executive Director, director of CPIC Life, director of CPIC P/C and manager of the financial management department of Shenergy (Group) Co., Ltd. Mr. WU is also director of Orient Securities Co., Ltd. (SSE stock code: 600958, SEHK stock code: 03958), a company listed on SSE and SEHK, 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 China Everbright Bank Company Limited (SSE stock code: 601818, SEHK stock code: 06818), a company listed on both SSE and SEHK, chairman of the supervisory board of Shanghai Shenergy Leasing Co., Ltd., and chairman of the supervisory board of Shanghai Shenergy Chengyi Equity Investment Co., Ltd. Mr. WU formerly worked as head of the teaching & research centre of the business management department 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 asset management department, and deputy manager of the financial management department of Shenergy (Group) Co., Ltd., and director of Shanghai Jiulian Group Co., Ltd. Mr. WU was also a supervisor of Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607, SEHK stock code: 02607), a company listed on SSE and on SEHK. Mr. WU holds a master's degree.

Mr. CHEN Jizhong, currently serves as independent non-executive Director. Previously, Mr. CHEN served as the head of division of the personnel department of the State Planning Commission administering the cadres of units directly under the Commission, deputy director of the human resources department of China Development Bank, head of the executive office of China Development Bank, and president of China Development Bank Xi'an Branch, Shaanxi Branch and Shanghai Branch, and chief auditor of China Development Bank, and the chief auditor of China Development Bank. Mr. CHEN holds a master's degree.

Ms. LAM Tyng Yih, Elizabeth, currently serves as independent non-executive Director, and the director and honorary treasurer of HK Agency for Volunteer Service. Ms. LAM served as a consultant and partner of Ernst & Young. Ms. LAM holds a bachelor's degree in business administration and a master's degree of science in accounting, and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. JIANG Xuping, currently serves as independent non-executive Director, the professor at 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 as Dean of School of Internet Marketing and Management of Guizhou Forerunner College (volunteer). Mr. JIANG once served as the lecturer, associate professor and professor of School of Economics and Management of Tsinghua University, and director of

internet marketing and management of Software School of Beihang University. Mr. JIANG holds a master's degree, and the title of professor.

Mr. FU Fan, currently serves as the president of the Company. Mr. FU was elected as executive Director at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Mr. FU previously served as deputy general manager of Shangtou Industry Investment Co., Ltd., deputy general manager of China International Fund Management Co., Ltd., general manager and vice chairman of Shanghai International Trust Co., Ltd., chairman of Shanghai State-owned Assets Operation Co., Ltd., and director and general manager of Shanghai International Group Co., Ltd. Mr. FU holds a master's degree.

Mr. ZHOU Donghui, was elected as non-executive Director at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Mr. ZHOU currently serves as the general manager of Shanghai Haiyan Investment Management Co., Ltd., and non-executive director of Orient Securities Company Limited, a company listed on both the SSE and the SEHK (SSE stock code: 600958, SEHK stock code: 03958). Mr. ZHOU previously served as the deputy manager and manager of the financial department of Shanghai Import and Export of China Tobacco Co., Ltd., deputy director of investment management department of Shanghai Tobacco Group Co., Ltd., deputy director of the finance department, deputy head of the fund management centre, deputy director and director of investment department of Shanghai Tobacco Group Co., Ltd., and deputy general manager and executive deputy general manager of Shanghai Haiyan Investment Management Co., Ltd. Mr. ZHOU holds a bachelor's degree and the title of senior accountant.

Ms. LU Qiaoling, was elected as non-executive Director at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Ms. LU currently serves as the general manager of the financial department of China Baowu Iron and Steel Group Co., Ltd., the 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., a director of Baosteel Group Finance Co., Ltd., and a supervisor of Magang (Group) Holding Co., Ltd. Ms. LU also serves as an expert of the qualification review committee of the Shanghai Auditing Series for Senior Professional and Technical Posts, a member of the eleventh council of the Shanghai Accounting Association, and a member of Internal Control Standards Committee. Ms. LU previously served as the chief accountant of Hebei Petrochemical Supply and Marketing Corporation, the deputy director of the industry guidance department and deputy director of the office of the Audit Bureau of the Ministry of Chemical Industry, the assistant to the inspector of the State Council's Audit Commissioner, and the full-time supervisor of the State-owned Medium and Large-sized Enterprise Working Committee, deputy director and director of the audit department of Baosteel Group Co., Ltd., director of the 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.

Ms. LIU Xiaodan, was elected as independent non-executive Director at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Ms. LIU currently serves as the general manager of Chenyi Investment (Beijing) Co., Ltd. and the general manager of Chenyi Fund Management (Beijing) Co., Ltd. Ms. LIU previously served as the president and chairman of Huatai United Securities Co., Ltd. and the chairman of AssetMark Financial Holdings, Inc. (stock code: AMK), a company listed on the New York Stock Exchange. Previously, Ms. LIU worked in Peking University. Ms. LIU also served as a member of the 4th and 5th committees for mergers, acquisitions, and restructuring of the China Securities Regulatory Commission. Ms. LIU holds a master's degree.

Mr. WOO Ka Biu, Jackson, was elected as independent non-executive Director at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Mr. WOO currently serves as the chief executive officer of Challenge Capital Management Limited, a consultant of Guantao Law Firm (Hong Kong), a director of Kailey Enterprises Limited and Fong Fun Company Limited, an independent non-executive director of Henderson Land Development Company Limited, a company listed on the SEHK (stock code: 00012), honorary director of Tsinghua University, a China-appointed attesting officer appointed by the Ministry of Justice of the PRC, practising solicitor member on the panel of the Solicitors' Disciplinary Tribunal appointed by the Chief Justice of Hong Kong, member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the SFC, member of the Main Board and GEM Listing Review Committees of the SEHK, member of the Honorary Advisory Panel and the Investigation and Compliance Committee of the Financial Reporting Council of Hong Kong. Mr. WOO

previously served as member of the Public Shareholders Group of the SFC, a partner of Ashurst Hong Kong, the founding partner of Jackson Woo & Associates, director and co-head of Investment Banking, Greater China of N.M. Rothschild & Sons (Hong Kong) Limited, partner of Woo, Kwan, Lee and Lo of Hong Kong, an independent non-executive director of Ping An Insurance (Group) Co., Ltd., a company listed on both the SSE and the SEHK (SSE stock code: 601318, SEHK stock code: 02318), an alternate director to Sir Po-Shing Woo in his capacity as a non-executive director of Sun Hung Kai Properties Limited (stock code: 00016). Mr. WOO holds the degree of Master of Arts (Jurisprudence) of the University of Oxford, and is a qualified lawyer in the Supreme Courts of Hong Kong, England and Wales and the Australian Capital Territory.

Board of Supervisors

The Board of Supervisors shall be accountable to the shareholders' general meeting, and shall exercise the duties of supervising the Directors and the senior management and reviewing the financials of the Company. According to the Articles of Association, the Board of Supervisors shall perform the following functions and duties in accordance with laws:

- to examine the financial affairs of the Company;
- to supervise the acts done by the Directors, president, vice presidents and other senior management of the Company in performing their respective duties and responsibilities of their positions in the Company; to propose the dismissal of Directors, the president, vice presidents and other senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions adopted by the shareholders' general meeting;
- to request rectification from the Directors, president, vice presidents and other senior management of the Company where the acts of the foregoing persons harm the interests of the Company;
- to check the financial reports, operating reports, profit distribution plans and other financial information to be submitted by the Board to the shareholders' general meeting, and, whenever any doubt is identified, to appoint certified public accountants or practising auditors in the name of the Company to assist in the review;
- to propose extraordinary shareholders' general meetings, and to convene and preside over the shareholders' general meeting when the Board fails to perform the duties prescribed in the PRC Company Law to convene and preside over the shareholders' general meeting;
- to raise motions to the shareholders' general meeting;
- to negotiate with the Directors or senior management on behalf of the Company, or initiate litigation against the Directors or senior management;
- to carry out investigation after finding any irregularity in the operation of the Company; where necessary, to engage, at the expense of the Company, accounting firms, law firms or other professional institutions to assist them with their work;
- to nominate candidates for independent Director;
- to nominate candidates for shareholder representative Supervisor;
- other functions and powers stipulated in the Articles of Association;
- the Board of Supervisors may give its views on engagement of accounting firms by the Company and, where necessary, may appoint in the name of the Company another accounting firm to examine the financial affairs of the Company independently, and may report the particulars directly to the CSRC and other departments concerned.

As at the Latest Practicable Date, the Board of Supervisors consists of three members, including two shareholder representative Supervisors and one employee representative Supervisor. The term of office of the Supervisors shall be three years and may be re-elected to serve consecutive terms upon the expiration of such term of office. The shareholder representative Supervisors shall be elected and removed by the shareholders'

general meeting. The employee representative Supervisors shall be elected and removed by the employees of the Company. The list of members of the Board of Supervisors is set out as follows:

Name	Date of birth	Current position	Initial date of appointment[1]	Date of appointment of current term	Date of expiration of current term
ZHU Yonghong	January 1969	Chairman of Board of Supervisors, shareholder representative Supervisor	July 2018	May 2020	May 2023
JI Zhengrong	December 1963	Vice chairman of Board of Supervisors	August 2019	May 2020	May 2023
		Employee representative Supervisor	April 2019	May 2020	May 2023
LU Ning	September 1968	Shareholder representative Supervisor	July 2018	May 2020	May 2023
LU Guofeng[2]	February 1969	Shareholder representative Supervisor	TBD	TBD	TBD
GU Qiang[2]	January 1967	Employee representative Supervisor	TBD	TBD	TBD

(1) The initial date of appointment as a Supervisor stated here represents the date on which the relevant Supervisor obtained the approval of qualification as a supervisor from the CBIRC.

(2) The Supervisors for the new session of the Board of Supervisors were elected at the 2019 annual general meeting of the Company held on 12 May 2020. The appointment qualifications of some Supervisors are subject to the approval by the CBIRC, namely Mr. LU Guofeng and Mr. GU Qiang.

As at the Latest Practicable Date, biographical details of the members of the Board of Supervisors are as follows. The business address of the Board of Supervisors is the registered address of the Company: 1 South Zhongshan Road, Huangpu District, Shanghai, PRC.

Mr. ZHU Yonghong, currently serves as chairman of the Board of Supervisors, 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. (SSE stock code: 600019), a company listed on SSE. Mr. ZHU previously worked as chairman of Wuhan Iron and Steel (Group) Finance Co., Ltd., deputy chief accountant, chief accountant, and chief financial officer of Wuhan Iron and Steel (Group) Company, head of the planning and finance department of Wuhan Iron and Steel (Group) Company, director of Wuhan Iron and Steel Company Limited (SSE stock code: 600005), a company listed on SSE, vice chairman of Hebi Fuyuan Refined Coal Co., Ltd., director of Hankou Bank 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 doctorate degree, and the title of senior accountant.

Mr. JI Zhengrong, currently serves as the vice chairman of the Board of Supervisors, employee representative Supervisor, and chairman of the trade union of the Company. Previously, Mr. JI acted as the 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 holds a bachelor's degree.

Mr. LU Ning, currently serves as shareholder representative Supervisor, supervisor of CPIC P/C, and head of financial assets department of Yunnan Hehe (Group) Co., Ltd. Mr. LU is also director of Hongta Innovation Investment Co., Ltd., director of Yunnan Flower Industry 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., director of Yunnan Hongta Sports Centre Co., Ltd., director of Yunnan Zhongwei Hotel Management Co., Ltd., director of Kunming Wanxing Property Development Co., Ltd., deputy general manager of Yunnan Tobacco Group Xingyun Investment Co., Ltd., general manager of Kunming Wanxing Property Development Co., Ltd., head of the hotel and property department of Yunnan Hehe (Group) Co., Ltd., director of Yunnan Tobacco

Xingyun Investment Co., Ltd., chairman of Yunnan Hongta Property Development Company, and chairman of Zhongshan Hongta Property Development Co., Ltd. Mr. LU holds a bachelor degree in economics.

Mr. LU Guofeng, was elected as the shareholder representative Supervisor at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Mr. LU currently serves as the chief economist and general manager of the financial management department of Shanghai Jiushi (Group) Co., Ltd. Mr. LU is also the chairman of Shanghai Jiushi Gimpo Equity Investment Fund Management Co., Ltd., deputy chairman of Shanghai Oriental Newspaper Co., Ltd., director of Shanghai Shangguo Investment and Assets Co., Ltd., director of Shanghai Jiushi Roosevelt Investment Management Co., Ltd. and chairman of Shanghai Jiuhai Industry Co., Ltd. Mr. LU previously served as the secretary of the CPC branch and general manager of Shanghai Jiushi Investment Management Co., Ltd., general manager of Shanghai Zhihui Investment Management Co., Ltd., manager of asset operation department, manager of comprehensive development department, manager of investment development department, and comprehensive planning department of Shanghai Jiushi Company, secretary of the CPC Committee and general manager of Shanghai Communications Investment (Group) Co., Ltd., the general manager assistant of Shanghai Shentong Metro Co., Ltd., and secretary of the board of directors of Shanghai Jiu Shi Company. Mr. LU holds a PhD in economics, and a title of senior accountant.

Mr. GU Qiang, was elected as the employee representative Supervisor at the employee representatives meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. Mr. GU currently serves as the chairman of the board of supervisors of CPIC AMC and chairman of the board of supervisors of Changjiang Pension. Mr. GU previously served as the deputy chief accountant, chief financial officer and deputy general manager of CPIC P/C, director of CPIC AMC, director of CPIC HK, director, vice president and chief financial officer of Anxin Agricultural. Before joining the Company, Mr. GU served as, among others, a lecturer in 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 international business department in Wanguo Securities Co., Ltd., vice president and chief financial officer of Shanghai branch of American International Underwriters. Mr. GU holds a master's degree.

Senior Management

The senior management of the Company, under the leadership of the president, is responsible for the day-to-day management of the Company's businesses and implementation of the strategies approved by the Board. As at the Latest Practicable Date, the members of senior management of the Company are as follows.

Name	Date of birth	Current position	Initial date of appointment[1]	Date of appointment of current term	Date of expiration of current term
KONG Qingwei	June 1960	Chairman, executive Director	June 2017	May 2020	May 2023
FU Fan	October 1964	President	March 2020	May 2020	May 2023
ZHAO Yonggang	November 1972	Vice president	December 2018	May 2020	May 2023
YU Bin	August 1969	Vice president	October 2018	May 2020	May 2023
MA Xin	April 1973	Vice president	December 2018	May 2020	May 2023
		Board secretary	July 2015	May 2020	May 2023
		Joint company secretary	June 2015	June 2018	June 2021
ZHANG Yuanhan	November 1967	Chief financial officer	June 2019	May 2020	May 2023
		Chief actuary	January 2013	May 2020	May 2023
ZHANG Weidong	October 1970	Chief risk officer, chief compliance officer	June 2016	May 2020	May 2023
		Chief legal councilor	October 2018	May 2020	May 2023
Benjamin DENG	November 1969	Chief investment officer	December 2018	May 2020	May 2023
QIAN Zhonghua	July 1962	Chief internal auditor, chief auditing officer	October 2019	May 2020	May 2023

(1) The initial date of appointment as a member of senior management stated here represents the date on which the relevant member of senior management obtained the approval of qualification as a member of senior management from the CBIRC.

As at the Latest Practicable Date, biographical details of the senior management of the Company are as follows. The business address of the senior management is the registered address of the Company: 1 South Zhongshan Road, Huangpu District, Shanghai, PRC.

Mr. KONG Qingwei, currently serves as chairman, executive Director. Mr. KONG also currently serves as chairman of CPIC Life. For biographical details of Mr. KONG, please refer to the paragraph under "Board of Directors".

Mr. FU Fan, currently serves as the president of the Company. Mr. FU was elected as executive Director at the 2019 annual general meeting of the Company, but the appointment qualification is subject to the approval by the CBIRC. For biographical details of Mr. FU, please refer to the paragraph under "Board of Directors".

Mr. ZHAO Yonggang, currently serves as vice president of the Company. Mr. ZHAO previously served as deputy general manager of CPIC Life Guizhou Branch, deputy director and director of party-masses department of the Company, director of strategic transformation office of CPIC Life, general managers of CPIC Life Heilongjiang Branch and Henan Branch, chairman of the trade union and HR director of CPIC Life and chairman of the trade union of the Company. Mr. ZHAO holds a bachelor's degree.

Mr. YU Bin, currently serves as vice president of the Company and director of CPIC P/C. Mr. YU previously served as deputy general managers of the non-marine insurance department and underwriting and claims department of CIPC P/C, general managers of market R&D centre and the market department of CPIC P/C, chief marketing officer and deputy general manager of CIPC P/C and assistant to president of the Company. Mr. YU holds a master's degree.

Mr. MA Xin, currently serves as vice president, the board secretary, and joint company secretary of the Company and director of CPIC P/C, CPIC Life and Changjiang Pension, respectively. Mr. MA previously served as general manager of CPIC Life Shaanxi Branch, the transformation director, director of strategic transformation office and general manager of strategic planning department of the Company. Mr. MA holds a master's degree.

Mr. ZHANG Yuanhan, currently serves as the CFO and chief actuary of the Company, directors 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, the chief actuary of Sino Life Insurance Co., Ltd., deputy general manager, CFO and the chief actuary of Sun Life Everbright Life Insurance Co., Ltd., and director of Sun Life Everbright Asset Management Co., Ltd. Mr. ZHANG holds a master's degree, and is director of China Association of Actuaries and a member of The Society of Actuaries and American Academy of Actuaries.

Mr. ZHANG Weidong, currently serves as chief risk officer, chief compliance officer and chief legal councilor of the Company, and directors of CPIC P/C, CPIC Life, CPIC AMC and Changjiang Pension, respectively. Mr. ZHANG previously served as general manager of the legal compliance department, director of the Board office of the Company, board secretaries of CPIC P/C, CPIC Life and CPIC AMC, general manager of the risk management department of the Company. Mr. ZHANG holds a bachelor's degree.

Mr. Benjamin DENG, currently serves as chief investment officer of the Company and chief investment officer of CPIC HK. Mr. DENG's previous stints include Head of AIG ERM Middle-Office, Head of Market Risk Management (APxJ) of AIG, Head of Investment Analytics of AIA, Head of Investments Solutions & Derivatives of AIA, and AIA's Director of Strategic China Projects. Mr. DENG is an Adjunct Professor at the College of Business, City University of Hong Kong. He holds a master's degree in business administration and a master's degree in quantitative model analysis. Mr. DENG is a CFA Charterholder and FRM.

Mr. QIAN Zhonghua, currently serves as chief internal auditor and chief auditing officer of the Company. Mr. QIAN previously served as general manager of CPIC Life Suzhou Central Sub-branch, deputy general manager of Jiangsu Branch, general managers of Shenzhen Branch and Guangdong Branch, deputy general manager and general manager of CPIC Life. Mr. QIAN holds a master's degree, and the title of senior accountant.

Other Directorships

Except for their directorships of the Company and certain subsidiaries, the Directors, Supervisors and members of senior management (other than the Directors and Supervisors whose appointment qualifications are subject to the approval by the CBIRC) also hold or have held the following directorships or are or have been partners of the following partnerships, within the past five years.

Name	Current directorships/partnerships	Previous directorships/partnerships
KONG Qingwei	—	– Shanghai Guosheng (Group) Co., Ltd.
HUANG Dinan	– Shenergy Group Co., Ltd.	– Shanghai Electric Group Company Limited
WANG Tayu	– Shanghai Rural Commercial Bank Co., Ltd. – Shanghai Xieyi Asset Management Co., Ltd. – AVIC Investment Holdings Co., Ltd.	– Shanghai Guozhi Properties Development Co., Ltd. – Shanghai State-owned Assets Management Co., Ltd. – Shanghai Guoxin Investment and Development Co., Ltd. – Shanghai Chenggao Asset Management Co., Ltd. – Shanghai Guotai Junan Investment Management Co., Ltd.
WU Junhao	– China Everbright Bank Co., Ltd. – Shanghai ICY Capital Co., Ltd. – Shanghai Chengyi New Energy Venture Capital Co., Ltd. – Orient Securities Co., Ltd. – Chengdu Xinshen Venture Capital Co., Ltd. – Shanghai Shenergy Leasing Co., Ltd. – Shanghai Shenergy Chengyi Equity Investment Co., Ltd.	– Shanghai Jiulian Group Co., Ltd.
CHEN Jizhong	—	– China Development Bank
LAM Tyng Yih, Elizabeth	—	– Ernst & Young
JIANG Xuping	—	—
ZHU Yonghong	– China Baowu Steel Group Corporation Limited – Hwabao Investment Co., Ltd. – Wuhan Iron and Steel (Group) Kunming Iron and Steel Co., Ltd. – Hwabao Trust Co., Ltd. – Baosteel Group Finance Co., Ltd. – Baoshan Iron and Steel Co., Ltd.	– Hebi Fuyuan Refined Coal Co., Ltd. – Wuhan Iron and Steel (Group) Company – Wuhan Iron and Steel (Group) Finance Co., Ltd. – Hubei United Development & Investment Co., Ltd. – Wuhan Iron and Steel Company Limited – Hankou Bank Co., Ltd. – Beibu Gulf Property & Casualty Insurance Co., Ltd. – Changjiang Property & Casualty Insurance Co., Ltd.
JI Zhengrong	—	– Shanghai New Union Textra Import and Export Co., Ltd. – Shanghai Textile (Group) Co., Ltd.
LU Ning	– Hongta Innovation Investment Co., Ltd. – Yunnan Flower Industry Investment Management Co., Ltd.	– Shanghai Hongta Hotel Co., Ltd. – Zhongshan Hongta Property Development Co., Ltd.

Name	Current directorships/partnerships	Previous directorships/partnerships
	– Yunnan Tourism Co., Ltd. – Yunnan Hehe (Group) Co., Ltd.	– Yunnan Hongta Property Development Company – Yunnan Hongta Hotel Co., Ltd. – Yunnan Hongta Sports Centre Co., Ltd. – Kunming Hongta Building Co., Ltd. – Kunming Hongta Building Property Management Co., Ltd. – Yunnan Zhongwei Hotel Management Co., Ltd. – Yunnan Tobacco Xingyun Investment Co., Ltd. – Yunnan Honghe Investment Co., Ltd. – Kunming Wanxing Property Development Co., Ltd.
FU Fan	—	– Shanghai International Group Co., Ltd.
ZHAO Yonggang	—	—
YU Bin	—	—
MA Xin	—	—
ZHANG Yuanhan	—	—
ZHANG Weidong	—	—
Benjamin DENG	– Zen Zion Publishing Company	—
QIAN Zhonghua	—	—

Conflicts of interest

There are no potential conflicts of interest between the duties of the Directors, Supervisors and senior management of the Company and their private interests and/or other duties. There are no interests, including conflicting interests that are material to the Offering.

None of the Directors, Supervisors or senior management of the Company are related to one another for the purpose of the Prospectus Regulation.

None of the Directors, Supervisors or senior management of the Company has agreed to any lock-up restrictions on the disposal of any Shares or GDRs that they may hold in the Company.

Litigation Statement about Directors, Supervisors and Senior Management Officers

As at the date of this Prospectus, none of the Directors, Supervisors or members of senior management has in the previous five years:

- had any convictions in relation to fraudulent offences;
- been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership, liquidation or placement into administration; or
- been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Corporate Governance

As at the Latest Practicable Date, as a PRC company listed on both the SSE and the SEHK, the Company has fully complied with the relevant requirements on corporate governance applicable to the Company.

The Company has formed an optimised corporate governance structure through continued improvement of the collectivised management structure based on realignment of resources and enhanced interaction with the capital market. The Board of Directors has established four specialised committees, namely the strategic and investment decision-making committee, the audit committee, the nomination and remuneration committee, and the risk management committee, which conduct in-depth studies on specific issues and submit their recommendations to the Board of Directors for consideration before it makes decisions on matters related to the duties of the specialised committees. According to the proposed amendments to the Articles of Association considered and approved at the 2019 annual general meeting of the Company, the risk management committee will be changed to the risk management and related party transaction control committee and a new committee, the technical innovation and consumer protection committee, will be established, but such amendments are subject to the approval by the CBIRC. The committees shall be accountable to the Board of Directors.

Strategic and Investment Decision-Making Committee

The primary duties of the strategic and investment decision-making committee are, among others, to: (1) study and advise on the long term development strategies of the Company and its subsidiaries; (2) review the investment decision-making procedures and delegation mechanism as well as the management of insurance funds; (3) study and advise on material investments decisions or proposals, material capital management projects, and asset management projects. Members of the strategic and investment decision-making committee of the new session will be appointed in due course.

Audit Committee

The primary duties of the audit committee are, among other things, to: (1) nominate external auditing institutions; (2) review the Company's basic internal audit systems and make recommendations to the Board, and review the Company's annual audit plan and budget; (3) supervise the independence of the Company's internal audit department; (4) review the financial information of the Company and its disclosure; (5) evaluate the completeness and effectiveness of the Company's internal control system on a regular basis; (6) hear the reports and assess the performance of the internal audit responsible person regularly and make recommendations to the Board of Directors; and (7) review accounting policies and practices of the Company and its subsidiaries. Members of the audit committee of the new session include: (i) LAM Tyng Yih, Elizabeth (as the chairman); (ii) WU Junhao; and (iii) JIANG Xuping.

Nomination and Remuneration Committee

The primary duties of the nomination and remuneration committee are, among others, to: (1) provide recommendations to the Board with respect to the remuneration and performance management policy and structures for Directors and senior management; (2) conduct examination and evaluation of the performance of duties and annual performance of the Directors and the senior management; (3) review the selection and appointment system for the Directors and senior management and provide recommendations to the Board; (4) evaluate candidates of senior management positions nominated by the president; and (5) review the policy on diversity of Board members. Members of the nomination and remuneration committee of the new session include: (i) JIANG Xuping (as the chairman); (ii) CHEN Jizhong; and (iii) LAM Tyng Yih, Elizabeth.

Risk Management Committee

The primary duties of the risk management committee are, among others, to: (1) make recommendations with respect to the overall objective, basic policies and work rules of risk management; (2) make recommendations with respect to the risk evaluation for major decisions and solutions for significant risks; (3) review material related party transactions and connected transactions; (4) review the management system for application of insurance funds; (5) advise on the strategic asset allocation plan, annual investment plan and investment guidelines and their adjustments; (6) make recommendations with respect to the coordination mechanisms for product design, sales and investment and their performance; (7) discuss risk management system with the management to ensure that effective risk management system is established; (8) conduct research on important findings of risk management issues; (9) conduct solvency management; (10) conduct risk management for subsidiaries. Members of the risk management committee of the new session will be appointed in due course.

Remuneration

During the year ended 31 December 2019, the aggregated amount of pre-tax remuneration received from the Company by the then Directors, Supervisors and members of senior management as a group for their service in all capacities provided to the Company was RMB38.6 million. During the year ended 31 December 2019, the total amount of contributions to defined contribution plans (mainly including contributions made to the state pension schemes) made by the Company for the then Directors, Supervisors and members of senior management was RMB2.3 million.

The following table sets forth some details of the pre-tax remuneration and other similar benefits received from the Company by each of current Directors, Supervisors and members of senior management (other than the Directors and Supervisors whose appointment qualifications are subject to the approval by the CBIRC) in 2019:

Name	Current Position	Total Remuneration payable from the Company (before tax) in 2019[1]
		(RMB '000)
KONG Qingwei	Chairman, executive Director	1,700
HUANG Dinan	Vice chairman, non-executive Director	N/A[2]
WANG Tayu	Non-executive Director	275
WU Junhao	Non-executive Director	N/A[2]
CHEN Jizhong	Independent non-executive Director	N/A[2]
LAM Tyng Yih, Elizabeth	Independent non-executive Director	146
JIANG Xuping	Independent non-executive Director	100
ZHU Yonghong	Chairman of Board of Supervisors, shareholder representative Supervisor	N/A[2]
JI Zhengrong	Vice chairman of Board of Supervisors, employee representative Supervisor	1,168
LU Ning	Shareholder representative Supervisor	N/A[2]
FU Fan	President	N/A[3]
ZHAO Yonggang	Vice president	2,505
YU Bin	Vice president	2,531
MA Xin	Vice president, board secretary, joint company secretary	2,479
ZHANG Yuanhan	CFO, chief actuary	4,982
ZHANG Weidong	Chief risk officer, chief compliance officer, chief legal councilor	2,578
Benjamin DENG	Chief investment officer	4,788
QIAN Zhonghua	Chief internal auditor, chief auditing officer	784

(1) The aggregated amount of pre-tax remuneration listed in this table includes basic salaries, bonuses, allowances, subsidies, employee welfare and various insurance premiums, provident funds, annuities, and other forms of remuneration received from the Company payable in 2019. According to Provisional Guidelines on Compensation Management of Insurance Companies (Bao Jian Fa (2012) No. 63) (保险公司薪酬管理规范指引（试行）（保监发〔2012〕63 号）) and relevant policies and rules of remuneration of the Company, performance-related remuneration of the members of senior management of the Company of the indicated year takes the form of deferred payment and is included in aggregated amount of pre-tax remuneration listed in this table.

(2) Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHU Yonghong and Mr. LU Ning do not take any allowances. Mr. CHEN Jizhong does not take any allowances temporarily.

(3) In November 2019, Mr. FU Fan was appointed as president of the Company by the Board. His qualification as president was approved by the CBIRC in March 2020.

Employment Contracts with the Directors, Supervisors and Senior Management

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

As a general rule, employment contracts in the PRC include fixed-term employment contracts and open-ended employment contracts where the Company and the employee have agreed not to stipulate a definite termination date.

Pursuant to the Labour Contract Law of the PRC （中华人民共和国劳动合同法）, an employment contract is terminated upon the occurrence of any of the following events: (i) the employment contract expires; (ii) the employee has commenced receiving basic pension benefit; (iii) the employee dies, or is declared dead or missing by a People's Court; (iv) the Company is declared bankrupt according to law; (v) the Company has its business licence revoked, is ordered to be closed or cancelled, or the Company decides to be dissolved; and (vi) other grounds as stated in laws or administrative regulations.

The Company may terminate an employment contract for cause if the employee: (i) proves to be incompetent during the probation period; (ii) grossly violates the internal policies of the Company; (iii) engages in gross misconduct which causes material damage to the Company; (iv) enters into an employment arrangement with another employer that would affect his or her ability to perform his or her duties to the Company, and refuses to terminate such arrangement following the Company's request to do so; (v) engages in fraud, coercion or taking advantage of the unfavourable position to induce the Company to enter into or make an amendment to the employment contract against the Company's true intents; or (vi) is convicted of a criminal offence.

The Company may terminate the employment contract if it notifies the employee in writing 30 days in advance or after it pays the employee an extra month's compensation, under the following circumstances: (i) the employee is unable to undertake full working responsibility, in his or her original position or the new position arranged by the Company after medical treatment, due to illness or non work-related injury; (ii) the employee is not qualified for the work, even after being trained in or adjusted to different positions; or (iii) there has been a significant change in circumstances on which the employment was based, and the employment contract cannot be performed. Employment contracts with the senior management do not provide severance pay upon termination of employment by the Company with or without cause. None of the Directors or Supervisors would receive severance pay upon termination of their term of office.

Where an employer pays training expenses for the special technical training of its employees, the employer may enter into an agreement with its employees which specifies their service period. Under the Chinese legal system, a service period is a concept different from the term of an employment contract. Directors, Supervisors and senior management shall pay damages if they voluntarily resign or are dismissed, which results in the service period being terminated in advance.

Interests of Directors, Supervisors and Senior Management

Set out below are the interests held by Directors, Supervisors and senior management in the share capital of the Company as at 2 June 2020 (being the latest practicable date for the purposes of ascertaining the following information) and upon completion of Offering.

	Number of shares held at the latest practicable date			Number of shares upon completion of the Offering[1]		
Name of Directors, Supervisors and senior management	Number of Shares	Class of Shares (A Shares/ H Shares)	Percentage of the total share capital of the Company (%)	Number of Shares	Class of Shares (A Shares/ H Shares)	Percentage of the total share capital of the Company (%)
YU Bin	5,900	A Shares	0.000065	5,900	A Shares	0.000061

(1) Assuming 565,803,000 new A Shares (including any exercise of the Over-allotment Option) are issued by the Company in connection with the Offering.

Save as disclosed above, no other Directors, Supervisors or senior management of the Company has any interest in the share capital of the Company.

None of the Directors, Supervisors and senior management of the Company holds share options of the Company.

As far as the Company is aware, as at the date of this Prospectus, none of the Directors, Supervisors or the senior managers of the Company intends to subscribe in the Offering.

As at the date of this Prospectus, the Company had issued a total of 9,062,000,000 Shares comprising 6,286,700,000 A Shares with a par value of RMB1.00 per share and 2,775,300,000 H Shares with a par value of RMB1.00 per share. All shareholders have the same voting rights attached to the A Shares or the H Shares (as applicable). The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

As far as the Company is aware, as at the Latest Practicable Date, no major shareholder intended to subscribe in the Offering. Except as disclosed in "Plan of Distribution—Cornerstone Investor", no other person intends to subscribe for more than 5% of the Offering.

Shareholders holding 5% or more

The table below sets forth certain information regarding the shareholders of the Company which, as at 2 June 2020 (being the latest practicable date for the purposes of ascertaining the following shareholding structure) and after the Offering, hold or will hold 5% or more of the A Shares or H Shares of the Company:

		As at the latest practicable date			After the Offering[2]		
Shareholder[1]	**Type of Shares**	**(Number)**	**(% of A or H Shares)**	**(% of total capital)**	**(Number)**	**(% of A or H Shares)**	**(% of total capital)**
Shenergy (Group) Co., Ltd.	A Shares	1,326,776,782	21.10	14.64	1,326,776,782	19.36	13.78
Hwabao Investment Co., Ltd.[3]	A Shares	1,284,277,846	20.43	14.17	1,284,277,846	18.74	13.34
Shanghai State-Owned Assets Operation Co., Ltd.[4]	A Shares	547,942,906	8.72	6.05	547,942,906	8.00	5.69
Shanghai Haiyan Investment Management Company Limited	A Shares	468,828,104	7.46	5.17	468,828,104	6.84	4.87
Schroders Plc[5]	H Shares	332,157,188	11.97	3.67	332,157,188	11.97	3.45
China Life Insurance Company Limited[6]	H Shares	195,080,800	7.03	2.15	195,080,800	7.03	2.03
BlackRock, Inc.[5]	H Shares	171,159,686	6.17	1.89	171,159,686	6.17	1.78
Brown Brothers Harriman & Co.[7]	H Shares	166,432,120	5.99	1.84	166,432,120	5.99	1.73
JPMorgan Chase & Co.[8]	H Shares	144,131,708	5.19	1.59	144,131,708	5.19	1.50

(1) The table is prepared based on the lists of registered shareholders for A shares provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch, and the disclosure of interest fillings for H shares published on the website of the Hong Kong Stock Exchange.

(2) Assuming 565,803,000 new A Shares (including any exercise of the Over-allotment Option) are issued by the Company in connection with the Offering.

(3) Hwabao Investment Co., Ltd. is a wholly-owned subsidiary of China Baowu Steel Group Corporation Limited. China Baowu Steel Group Corporation Limited and Hwabao Investment Co., Ltd., held in aggregate 1,353,096,253 A Shares, representing 14.93% of the entire share capital of the Company.

(4) Shanghai State-owned Assets Operation Co., Ltd. ("**SSOAOC**") completed an issuance of exchangeable bonds which were exchangeable into a portion of the A Shares on 10 December 2015. China International Capital Corporation Limited ("**CICC**") held the 112,000,000 A Shares owned and to be exchanged by SSOAOC and their dividends as guarantee and trust assets, the equity holder of which was a "Special Account for EB Guarantee and Trust Assets of SSOAOC and CICC" on the Company's shareholder register. For details, please refer to the Company's announcement published on 15 December 2015 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 A Shares held by a shareholder. SSOAOC and its subsidiary, Shanghai Guoxin Investment and Development Co., Ltd., held in aggregate 580,967,057 A Shares, representing 6.41% of the entire share capital of the Company.

(5) These substantial shareholders were deemed or taken to be interested in the H Shares held by the corporation controlled by such substantial shareholders pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(6) China Life Insurance Company Limited and its parent company, China Life Insurance (Group) Company, held in aggregate 199,303,000 H Shares, representing 2.20% of the entire share capital of the Company.

(7) Brown Brothers Harriman & Co. held the H Shares as an approved lending agent under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(8) JPMorgan Chase & Co. held the H Shares as an investment manager, person having a security interest in shares and approved lending agent, and JPMorgan Chase & Co. was deemed or taken to be interested in the H Shares held by the corporation controlled by it pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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

The related party transactions are disclosed in accordance with the PRC Accounting Standards for Business Enterprises No. 36—Disclosure of Related Parties issued by the MOF and the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15—General Rules on Financial Reporting issued by the CSRC. Pursuant to such standards, related parties are, broadly, parties under common control or one party controlling the other party or capable of exercise of significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As presented in the Annual Audited Financial Statements as at and for the years ended 31 December 2017, 2018 and 2019, the Group entered into transactions with its related parties in the ordinary course of its business from time to time, mainly relating to application of funds and financial product business, including sale and purchase of bonds, equity investment funds, collateralised bond repurchase, trust products, asset management products (including such products based on underlying assets of related parties), bank deposits (including fixed term deposits), collective pension products. For further details on the Group's related party transactions, see Note X of the Annual Audited Financial Statements as at and for the years ended 31 December 2017, 2018 and 2019. These related party transactions were conducted on an arm's length basis and on normal commercial terms between the relevant parties. The Group is expected to continue entering into contracts for related party transactions of the foregoing nature as part of its ordinary business from time to time.

General

The Company was founded in the form of a joint stock company with limited liability in accordance with the PRC Company Law, the PRC Securities Law (中华人民共和国证券法) and other applicable regulations, and it has conducted business since its incorporation in conformity with its Articles of Association and the aforesaid laws and regulations. In the event that the Offering proceeds and the Company's Offer GDRs are admitted to trading on the Shanghai-London Stock Connect segment of the Main Market of the London Stock Exchange, the Company will also be subject to certain provisions of the London Stock Exchange's Admission and Disclosure Standards, the Listing Rules and the Disclosure Guidance and Transparency Rules, as well as other applicable capital markets regulations.

The PRC Company Law establishes the main rules relating to the registration, operation, merger, spin-off and winding-up of PRC companies. Listed companies on the London Stock Exchange must also comply with additional rules provided, *inter alia*, by the EU Market Abuse Regulation.

Objective and Scope of Business

Pursuant to Chapter II of the Articles of Association, the operational objective of the Company is to focus on the insurance business based on the needs of customers, enhance the customers' experience via continuous improvement of the insurance business and seek excellence in an honest and steady manner, in order to create sustained values and achieve a win-win outcome for its shareholders, customers, employees, society and other stakeholders.

The scope of business of the Company includes holding interests and investing in insurance enterprises, supervising and managing the domestic and international reinsurance businesses of its invested insurance enterprises, supervising and managing the fund utilisation businesses conducted by its invested insurance enterprises, participating in the approved international insurance activities, and conducting any other businesses as approved by the CBIRC.

Issued Share Capital

As at the Latest Practicable Date, the Company had a total share capital of 9,062,000,000 Shares that amounted to RMB9,062 million, including:

Type of share	Stock exchange for listing	Stock name and code	Number of shares	Percentage of the total share capital
A Shares	Shanghai Stock Exchange	中国太保 (601601)	6,286,700,000	69.37%
H Shares	Hong Kong Stock Exchange	CPIC (02601)	2,775,300,000	30.63%

As at the Latest Practicable Date:

(i) each Share has a par value of RMB1.00, and the Shares have been issued by the Company in the form of registered stock certificates;

(ii) there are no Shares held by or on behalf of the Company itself or by the subsidiaries of the Company;

(iii) neither the Company nor any of its subsidiaries has any outstanding convertible securities, exchangeable securities or securities with warrants, or any relevant acquisition rights or obligations over the Company's or its subsidiaries' authorised but unissued capital or undertakings to increase its issued share capital;

(iv) there are no acquisition rights or obligations over authorised but unissued capital in existence, nor any undertakings to increase the capital; and

(v) no capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

Evolution of Changes in the Company's Share Capital

The table below presents the changes in the Company's share capital as at 31 December 2017, 2018 and 2019 and the Latest Practicable Date:

Date	Number of Shares	Share Capital Value
		(RMB)
31 December 2017	9,062,000,000	9,062,000,000.00
31 December 2018	9,062,000,000	9,062,000,000.00
31 December 2019	9,062,000,000	9,062,000,000.00
As at the Latest Practicable Date	9,062,000,000	9,062,000,000.00

Pursuant to special resolutions dated 8 November 2019, the shareholders of the Company approved the issuance of no more than 628,670,000 new A Shares by the Company to the Depositary in connection with the Offering.

Rights, Preferences and Restrictions Attaching to Existing Shares

A shareholder shall enjoy rights and assume obligations according to the class and amount of Shares held by such shareholder. Shareholders who hold Shares of the same class shall have the same rights and obligations.

Voting rights

A shareholder (including his or her proxy) shall vote based on the number of his or her voting Shares, with one Share representing one vote. The Shares which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting Shares represented by shareholders attending a general meeting.

When material issues affecting the interests of minority shareholders are considered at a general meeting, the votes of minority shareholders shall be counted separately. The results of such separate votes shall be disclosed publicly in a timely manner.

When a related-party transaction is considered at a general meeting, related shareholder(s) shall not vote, and the voting Shares held by such shareholder(s) shall not be counted in the total number of Shares with voting rights. The announcement of the resolutions of the general meeting shall fully disclose the voting of non-related shareholders.

Rights to dividends

The Company may distribute dividends in the form of cash, Shares, a combination of cash and Shares or other forms in accordance with laws and administrative regulations. Any proposed distribution of dividends shall be formulated by the Board of Directors and will be subject to the approval of the shareholder's general meeting.

According to the applicable PRC laws and the Articles of Association, the Company will pay dividends out of its after-tax profit only after it has made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory reserve fund of an amount equivalent to 10% of its profit after tax, and when the statutory reserve fund reaches and is maintained at or above 50% of its registered capital, no further allocations to this statutory reserve fund will be required; and
- allocation, if any, to a discretionary reserve fund if approved by the shareholders' general meeting.

Furthermore, the Company may also be required to allocate security deposits, insurance security funds and various insurance contract reserves in accordance with the relevant provisions of the PRC laws.

Subject to the aforesaid allocations and restrictions, the remaining after-tax profits of the Company shall be distributed as dividends to the shareholders pursuant to the ratio of their shareholding, unless otherwise provided by the Articles of Association.

Also, as set forth in the Articles of Association, the cumulative cash dividends paid by the Company in any consecutive three years shall be no less than 30% of the average annual distributable profits realised for the same three years, except when:

- the solvency level of the Company falls below the prescribed level set by the CBIRC;
- the operation and financial position of the Company is materially affected by force majeure events, such as war and natural disasters;
- the operation and financial position of the Company is materially affected by the changes in the external environment where the Company operates;
- there are material adverse changes in the operations of the Company; or
- there are other circumstances which make dividend distribution inappropriate according to the relevant laws, regulations and regulatory documents.

In addition, upon the proposal by the Board of Directors and approval by the general meeting, an interim dividend distribution may be made in the form of cash. The Company may distribute dividends in the form of Shares based on its annual profits and cash flow status and subject to the satisfaction of its solvency meeting the regulatory requirements of the CBIRC.

Within two months of the general meeting making the resolution for the proposal of dividend distribution, the Board of Directors shall complete such dividend distribution. For holders of the H Shares, the Company shall appoint receiving agents for such holders, which shall, on behalf of the relevant shareholders, receive dividends distributed and other accounts payable by the Company.

Other rights of shareholders

Besides the aforesaid voting rights and rights to dividends, the shareholders of the Company shall enjoy the following rights:

- to call for, convene, preside over, attend the shareholders' general meetings in accordance with the laws, either in person or by proxy;
- to nominate Directors or Supervisors if the shareholder(s) holding, individually or in aggregate, 3% or above of the number of the shares of the Company;
- to supervise and manage the business operations of the Company, and make suggestions and enquiries in accordance with the laws;
- to transfer, donate as a gift or pledge the shares of the Company held by the shareholders in accordance with the laws, administrative regulations and the Articles of Association;
- to obtain relevant information in accordance with the Articles of Association;
- to participate in the distribution of the remaining assets of the Company based on the number of the shares of the Company held by them in the event of the termination or liquidation of the Company;
- for shareholders who disagree with the resolutions in respect of the merger or division of the Company adopted at a shareholders' general meeting, to require the Company to repurchase their shares;
- to request the recording and change of the register of shareholders; and
- to have any other rights conferred upon them under the laws, administrative regulations and the Articles of Association.

Provisions regarding redemption of Shares

The Company may and only may, in the following circumstances, buy back its issued Shares pursuant to laws, administrative regulations, departmental rules and the Articles of Association:

- to reduce its registered share capital;
- to merge with another company that holds shares in the Company;
- to use the shares of the Company in the employee stock ownership plan or as share incentive;

- disagreement of any shareholder with any resolution relating to the merger or division of the Company adopted at a shareholders' general meeting, which results in its requesting the Company to repurchase the shares of the Company held by such shareholder;
- to use the shares of the Company to satisfy the conversion of those corporate bonds convertible into shares issued by the Company; and
- to safeguard corporate value and shareholders' interests as the Company deems necessary.

The Company may buy back its issued Shares in the following ways:

- by making an offer to all shareholders to repurchase their shares of the Company on a pro rata basis;
- by repurchasing the shares of the Company through open transactions on a stock exchange;
- by repurchasing the shares of the Company through an off-market agreement; or
- in any other manner permitted by laws and administrative regulations and as authorized by a regulatory authority.

According to the proposed amendments to the Articles of Association considered and approved at the 2019 annual general meeting of the Company held on 12 May 2020, the Company may buy back its issued Shares by way of public collective transaction or otherwise permitted by laws and rules and regulatory authority. Such amendments are subject to the approval by the CBIRC.

Where the Company repurchases redeemable Shares other than through an open transaction or by tender, the purchase price shall not exceed a certain price limit. If such Shares are repurchased by tender, the tender shall be offered to all shareholders on the same terms. In addition, under certain circumstances specified in the PRC Company Law, the Company may only buy back its shares through public transactions on the stock exchange.

Restrictions on free transferability of Shares

Subject to the following restrictions and save as otherwise specified by the PRC laws, administrative regulations, and relevant provisions of the issuance regulatory authorities at the place where the Shares are listed, Shares may be transferred freely and without any liens:

- all the Company's overseas listed foreign Shares listed on the Hong Kong Stock Exchange for which the share capital has been paid in full may be transferred freely, provided that such transfer shall be registered with the Hong Kong-based share registrar designated by the Company;
- the Company shall not accept its own Shares as the subject matter of a pledge;
- the Shares held by the promoters shall not be transferred within one year from the date of the incorporation of the Company. Shares already issued by the Company before the public offering shall not be transferred within one year from the date of the Shares are listed on a stock exchange;
- the Directors, Supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of their Shares per annum during their terms of office (unless otherwise caused by enforcement of law or by inheritance, bequest or lawful division of property); the Shares they hold in the Company shall not be transferred within one year from the date that the Shares are listed. The aforesaid persons shall not transfer their Shares in the Company within half a year after they terminate service with the Company; and
- if the Company, the Company's Directors, Supervisors, senior management, and shareholders holding 5% or above Shares sell their Shares or other securities of equity nature of the Company within six months after buying the same, or buy Shares or other securities of equity nature of the Company within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall recover such earnings.

Rules relating to mandatory takeover bids and/or squeeze-out and sell-out in relation to Shares

PRC

Pursuant to the PRC Takeover Rules, any person (the "**Offeror**") who holds, controls or beneficially owns 30% or more shares in a company listed in the PRC (including the Company) and who wishes to further

acquire additional shares in the listed company must (unless a waiver is granted by the CSRC or an exemption is available) do so through a tender offer to all other shareholders of the listed company to purchase:

- all or a specified percentage of shares held by all other shareholders in the listed company, if the Offeror is a direct shareholder of the listed company; or
- all shares held by all other shareholders in the listed company, if the Offeror indirectly controls or holds the beneficial ownership of its existing shares in the listed company through investments, agreements or other arrangements.

The Offeror must notify the target company, publish a takeover alert, and prepare and publish a tender offer report. In addition, the Company's listing of H Shares on the Hong Kong Stock Exchange means that the Hong Kong Code on Takeovers and Mergers will also apply to the Company. Please refer to "—Hong Kong" for details.

Pursuant to the PRC Takeover Rules, shares proposed to be purchased through a tender offer must be no less than 5% of the outstanding shares of the listed company. The Offeror must treat all shareholders of the listed company equally, and the offer price must be no less than the highest price the Offeror has paid for the acquisition of the shares in the same listed company during the six months prior to its publication of the takeover alert. Unless there is a competing tender offer to acquire the same listed company, the offer period must be no less than 30 days and no more than 60 days. During the offer period specified in the tender offer report, the Offeror may not cancel the tender offer, sell any shares in the listed company, or purchase any shares in the listed company through any other means. Any competing tender offer to acquire the same listed company must be made prior to the 15th day prior to the end of the offer period. Unless there is a competing tender offer to acquire the same listed company, the Offeror may not change the terms of the tender offer during the last 15 days of the offer period.

If an Offeror cancels the proposed tender after the publication of a takeover alert and prior to the publication of the tender offer report, such Offeror may not acquire the same listed company within the 12 months upon the publication of the takeover alert.

Any shareholder may indicate acceptance of the offer during the offer period, which may be withdrawn up to the third trading day prior to the end of the offer period. The shareholder who has indicated its acceptance of the tender offer may not transfer its shares unless such indication is withdrawn.

Hong Kong

The Hong Kong Code on Takeovers and Mergers (the "**Code**") applies to all public companies in Hong Kong and companies with a primary listing of their equity securities in Hong Kong. The Company's listing of H Shares on the Hong Kong Stock Exchange falls within the category of primary listings in Hong Kong and, accordingly, the Code applies to the Company.

Under the Code, a mandatory general offer ("**MGO**") in respect of all the shares of a listed company must be made when: (i) a person together with persons acting in concert with it, who collectively hold less than 30% of the voting rights of a company, acquires voting rights and such acquisition has the effect of increasing their collective holding of voting rights to 30% or more of the voting rights of the company; or (ii) any person who, together with parties acting in concert with it, holds not less than 30% but not more than 50% of the voting rights acquires additional shares which increases their voting rights by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the acquisition. The Hong Kong Securities & Futures Commission ("**SFC**") may grant dispensations of the obligation to make a general offer in limited circumstances.

In the case of an A share and H share dual-listed company, an MGO is triggered when a person, together with parties acting in concert with it, acquires voting rights equal to 30% or more of all the A and H shares in issue. Where a company has more than one class of shares in issue, the offeror is generally required to make a comparable offer for the other classes of shares in issue unless the offeror obtains a waiver from the SFC from doing so.

An MGO must be conditional only on the offeror having received acceptances (together with voting rights already acquired or agreed to be acquired before or during the offer by the offeror and parties acting in concert with it) representing more than 50% of the voting rights, and the offer must be in cash or be accompanied by a

cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for shares of that class during the offer period and in the previous 6 months.

The Code contains comprehensive rules as to who will be treated as a party acting in concert. Primarily, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate to obtain or consolidate "control" of a company through the acquisition by any of them of voting rights of the company. "Control" is defined as a holding, or aggregate holdings, of 30% or more of the voting rights of a company, irrespective of whether that holding or holdings give *de facto* control. The Code also sets out a number of classes of persons who will be presumed to be acting in concert with others in the same class unless the contrary is established.

The acquisition of a majority stake in a listed company does not guarantee privatisation. Unless the relevant compulsory acquisition provisions are triggered, the offeror will not be able to privatise the listed company without going through the delisting requirements in the Hong Kong Listing Rules. The Code prescribes the procedures for implementing a squeeze-out. In addition, the target company must comply with any procedures or requirements for compulsory acquisition of shares following a takeover offer set out in the relevant company laws under which the target is incorporated.

Under the Code, if an offeror intends to delist the listed company following a general offer, the resolution to approve the delisting must be subject to: (i) at least 75% approval by disinterested shareholders; (ii) not more than 10% disapproval by disinterested shareholders; and (iii) the offeror being entitled to exercise, and exercising, its rights of compulsory acquisition.

The Code also provides that, unless the SFC agrees otherwise, in addition to satisfying the requirements under the relevant company laws under which the target is incorporated, compulsory acquisition rights can only be used if acceptances of the offer and purchases of disinterested shares made by the offeror and persons acting in concert with it during the period of four months after posting the offer document total 90% of the disinterested shares.

There are other laws and regulations regulating certain aspects of takeovers, including the laws and regulations on insider dealing, disclosure of inside information and disclosure of interest in shares.

To the best knowledge of the Company, there has been no public takeover bid by third parties in respect of the Company's Shares that has occurred in 2019 and as to the Latest Practicable Date.

Variation of rights

Pursuant to Chapter IX of the Articles of Association, the Company shall not proceed to change or abrogate the shareholders' rights of a class of Shares unless such proposed change or abrogation has been approved by way of a special resolution at a general meeting and by a separate shareholder meeting convened by the shareholders of the class of shares so affected.

The following circumstances shall be deemed to be a change or abrogation of the rights attached to a particular class of Shares:

- to increase or decrease the number of Shares of such class, or to increase or decrease the number of Shares of another class that has voting rights, distribution rights or other privileges equal or superior to those of Shares of such class;
- to exchange all or part of the Shares of such class into Shares of another class, or to exchange or create a right to exchange all or part of the Shares of another class into the Shares of such class;
- to cancel or reduce the right to accrued dividends or the right to cumulative dividends attached to Shares of such class;
- to reduce or cancel the preferential right attached to Shares of such class to receive dividends or to enjoy the distribution of assets in the event that the Company is liquidated;
- to add, cancel or reduce conversion rights, election rights, voting rights, transfer rights or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;
- to cancel or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

- to create a new class of Shares having the voting rights, distribution rights or other privileges equal or superior to those of the Shares of such class;
- to restrict the transfer or ownership of Shares of such class or to increase the types of restrictions attaching thereto;
- to grant the right to subscribe for or convert into Shares of such class or another class;
- to increase the rights or privileges of Shares of another class;
- to propose to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders; or
- to alter or abrogate the provisions of Chapter IX of the Articles of Association.

*The following terms and conditions (the "**Conditions**"), subject to completion and amendment and excepting sentences in italics, will apply to the global depositary receipts (the "**GDRs**") and will be endorsed on each global depositary receipt certificate (the "**GDR Certificates**").*

The GDRs are issued in respect of the A shares of China Pacific Insurance (Group) Co., Ltd. (the "**Company**"), having a nominal value of RMB1.00 each (the "**Shares**"), pursuant to and subject to the Deposit Agreement dated 12 June 2020 by and between the Company and Citibank, N.A., as depositary (the "**Depositary**") (the "**Deposit Agreement**") Each GDR represents the right to receive, subject to the terms of the Deposit Agreement and these Conditions, five Shares on deposit under the terms of the Deposit Agreement.

Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed Bank of China Limited as custodian to receive and hold in an account of the Depositary the Shares from time to time deposited under the Deposit Agreement (the "**Deposited Shares**"), and to receive and hold for the account and to the order of the Depositary all rights, securities, property and cash deposited with or via the Custodian which are attributable to the Deposited Shares (such rights, securities, property and cash together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued. In these Conditions references to the "**Depositary**" are to Citibank, N.A. and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "**Custodian**" are to Bank of China Limited or any other custodian which may from time to time be appointed under the Deposit Agreement and references to the "**Office**" mean, in relation to the Custodian, the principal office of the Custodian in the PRC (currently at No. 1 Fuxingmennei Dajie, Xicheng District, Beijing, P.R.C., Post Code: 100140).

References in these Conditions to the "**Holder**" of any GDR shall mean the person registered as the holder of any GDR on the books of the Depositary maintained for such purpose. References in these Conditions to "**Beneficial Owner**" of any GDR shall mean any person who is the beneficial owner of GDRs as determined in accordance with Rule 13d-3 and Rule 13d-5 under the Exchange Act. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the GDR Certificate in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the principal office of the Depositary. Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner, to have notice of, and be subject to, all of the applicable provisions of the Deposit Agreement and these Conditions. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement.

The Depositary shall hold Deposited Property for the benefit of the Holders as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued and the Holders will accordingly be tenants in common of such Deposited Property to the extent of the Deposited Property corresponding to the GDRs in respect of which they are the Holders. For the avoidance of doubt, in acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property as bare trustee as aforesaid, does not assume any relationship of trust for or with the Holders or the Beneficial Owners or any other person. Any right or power of the Depositary in respect of Deposited Property is reserved by the Depositary under its declaration of trust contained in this paragraph and is not given by way of grant by any Holder or Beneficial Owner.

Holders and Beneficial Owners of GDRs are not parties to the Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce certain specified provisions of the Deposit Agreement in respect of the number of Deposited Shares represented by such Holder's GDRs as if it were the Depositary.

Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be subject to all applicable provisions of the Deposit Agreement and these Conditions. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement or these Conditions on behalf of any Holder or Beneficial Owner of a GDR or any other person.

*GDRs will initially take the form of global GDRs evidenced by a Master GDR Certificate (the "**Master GDR Certificate**") registered in the name of Citivic Nominees Limited as nominee for Citibank Europe plc, as Common Depositary (the "**Common Depositary**"), and will initially be held by the Common Depositary for*

*Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") and for the account of accountholders in Euroclear or Clearstream ("**Euroclear Participants**" and "**Clearstream Participants**", respectively), as the case may be.*

The Master GDR Certificate will be exchangeable for a GDR Certificate in definitive registered form in the limited circumstances as described below.

If at any time Euroclear or Clearstream, as the case may be, ceases to make its respective book-entry settlement systems available for the GDRs, the Company and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available GDR Certificates in definitive registered form.

Under the terms of the GDRs, each purchaser of GDRs is deemed to have represented and agreed, among other things, that the GDRs have not been and will not be registered under the Securities Act and may be offered, sold, pledged or otherwise transferred only in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. Each GDR will contain a legend to the foregoing effect.

For a description of the restrictions on the transfer of the GDRs see "Selling Restrictions and Transfer Restrictions—Transfer Restrictions" and "Plan of Distribution".

1. Deposit of Shares

A. The Depositary may, in accordance with the terms of the Deposit Agreement, but subject to these Conditions, and upon delivery of (x) a duly executed or electronically submitted order (in a form approved by the Depositary) and (y) a duly executed or electronically submitted deposit certification substantially in the form attached to the Deposit Agreement by or on behalf of any investor who is to become the Beneficial Owner of the GDRs (other than in the case of a deposit of Shares by the Company or an Affiliate of the Company which shall be subject to Clause 7.1.4 of the Deposit Agreement), from time to time issue and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects and, subject to the terms of the Deposit Agreement, these Conditions and applicable law, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The deposit certificate to be provided pursuant to the Deposit Agreement certifies, among other things, that the person providing such certificate is not an "affiliate" of the Company, has acquired, or has agreed to acquire and will have acquired, the Shares to be deposited in an "offshore transaction" (as defined in Regulation S) and will comply with the restrictions on transfer applicable to GDRs set forth under "Selling Restrictions and Transfer Restrictions—Transfer Restrictions".

B. Subject to the terms and conditions of the Deposit Agreement and applicable law, upon (i) physical delivery to the Custodian of Shares, or book-entry transfer of Shares to an account in the name of the Depositary at the CSDC, (ii) physical or electronic delivery to the Depositary of the applicable deposit certification unless the deposit of Shares is made by the Company or an Affiliate of the Company in which case such deposit will be subject to Section 7.1.4 of the Deposit Agreement, and (iii) payment of necessary taxes, governmental charges (including transfer taxes) and other charges as set forth in the Deposit Agreement and fees, costs, expenses and other charges of the Depositary as set forth in Clause 10.1 of the Deposit Agreement and Condition 19, the Depositary will (i) adjust its records for the number of GDRs issued in respect of the Shares so deposited, (ii) notify the Common Depositary to increase the number of GDRs evidenced by a Master GDR Certificate, and (iii) make delivery of the GDRs so issued to the applicable Euroclear Participant or Clearstream Participant specified in applicable order received for such purpose.

C. Subject to the limitations set forth in the Deposit Agreement and applicable law, the Depositary may (but is not required to) issue GDRs prior to the delivery to it of Shares in respect of which such GDRs are to be issued against evidence to receive rights from the Company (or any agent of the Company involved for the Company in the maintenance or ownership or transactions records for the Shares) in the form of a written blanket or specific guarantee of ownership furnished by the Company

(or any agent of the Company involved for the Company in the maintenance or ownership or transactions records for the Shares).

D. Any further GDRs issued pursuant to Condition 1(A) which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will, subject to Clause 3.14 of the Deposit Agreement be represented by a separate master partial entitlement GDR certificate (each a "**Master Partial Entitlement GDR Certificate**"). Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master GDR Certificate (by increasing the total number of GDRs evidenced by the relevant Master GDR Certificate or by the number of such further GDRs, as applicable).

E. Subject to the further terms and provisions of the Deposit Agreement, Citibank, N.A., its agents and Affiliates, on their own behalf, may own and deal in any class of securities of the Company and its Affiliates and in GDRs. In its capacity as Depositary, the Depositary shall not lend Shares or GDRs.

F. Any person delivering Shares for deposit under the Deposit Agreement and Condition 1 and any Holder or Beneficial Owner may be required and will be deemed to accept, by virtue of being a Holder or a Beneficial Owner, that, from time to time, it will be required to furnish the Depositary or the Custodian with such proof, certificates and representations and warranties as to matters of fact, including without limitation the citizenship and residence of the depositor, taxpayer status, payment of all applicable taxes or governmental charges, exchange control approvals, legal or beneficial ownership of GDRs and Deposited Property, compliance with all applicable laws, the terms of the Deposit Agreement, these Conditions and the provisions of, or governing, the Deposited Property and the identity and genuineness of any signature on any of the supporting instruments or other documents, and with such further documents and information as the Depositary may deem necessary or appropriate for the administration or implementation of the Deposit Agreement and these Conditions. The Depositary, the Registrar or the Custodian may withhold acceptance of Shares for deposit, withhold delivery or registration of issuance or transfer of all or part of any GDR Certificate, withhold adjustment of the Master GDR Certificate to reflect increases in Shares represented thereby or withhold the distribution or sale of any dividend or distribution of rights or of the net proceeds of the sale thereof or the delivery of any Deposited Property, until such proof or other information is filed or such certifications are executed, or such representations are made or such other documentation or information is provided in each case to the satisfaction of the Depositary, the Registrar or the Custodian.

G. Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary shall not be required to accept for deposit or maintain on deposit in its account maintained by the Custodian (a) any fractional Shares or fractional Deposited Property, or (b) any number of Shares or Deposited Property which, upon application of the ratio of GDRs to Shares or Deposited Property, as the case may be, would give rise to fractional GDRs. No Share shall be accepted for deposit unless accompanied by evidence, if any is required by the Depositary or the Custodian, that is satisfactory to the Depositary or the Custodian that all conditions for such deposit have been satisfied by the person depositing such Shares under the laws and regulations of the PRC and any necessary approval has been granted by any applicable governmental body in the PRC (if any), including, without limitation, if applicable, any regulator of currency exchange.

H. Each person depositing Shares under the Deposit Agreement and these Conditions shall be deemed thereby to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorised, validly issued, fully paid, nonassessable and legally obtained by such person, (ii) all pre-emptive (and similar) rights with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorised so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vi) the Shares are not, and the GDRs will not be, "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act). Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance and cancellation of GDRs in respect thereof and the transfer of such GDRs. If any such representations or warranties are false in any way, the Company and the Depositary shall

be authorised, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

Each person depositing Shares, taking delivery of or transferring GDRs or any beneficial interest therein, or surrendering GDRs or any beneficial interest therein and withdrawing Shares under the Deposit Agreement and these Conditions shall be deemed thereby to acknowledge that the GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in accordance with the restrictions on transfer set forth in the applicable Securities Act Legend, and such person shall be deemed thereby to represent and warrant that such deposit, transfer or surrender or withdrawal complies with the foregoing restrictions. Such representations and warranties shall survive any such deposit, taking delivery of, transfer, surrender or withdrawal of the Shares or the GDRs or any beneficial interest therein.

2. Withdrawal of Deposited Property

A. Subject to the terms and provisions of the Deposit Agreement, these Conditions the procedures of the CSDC and applicable law, any Holder may request withdrawal of the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relative GDR as the Depositary may require at the principal office of the Depositary accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn or evidence of the electronic transfer thereof to be delivered to or upon the order in writing of, the person or persons designated in such order;

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement including, but not limited to the fees, costs, expenses and other charges of the Depositary set forth in Clause 10.1 of the Deposit Agreement and Condition 19;

(iii) (x) surrender of a GDR Certificate at the Principal New York Office or Principal London Office, if Euroclear or Clearstream book-entry settlement system is not then available for GDRs, or (y) receipt by the Depositary at the Principal New York Office of instructions from Euroclear or Clearstream, or a Euroclear Participant or Clearstream Participant or their respective nominees, on behalf of any Beneficial Owner together with a corresponding credit to the Depositary's account at Euroclear or Clearstream for the GDRs so surrendered, if the book-entry settlement system is then available for GDRs, in either case for the purpose of withdrawal of the Deposited Property represented thereby.

B. Withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws.

C. Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph (A) of this Condition 2, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at its office, to, or to the order in writing of, the person(s) designated in the accompanying order:

(i) a certificate for, or other appropriate instrument of title to, or evidence of book-entry transfer of, the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid or evidence of the electronic transfer of such other Deposited Property;

provided that the Depositary:

(x) may make delivery of (a) any cash dividends or cash distributions or (b) any proceeds from the sale of any distributions of Shares or rights which are held by the Depositary in respect

of the Deposited Property represented by the GDRs surrendered for cancellation and withdrawal; and

(y) at the request, risk and expense of any Holder surrendering a GDR for cancellation and withdrawal, will direct the Custodian to forward any cash or other property (other than securities) held by the Custodian in respect of the Deposited Property represented by such GDRs to the Depositary,

in each case at the Principal New York Office or the Principal London Office (if permitted by applicable law from time to time).

D. Delivery by the Depositary and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

E. If any GDR surrendered and cancelled represents fractional entitlements in Deposited Shares, the Depositary shall cause the appropriate whole number of Deposited Shares to be withdrawn and delivered in accordance with the terms of the Deposit Agreement and this Condition 2 and shall, at the discretion of the Depositary, either (i) issue and deliver to the person surrendering such GDR a new GDR representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the GDR surrendered and remit proceeds of such sale (net of (a) fees and charges of, and expenses incurred by, the Depositary, and (b) taxes withheld) to the person surrendering the GDR.

3. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The issuance and delivery of GDRs against deposits of Shares generally or deposits of particular Shares may be suspended or withheld, or the registration of transfer of GDR Certificates in particular instances may be refused, or the registration of transfers generally may be suspended or refused, during any period when the transfer books of the Depositary, the Company, a registrar of GDRs or any registrar of Shares are closed, or if any such action is deemed necessary or advisable by the Company or the Depositary in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the GDRs or Shares are listed, an applicable court order, or under any provision of the Deposit Agreement, these Conditions, or the provisions of or governing the Deposited Property, or any meeting of shareholders of the Company or for any other reason. The Depositary may restrict the transfer of Deposited Shares where the Company notifies the Depositary in writing that such transfer would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Articles of Association or would otherwise violate any applicable laws.

Notwithstanding any provision of the Deposit Agreement, these Conditions or any GDR Certificate to the contrary, Holders and Beneficial Owners are entitled to surrender outstanding GDRs to withdraw the Deposited Shares at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any laws or governmental regulations or an applicable court order relating to the GDRs or to the withdrawal of the Deposited Shares.

4. Transfer and Ownership

A. GDRs are to be issued in registered form. Title to the GDRs passes upon registration in the records of the Depositary. The Depositary will refuse to accept for transfer any GDRs if it believes that such transfer would result in a violation of applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Depositary will maintain Holder records, including a register of Holders, at its principal office in New York and shall ensure that no register of Holders is maintained in the United Kingdom.

For a description of the restrictions on the transfer of the GDRs see "Selling Restrictions and Transfer Restrictions—Transfer Restrictions".

B. Notwithstanding any other provision of the Deposit Agreement or these Conditions, each Holder and Beneficial Owner, by virtue of their ownership of any GDR or any Deposited Property, shall be deemed thereby to agree to comply with requests from the Company or the Depositary from time to time pursuant to PRC law, any request made by a regulatory authority or any stock exchange on which the Shares are, or may be registered, traded or listed, or the Articles of Association, which are made to provide information, **inter alia**, as to the capacity in which such Holder or former Holder, Beneficial Owner or former Beneficial Owner holds or held, owns or owned a beneficial ownership interest in GDRs (and Deposited Property, as the case may be) and regarding the identity of any other person interested in such GDRs (and Deposited Property), the nature of such interest and various related matters, whether or not they are Holders and/or Beneficial Owners at the time of such request.

C. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of GDRs, to satisfy reporting requirements or obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of GDRs are solely responsible for complying with such reporting requirements and obtaining such approvals. By virtue of their ownership of any GDR or any Deposited Property, each Holder and Beneficial Owner shall be deemed thereby to agree to file such reports and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. None of the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

5. Cash Distributions

Whenever the Depositary receives, or receives confirmation from the Custodian of the receipt from the Company of, any cash dividend or other cash distribution on or in respect of the Deposited Shares or receipt of proceeds from the sale of any Shares, rights, securities or other entitlements under the terms of the Deposit Agreement or these Conditions, the Depositary shall, if at the time of receipt thereof any amounts received in Foreign Currency can in the judgement of the Depositary (pursuant to Condition 11) be converted on a practicable basis into Dollars transferable to the U.S., promptly convert, or cause to be converted, such dividends, distribution or proceeds into Dollars in the terms described in Condition 11 and will promptly distribute the amount thus received (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the Holders entitled thereto. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributable shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of GDRs then outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Property an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders in respect of the GDRs representing such Deposited Property shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request.

6. Distributions of Shares

If any distribution upon any Deposited Property consists of a dividend in, or free distribution of, Shares, the Company shall cause such Shares to be deposited via the Custodian and, if applicable, registered in the name of the Depositary, the Custodian or any of their nominees, as the case may be. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall establish the GDR Record Date upon the terms described in Condition 10 and shall, subject to the terms of the Deposit Agreement and these Conditions, either (i) distribute to the Holders as at the GDR Record Date in proportion to the number of GDRs held as at the GDR Record Date, additional GDRs, which represent the aggregate number of Shares received as such dividend or free distribution, subject to the other terms of the Deposit Agreement and Conditions and net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes, by either (x) if GDRs are not available in book-entry form, issuing additional GDR Certificates for an aggregate number of GDRs representing the number of Shares received as such dividend or free distribution, or (y) if GDRs are available in book-entry form, reflecting on the records of the Depositary such increase in the aggregate number of GDRs representing such Shares and give notice to the Common Depositary of the related increase in the

number of GDRs evidenced by the Master GDR Certificate, or (ii) if additional GDRs are not so distributed, each GDR issued and outstanding after the GDR Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional Shares distributed upon the Deposited Property represented thereby, net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes. In lieu of delivering fractional GDRs, the Depositary shall sell the number of Shares represented by the aggregate of such fractions and distribute the net proceeds of such sale upon the terms described in Condition 5. If the Depositary determines that any distribution in Shares would violate applicable law, is not operationally practicable, is subject to any tax or other governmental charges which the Depositary is obliged to withhold, or if the Company, in the fulfillment of its obligations under Clause 7.1.4 of the Deposit Agreement, has furnished an opinion of U.S. counsel determining that the distribution to Holders of the Shares and the GDRs representing such Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such Shares in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale, after deduction of (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes, to Holders entitled thereto upon the terms described in Condition 5. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement and these Conditions.

7. Distributions Other than Cash or Shares

Whenever the Depositary receives from the Company property other than cash, Shares or rights to purchase additional Shares and receives a notice from the Company indicating that the Company wishes such distribution to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall distribute the property so received to the Holders of record as at the GDR Record Date set in accordance with Condition 10, in proportion to the number of GDRs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution. If (i) the Company does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the Depositary does not receive documentation within the terms of Clause 7.1.4 of the Deposit Agreement, or (iii) the Depositary determines (in accordance with Clause 5.1 of the Deposit Agreement) that all or a portion of such distribution is not lawful or is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (x) cause the proceeds of such sale, if any, to be converted into Dollars in accordance with Condition 11, and (y) distribute the proceeds of such conversion received by the Depositary (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as at the GDR Record Date upon the terms of Condition 5. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

8. Rights Issues

A. Whenever the Company intends to distribute to the holders of the Deposited Property rights to subscribe for additional Shares, and provides a notice to the Depositary indicating that the Company wishes such rights to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall (x) establish a GDR Record Date (upon the terms described in Condition 10), (y) establish procedures to distribute such rights (by means of warrants or otherwise) and/or to enable the Holders to exercise the rights (upon payment of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) issue and deliver GDRs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent such assistance is necessary and reasonably practicable in establishing such procedures.

Nothing herein shall oblige the Depositary to make available to the Holders a method to exercise such rights to subscribe for Shares (rather than for GDRs).

B. If (i) the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement or determines that it is not lawful or not reasonably practicable to make the rights available to Holders or (ii) the Company requests that the rights not be made available to Holders of GDRs or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. The Company shall assist the Depositary to the extent such assistance is necessary and reasonably practicable to determine such legality and practicability. If the Depositary sells such rights, the Depositary shall, upon such sale, (x) cause the proceeds of such sale, if any, to be converted into Dollars upon the terms described in Condition 11, and (y) distribute the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Condition 5.

   If the Depositary is unable to make any rights available to Holders upon the terms described in the Deposit Agreement or to arrange for the sale of the rights upon the terms described above, the Depositary shall allow such rights to lapse.

   The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such rights available to Holders in general or any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with any sale or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

C. Notwithstanding anything to the contrary in the Deposit Agreement or this Condition 8, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders unless and until a registration statement under the Securities Act covering such offering is in effect. If the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of rights an amount on account of taxes or other governmental charges, the amount distributed to the Holders of GDRs representing such Deposited Property shall be reduced accordingly. If the Depositary determines that any distribution of Deposited Property or rights to subscribe therefor is subject to any tax or other governmental charges which the Depositary is obliged to withhold, the Depositary may dispose of all or a portion of such Deposited Property or rights to subscribe therefor in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges. There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise such rights on the same terms and conditions as the holders of Deposited Property or to exercise such rights. Nothing in the Deposit Agreement or this Condition 8 shall oblige the Company to file any registration statement in respect of any rights or Deposited Property or other securities to be acquired upon the exercise of such rights.

9. Redemption

If the Company intends to exercise any right of redemption in respect of any of the Deposited Property, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.2 of the Deposit Agreement, the Depositary shall send to each Holder a notice in accordance with Condition 25 setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Property in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire GDRs and cancel GDRs upon delivery of such GDRs by Holders thereof and on the terms set forth in the applicable Conditions. If less than all outstanding Deposited Property is redeemed, the GDRs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per GDR shall be

the per share amount received by the Depositary upon the redemption of the Deposited Shares represented by GDRs (subject to the terms of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Deposited Shares represented by each GDR redeemed.

10. GDR Record Dates

Whenever the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Property entitled to receive any distribution (whether in cash, Shares, rights or other distribution), or whenever, for any reason, the Depositary causes a change in the number of Deposited Shares that are represented by each GDR, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Property, or whenever the Depositary finds it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix a record date (the "**GDR Record Date**") for the determination of the Holders of GDRs who shall be entitled to receive such dividend or distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Deposited Shares represented by each GDR. The Depositary shall make reasonable efforts to establish the GDR Record Date as closely as practicable to the applicable record date for the Deposited Property (if any) set by the Company in the PRC. Subject to applicable law and the provisions of the Deposit Agreement and Conditions, only the Holders of GDRs at the close of business in New York on such GDR Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

11. Conversion of Foreign Currency

Whenever the Depositary or the Custodian shall receive any Foreign Currency by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the Foreign Currency so received can in the judgement of the Depositary be converted on a practicable basis into Dollars transferable to the United States and distributed to the Holders entitled thereto, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, the Foreign Currency so received into Dollars and shall distribute such Dollars (net of applicable fees, any customary expenses properly incurred on behalf of Holders in complying with currency exchange control or other governmental requirements) in accordance with the terms of the applicable Conditions. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution shall be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise. If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or licence of any government or agency thereof, the Depositary shall have the authority, with the assistance of the Company, to file such application, for such approval or licence, if any, as it may consider desirable. In no event, however, shall the Depositary be obliged to make such a filing. If at any time the Depositary shall determine that in its judgement the conversion of any currency other than Dollars and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or licence of any government or agency thereof which is required for such conversion, transfer or distribution is denied or, in the opinion of the Depositary, is not obtainable at a reasonable cost, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may in its discretion (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, and (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

12. Distribution of any Payments

Any distribution of cash under Condition 5, 6, 7, 8, 9, 13 or 14 will be made by the Depositary to those Holders who are Holders of record on the GDR Record Date established by the Depositary in accordance with Condition 10 for that purpose and, distributions will be made in Dollars subject to Condition 11 by cheque

drawn upon a bank in New York City, electronic transfer or, in the case of the Master GDR Certificate, according to usual practice between the Depositary and Euroclear and Clearstream, as the case may be. The Depositary may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law in respect of such GDR or the related Deposited Property.

13. Capital Reorganisation

Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Property, or upon any recapitalisation, reorganisation, merger or consolidation or sale of assets affecting the Company or to which it is a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion, replacement or otherwise in respect of, such Deposited Property shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement and these Conditions, and the GDRs shall, subject to the terms of the Deposit Agreement, these Conditions and applicable law, evidence GDRs representing the right to receive such replacement securities. The Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, with respect to (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) and these Conditions, and subject to the receipt by the Depositary of an opinion of counsel satisfactory to the Depositary (obtained at the expense of the Company) that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional GDRs or make appropriate adjustments in its records, as in the case of a stock dividend on the Shares, or call for the surrender of outstanding GDRs to be exchanged for new GDRs, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of GDR attached to the Deposit Agreement specifically describing such new Deposited Property or corporate change. Notwithstanding the foregoing, if any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall if the Company requests, subject to the receipt by the Depositary of an opinion of counsel satisfactory to the Depositary (obtained at the expense of the Company) that such action is not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper, and may allocate the net proceeds of such sales (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Condition 5. The Depositary shall not be responsible for (i) any failure to determine that it is lawful or practicable to make such securities available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

14. Elective Distributions

Wherever the Company intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares and provides a notice to the Depositary indicating that the Company wishes such elective distribution to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall make such elective distribution available to Holders. If the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement or determines that it is not lawful or not reasonably practicable to make the elective distribution available to Holders of GDRs, or if the Company requests that such elective distribution not be made available to Holders of GDRs, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the PRC in respect of the Shares for which no election is made, either (x) cash upon the terms described in Condition 5, or (y) additional GDRs representing such additional Shares upon the terms described in Condition 6. If the above conditions are satisfied, the Depositary shall establish a GDR Record Date in accordance with Condition 10 and establish procedures to enable Holders to elect the receipt of the proposed dividend in cash or in additional GDRs. The Company shall assist the Depositary in establishing such procedures to the extent such assistance is necessary and reasonably practicable. If a Holder elects to receive the proposed dividend (x) in cash, the dividend shall be distributed upon the terms described in Condition 5, or (y) in GDRs, the dividend shall be distributed upon the terms described in Condition 6. Nothing in the Deposit Agreement or this Condition 14 shall oblige the Depositary to

make available to Holders a method to receive the elective dividend in Shares (rather than GDRs). There can be no assurance that Holders and Beneficial Owners generally, or any Holder or Beneficial Owner in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Deposited Property.

15. Taxation and Applicable Laws

A. Payments to Holders of dividends or other distributions made to Holders on or in respect of the Deposited Property will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates, and notwithstanding any other provision of the Deposit Agreement or these Conditions, the Depositary and the Custodian will be entitled, subject to applicable law, to deduct from any cash dividend or other cash distribution which either of them receives from the Company such amount as is necessary in order to provide for any tax, charge, fee or other amount that is, or could become, payable by or on behalf of the Depositary to fiscal or other governmental authority on account of receiving such cash dividend or other cash distribution.

The Holder or Beneficial Owner of any GDR or any Deposited Property shall be deemed thereby to accept (by virtue of his ownership or deposit, as the case may be) that, if any tax or other governmental charge shall become payable with respect to any GDR, Deposited Property or GDR Certificate, such tax or other governmental charge shall be payable by the Holder and Beneficial Owner to the Depositary. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue or deliver GDRs, to register the transfer, split-up or combination of GDR Certificates and the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. The Depositary may, for the account of the Holder or Beneficial Owner, discharge the same out of the proceeds of sale, subject to PRC laws and regulations, of an appropriate number of Deposited Shares or other Deposited Property with the Holder and Beneficial Owner remaining liable for any deficiency and being entitled to distribution of any surplus. Any such request shall be made by giving notice pursuant to Condition 25.

By virtue of its ownership of any GDR or Deposited Property, each Holder and Beneficial Owner shall be deemed to agree to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder or Beneficial Owner. The obligations of Holders and Beneficial Owners under this Condition 15A shall survive any transfer of GDRs, any cancellation of GDRs and withdrawal of Deposited Shares, and the termination of the Deposit Agreement.

B. If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in the PRC in order for the Depositary to receive from the Company Shares to be deposited under these Conditions or in order for Shares, other securities or other property to be distributed under Condition 5, 6, 7, 13 or 14 or to be subscribed under Condition 8, the Depositary shall request that the Company apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such law. In this connection, the Company has undertaken in the Deposit Agreement to take such action, as may reasonably be required and to the extent it is legally able to do so, to assist in obtaining or filing the same. The Depositary shall not distribute GDRs, Shares, other securities or other property with respect to which such authorisation, consent or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent or permit or to file any such report.

16. Voting Rights

A. Holders of GDRs will have voting rights with respect to the Deposited Shares. The Company has agreed in the Deposit Agreement to notify the Depositary of any meeting of holders of Shares of the Company at which holders of Shares or other Deposited Property are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Property and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 16.

As soon as practicable after receipt from the Company of any such notice, the Depositary will fix the GDR Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Condition 10. The Depositary shall, if requested by the Company in writing in a timely manner in accordance with Clause 5.3 of the Deposit Agreement and at the Company's expense and provided no U.S., English or PRC legal prohibitions exist, distribute to Holders as at the GDR Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business in New York on the GDR Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, these Conditions, the Articles of Association and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarised in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Property represented by such Holder's GDRs, and (c) a brief statement as to the manner in which such voting instructions may be given.

B. Voting instructions may be given to the Depositary only in respect of a number of GDRs representing an integral number of Shares or other Deposited Property. Subject to applicable law, the provisions of the Deposit Agreement, these Conditions, the Articles of Association and the provisions of the Deposited Property, if the Depositary has received voting instructions from a Holder as at the GDR Record Date to vote the Deposited Property on or before the date specified by the Depositary, the Depositary shall endeavour, in so far as is practicable and permitted by PRC law and practice, to vote or cause the Custodian to vote the Shares and/or other Deposited Property represented by such Holder's GDRs for which timely and valid voting instructions have been received in the manner so instructed by such Holders.

C. Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of the Shares or other Deposited Property represented by GDRs except pursuant to and in accordance with such instructions from Holders. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Property represented by such Holder's GDRs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favour of the items set forth in such voting instructions. Notwithstanding anything else contained herein or in the Deposit Agreement, the Depositary shall, if so requested in writing by the Company, represent all Deposited Property (whether or not voting instructions have been received in respect of such Deposited Property from Holders as at the GDR Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

D. There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

By continuing to hold GDRs, all Holders and Beneficial Owners shall be deemed to have agreed to the provisions of this Condition 16 as it may be amended from time to time in order to comply with applicable PRC law.

E. Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Property if the taking of such action would violate U.S., English or PRC laws. The Company agrees to take any and all actions reasonably necessary to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Property and to deliver to the Depositary an opinion of U.S., English and/or PRC counsel (obtained at the expense of the Company), if so requested by the Depositary, addressing any actions requested to be taken.

17. Liability

A. Neither the Depositary nor the Company shall be obliged to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or these Conditions or shall incur any liability (i) if the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing any act or thing required by the terms of the Deposit Agreement or these Conditions, by reason of any provision of any present or future law or regulation of the U.S., England, the PRC or any other

country, or of any relevant governmental or regulatory authority or stock exchange, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association or any provision of or governing any Deposited Property or by reason of any other circumstances beyond their control (including, without limitation, acts of God or war, nationalisation, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, these Conditions or in the Articles of Association or provisions of or governing Deposited Property, (iii) for any action or inaction in reliance upon the advice or information from any professional adviser (including legal counsel and accountants), any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorised representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, but only insofar as the terms of this subsection (iii) are not prohibited by applicable law, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreement or these Conditions, made available to Holders of GDRs or (v) for any consequential or punitive damages for any breach of the terms of the Deposit Agreement or these Conditions.

B. In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or the Beneficial Owners.

C. The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented by the proper party or parties (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

D. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or these Conditions.

E. Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the GDRs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

F. The Depositary has no obligation under the Deposit Agreement to take steps to monitor, supervise or enforce the observance and performance by the Company of its obligations under the Deposit Agreement or these Conditions.

G. Neither the Depositary, the Custodian nor any of their agents, officers, directors or employees shall be liable (except by reason of its own gross negligence, fraud or wilful default or that of its agents, officers, directors or employees) to the Company or any Holder or owner of a GDR, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs purporting to be such and subsequently found to be forged or not authentic.

H. The Depositary and each of its agents (and any holding, subsidiary or associated company of the Depositary) may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or Affiliates or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank or in any other capacity, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency

to another and any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

I. The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 6, 7, 8, 13 or 14 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own gross negligence, fraud or wilful default, or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be legally permissible or otherwise possible.

J. The Depositary shall, subject to all applicable laws, have no responsibility whatsoever to the Company, any Holder, Beneficial Owner or person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

K. In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement or these Conditions, the Depositary shall not, except as otherwise expressly provided in Condition 24, be obliged to have regard to the consequence thereof for the Holders, Beneficial Owners, a person with an interest in a GDR or any other person.

L. Notwithstanding anything else herein contained, the Depositary may refrain, without liability, from doing anything that would or might in its opinion be contrary to any law of any state or jurisdiction (including but not limited to the U.S. or any jurisdiction forming a part of it, England and Wales and the PRC) or any directive or regulation of any agency of any such state or jurisdiction and may, without liability, do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

M. The Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable PRC law. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issue of GDRs if notified by the Company, or if the Depositary becomes aware of the fact that such transfer or issue would be in violation of the limitations set forth above or any other applicable laws.

N. The Depositary may call for, and shall be at liberty to accept as sufficient and rely upon, evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company, by the Board of Directors or by a person duly authorised by the Board of Directors, or such other certificate from persons which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible to any person for any loss or liability that may be occasioned by the Depositary acting and relying on such certificate.

O. The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Property, or for the manner in which any vote is cast or the effect of any vote (other than where such failure or action is a result of its own gross negligence, fraud or wilful default). The Depositary shall not incur any liability (save in the case of its own gross negligence, fraud or wilful default) for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the creditworthiness of any third party, for any tax consequences that may result from the ownership of GDRs, Shares or Deposited Property, for allowing any rights to lapse upon the terms of the Deposit Agreement and these Conditions, for the failure or timeliness of any notice from the Company.

P. No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and/or security and/or prefunding against such risk of liability is not assured.

Q. The Depositary may, in the performance of its obligations in these Conditions and the Deposit Agreement, instead of acting personally, employ an agent, whether a lawyer or other person, including obtaining an opinion of legal advisers in form and substance satisfactory to it, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Save for the failure on the part of the Depositary to exercise due care in the selection or retention of any such agent, the Depositary will not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent.

R. None of the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy reporting requirements or obtain regulatory approvals under applicable laws and regulations which shall be the sole responsibility of the Holders and Beneficial Owners as described in Condition 4C.

S. Save in the case of the Depositary's gross negligence, wilful default or fraud, the Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary.

T. Save in the case of the Depositary's gross negligence, wilful default or fraud, the Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary.

18. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the Principal New York Office.

19. GDR Fees and Charges

A. The following GDR fees are payable under the terms of the Deposit Agreement:

(i) **Issuance Fee**: by any person for whom the GDRs are issued (i.e., an issuance upon a deposit of Shares, upon a change in the GDR(s)-to-Share(s) ratio, or for any other reason (excluding issuances as a result of distributions described in paragraph (iv) below), a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) issued under the terms of the Deposit Agreement and these Conditions;

(ii) **Cancellation Fee**: by any person for whom GDRs are being cancelled (e.g., a cancellation of GDRs for delivery of Deposited Property, upon a change in the GDR(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) cancelled;

(iii) **Cash Distribution Fee**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (e.g., upon the sale of rights and other entitlements);

(iv) **Stock Distribution /Rights Exercise Fees**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of GDRs pursuant to (a) stock dividends or other free stock distributions or (b) an exercise of rights to purchase additional GDRs;

(v) **Other Distribution Fee**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of securities other than GDRs or rights to purchase additional GDRs (e.g., spin-off shares); and

(vi) **Depositary Services Fee**: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held on the applicable record date(s) established by the Depositary.

Certain of the GDR fees and charges (such as the Depositary Services Fee) may become payable shortly after the closing of an offering of the GDRs.

In addition, the Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Property in connection with GDR issuances and cancellations and persons for whom GDRs are issued or cancelled shall be responsible for the following charges under the terms of the Deposit Agreement:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Property on the share register and applicable to transfers of Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of GDRs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Property, GDRs and GDR Certificates; and

(vi) the fees and expenses incurred by the Depositary, the Custodian or any nominee in connection with the servicing or delivery of Deposited Property.

B. Any other charges and expenses of the Depositary under the Deposit Agreement and these Conditions will be paid by the Company upon agreement between the Depositary and the Company. All GDR fees and charges may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of GDR fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated by Condition 24. The Depositary shall provide, without charge, a copy of its latest GDR fee schedule to anyone upon request.

C. GDR fees and charges payable for (i) the issuance of GDRs and (ii) the cancellation of GDRs will be payable by the person for whom the GDRs are so issued by the Depositary (in the case of GDR issuances) and by the person for whom GDRs are being cancelled (in the case of GDR cancellations). In the case of GDRs issued by the Depositary into Euroclear or Clearstream, the GDR issuance and cancellation fees and charges will be payable by the Euroclear Participant(s) or Clearstream Participant(s) receiving the GDRs from the Depositary or the Euroclear Participant(s) or Clearstream Participant(s) holding the GDRs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the Euroclear Participant(s) or Clearstream Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the Euroclear Participant(s) or Clearstream Participant(s) as in effect at the time. GDR fees and charges in respect of distributions and the Depositary services fee are payable by Holders as of the applicable GDR Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable GDR fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the Depositary services fee, the applicable Holders as of the GDR Record Date established by the Depositary will be invoiced for the amount of the GDR fees and charges, and such GDR fees and charges may be deducted from distributions made to Holders. For GDRs held through Euroclear or Clearstream, the GDR fees and charges for distributions other than cash and the Depositary services fee may be deducted from distributions made through Euroclear and Clearstream and may be charged to the Euroclear Participants or Clearstream Participants in accordance with the procedures and practices prescribed by Euroclear or Clearstream from time to time and the Euroclear Participants or Clearstream Participants in turn charge the amount of such GDR fees and charges to the Beneficial Owners for whom they hold GDRs.

D. The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the GDR programme established pursuant to the Deposit Agreement, by making available a portion of the GDR fees charged in respect of the GDR programme or otherwise, upon such terms and conditions as the Company and the Depositary may agree from time to time. The Company shall pay to the Depositary such fees and charges and reimburse the Depositary for such out of pocket expenses as the Depositary and the Company may agree from time to time. Responsibility for

payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

20. Listing

The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, admission of trading for GDRs on the Main Market and a listing of the Shares on the SSE. For that purpose the Company will pay all fees and sign and deliver all undertakings required by the London Stock Exchange and the SSE in connection therewith. If such listings are not maintained, the Company has undertaken in the Deposit Agreement to use all reasonable endeavours to obtain and maintain a listing of the GDRs on another internationally recognized investment exchange in Europe designated as a "recognized investment exchange" for the purposes of the United Kingdom Financial Services and Markets Act 2000 and a listing of the Shares on one or more stock exchanges in the PRC.

21. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold all Deposited Property in an account of the Depositary or for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement. The Custodian shall be responsible solely to the Depositary. Upon receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. Whenever the Depositary, in its sole discretion, determines that it is in the best interest of the Holders to do so, it may terminate the appointment of the Custodian provided that the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. The Depositary shall use reasonable endeavours to procure that a Custodian is appointed at all times. The Depositary shall notify Holders of such change as soon as is practically possible following such change taking effect in accordance with Condition 25.

Citibank, N.A. may at any time act as Custodian of the Deposited Shares pursuant to the Deposit Agreement, in which case any reference to Custodian shall mean Citibank, N.A. solely in its capacity as Custodian pursuant to the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement or these Conditions, the Depositary shall not be obliged to give notice to the Company, any Holders of GDRs or any other Custodian of its acting as Custodian pursuant to the Deposit Agreement.

22. Resignation and Termination of Appointment of the Depositary

A. The Depositary may, without giving a reason and without liability for any cost or expenses in connection therewith at any time resign as Depositary by written notice delivered to the Company, which resignation shall be effective on the earlier to occur of (i) the 90th day after delivery thereof to the Company, after which the Depositary shall be entitled to take the termination actions contemplated in Condition 23(A), and (ii) the appointment by the Company of a successor depositary and the acceptance by such successor depositary of such appointment.

   The Depositary may at any time be removed by the Company by written notice delivered to the Depositary, which removal shall be effective on the later to occur of (i) the 90th day after delivery thereof to the Company, after which the Depositary shall be entitled to take the termination actions contemplated in Condition 23(A), and (ii) the appointment by the Company of a successor depositary and the acceptance by such successor depositary of such appointment.

B. The Company has undertaken in the Deposit Agreement to use all reasonable efforts to procure the appointment of a successor depositary following the receipt of a notice of resignation from the Depositary or the giving of a notice of the termination of the appointment of the Depositary. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 25.

C. Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

23. Termination of Deposit Agreement

A. The Company may at any time terminate the Deposit Agreement. Upon written direction of the Company, the Depositary shall provide notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination.

If ninety (90) days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign pursuant to Clause 11.1 of the Deposit Agreement and Condition 22(A) or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary pursuant to Clause 11.1 of the Deposit Agreement and Condition 22(A) and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Clause 11.1 of the Deposit Agreement and Condition 22(B), the Depositary may terminate the Deposit Agreement by providing notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination.

The date fixed for termination of the Deposit Agreement in any termination notice distributed by the Depositary to the Holders of GDRs is referred to as the "**Termination Date**". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement and these Conditions, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement and these Conditions.

B. If any GDRs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement or these Conditions, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement and these Conditions, continue to (i) collect dividends and other distributions pertaining to Deposited Property, (ii) sell securities and other property received in respect of Deposited Property, (iii) deliver Deposited Property, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any securities or other property, in exchange for GDRs surrendered to the Depositary (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreement and Condition 19), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement.

At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro-rata benefit of the Holders whose GDRs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions except (i) to account for such net proceeds and other cash (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreement and Condition 19), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement and these Conditions, except for its obligations to the Depositary under Clause 10 of the Deposit Agreement and Condition 19. The obligations under the terms of the Deposit Agreement and these Conditions of Holders and Beneficial Owners of GDRs outstanding as at the Termination Date shall survive the Termination Date and shall be discharged only when the applicable GDRs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement and these Conditions (except as specifically provided therein).

C. Notwithstanding anything contained in the Deposit Agreement or any GDR, in connection with the termination of the Deposit Agreement, the Depositary may, independently and without the need for any action by the Company, make available to Holders of GDRs a means to withdraw the Deposited Shares represented by their GDRs and to direct the deposit of such Deposited Shares into an

unsponsored global depositary receipts programme established by the Depositary, upon such terms and conditions as the Depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the requirements by the unsponsored global depositary receipts programme under the Securities Act, and to receipt by the Depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the Depositary.

24. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of the Deposit Agreement and these Conditions (except to correct a manifest error) shall be given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of thirty (30) days after such notice shall have been given. Every Holder or Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold GDRs or any beneficial interest therein to consent to and approve such amendment or supplement and to be bound by the terms of the Deposit Agreement and these Conditions as amended and supplemented thereby.

In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Clause 3 of the Deposit Agreement and Condition 2, the Deposited Property attributable to the relevant GDR except in order to comply with mandatory provisions of applicable law.

The parties hereto agree that substantial rights of Holders and Beneficial Owners shall not be deemed materially prejudiced by any amendments or supplements which (i) are necessary (as agreed by the Company and the Depositary) in order for the GDRs or Shares to be settled in electronic-book entry form and (ii) do not impose or increase any fees or charges to be borne by Holders or Beneficial Owners.

Notwithstanding anything in the Deposit Agreement or these Conditions to the contrary, if any governmental body should adopt new laws, rules or regulations which would require an amendment or supplement of the Deposit Agreement or these Conditions to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement, and these Conditions at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and these Conditions in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

25. Notices

Any and all notices to be given to any Holder shall be deemed to have been duly given if (a) personally delivered or sent by mail, air courier or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the books of the Depositary or, if such Holder shall have filed with the Depositary a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Deposit Agreement and these Conditions, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose.

Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreement and these Conditions. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of GDRs held by such other Holders.

Delivery of a notice sent by mail, air courier or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a facsimile transmission) is deposited, postage prepaid, in a post office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any facsimile transmission received by it from any Holder, the Custodian, the Depositary or the Company, notwithstanding that such facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

26. Copies of Company Notices

On the day when the Company first gives notice, by publication, or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, the Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary a copy of such notice and any other material in English but otherwise in the form given or to be given to holders of Shares or other Deposited Property.

In addition, save as otherwise agreed with the Depositary, the Company will transmit to the Depositary English-language versions of the other notices, reports and communications which are generally made available by the Company to holders of Shares or other Deposited Property. The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders and Beneficial Owners at the Principal New York Office and the Principal London Office, at the office of the Custodian and at any other designated transfer office. The Depositary shall arrange, at the request of the Company and at the Company's expense, for the distribution of copies thereof to all Holders on a basis similar to that for holders of Shares or other Deposited Property or on such other basis as the Company may advise the Depositary.

27. Moneys Held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any holder or any other person for any interest thereon, except as otherwise agreed.

28. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

29. Governing Law

A. The Deposit Agreement, these Conditions, the Deed Poll and the GDRs, and any non-contractual obligations arising out of or in connection with them, are governed by and construed in accordance with English law, except that the required certifications from the persons making deposits or withdrawals of Shares pursuant to the Deposit Agreement are governed by and shall be construed in accordance with the laws of the State of New York. For the avoidance of doubt, the rights and obligations attaching to the Deposited Shares will be governed by PRC law.

B. Any claim, dispute or difference of whatever nature arising under, out of or in connection with the Deposit Agreement, the Conditions or the GDRs and the legal relationship established thereby (including any claim, dispute or difference regarding the existence, termination or validity of the Deposit Agreement, the Conditions or the GDRs or any non-contractual obligations arising out of or in connection with the Deposit Agreement, the Conditions or the GDRs), shall be referred to, and finally resolved by, binding arbitration in accordance with the rules of the London Court of International Arbitration (the "**LCIA**"), which rules shall be deemed incorporated into this Condition 29(B).

The place of the arbitration shall be London, England and the language of the arbitration shall be English.

The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall constitute one 'side' which shall nominate one arbitrator; the respondent(s), irrespective of number,

shall constitute one 'side' which shall nominate the second arbitrator; and a third arbitrator, who shall serve as Chairman, shall be appointed by the LCIA tribunal.

The jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996 is expressly excluded.

The arbitrators shall have no power or authority to award damages not measured by the prevailing party's actual damages.

The arbitrators' award shall be final and binding upon the parties and their respective successors, heirs, executors and assigns.

Each of (a) the Company; (b) the Depositary; and (c) the Holders and the Beneficial Owners (who are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be subject to all applicable provisions of the Deposit Agreement and these Conditions):

i. irrevocably consents to the consolidation of two or more arbitrations commenced pursuant to this Condition 29(B) pursuant to the LCIA rules (or as otherwise permitted), and to be joined, and to the joinder of any other persons, to such consolidated arbitration(s);

ii. agrees not to challenge the terms and enforceability of this Condition 29(B), including, but not limited to, any challenge based on lack of mutuality, and hereby irrevocably waives any such challenge;

iii. irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it or they may now or hereafter have to the proceedings brought in the arbitration proceedings specified in this Condition 29(B), and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in the arbitration proceedings that any proceedings brought in the arbitration proceedings specified in this Condition 29(B) has been brought in an inconvenient forum;

iv. irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of sovereign or other immunity from proceedings brought in the arbitration proceedings specified in this Condition 29(B) with respect to any matter arising out of, or in connection with the Deposit Agreement, the Conditions, the Deed Poll or the GDRs or any right of sovereign or other immunity in respect of its property for the purposes of the enforcement of any arbitral award given in such arbitration proceedings; and

v. hereby 'opts out' of Article 9B of the LCIA rules.

30. Contracts (Rights of Third Parties) Act 1999

A person who is not a party to the Deposit Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Act**") of the United Kingdom to enforce any term of the Deposit Agreement but this does not affect any right or remedy granted under the Deed Poll or which otherwise exists or is available apart from the Act.

DEPOSITARY

Citibank, N.A.
388 Greenwich Street
New York, New York 10013
United States of America

CUSTODIAN

Bank of China Limited
No. 1 Fuxingmennei Dajie
Xicheng District, Beijing
P.R.C. Post Code: 100140

and/or such other Depositary and/or such other Custodian or Custodians and/or principal offices as may from time to time be duly appointed and notified to the Holders.

The GDRs will initially be evidenced by a single Master GDR Certificate in registered form. The Master GDR Certificate will be registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc as common depositary for Euroclear and Clearstream on the date the GDRs are issued.

The Master GDR Certificate contains provisions which apply to the GDRs whilst they are in master form. Words and expressions given a defined meaning in the Conditions shall have the same meanings in this section unless otherwise provided in this section.

Exchange

The Master GDR Certificate will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in paragraphs (i), (ii) or (iii) below in whole but not in part and until exchanged in full subject to the Conditions and the Deposit Agreement. The Depositary will irrevocably undertake in the Master GDR Certificate to deliver certificates in definitive registered form representing GDRs in exchange for the Master GDR Certificate to the Holders within 60 days in the event that:

(i) Euroclear or Clearstream advises the Company in writing that it is unwilling or unable to continue as clearing or settlement system and a successor clearing or settlement system is not appointed within 90 days;

(ii) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 days; or

(iii) the Depositary has determined that, on the occasion of the next payment in respect of the Master GDR Certificate, the Depositary would be required to make any deduction or withholding from any payment in respect of the Master GDR Certificate which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense of the relevant Holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream. Upon any exchange of a part of the Master GDR Certificate for certificates in definitive registered form or any distribution of GDRs pursuant to Conditions 4, 5, 6, 7 or 9 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 2, or any increase in the number of GDRs following the deposit of Shares pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the Master GDR Certificate shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register. If the number of GDRs represented by the Master GDR Certificate is reduced to zero, the Master GDR Certificate shall continue in existence until the obligations of the Company under the Deposit Agreement and the Conditions and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will be made by the Depositary through Euroclear and Clearstream on behalf of persons entitled thereto upon receipt of funds therefore from the Company. Any free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the records maintained by the Depositary being adjusted to reflect the enlarged number of GDRs represented by the Master GDR Certificate.

Holders of GDRs will have voting rights as set out in the Conditions.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream as appropriate. The delivery or production of

any such evidence shall be sufficient evidence in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs and to issue voting instructions.

Notices

For as long as the Master GDR Certificate is registered in the name of a nominee for a common depositary holding on behalf of Euroclear and Clearstream, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 25.

Governing Law

The Master GDR Certificate, and any non-contractual obligations arising out of or in connection with the Master GDR Certificate, shall be governed by and construed in accordance with English law.

The Depositary

The Depositary is Citibank, N.A., a national banking association organised under the laws of the United States. The Depositary is an indirect wholly-owned subsidiary of Citigroup, Inc., a Delaware corporation. The Depositary is primarily regulated by the United States Office of the Comptroller of the Currency. See "Information Relating to the Depositary". There are no bank or other guarantees attached to the GDRs which are intended to underwrite the Depositary's obligations.

Rights of Holders of GDRs

Relationship of Holders of GDRs with the Depositary: The rights of Holders against the Depositary are governed by the Conditions and the Deposit Agreement, which is governed by English law. The Depositary and the Company are parties to the Deposit Agreement. Holders of GDRs have contractual rights in relation to cash and other Deposited Property (including Deposited Shares, which are Shares of the Company represented by GDRs) deposited with the Depositary under Clause 3 of the Deposit Agreement, and otherwise under the Deposit Agreement by virtue of the Deed Poll. The Depositary will hold the Deposited Shares and other non-cash assets as bare trustee for the Holders; however, the Depositary does not otherwise assume any relationship of trust for or with the Holders or the beneficial owners of the GDRs or any other person. Any cash held by the Depositary for Holders will be held by the Depositary as banker.

Voting: With respect to voting of Deposited Shares and other Deposited Property represented by GDRs, the Conditions and the Deposit Agreement provides that, upon receipt of notice from the Company of any meeting at which the holders of Shares or other Deposited Property are entitled to vote, or of a solicitation of consent or proxy from holders of Shares or Deposited Property, the Depositary shall, providing that no relevant legal prohibitions exist, send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be as close as possible to the corresponding record date set by the Company) such notice of meeting or solicitation of consent or proxy, along with a brief statement on the manner in which such Holders may provide the Depositary with voting instructions for matters to be considered. The Deposit Agreement provides that the Depositary will endeavour to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with instructions from Holders. As at the date of this Prospectus, the Company confirms that there are no restrictions under applicable law, the Articles of Association or the provisions of the Deposited Shares that would prohibit or restrict the Depositary from voting any of the Deposited Shares in accordance with instructions from Holders, except for those generally applicable to all shareholders of the Company.

Delivery of Deposited Shares: Pursuant to the Shanghai-London Stock Connect scheme, GDR holders will not be permitted to redeem their GDRs and hold the Deposited Shares underlying such GDRs in an on-shore account (such as a QFII or RQFII account) or have the underlying Deposited Shares held on their behalf by a Designated Broker. If GDR holders wish to hold A Shares they must purchase them separately either from the funds received from a sale of GDRs (whether a sale of GDRs on the London Stock Exchange (or another legitimate trading venue) or a redemption of GDRs and sale of the underlying A Shares on the Shanghai Stock Exchange through a Designated Broker) or from funds unconnected with their holding of GDRs. GDR holders or former GDR holders that are non-PRC investors may only hold A Shares if they are QFIIs or RQFIIs or are otherwise able to hold A Shares through another exemption.

Rights of the Company

The Company has broad rights to remove the Depositary under the terms of the Deposit Agreement, but no specific rights under the Deposit Agreement which are triggered in the event of the insolvency of the Depositary.

Insolvency of the Depositary

Applicable insolvency law: If the Depositary becomes insolvent, the insolvency proceedings will be governed by U.S. laws applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash: The Conditions state that any cash held by the Depositary for Holders is held by the Depositary as banker. Under current U.S. and English law, it is expected that any cash held for Holders by the Depositary as banker under the Conditions would constitute an unsecured

obligation of the Depositary. Holders would therefore only have an unsecured claim in the event of the Depositary's insolvency for such cash that would also be available to general creditors of the Depositary.

Effect of applicable insolvency law in relation to non-cash assets: The Deposit Agreement states that the Deposited Shares and other non-cash assets which are held by the Depositary for Holders are held by the Depositary as bare trustee and, accordingly, the Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current U.S. and English law, it is expected that any Deposited Shares and other non-cash assets held for Holders by the Depositary on trust under the Conditions would not constitute assets of the Depositary and that Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Depositary's receiver or conservator to deliver such Depositary Shares and other non-cash assets that would be unavailable to general creditors of the Depositary.

Default of the Depositary

If the Depositary fails to pay cash or deliver non-cash assets to Holders in the circumstances required by the Conditions or the Deposit Agreement or otherwise engages in a default for which it would be liable under the terms of the Conditions or the Deposit Agreement, the Depositary will be in breach of its contractual obligations under the Conditions. In such case, Holders will have a claim under English law against the Depositary for the Depositary's breach of its contractual obligations under the Deposit Agreement.

The Custodian

The Custodian is Bank of China Limited, a joint stock limited company incorporated in the PRC with limited liability.

Relationship of Holders of GDRs with the Custodian: The Custodian and the Depositary are parties to a custody agreement, which is governed by Hong Kong law. The Holders do not have any contractual relationship with, or rights enforceable against, the Custodian. The Depositary will hold the Deposited Shares in electronic form in an account with the CSDC. The CSDC account will be in the name of the Depositary and the Deposited Shares will be registered in the Company's share register in the name of the Depositary and deposited in the GDR facility.

Default of the Custodian

Failure to deliver cash: Any cash dividend payments from the Company (which are expected to be denominated in Renminbi) will initially be received by the Depositary in a custody account held with the Custodian in the Depositary's name. Subject to applicable PRC regulations, amounts received from the Company by the Depositary into its account with the Custodian will then be converted into US Dollars by the Custodian in accordance with the Conditions and the US Dollars will be wired to the Depositary's account in New York. After deduction of any fees and expenses of the Depositary, the US Dollars will then be credited to the appropriate accounts of the Holders. If the Custodian fails to deliver cash to the Depositary as required under the custody agreement or otherwise engages in a default for which it would be liable under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations under the custody agreement. In such case, the Depositary would have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a successor custodian and may exercise such rights if it deems necessary. Under the Deposit Agreement, the Depositary is permitted to act as a custodian, and may choose to act in this capacity for policy, regulatory, or business reasons; however, it is currently uncertain if or when the Depositary will be licensed to act as a custodian in the PRC.

Failure to deliver non-cash assets: If the Custodian fails to deliver Deposited Shares or other non-cash assets held for the Depositary as required by the custody agreement or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations to the Depositary. In such case, the Depositary will have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and may appoint a substitute or additional custodians and exercise such rights if it deems necessary.

The Depositary's obligations: The Depositary has no obligation to pursue a claim for breach of obligations against the Custodian on behalf of Holders. The Depositary is not responsible for and shall incur no liability in

connection with or arising from default by the Custodian due to any act or omission to act on the part of the Custodian.

Insolvency of the Custodian

Applicable law: If the Custodian becomes insolvent, the insolvency proceedings will be governed by applicable PRC law.

Effect of applicable insolvency law in relation to cash: On an insolvency of the Custodian, cash held by the Custodian in a custody account for the Depositary would not constitute assets of the Custodian and the Depositary would have ownership rights relating to such cash. As a result, the Depositary would have the right to claim the cash in the custody account in full, without being subject to insolvency proceedings.

Effect of applicable insolvency law in relation to non-cash assets: All of the Deposited Shares will be registered in the name of the Depositary and be held by the Depositary in an account under its own name with the CSDC. In the event that the Custodian becomes insolvent, as legal title to the Deposited Shares will be held by the Depositary and the Deposited Shares will not be under the possession or control of the Custodian, the Deposited Shares will not constitute part of the Custodian's assets subject to the insolvency proceeding.

The Depositary's obligations: The Depositary has no obligation to pursue a claim in the Custodian's insolvency on behalf of the Holders. The Depositary has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian. In the event of the insolvency of the Custodian, the Holders have no direct recourse to the Custodian under the Deposit Agreement, though the Depositary can remove the Custodian and appoint a substitute or additional custodian(s) and may exercise such rights if it deems necessary.

PERSONS HOLDING TITLE TO GDRS OR BENEFICIAL INTERESTS THEREIN ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE DEPOSITARY OR THE CUSTODIAN, SUCH PERSONS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Offer GDRs and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective subscribers for the Offer GDRs should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Offer GDRs and as to the tax consequences of the receipt of dividends in connection with the Offer GDRs and of the sale of the Offer GDRs under the tax laws of those countries. This summary is based on the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

The tax legislation of the investor's jurisdiction and of the PRC may have an impact on the income received from the Offer GDRs.

PRC Tax Considerations

Taxation of Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the People's Republic of China (中华人民共和国个人所得税法) (the "**IIT Law**") amended by the Standing Committee of the National People's Congress and effective from January 2019, and the Regulations on the Implementation of the Individual Income Tax Law of the People's Republic of China (中华人民共和国个人所得税法实施条例) promulgated by the State Council and effective from January 2019, dividends paid by PRC companies to individual investors are generally subject to a PRC withholding tax at a flat rate of 20%. For foreign individual investors, the receipt of dividends from a PRC company is normally subject to a personal income tax of 20% unless specifically exempted by the competent tax authority of the State Council or reduced in accordance with an applicable tax treaty.

Enterprises

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (中华人民共和国企业所得税法) (the "**EIT Law**") amended by the Standing Committee of the National People's Congress and effective from December 2018, and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (中华人民共和国企业所得税法实施条例) promulgated by the State Council and effective from April 2019, non-resident enterprises shall be subject to 10% enterprise tax for income from the PRC provided that the non-resident enterprises do not have establishment or premises in the PRC, or that the income has no connection with the establishment or premises of the non-resident enterprises in the PRC. Such withholding tax may be reduced pursuant to an applicable treaty on avoidance of double taxation.

Tax Treaties

Investors who reside in countries which have entered into treaties on avoidance of double taxation with the PRC may be entitled to a reduction of withholding tax on dividends to investors by PRC companies. The PRC currently has such tax treaties with a number of countries, including but not limited to, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, United Kingdom and the United States.

Taxation on Capital Gains

Individual Investors

Pursuant to the IIT Law and its implementation regulations, PRC resident individuals are subject to individual income tax at the rate of 20% on gains realised from the transfer of equity interests in PRC resident enterprises. Under the Notice on Tentative Exemption of Individual Income Tax on Income from Individual Transfer of Stocks (关于个人转让股票所得继续暂免征收个人所得税的通知) promulgated jointly by the MOF and the SAT and effective from January 1997, income of individuals realised from transfer of shares in listed enterprises continues being exempting from individual income tax. Although the IIT Law and its implementation rules have not stated whether it will continue exempting individual income tax on income of individuals from transfer of listed shares, the Notice on Issues Concerning Individual Income Tax over the Income of Individual Transfer of Restricted Shares of Listed Companies

(关于个人转让上市公司限售股所得征收个人所得税有关问题的通知) (the "**Notice**") promulgated jointly by the MOF, the SAT and the CSRC and effective from January 2010, states that individuals' income from transfer of listed shares on certain domestic stock exchanges (including Shanghai Stock Exchange) shall continue being exempting from individual income tax, except for the shares subject to sales restriction (as specified in the Notice and its supplement notice effective from November 2010). As at the date of this Prospectus, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares or depositary receipts of PRC resident enterprises listed on overseas stock exchanges. In practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares or depositary receipts of the PRC resident enterprises listed on overseas stock exchanges.

Enterprises

Pursuant to the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to the PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or it has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Other Chinese Tax Considerations

Pursuant to the Interim Regulations of the People's Republic of China on Stamp Duty (中华人民共和国印花税暂行条例) (the "**Stamp Duty Regulations**") promulgated by the State Council and effective from January 2011, the PRC stamp duty on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of GDRs by non-PRC investors outside the PRC. PRC stamp duty shall only apply to documents executed or received in the PRC which have legal binding effect in the PRC and are governed by the PRC laws specified under the Stamp Duty Regulations.

Major Taxes on Group's Business in the PRC

Pursuant to the Notice on Full Launch of the Pilot of Replacing Business Tax with Value-Added Tax (关于全面推开营业税改征增值税试点的通知) (the "**VAT Pilot Notice**") promulgated jointly by the MOF and the SAT and effective from May 2016, the pilot of replacing business tax with VAT shall be implemented across the country. Business tax taxpayers conducting business in the construction industry, the real estate industry, the financial industry, and the service industry shall be included in the pilot plan, and the VAT shall start to apply to the aforementioned taxpayers while the business tax shall cease to apply to such taxpayers.

Enterprise Income Tax

Pursuant to the EIT Law, PRC resident enterprise shall be subject to enterprise income tax at the rate of 25%.

VAT

Pursuant to the Interim Regulations of the People's Republic of China on Value-added Tax (中华人民共和国增值税暂行条例) promulgated by the State Council and effective from November 2017, and the Notice on Relevant Policies for Deepening the Value-Added Tax Reform (关于深化增值税改革有关政策的公告) promulgated jointly by the MOF, the SAT and the General Administration of Customs and effective from April 2019, the taxable amount is the balance of the current output tax credited to the current input tax amount. The output tax is paid at the rate of 6%, 9% or 13% of the sales. As a general taxpayer, the Group applies a 6% VAT rate for financial services income, including insurance income, interest income, and gains from the sale of financial products; applies a 9% VAT rate for income from the provision of real estate leasing services, sales of real estate, transfer of land use rights, etc., and applies a 13% VAT rate to the income from purchased goods that are subject to a 13% VAT rate.

Pursuant to the VAT Pilot Notice and the Notice on the Business Tax Exemption Policies for Refundable Personal Insurance Products with a Term of One Year or More (关于一年期以上返还性人身保险产品营业税免税政策的通知) promulgated jointly by the MOF and the

SAT and effective from September 2015, the premium income generated from the insurance company's refundable personal insurance products with a term of one-year or more is exempt from VAT and business tax.

City Maintenance and Construction Tax

Pursuant to the Interim Regulations on City Maintenance and Construction Tax of the People's Republic of China (中华人民共和国城市维护建设税暂行条例) promulgated by the State Council and effective from January 2011, city maintenance and construction tax shall be payable based on the VAT and business tax a taxpayer actually pays, calculated at the rate of 7%, 5% or 1% according to the location of the taxpayer.

Education Surcharges

Pursuant to the Interim Provisions on the Collection of Education Surcharges (征收教育费附加的暂行规定) promulgated by the State Council and effective from January 2011, education surcharges shall be payable based on the VAT and business tax a taxpayer actually pays, calculated at the rate of 3%.

Local Education Surcharges

Pursuant to the Notice on Issues Concerning Unifying the Policies on Local Education Surcharges (关于统一地方教育附加政策有关问题的通知) promulgated by the MOF and effective from November 2010, local education surcharges shall be payable based on the VAT and business tax a taxpayer actually pays, calculated at the rate of 2%.

UK Tax Considerations

The following is a general summary of certain UK tax considerations relating to the ownership and disposal of the Offer GDRs. The comments below are of a general nature and are based on current UK law and published practice of Her Majesty's Revenue & Customs ("**HMRC**") as at the date of this Prospectus, each of which is subject to change, possibly with retroactive effect. The summary only covers certain UK tax consequences for the absolute beneficial owners of the Offer GDRs (and any dividends paid in respect of them) who:

- are resident solely in the UK for tax purposes (and, in the case of individuals, domiciled in the UK for tax purposes only and to whom "split year" treatment does not apply); and
- do not have a permanent establishment or fixed base outside the UK with which the holding of the Offer GDRs (and the payment of dividends in respect of the Offer GDRs) is connected.

Such absolute beneficial owners of the Offer GDRs are referred to in this discussion as "**UK holders**".

In addition, the summary only addresses UK tax consequences for UK holders who hold the Offer GDRs as capital assets. It does not address the UK tax consequences that may be relevant to certain other categories of holders, for example, brokers, dealers or traders in shares, securities or currencies. It also does not address the UK tax consequences for holders that are banks, financial institutions, insurance companies, investment companies, collective investment schemes, tax-exempt organisations, persons holding the Offer GDRs as part of hedging or conversion transactions or persons connected with the Group.

Further, the summary assumes that:

- the UK holder of the GDRs is, for UK tax purposes, absolutely beneficially entitled to the underlying A Shares and to the dividends on those A Shares;
- the UK holder did not acquire and will not be deemed to have acquired his/her Offer GDRs by virtue of an office or employment;
- the A Shares will not be held by, and the Offer GDRs will not be issued by, a depositary (or nominee or agent for a depositary) incorporated in the UK;
- the UK holder does not control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, 5 per cent. or more of the A Shares and/or voting power or rights to profit or capital of the Company;

- the only payments received under the Offer GDRs are dividends with respect to the underlying A Shares and which are treated as dividends for UK tax purposes and the only payments received in respect of the A Shares are dividends;
- the Offer GDRs are not held under a pension arrangement or in an ISA or lifetime ISA;
- neither the A Shares nor the Offer GDRs are registered in a register kept in the UK and they will not become so registered; and
- neither the A Shares nor the Offer GDRs are paired with shares issued by a body corporate incorporated in the UK, and they will not become so paired.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. You should satisfy yourself as to the overall tax consequences, including, specifically, the consequences under UK law and HMRC practice, of acquisition, ownership and disposition of the Offer GDRs in your own particular circumstances, by consulting your own tax advisors.

Taxation on Dividends

Withholdings tax

Dividend payments in respect of the Offer GDRs may be made without withholding or deduction for or on account of United Kingdom income tax. As discussed in the section headed "—PRC Tax Considerations—Taxation of Dividends", amounts in respect of such dividends will be subject to PRC withholding taxes.

Currency of Dividends

UK holders of the Offer GDRs should note that their liability to UK tax in respect of dividends paid by the Company will be determined by reference to the amount of the dividend in the currency in which it is paid, which may not be the same as the US Dollars amount received by such holders from the Depositary in respect of such dividend.

UK Resident Individuals

Dividends received by a UK resident individual for UK tax purposes will generally be subject to UK income tax on the amount of any dividend paid on the Offer GDRs (before deduction of PRC withholding taxes (if any), the "**Gross Dividend Amount**"). Credit may be given for PRC tax withheld, subject to the UK tax rules regarding calculation and availability of such credit. UK resident individual holders of the Offer GDRs should generally be entitled to a tax-free dividend nil rate band of £2,000 (for tax year 2020/21) on the total amount of dividend income received by the individual in the tax year. Amounts received in excess of this allowance are subject to UK income tax at the relevant dividend rates. For 2020/21, the rate of UK income tax which is chargeable on dividends received by (i) additional rate taxpayers is 38.1 per cent., (ii) higher rate taxpayers is 32.5 per cent., and (iii) basic rate taxpayers is 7.5 per cent. An individual's dividend income is treated as the top slice of their total income which is chargeable to UK income tax.

Corporation Tax

Holders of the Offer GDRs which are companies within the charge to UK corporation tax (by reason of being resident in the UK for tax purposes or carrying on a trade through a permanent establishment in the UK to which the Offer GDRs are attributable) should generally be entitled (subject to the fulfilment of certain conditions and anti-avoidance rules) to exemption from UK corporation tax in respect of dividend payments. If the conditions for exemption are not satisfied, or a Holder of the Offer GDRs elects for a dividend to be taxable, UK corporation tax will be chargeable on the Gross Dividend Amount. If potential investors are in any doubt as to their position, they should consult their own professional tax advisors.

Credit for PRC Tax

Credit may be given for PRC tax withheld from dividends, subject to general rules regarding the calculation and availability of such credit, including a requirement to take all reasonable steps to minimise the amount of PRC tax on such dividends, including claiming any available allowances and reliefs. Where a dividend paid by the Company is treated as exempt from UK corporation tax, a UK resident company will not

be entitled to claim relief by way of credit in the United Kingdom in respect of any PRC tax paid by such holder, either directly or by deduction, in respect of that dividend.

United Kingdom information reporting

Any persons in the United Kingdom through whom payments derived from the Offer GDRs are made or who receive (or would be entitled to receive) such payments relating to the Offer GDRs on behalf of others may be required to provide information in relation to the payment to HMRC pursuant to certain domestic and international reporting and transparency regimes. The information that is disclosed may include (but is not limited to) information relating to the beneficial owners of the Offer GDRs or the persons for whom such securities are held, details of the persons to whom payments derived from the Offer GDRs are or may be paid and information and documents in connection with transactions relating to the Offer GDRs. These provisions will apply whether or not the payments that derive from the Offer GDRs have been subject to withholding or deduction for or on account of UK tax and whether or not the holder is resident in the United Kingdom for UK tax purposes. In certain circumstances, HMRC may communicate this information to the tax authorities of certain other jurisdictions.

Disposals of the Offer GDRs

For the purposes of UK taxation on chargeable gains, the disposal or deemed disposal of the Offer GDRs by a UK resident individual holder of the Offer GDRs may, depending on his or her individual circumstances, give rise to a chargeable gain or to an allowable loss for the purpose of UK capital gains tax. The principal factors that will determine the capital gains tax position on a disposal of Offer GDRs are the extent to which the holder realises any other capital gains in the tax year in which the disposal is made, the extent to which the holder has incurred capital losses in that or any earlier tax year and the level of the annual allowance of tax-free gains in that tax year (the "**Annual Exemption**"). The Annual Exemption for 2020/21 is £12,300. Upon the disposal or deemed disposal of the Offer GDRs and after all allowable deductions, a UK resident individual holder of the Offer GDRs' taxable chargeable gains would, for the 2020/21 tax year, be taxed at (i) 10 per cent. if the aggregate of the taxable chargeable gains and other taxable income for the year of the relevant holder does not exceed the basic rate income tax limit; or (ii) 20 per cent., where the aggregate of the taxable chargeable gains and other taxable income for the year of the relevant holder does exceed the basic rate income tax limit.

An individual holder of the Offer GDRs who ceases to be resident in the United Kingdom for a period of five years or less and who disposes of his or her Offer GDRs during that period of temporary non-residence may be liable to UK capital gains tax on a chargeable gain accruing on such disposal on his or her return to the United Kingdom (subject to available exemptions and reliefs).

An individual holder of the Offer GDRs who is not resident in the UK for UK tax purposes and who does not return to the United Kingdom within five tax years of disposal of the Offer GDRs will not normally be liable for UK tax on gains realised on the disposal of such Offer GDRs unless, at the time of disposal, such holder carries on a trade, profession or vocation in the UK through a branch or agency to which the Offer GDRs are attributable.

A disposal of the Offer GDRs by a corporate holder which is resident in the UK for the purposes of UK tax, may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax.

Stamp Duty and Stamp Duty Reserve Tax

No liability to stamp duty or stamp duty reserve tax ("**SDRT**") should generally arise on the issue of the Offer GDRs or their delivery into Euroclear or Clearstream, Luxembourg (as applicable).

No UK stamp duty or SDRT will be payable on any transfer of the Offer GDRs after they have been issued into Euroclear or Clearstream, Luxembourg (as applicable), where such transfer is effected in electronic book-entry form in accordance with the procedures of Euroclear or Clearstream, Luxembourg (as applicable).

Where such transfer is not effected paperlessly in such electronic book-entry form, the transfer on sale of Offer GDRs (or an agreement to transfer an equitable interest only in Offer GDRs) may give rise to a liability to UK stamp duty at a rate of 0.5 per cent. of the amount or value of the consideration given for the sale or agreement to transfer. However, providing no document effecting a transfer of, or containing an agreement to transfer an equitable interest only in, the Offer GDRs is either (i) executed in the United Kingdom or (ii) relates to any property situated, or to any matter or thing done or to be done, in the United Kingdom (the term "matter or thing" is very wide and may include the involvement of a UK bank account in payment mechanics), then no

UK stamp duty should be payable on such a document. No UK SDRT should be payable in respect of any agreement to transfer the Offer GDRs.

Inheritance Tax

The A Shares will be assets situated outside the UK for the purposes of UK inheritance tax provided that the A Shares are not registered on any register kept in the UK. The Offer GDRs will be assets situated outside the UK for the purposes of UK inheritance tax provided the A Shares (and any other property represented by the Offer GDRs) are situated outside the UK, the Offer GDRs are not registered on any register kept in the UK and the Depositary remains a non-UK incorporated company acting from an office outside the UK.

Subject to certain exemptions and reliefs, a gift of the Offer GDRs by, or on the death of, an individual UK investor who is domiciled or deemed to be domiciled in the UK for UK inheritance tax purposes may give rise to a liability to UK inheritance tax. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For UK inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit in respect of the assets gifted. Special rules apply in relation to close companies and to trustees of settlements who acquire, dispose of or hold Offer GDRs, potentially bringing them within the charge to UK inheritance tax.

Where an investor is neither domiciled nor deemed to be domiciled (under certain rules relating to long residence or previous domicile) in the UK, neither a gift of the Offer GDRs by the investor nor the death of such investor will give rise to a liability to UK inheritance tax provided that the Offer GDRs are, and remain, assets situated outside the UK for the purposes of UK inheritance tax as described above.

The Offering consists of an offering by the Company of up to 113,160,600 GDRs representing A Shares with one GDR representing an interest in five A Shares (including any Over-allotment GDRs). The Offering comprises an offering of Offer GDRs outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S.

Under the terms of, and subject to, the conditions contained in the Underwriting Agreement dated 12 June 2020 entered into amongst the Company and the Joint Bookrunners, the Joint Bookrunners have severally agreed to procure subscribers for, or failing which, to themselves subscribe for, at the Offer Price, the Offer GDRs in certain agreed proportions.

See "Use of Proceeds" for a description of the expenses paid by the Company pursuant to the Offering.

The Offering will be open from the date of this Prospectus until 16 June 2020 inclusive (the "**Offer Period**").

The Company may extend the Offer Period or change other dates related to the Offering, in compliance with applicable laws, regulations or rules.

All Offer GDRs sold in the Offering will be sold at the Offer Price. The Offer Price for the Offer GDRs will be determined by agreement between the Company and the Joint Global Co-ordinators following the book-building process. A number of factors may be considered in determining the Offer Price and the bases of allocation under the Offering, including the level and nature of demand for the Offer GDRs and the objective of encouraging the development of an orderly after-market in the Offer GDRs. The Offer Price may be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market makers and fund managers connected with the Joint Bookrunners).

The Offer Price is expected to be announced on 16 June 2020, by way of a pricing statement, which will be made available on the Company's website at http://www.cpic.com.cn/.

If the Offer Price is set above the Offer Price Range or the Offer Price Range is revised higher, then the Company will make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Offer GDRs pursuant to Article 23 of the Prospectus Regulation. In such circumstances, unless relevant investors agree to waive their statutory withdrawal rights, the pricing statement would not be published until the period for executing such withdrawal rights has ended and the expected day of publication of the pricing statement would be extended. The arrangements for withdrawing offers to purchase Offer GDRs would be made clear in the announcement.

Application will be made: (i) to the FCA, as competent authority under the Prospectus Regulation, for a listing of up to 113,160,600 GDRs representing A Shares, and, consisting of GDRs to be issued on or about 22 June 2020 (the "**Closing Date**"), GDRs (if any) to be issued pursuant to the Over-allotment Option (if exercised) and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws and regulations) with the Depositary, to be admitted to the standard segment of the Official List maintained by the FCA; and (ii) to the London Stock Exchange, for such GDRs to be admitted to trading on the Shanghai-London Stock Connect segment of the Main Market of the London Stock Exchange. Prior to the Offering, the A Shares are listed on the Shanghai Stock Exchange, but there has been no public market for the GDRs. Closing and settlement are expected to take place on or around 22 June 2020, and admission to the Official List of the FCA and to unconditional trading on the London Stock Exchange's Main Market are expected to take place at 9:00 a.m. on or around 22 June 2020. The Company expects that conditional trading in the GDRs on the London Stock Exchange through the IOB will commence on a "when issued" basis at 9:00 a.m. on or about 17 June 2020. All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned.

Underwriting Agreement and Over-allotment Option

The Underwriting Agreement and related arrangements contain the following provisions, amongst others:

- In connection with the Offering, the Company has agreed to pay the Joint Bookrunners:
  (i) a base commission of 1.2 per cent. of the gross proceeds of the Offering (including the gross proceeds from the Over-allotment Option if exercised);

(ii) in the sole and absolute discretion of the Company, a discretionary commission of up to 0.6 per cent. of the gross proceeds of the Offering (including the gross proceeds from the Over-allotment Option if exercised), to be allocated among the Joint Bookrunners in such proportions as the Company may determine. The Company will determine within 30 days of the Closing Date whether any such discretionary commission is to be paid to the Joint Bookrunners.

- The Company has agreed to reimburse each Joint Bookrunner for all expenses incurred by the Company in connection with the Offering which were paid by the Joint Bookrunners on the Company's behalf.
- The obligations of the parties to the Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the accuracy of the representations and warranties contained in the Underwriting Agreement and the application for admission to the Official List of the FCA and to trading on the London Stock Exchange having been approved on or prior to the closing of the Offering. The Joint Global Co-ordinators may terminate the Underwriting Agreement prior to the closing of the Offering in certain specified circumstances that are typical for an agreement of this nature. These include the occurrence of certain material changes in the Group's condition, including its financial condition, business affairs and business prospects, and certain changes in financial, political or economic conditions (as set out more fully in the Underwriting Agreement). If any of the above-mentioned conditions are not satisfied (or waived, where capable of being waived) by, or the Underwriting Agreement is terminated prior to, the closing of the Offering, then the Offering will lapse.
- The Company has given certain customary representations and warranties to the Joint Bookrunners, including in relation to the business, the accounting records and the legal compliance of the Company, in relation to the GDRs and in relation to the contents of this Prospectus.
- The Company has given customary indemnities to the Joint Bookrunners in connection with the Offering.
- If a Joint Bookrunner defaults, the Underwriting Agreement provides that in certain circumstances, the purchase commitments of the non-defaulting Joint Bookrunner(s) may be increased or the Underwriting Agreement may be terminated.

Lock-up Provisions

Pursuant to the terms of the Underwriting Agreement, the Company has agreed that neither it nor any member of the Group nor any person acting on its or their behalf will, during a period from the date hereof up to and including 180 days from the date of Admission, without the prior written consent of the Joint Global Co-ordinators (on behalf of themselves and the other Joint Bookrunners):

(i) directly or indirectly, issue, offer, allot, lend, mortgage, assign, charge, pledge, sell, contract to sell, sell or grant or issue any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any A Shares, any H Shares, any GDRs or any other shares of the Company (or any interest thereon or in respect thereof), or any securities convertible into or exercisable or exchangeable for A Shares, H Shares, GDRs or other shares of the Company; or

(ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any A Shares, any H Shares, any GDRs or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of A Shares, H Shares, GDRs or other securities, in cash or otherwise; or

(iii) publicly announce such an intention to effect any such transaction.

Save that the lock-up arrangements described above shall not apply to the issue of A Shares or the sale of GDRs pursuant to the Offering and the Cornerstone Investment Agreement.

Cornerstone Investor

The Company has entered into a cornerstone investment agreement dated 2 June 2020 (the "**Cornerstone Investment Agreement**") with Swiss Re Principal Investments Company Asia Pte. Ltd. (the "**Cornerstone Investor**"). Pursuant to the Cornerstone Investment Agreement, Swiss Re Principal Investments Company Asia Pte. Ltd. agreed to acquire up to 28,883,409 Offer GDRs. The GDRs so acquired will in principle be subject to

a lock-up period of three years. Swiss Re Principal Investments Company Asia Pte. Ltd. is a wholly-owned subsidiary of Swiss Re Ltd and a member of the Swiss Re Group.

The obligations of the Cornerstone Investor to acquire the Offer GDRs under the Cornerstone Investment Agreement are conditional on certain conditions being satisfied or waived. The Cornerstone Investment Agreement contains certain customary representations, warranties and undertakings from the Cornerstone Investor and the Company, including a lock-up undertaking where the Cornerstone Investor agreed that without the prior written consent of the Company, it will not, and will cause its affiliates not to, at any time during its lock-up period, dispose of any GDR except to any affiliate.

The GDRs to be acquired by the Cornerstone Investor will rank *pari passu* with the GDRs sold in the Offering. No special rights have been granted by the Cornerstone Investment Agreement to the Cornerstone Investor as part of its commitment to purchase GDRs.

Stabilisation

In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may over-allot GDRs or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. Deferred settlement arrangements have been made with an investor to facilitate any stabilisation action by the Stabilising Manager. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on the date of announcement of the Offer Price and, if begun, may be ended at any time but must end no later than 30 days thereafter. Any stabilisation action must be undertaken in accordance with applicable laws and regulations. Save as required by law or regulation, the Stabilising Manager does not intend to disclose the extent of any over-allotments made and/or stabilisation transactions concluded in relation to the Offering.

In connection with the Offering, the Stabilising Manager may, for stabilisation purposes, over-allot GDRs up to a maximum of 10% of the total number of GDRs sold in the Offering excluding the Over-allotment GDRs. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of GDRs effected by it during the Stabilisation Period, the Stabilising Manager will enter into over-allotment arrangements pursuant to which the Stabilising Manager may purchase or procure purchasers for additional GDRs up to a maximum of 10% of the total number of GDRs sold in the Offering excluding the Over-allotment GDRs, at the Offer Price. The over-allotment arrangements will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th day after the date of announcement of the Offer Price. Any Over-allotment GDRs made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the GDRs, will be purchased on the same terms and conditions as the GDRs being issued or sold in the Offering and will form a single class for all purposes with the other GDRs.

The Stabilising Manager may effect stabilisation transactions on any securities market, over-the-counter market, stock exchange or otherwise.

Other Relationships

The Joint Bookrunners and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company, for which they received customary fees, and they and their respective affiliates may provide such services for the Company and its respective affiliates in the future. As a result, the Joint Bookrunners and their respective affiliates may have a commercial interest in continuing to provide services to the Company and its respective affiliates that may be material to the Offering.

In connection with the Offering, the Joint Bookrunners and/or any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for Offer GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Joint Bookrunners and/or any of their respective affiliates acting as an investor for its or their own account(s). In addition, certain of the Joint Bookrunners or their affiliates may enter into financing or hedging arrangements (including swaps) with investors (including, without limitation, in connection with the cornerstone

arrangements described in "Plan of Distribution—Cornerstone Investor") in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of GDRs. Neither the Joint Bookrunners nor the Company intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Trading GDRs

Application will be made for the GDRs to be admitted to trading on the Shanghai-London Stock Connect segment of the Main Market of the London Stock Exchange, through its IOB. In addition to buying or selling GDRs through the IOB, under the Shanghai-London Stock Connect scheme, a GDR holder will be able to: (i) buy GDRs by requesting a Designated Broker to buy A Shares on the Shanghai Stock Exchange and instruct the Depositary to create GDRs representing such A Shares; and (ii) sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shanghai Stock Exchange. Designated Brokers will be London Stock Exchange members designated by the Shanghai Stock Exchange who hold accounts with Shanghai Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shanghai Stock Exchange (subject to quotas imposed by relevant regulators, as described below) and providing relevant instructions to the Depositary.

In order to buy GDRs, an investor may either: (i) buy GDRs on the London Stock Exchange in the normal manner; or (ii) instruct (either directly or through their normal broker) a Designated Broker to buy A Shares on the Shanghai Stock Exchange and then instruct the Depositary to create GDRs representing such A Shares.

In order to sell GDRs, an investor may either: (i) sell GDRs on the London Stock Exchange in the normal manner; or (ii) instruct (either directly or through their normal broker) a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shanghai Stock Exchange.

A Designated Broker may also buy or sell (and hold an inventory of) A Shares as principal in order to facilitate the cross-border purchase and redemption of GDRs.

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place buy and sell orders with the designated brokers who are able to seek the best price for the security from either market.

At present, 12 Designated Brokers in the United Kingdom have been confirmed by the Shanghai Stock Exchange. The PBOC and the SAFE have published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) (存托凭证跨境资金管理办法（试行）) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration, each Designated Broker will be subject to restrictions relating to, amongst other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory-related quotas on the maximum number and value of cash and securities held by such Designated Broker and foreign exchange-related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker (which are not expected to give rise to any material risk to GDR holders). The Joint Announcement provides that the cross-border currency flow under the Shanghai-London Stock Connect scheme is managed under a general quota, where the currency flow under west-bound GDR offerings shall not exceed RMB300 billion. The Joint Announcement also provides that the daily inventory-related quota for each designated broker is RMB500 million. Pursuant to the Q&A on the Calculation of the Upper Limit of Overseas Securities Institutions' Domestic Balance under Shanghai-London Stock Connect (关于沪伦通业务中境外证券经营机构在境内市场资产余额上限计算范围的问答) published by the Shanghai Stock Exchange on 17 October 2019, the calculation of such quotas shall exclude any underlying A shares and corresponding cash held by a Designated Broker for the purposes of redemption under the Shanghai-London Stock Connect scheme.

Investors should note that settlement of dealings in GDRs on the IOB will take place on a standard two-day rolling basis. Settlement of purchases of GDRs through a Designated Broker will also take place on a two-day rolling basis. However, settlement of redemption of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shanghai Stock Exchange) may take place on either a two-day rolling basis or a three-day rolling basis, depending on whether the relevant Designated Broker holds any inventory of A Shares at such time. This delay is due to the requirement in China for trades to be pre-delivered and the time it takes to redeem GDRs. Therefore, investors redeeming GDRs may be subject to one trading day market risk in China where the relevant designated broker does not hold any inventory of A Shares.

SELLING RESTRICTIONS

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by laws and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set forth in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the GDRs, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer, subscription and sale of the GDRs offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the GDRs offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Australia

This Prospectus:

- does not constitute a disclosure document under part 6D.2 of the Corporations Act of the Commonwealth of Australia ("**Corporations Act**");
- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors ("**Exempt Investors**") available under section 708 of the Corporations Act.

The GDRs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the GDRs may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any GDRs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the GDRs, the investor is deemed to have represented that it is an Exempt Investor.

As any offer of GDRs under this Prospectus will be made without disclosure in Australia under Part 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the GDRs, the investor is deemed to have undertaken that it will not, for a period of 12 months from the date of issue of the GDRs, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Part 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

This Prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this Prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

China

Each Joint Bookrunner has represented and agreed that the GDRs are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong Special Administrative Region and Macau Special Administrative Region or Taiwan), except as permitted by the applicable laws of the People's Republic of China, including the PRC Securities Law (中华人民共和国证券法).

Dubai International Financial Centre

Each Joint Bookrunner has represented and agreed that it has not offered and will not offer the GDRs to any person in the Dubai International Financial Centre unless such offer is:

a) an "Exempt Offer" in accordance with the Markets Rules Module of the DFSA Rulebook; and

b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

European Economic Area ("EEA") and United Kingdom

In relation to each member state of the EEA and United Kingdom (each a "**Relevant State**"), no GDRs have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the GDRs which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of GDRs may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

a) to any legal entity which is a "qualified investor" as defined under the Prospectus Regulation;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or

c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of GDRs shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or of a supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any GDRs in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase any GDRs, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

In the case of any GDRs being offered to a financial intermediary as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the GDRs acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any GDRs to the public other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Joint Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Co-ordinators of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire GDRs in the Offering.

Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offering. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice. Please note that (1) the GDRs may not be offered or sold in Hong Kong by means of this Prospectus or any other document other than to professional

investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) ("**SFO**") and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance of Hong Kong (Cap. 622) ("**CO**") or which do not constitute an offer or invitation to the public for the purposes of the CO or the SFO, and (2) no person shall issue, or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the GDRs which are or are intended to be disposed of only to persons outside Hong Kong or only to such professional investors.

Japan

The GDRs offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Bookrunner has represented, warranted and agreed that the GDRs which it subscribes will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any GDRs in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Qatar

This Prospectus does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The GDRs have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the GDRs shall not constitute a public offer of securities in the State of Qatar.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the GDRs may not be circulated or distributed, nor may the GDRs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the GDRs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the GDRs pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Switzerland

The GDRs may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the GDRs or the Offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer, the Company or the GDRs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of the GDRs will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of GDRs has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The equity investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the GDRs.

Taiwan

The GDRs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the GDRs in Taiwan.

United Arab Emirates

Each Joint Bookrunner has represented and agreed that the GDRs have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

United States

This Prospectus is not a public offering (within the meaning of the Securities Act) of securities in the United States. The GDRs have not been and will not be registered under the Securities Act or securities laws of any state of the United States and may not be offered or sold in the United States without registration under the Securities Act, or except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and securities laws of any state in the United States. The Offer GDRs are being offered and sold outside the United States in reliance on Regulation S.

TRANSFER RESTRICTIONS

Each purchaser of the Offer GDRs, by purchase of the Offer GDRs, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(1) the purchaser is, at the time of the offer to it of GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act.

(2) the purchaser is aware that the Offer GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are being offered outside the United States in reliance on Regulation S.

(3) any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company in respect of the Offer GDRs.

(4) the purchaser understands that the Offer GDRs and the Master GDR Certificate will bear a legend substantially to the following effect:

THIS GDR CERTIFICATE, THE GDRS EVIDENCED HEREBY AND THE A SHARES OF CHINA PACIFIC INSURANCE (GROUP) CO., LTD. REPRESENTED THEREBY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS GDR CERTIFICATE, THE GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY, ACKNOWLEDGE THAT SUCH GDR CERTIFICATE, THE GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS GDR CERTIFICATE, THE GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES.

(5) the Company, the Joint Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Clearing and Settlement of Offer GDRs

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Offer GDRs and cross-market transfers of the Offer GDRs associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including joint bookrunners, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective clients may settle trades with each other. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the Offer GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Registration and Form

Book-entry interests in the Offer GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream, Luxembourg. As necessary, the Depositary will adjust the amounts of Offer GDRs on the relevant register to reflect the amounts of Offer GDRs held through Euroclear and Clearstream, Luxembourg, respectively. Beneficial ownership in the Offer GDRs will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Offer GDRs in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Offer GDRs, will be responsible for establishing and maintaining accounts for their participants and clients having interests in the book-entry interests in the Offer GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of Offer GDRs registered in the name of the common depositary for Euroclear and Clearstream, Luxembourg. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Company will not impose any fees in respect of the Offer GDRs; however, holders of book-entry interests in the Offer GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, Luxembourg and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement. See the section headed "Terms and Conditions of the Global Depositary Receipts."

Global Clearance and Settlement Procedures

Initial Settlement

The Offer GDRs will be in global form evidenced by a Master GDR Certificate. Purchasers electing to hold book-entry interests in Offer GDRs through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to depositary receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the Offer GDRs, see the section headed "Selling Restrictions and Transfer Restrictions—Transfer Restrictions".

Trading between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Offer GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Offer GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

General

Although the foregoing sets forth the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Offer GDRs among participants of Euroclear and Clearstream, Luxembourg, none of Euroclear and Clearstream, Luxembourg are under any obligation to perform or continue performing such procedures, and such procedures may be discontinued at any time.

None of the Company, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear and Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

Settlement of the Offer GDRs

Payment for the Offer GDRs is expected to be made in US Dollars in same-day funds through the facilities of Euroclear and Clearstream, Luxembourg. Book-entry interests in the Offer GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream, Luxembourg. Except in limited circumstances described herein, investors may hold beneficial interests in the Offer GDRs evidenced by the Master GDR Certificate only through Euroclear or Clearstream, Luxembourg, as applicable.

Transfers within Euroclear and Clearstream Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system.

Citibank, N.A. ("**Citibank**") has been appointed as Depositary pursuant to the Deposit Agreement. Citibank is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank was originally organised on 16 June 1812, and is now a national banking association organised under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 388 Greenwich Street, New York, NY 10013, United States of America. Citibank's Consolidated Balance Sheets are set forth in Citigroup's most recent Annual Report (audited balance sheet) and Quarterly Report (unaudited), each on file on Form 10-K and Form 10-Q, respectively, with the United States Securities and Exchange Commission. Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's Annual Report on Form 10-K and Quarterly Report on Form 10-Q are available for inspection at the Depositary Receipt office of Citibank, 388 Greenwich Street, New York, New York 10013.

PwC PRC, independent auditor, has a business licence issued by State Administration for Industry and Commerce of the People's Republic of China, and recorded by the MOF. PwC PRC is also a member of the CICPA and has audited the consolidated financial statements of the Group as at and for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 in accordance with CSA issued by the CICPA. The address of PwC PRC is 11th Floor, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC. PwC PRC has no material interest in the Company.

PwC PRC has given and not withdrawn its written consent to the inclusion of the auditor's report on pages F-2 to F-3 of this Prospectus and has authorised the contents of its report for the purposes of paragraph 5.3.5R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 1 of Commission Delegated Regulation (EU) 2019/980 (the "**Delegated Regulation**"). Written consent for the purposes of the Prospectus Regulation Rules and the Delegated Regulation is different from a consent filed with the Securities and Exchange Commission of the United States under Section 7 of the Securities Act. As the Offer GDRs have not and will not be registered under the Securities Act, PwC PRC has not filed a consent under Section 7 of the Securities Act.

For the purposes of paragraph 5.3.5R(2)(f) of the Prospectus Regulation Rules, PwC PRC accepts responsibility for its audit report on pages F-2 to F-3 of this Prospectus as part of this Prospectus and declares that, to the best of its knowledge, the information contained in its audit report on pages F-2 to F-3 of this Prospectus is in accordance with the facts and that such parts of this Prospectus make no omission likely to affect their import. This declaration is included in this Prospectus in compliance with item 1.2 of Annex 1 of the Delegated Regulation.

Certain legal matters in connection with the Offering will be passed upon for the Company with respect to English and US law by Baker & McKenzie LLP and with respect to PRC law by King & Wood Mallesons.

Certain legal matters in connection with the Offering will be passed upon for the Joint Bookrunners with respect to English law by Clifford Chance LLP, with respect to US law by Clifford Chance and with respect to PRC law by Fangda Partners.

1. Responsibility

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

2. Listing

It is expected that the Offer GDRs will be admitted, subject only to the issue of the Master GDR Certificate, to listing on the standard segment of the Official List maintained by the FCA on or around 22 June 2020. Application will be made for the Offer GDRs to be admitted to trading on the Shanghai-London Stock Connect segment of the London Stock Exchange's Main Market. The Company expects that conditional trading in the GDRs on the London Stock Exchange through the IOB will commence on a "when issued" basis on or about 17 June 2020. All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned.

Transactions in Offer GDRs will normally be effected for delivery on the second business day after the day of the transaction.

3. Authorisations

The Company has obtained all consents, approvals and authorisations in the PRC in connection with the admission of the Offer GDRs to listing on the standard segment of the Official List and to trading on the Shanghai-London Stock Connect segment of the London Stock Exchange's Main Market required to be obtained prior to the date of this Prospectus.

4. Documents Available for Inspection

The following documents will be available for inspection free of charge at http://www.cpic.com.cn/, and during normal business hours in China on any weekday, at the registered office of the Company, for a period of one year from the date of publication of this Prospectus:

- this Prospectus;
- the Articles of Association;
- the Annual Audited Financial Statements, together with the auditor's report issued by PwC PRC; and
- the EV Report.

The Company's registered office is located at 1 South Zhongshan Road, Huangpu District, Shanghai, PRC. Telephone: +86-21-5876 7282.

5. Legal Entity Identifier

The legal entity identifier of the Company is 529900BA5ILEL308WX03.

6. Website

The Company's website address is http://www.cpic.com.cn. The information on the Company's website does not form part of this Prospectus.

7. Security Codes

GDR ISIN: US16951T1198

GDR Common Code: 218392261

GDR CUSIP: 16951T 119

GDR SEDOL: BMWHQ37

London Stock Exchange Offer GDR trading symbol is "CPIC"

A Shares ISIN: CNE1000008M8

Shanghai Stock Exchange stock code: 601601

8. Depositary and Agent

Holders of GDRs may contact Citibank, N.A., as the Depositary for the GDRs with questions relating to the transfer of GDRs on the books of the Depositary, which shall be maintained at its principal executive office at 388 Greenwich Street, 6th Floor North, New York, New York 10013, United States of America.

If definitive certificates are issued in exchange for the Master GDR Certificate, the Company will appoint an agent in the United Kingdom.

9. GDRs in Public Hands

It is expected that, following Admission, the number of GDRs in public hands (as a percentage of the total number of GDRs in issue) will exceed 20%.

10. Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past a significant effect on the Company's and/or the Group's financial position or profitability.

11. Significant Change

There has been no significant change in the financial position or financial performance of the Group since 31 March 2020, being the end of the last financial period for which financial information has been published.

12. Working Capital Statement

In the opinion of the Company, taking into account the net proceeds receivable by the Company in the Offering, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

13. Subsidiaries

The Company is a parent company of a corporate group that comprises other companies. Further detail on the Company's subsidiaries as at the Latest Practicable Date is provided below.

Name of subsidiary (Full name)	Country of incorporation/ residence	Percentage of voting rights attributable to the Company (%)
China Pacific Property Insurance Co., Ltd.	China	98.50
China Pacific Life Insurance Co., Ltd.	China	98.29
Pacific Asset Management Co., Ltd.	China	100.00
China Pacific Insurance Co., (H.K.) Ltd.	Hong Kong	100.00
Shanghai Pacific Real Estate Co., Ltd.	China	100.00
Changjiang Pension Insurance Co., Ltd.	China	62.16
CPIC Investment Management (H.K.) Company Limited	Hong Kong	100.00
City Island Developments Limited	The British Virgin Island	100.00
Great Winwick Limited	The British Virgin Island	100.00
Great Winwick (Hong Kong) Limited	Hong Kong	100.00
Newscott Investments Limited	The British Virgin Island	100.00
Newscott (Hong Kong) Investments Limited	Hong Kong	100.00
Shanghai Xinhui Real Estate Development Co., Ltd.	China	100.00
Shanghai Hehui Real Estate Development Co., Ltd.	China	100.00
Pacific Insurance Online Services Technology Co., Ltd.	China	100.00
Tianjin Trophy Real Estate Co., Ltd.	China	100.00
Pacific Insurance Senior Living Industry Investment Management Co., Ltd.	China	100.00
CPIC Allianz Health Insurance Co., Ltd.	China	77.05
Anxin Agricultural Insurance Co., Ltd.	China	52.13
Pacific Medical & Healthcare Management Co., Ltd.	China	100.00
Pacific Insurance Agency Co., Ltd.	China	100.00
CPIC Fund Management Co., Ltd.	China	51.00
CPIC Senior Living Development (Chengdu) Co., Ltd.	China	100.00
CPIC Senior Living Development (Hangzhou) Co., Ltd.	China	100.00
Pacific Care Home Development (Xiamen) Co., Ltd.	China	100.00

14. Material Contracts in Connection with the Offering

Save as set out below, in the two years immediately preceding the date of this Prospectus, other than contracts entered into in the ordinary course of business, there has not been any material contracts to which the Company or any member of the Group is a party.

Underwriting Agreement

On 12 June 2020, the Company and the Joint Bookrunners entered into the Underwriting Agreement. For more information, see "Plan of Distribution—Underwriting Agreement and Over-allotment Option".

Deposit Agreement

On 12 June 2020, the Company and the Depositary entered into the Deposit Agreement for the establishment and maintenance of a GDR facility and the GDRs issued pursuant thereto and pursuant to which the Company also executed Deed Polls in favour of Holders in the form attached to the Deposit Agreement. For more information, see the section headed "Terms and Conditions of the Global Depositary Receipts".

Cornerstone Investment Agreement

The Company and the Cornerstone Investor have entered into the Cornerstone Investment Agreement. For more information, see "Plan of Distribution—Cornerstone Investor".

There are no contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Group are a party, which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

15. Securities

The Company has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants. The Company does not hold any shares in treasury. There is no shares in the Company's issued share capital that does not represent capital.

16. Takeover Bids

No public takeover bids by third parties in respect of the Company's capital has occurred during the last financial year or as at the date of this Prospectus.

17. Expenses

The total costs and expenses relating to the Offering, including the FCA and LSE listing fees, underwriting commissions and professional fees and expenses, are estimated to amount to between approximately US$45.2 million and US$48.0 million (assuming 113,160,600 GDRs (including any Over-allotment GDRs) are sold in the Offering and the Offer Price is set at either the bottom or the top of the Offer Price Range, respectively) (inclusive of VAT) and are payable by the Company. Investors will not be charged any expenses by the Company. Pursuant to the terms and conditions of the GDRs, the Depositary will be entitled to charge certain fees to the holders of the GDRs.

The following definitions apply throughout this document unless the context requires otherwise:

"A share(s)"	shares of any company that are traded on the Shanghai Stock Exchange in Renminbi
"A Shares"	domestic shares of the Company, with a par value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
"Admission"	admission to listing of the GDRs on the standard segment of the Official List of the FCA and to trading on the Shanghai-London Stock Connect segment of the Main Market of the London Stock Exchange
"AIG"	American International Group, Inc.
"agency channel", "agency force" or **"life insurance agent(s)"**	agent(s) entrusted by CPIC Life for its individual business
"Annual Audited Financial Statements"	the Group's audited consolidated financial statements as at and for the years ended 31 December 2017, 2018 and 2019
"annuity"	a contract that provides for periodic payments to an annuitant for a specified period of time, often until the annuitant's death. The interval of such periodic payments is no longer than one year
"Anxin Agricultural"	Anxin Agricultural Insurance Co., Ltd. (安信农业保险股份有限公司), a subsidiary of the Company
"Articles of Association"	the articles of association of the Company
"Auditor"	PricewaterhouseCoopers Zhong Tian LLP
"AuM"	assets under management
"Board of Supervisors"	the board of supervisors of the Company
"Board" or **"Board of Directors"**	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in relevant jurisdictions are authorised or required to open for business, unless otherwise indicated
"CAGR"	compound annual growth rate
"CBIRC"	China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会)
"CBIT"	China Banking and Insurance Information Technologies Management Co., Ltd. (中国银行保险信息技术管理有限公司)
"CBRC"	the former China Banking Regulatory Commission (原中国银行业监督管理委员会), the banking focused predecessor of the CBIRC
"cede"	the transfer of all or part of a risk underwritten by an insurer to a reinsurer
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd. (长江养老保险股份有限公司), a subsidiary of the Company
"China" or **"PRC"**	the People's Republic of China, excluding, for the purposes of this Prospectus only, Taiwan and the special administrative regions of Hong Kong and Macau, except where the context otherwise requires
"CICPA"	Chinese Institute of Certified Public Accountants
"CIRC"	the former China Insurance Regulatory Commission (原中国保险监督管理委员会), the insurance focused predecessor of the CBIRC

"Clearstream"	Clearstream Banking, société anonyme
"Closing Date"	on or about 22 June 2020
"Company" or **"CPIC"**	China Pacific Insurance (Group) Co., Ltd., a joint stock company incorporated in the PRC with limited liability
"COVID-19"	Coronavirus Disease 2019
"CPIC Elderly Care Investment"	Pacific Insurance Senior Living Industry Investment Management Co., Ltd. (太平洋保险养老产业投资管理有限责任公司), a subsidiary of the Company
"CPIC Allianz Health"	CPIC Allianz Health Insurance Co., Ltd. (太保安联健康保险股份有限公司), a subsidiary of the Company
"CPIC AMC"	Pacific Asset Management Co., Ltd. (太平洋资产管理有限责任公司), a subsidiary of the Company
"CPIC Fund"	CPIC Fund Management Co., Ltd. (国联安基金管理有限公司), a subsidiary of the Company
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited (中国太平洋保险(香港)有限公司), a wholly-owned subsidiary of the Company
"CPIC Investment HK"	CPIC Investment Management (H.K.) Company Limited (中国太保投资管理(香港)有限公司), a subsidiary of the Company
"CPIC Life"	China Pacific Life Insurance Co., Ltd. (中国太平洋人寿保险有限公司), a subsidiary of the Company
"CPIC P/C"	China Pacific Property Insurance Co., Ltd. (中国太平洋财产保险股份有限公司), a subsidiary of the Company (CPIC P/C's data in this Prospectus does not include the corresponding figures of Anxin Agricultural and is arrived at before inter-segment eliminations and adjustments, except for data pertaining to GWPs for the three months ended 31 March 2019 and 2020)
"CSA"	China Standards on Auditing
"CSDC"	China Securities Depositary and Clearing Corporation Limited (中国证券登记结算有限公司)
"CSRC"	China Securities Regulatory Commission (中国证券监督管理委员会)
"CSRE 2101"	China Standards on Review Engagement No. 2101 "Review of Financial Statements"
"Custodian"	Bank of China Limited
"C-ROSS"	China Risk Oriented Solvency System, a new generation solvency system developed by the CIRC which took effect in January 2016
"Delegated Regulation"	the Commission Delegated Regulation (EU) 2019/980
"Deposit Agreement"	the deposit agreement entered into by the Company and the Depositary in connection with the issuance of the GDRs
"Depositary"	Citibank, N.A.
"Designated Broker"	an LSE member that has been "designated" by the Shanghai Stock Exchange as a "designated broker"
"Director(s)"	member(s) of the Board
"Disclosure Guidance and Transparency Rules"	the Disclosure Guidance and Transparency Rules made by the FCA under Part VI of FSMA

"DR Provisions"	the "Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange" (For Trial Implementation) (关于上海证券交易所与伦敦证券交易所互联互通存托凭证业务的监管规定(试行)) published by the CSRC on 12 October 2018
"EEA"	the European Economic Area
"EIT"	the enterprise income tax of the PRC
"embedded value" or **"EV"**	an actuarially determined estimate of the adjusted net worth and value of in-force business of the life insurance operations of an insurance company based on a particular set of assumptions as to future experience, excluding any value attributable to any future new business
"Euroclear"	the Euroclear Bank S.A./N.V
"Exchange Act"	the US Securities Exchange Act of 1934, as amended
"expense ratio"	the ratio of property and casualty insurance operating expenses to premiums earned
"FCA"	the United Kingdom Financial Conduct Authority
"First Quarter Financial Information"	the first quarter financial information of the Group as at and for the three months ended 31 March 2020 and its comparatives of the corresponding periods
"First Quarter Report"	2020 First Quarter Report of the Company
"FSMA"	the Financial Services and Markets Act 2000, as amended
"GDP"	gross domestic product (except as otherwise specified, all references to GDP growth rates are nominal rates of GDP growth)
"GDR"	a global depositary receipt which represents A Shares
"Group"	the Company and its consolidated subsidiaries
"GWPs" or **"gross written premiums"**	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
"H share(s)"	overseas listed shares of PRC companies that are traded on the Hong Kong Stock Exchange
"H Shares"	overseas listed foreign shares in the share capital of the Company with a par value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and are listed on the Hong Kong Stock Exchange
"Hague Convention on Service"	Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters
"HKD" or **"Hong Kong Dollar(s)"**	the lawful currency of Hong Kong
"HMRC"	Her Majesty's Revenue & Customs
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Hong Kong SAR", **"Hong Kong"** or **"HK"**	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or **"SEHK"**	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huatai International"	Huatai Financial Holdings (Hong Kong) Limited
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards issued by the IASB

"insurance density"	premiums income per capita, calculated based on the resident population in a country or an area
"insurance penetration"	premiums income as a percentage of GDP
"IOB"	the International Order Book of the London Stock Exchange
"Joint Bookrunners"	UBS, Huatai International, HSBC Bank plc, China International Capital Corporation (UK) Limited, Morgan Stanley & Co. International plc and J.P. Morgan Securities plc
"Joint Global Co-ordinators"	UBS and Huatai International
"Latest Practicable Date"	10 June 2020, being the latest practicable date for the purposes of ascertaining certain information contained in the Prospectus
"Listing Rules"	the Listing Rules made by the FCA under Part VI of the FSMA
"London Stock Exchange" or **"LSE"**	London Stock Exchange plc
"loss ratio"	the ratio of an insurance or reinsurance company's loss incurred and loss adjustment expenses, net of reinsurance covered, to premiums earned
"Main Market"	the main market for listed securities of the London Stock Exchange
"major PRC subsidiaries"	CPIC P/C, CPIC Life, CPIC AMC, Changjiang Pension, Anxin Agricultural and CPIC Allianz Health, and their respective branches
"major subsidiaries"	CPIC P/C, CPIC Life, CPIC AMC, Changjiang Pension, Anxin Agricultural, CPIC Allianz Health, CPIC HK, CPIC Elderly Care Investment, CPIC Fund, and their respective branches
"Master GDR Certificate"	Master Global Depositary Receipt Certificate
"MOC"	Ministry of Commerce of the PRC (中华人民共和国商务部)
"MOF"	Ministry of Finance of the PRC (中华人民共和国财政部)
"morbidity"	incidence rates of ailment of a particular population, varying by such parameters as age, gender and duration, used in pricing and computing liabilities for health insurance
"mortality"	rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits for life and annuity products
"More"	Beijing Miao Yi Jia Health Technologies (Group) Co., Ltd. (北京妙医佳健康科技集团有限公司)
"NBSC"	National Bureau of Statistics of the PRC (中华人民共和国国家统计局)
"NDRC"	National Development and Reform Commission of the PRC (中华人民共和国国家发展和改革委员会)
"New Standard on Leases"	the revised Accounting Standard for Business Enterprises No. 21—Leases released by the MOF in 2018
"Offer GDRs"	up to 113,160,600 GDRs representing A Shares (including any Over-allotment GDRs)
"Offer Price"	the price at which Offer GDRs will be sold in the Offering
"Offer Price Range"	US$17.60 to US$19.00
"Offering"	an offering of Offer GDRs outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S
"Official List"	the official list maintained by the FCA
"Order"	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended

"ORPEA Group"	ORPEA Société Anonyme
"Over-allotment GDRs"	the Offer GDRs subject to the Over-allotment Option
"Over-allotment Option"	the option granted by the Company to the Stabilising Manager, exercisable within 30 days after the announcement of the Offer Price, to purchase up to an additional 10% of the aggregate number of Offer GDRs (excluding any Over-allotment GDRs)
"Pacific Medical & Healthcare"	Pacific Medical & Healthcare Management Co., Ltd. (太平洋医疗健康管理有限公司), a subsidiary of the Company
"Pacific Orpea"	Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. (太保欧葆庭(上海)养老企业管理有限公司)
"PBOC"	the People's Bank of China (中国人民银行)
"ppt"	percentage point
"PRC Company Law"	the Company Law of the PRC (中华人民共和国公司法) enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	Accounting Standard for Business Enterprises—Basic Standard, and the specific accounting standards and other relevant regulations issued by the MOF on 15 February 2006 and in subsequent periods
"PRC Insurance Law"	the Insurance Law of the PRC (中华人民共和国保险法), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 30 June 1995 and effective on 1 October 1995, as amended, supplemented or otherwise modified from time to time
"**premium(s)**"	unless otherwise indicated, refers to the premiums written for direct business by all registered insurers, which means direct insurance premiums, including commissions and other charges, are considered prior to cession to a reinsurance company, according to the Sigma Reports
"primary insurance premium income"	a statistical target set according to the Accounting Standards for Business Enterprises (2006) (企业会计准则(2006)) which refers to all premiums from policies directly underwritten by an insurance company (except as otherwise specified, the premiums on the websites of the CIRC and the CBIRC are the primary insurance premium income)
"primary insurance premiums"	all premiums from policies directly underwritten by the Group according to the Accounting Standards for Business Enterprises (2006) (企业会计准则(2006))
"Prospectus Regulation"	the Regulation (EU) 2017/1129, as amended from time to time
"Prospectus Regulation Rules"	the Prospectus Regulation Rules made by the FCA under Part VI of the FSMA
"**province**"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QFII"	Qualified Foreign Institutional Investors
"Qualified Investors"	qualified investors within the meaning of the Prospectus Regulation Rules
"Regulation S"	Regulation S under the Securities Act
"RMB" or **"Renminbi"**	the lawful currency of the PRC

"RQFII"	RMB Qualified Foreign Institutional Investors
"SAA"	strategic asset allocation
"SAFE"	State Administration of Foreign Exchange of the PRC (中国国家外汇管理局)
"SAT"	State Administration of Taxation of the PRC (中国国家税务总局)
"SDRT"	stamp duty reserve tax
"Securities Act"	the US Securities Act of 1933, as amended
"SFC"	the Hong Kong Securities and Futures Commission
"Shanghai Stock Exchange" or **"SSE"**	Shanghai Stock Exchange
"Shares"	A Shares or H Shares (as the case may be)
"Sigma Report(s)"	the non-commissioned report(s) published by Swiss Re through its Swiss Re Institute
"Stabilisation Period"	the period commencing on the date of the announcement of the Offer Price and ending no later than the date 30 days thereafter
"Stabilising Manager"	UBS AG London Branch
"Supervisor(s)"	the member(s) of the Board of Supervisors
"surrender"	the termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.
"TAA"	tactical asset allocation
"trading day"	a day that the public markets are open for trading in relevant jurisdictions, unless otherwise indicated
"UBS"	UBS AG London Branch
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"US", **"U.S."**, **"United States"** or **"United States of America"**	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", **"US Dollar(s)"** or **"USD"**	the lawful currency of the United States of America
"VAT"	value-added tax
"%"	per cent

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1. The First Quarter Financial Information set out herein is extracted from the First Quarter Report. Capitalised terms and page references are used in a way consistent with the section headed "Extract of the First Quarter Report" in this Prospectus. Investors should be aware that First Quarter Financial Information set forth in the First Quarter Report, which has been prepared based on the requirements of the PRC GAAP, has not been audited or reviewed by PwC PRC.

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

Opinion

What we have audited

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

- the consolidated and company balance sheets as at 31 December 2019, 2018 and 2017;
- the consolidated and company income statements for each of the years ended 31 December 2019, 2018 and 2017;
- the consolidated and company cash flow statements for each of the years ended 31 December 2019, 2018 and 2017;
- the consolidated and company statements of changes in equity for each of the years ended 31 December 2019, 2018 and 2017; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CPIC as at 31 December 2019, 2018 and 2017, and their financial performance and cash flows for each of the years ended 31 December 2019, 2018 and 2017 in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Other Matters

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.5R(2)(f) of the Prospectus Regulation Rules issued by the United Kingdom Financial Conduct Authority to any person as and to the extent there provided, to the fullest extent permitted by English laws we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980 adopted by the European Commission, consenting to its inclusion in the prospectus of CPIC dated 12 June 2020 ("Prospectus").

For the purposes of Prospectus Regulation Rule 5.3.5R(2)(f) issued by the United Kingdom Financial Conduct Authority we are responsible for this report as part of the Prospectus and declare that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980 adopted by the European Commission.

PricewaterhouseCoopers Zhong Tian LLP — Signing CPA PENG Runguo

Shanghai, the People's Republic of China
12 June 2020 — Signing CPA ZHANG Jiong

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VII	31 December 2019	31 December 2018	31 December 2017
Cash at bank and on hand	1	14,872	15,323	11,660
Financial assets at fair value through profit or loss	2	4,931	11,835	16,187
Securities purchased under agreements to resell	3	28,045	23,095	17,126
Premium receivables	4	17,916	12,063	8,492
Reinsurance receivables	5	5,340	6,949	7,841
Interest receivables	6	19,493	19,282	16,757
Reinsurers' share of unearned premium reserves		6,385	5,781	5,177
Reinsurers' share of claim reserves		6,841	6,018	6,719
Reinsurers' share of life insurance reserves		1,881	1,884	1,360
Reinsurers' share of long-term health insurance reserves		10,453	9,784	9,319
Policy loans		57,194	49,194	38,643
Term deposits	7	147,756	128,396	103,989
Available-for-sale financial assets	8	511,822	415,868	368,868
Held-to-maturity financial assets	9	295,247	284,744	287,497
Investments classified as loans and receivables	10	324,013	272,015	216,748
Long-term equity investments	11	20,442	17,472	5,271
Restricted statutory deposits	12	6,658	6,738	6,566
Investment properties	13	8,283	8,542	8,727
Fixed assets	14	16,378	15,058	12,986
Construction in progress	15	1,987	3,386	4,176
Right-of-use assets	16	4,130	—	—
Intangible assets	17	3,652	2,886	1,545
Goodwill	18	1,357	1,357	962
Deferred income tax assets	19	860	2,379	1,742
Other assets	20	12,397	15,910	12,866
TOTAL ASSETS		1,528,333	1,335,959	1,171,224

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	31 December 2019	31 December 2018	31 December 2017
Securities sold under agreements to repurchase	22	78,366	75,075	66,243
Premium received in advance		21,000	16,384	21,156
Commission and brokerage payable		4,364	4,520	3,888
Reinsurance payables	23	4,543	6,233	6,002
Employee benefits payable	24	5,573	4,972	4,703
Taxes payable	25	2,166	9,246	6,629
Interest payable		516	585	309
Claims payable		21,712	20,789	19,035
Policyholder dividend payable		25,447	26,501	24,422
Policyholders' deposits and investment contract liabilities	26	75,576	62,325	56,343
Unearned premium reserves	27	61,975	49,455	44,247
Claims reserves	28	42,504	38,864	39,429
Life insurance reserves	29	891,195	787,284	681,766
Long-term health insurance reserves	30	72,347	44,068	36,797
Insurance premium reserves		349	407	385
Bonds payable	31	9,988	13,985	3,999
Lease liabilities		3,668	—	—
Deferred income tax liabilities	19	2,911	1,168	920
Other liabilities	32	20,813	20,050	13,832
Total liabilities		1,345,013	1,181,911	1,030,105
Issued capital	33	9,062	9,062	9,062
Capital reserves	34	66,650	66,635	66,613
Other comprehensive income	59	12,949	2,792	1,505
Surplus reserves	35	4,835	4,835	4,835
General reserves	36	14,329	11,642	9,761
Retained profits	37	70,602	54,610	45,722
Equity attributable to shareholders of the parent		178,427	149,576	137,498
Non-controlling interests	38	4,893	4,472	3,621
Total equity		183,320	154,048	141,119
TOTAL LIABILITIES AND EQUITY		1,528,333	1,335,959	1,171,224

The financial statements from F-4 to F-191 are signed by the persons below:

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

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2019	2018	2017
Operating income		385,489	354,363	319,809
Premiums earned		313,246	299,724	263,554
Gross written premiums	39	347,517	321,895	281,644
Including: Premiums from reinsurance assumed		998	1,558	2,307
Less: Premiums ceded to reinsurers		(22,358)	(17,563)	(15,784)
Net change in unearned premium reserves	40	(11,913)	(4,608)	(2,306)
Other income		125	142	24
Investment income	41	67,762	53,477	51,946
Including: Share of profit of associates and joint ventures		494	335	74
Gains/(losses) arising from changes in fair value	42	801	(2,168)	1,443
Exchange gains/(losses)		56	53	(140)
Other operating income	43	3,484	3,117	2,814
Gains on disposal of assets	44	15	18	168
Operating expenses		(357,422)	(326,108)	(298,786)
Surrenders	45	(11,104)	(12,641)	(10,168)
Claims	46	(128,541)	(107,216)	(94,786)
Less: Claim recoveries from reinsurers		10,858	9,434	7,723
Changes in insurance contract reserves	47	(122,776)	(105,078)	(105,558)
Less: Insurance contract reserves recovered from reinsurers	48	1,490	320	1,605
Changes in insurance premium reserves		58	(22)	(124)
Policyholder dividends		(10,777)	(11,263)	(8,946)
Expenses for reinsurance assumed		(455)	(119)	(271)
Taxes and surcharges	49	(882)	(900)	(966)
Commission and brokerage expenses	50	(46,853)	(56,251)	(47,281)
Operating and administrative expenses	51	(45,439)	(39,943)	(36,293)
Less: Expenses recoveries from reinsurers		7,418	5,437	5,770
Interest expenses	52	(3,511)	(2,959)	(3,703)
Other operating expenses	53	(4,454)	(3,805)	(5,075)
Asset impairment losses	54	(2,454)	(1,102)	(713)
Operating profit		28,067	28,255	21,023
Add: Non-operating income	55	82	103	186
Less: Non-operating expenses	56	(183)	(350)	(107)
Profit before tax		27,966	28,008	21,102
Less: Income tax	57	388	(9,574)	(6,111)

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED INCOME STATEMENT (continued)

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2019	2018	2017
Net profit		28,354	18,434	14,991
Classified by continuity of operations				
Net profit from continuing operations		28,354	18,434	14,991
Net profit from discontinued operations		—	—	—
Classified by ownership of the equity				
Attributable to shareholders of the parent		27,741	18,019	14,662
Non-controlling interests		613	415	329
Earnings per share (RMB Yuan)	58			
Basic earnings per share		3.06	1.99	1.62
Diluted earnings per share		3.06	1.99	1.62
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to profit or loss				
Exchange differences on translation of foreign operations		13	25	(33)
Changes of fair value of available-for-sale financial assets and related impact to insurance liabilities		13,716	1,686	(3,283)
Income tax relating to these items		(3,383)	(429)	820
Other comprehensive income/(loss)	59	10,346	1,282	(2,496)
Total comprehensive income		38,700	19,716	12,495
Attributable to shareholders of the parent		37,898	19,306	12,206
Attributable to non-controlling interests		802	410	289

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	2019								
	Attributable to shareholders of the parent								
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at the beginning of the year	9,062	66,635	2,792	4,835	11,642	54,610	149,576	4,472	154,048
Movements in the current year	—	15	10,157	—	2,687	15,992	28,851	421	29,272
Net profit	—	—	—	—	—	27,741	27,741	613	28,354
Other comprehensive income/(loss) (Note VII 59)	—	—	10,157	—	—	—	10,157	189	10,346
Total comprehensive income	—	—	10,157	—	—	27,741	37,898	802	38,700
Share of other changes in equity of investees accounted for using the equity method	—	15	—	—	—	—	15	—	15
Profit distribution	—	—	—	—	2,687	(11,749)	(9,062)	(381)	(9,443)
Appropriations to general reserves	—	—	—	—	2,687	(2,687)	—	—	—
Profit distribution to shareholders	—	—	—	—	—	(9,062)	(9,062)	(381)	(9,443)
Balance at the end of the year	9,062	66,650	12,949	4,835	14,329	70,602	178,427	4,893	183,320

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

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

	2018								
	Attributable to shareholders of the parent								
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at the beginning of the year	9,062	66,613	1,505	4,835	9,761	45,722	137,498	3,621	141,119
Movements in the current year	—	22	1,287	—	1,881	8,888	12,078	851	12,929
Net profit	—	—	—	—	—	18,019	18,019	415	18,434
Other comprehensive income/(loss) (Note VII 59)	—	—	1,287	—	—	—	1,287	(5)	1,282
Total comprehensive income	—	—	1,287	—	—	18,019	19,306	410	19,716
Non-controlling interests on acquisition of subsidiaries	—	—	—	—	109	(109)	—	505	505
Changes in ownership interests in subsidiaries without change of control	—	15	—	—	—	—	15	161	176
Share of other changes in equity of investees accounted for using the equity method	—	7	—	—	—	—	7	—	7
Profit distribution	—	—	—	—	1,772	(9,022)	(7,250)	(225)	(7,475)
Appropriations to general reserves	—	—	—	—	1,772	(1,772)	—	—	—
Profit distribution to shareholders	—	—	—	—	—	(7,250)	(7,250)	(225)	(7,475)
Balance at the end of the year	9,062	66,635	2,792	4,835	11,642	54,610	149,576	4,472	154,048

As at 31 December 2018, the balance of retained profits of the Group included RMB 2,418 million of the surplus reserves appropriated by the subsidiaries during the period and attributable to the parent.

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

	2017								
	Attributable to shareholders of the parent								
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at the beginning of the year	9,062	66,742	3,961	4,835	8,392	38,772	131,764	2,999	134,763
Movements in the current year	—	(129)	(2,456)	—	1,369	6,950	5,734	622	6,356
Net profit	—	—	—	—	—	14,662	14,662	329	14,991
Other comprehensive income/(loss) (Note VII 59)	—	—	(2,456)	—	—	—	(2,456)	(40)	(2,496)
Total comprehensive income	—	—	(2,456)	—	—	14,662	12,206	289	12,495
Changes in ownership interests in subsidiaries without change of control	—	(138)	—	—	—	—	(138)	645	507
Share of other changes in equity of investees accounted for using the equity method	—	9	—	—	—	—	9	—	9
Profit distribution	—	—	—	—	1,369	(7,712)	(6,343)	(312)	(6,655)
Appropriations to general reserves	—	—	—	—	1,369	(1,369)	—	—	—
Profit distribution to shareholders	—	—	—	—	—	(6,343)	(6,343)	(312)	(6,655)
Balance at the end of the year	9,062	66,613	1,505	4,835	9,761	45,722	137,498	3,621	141,119

As at 31 December 2017, the balance of retained profits of the Group included RMB 436 million of the surplus reserves appropriated by the subsidiaries during the period and attributable to the parent.

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2019	2018	2017
Cash flows from operating activities				
Cash received from premium income from direct insurance contracts		353,406	319,175	282,577
Net increase in policyholders' deposits and investments contract liabilities		9,006	3,467	5,368
Refund of taxes and surcharges		4	53	86
Cash received relating to other operating activities		4,732	3,674	1,202
Sub-total of cash inflows		367,148	326,369	289,233
Cash paid for claims under direct insurance contracts		(124,698)	(102,744)	(89,549)
Net cash paid under reinsurance contracts		(4,190)	(4,181)	(2,657)
Cash paid for commission and brokerage expenses		(47,924)	(54,765)	(47,917)
Cash paid for policyholder dividends		(8,602)	(6,528)	(4,412)
Cash paid to and on behalf of employees		(23,532)	(21,632)	(18,816)
Payments of taxes and surcharges		(12,227)	(14,242)	(10,285)
Cash paid relating to other operating activities	60	(34,180)	(32,828)	(29,546)
Sub-total of cash outflows		(255,353)	(236,920)	(203,182)
Net cash flows from operating activities	62	111,795	89,449	86,051
Cash flows from investing activities				
Cash received from disposal of investments		274,369	235,774	331,019
Cash received from returns on investments		61,689	52,836	55,230
Net cash received from disposal of subsidiaries and other business entities		3	—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		61	59	334
Cash received relating to other investing activities		—	226	—
Sub-total of cash inflows		336,122	288,895	386,583
Cash paid to acquire investments		(417,465)	(353,150)	(469,683)
Net increase in policy loans		(8,140)	(10,424)	(10,832)
Net cash paid to acquire subsidiaries and other business entities		(2,943)	(12,887)	(6,059)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,475)	(4,177)	(4,218)
Cash paid relating to other investing activities		(954)	(5)	—
Sub-total of cash outflows		(432,977)	(380,643)	(490,792)
Net cash flows used in investing activities		(96,855)	(91,748)	(104,209)

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

	Note VII	2019	2018	2017
Cash flows from financing activities				
Cash received from capital contributions		229	—	669
Net cash received from issuance of bonds		—	9,980	—
Increase in securities sold under agreements to repurchase, net		3,215	8,595	26,842
Cash received relating to other financing activities		6,515	3,435	1,537
Sub-total of cash inflows		9,959	22,010	29,048
Cash repayments of borrowings		(6,750)	(910)	(8,498)
Cash payments for distribution of dividends, profits or interest expenses		(12,211)	(9,544)	(9,921)
Cash paid relating to other financing activities		(1,542)	(2)	—
Sub-total of cash outflows		(20,503)	(10,456)	(18,419)
Net cash flows (used in)/from financing activities		(10,544)	11,554	10,629
Effects of exchange rate changes on cash and cash equivalents		29	80	(80)
Net increase/(decrease) in cash and cash equivalents	62	4,425	9,335	(7,609)
Add: Cash and cash equivalents at the beginning of the year	61,62	38,121	28,786	36,395
Cash and cash equivalents at the end of the year	61,62	42,546	38,121	28,786

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	31 December 2019	31 December 2018	31 December 2017
ASSETS				
Cash at bank and on hand		83	93	121
Financial assets at fair value through profit or loss	1	10	38	62
Securities purchased under agreements to resell	2	108	320	60
Interest receivables		499	519	457
Term deposits	3	2,000	500	500
Available-for-sale financial assets	4	29,143	29,081	24,776
Held-to-maturity financial assets	5	300	800	900
Investments classified as loans and receivables	6	12,449	6,976	5,419
Long-term equity investments	7	64,979	64,279	63,039
Investment properties	8	3,331	3,472	3,553
Fixed assets		1,750	1,891	1,814
Construction in progress		—	—	1
Right-of-use assets		11	—	—
Intangible assets		343	274	195
Deferred income tax assets		—	57	188
Other assets	9	1,191	366	1,013
Total assets		116,197	108,666	102,098
LIABILITIES AND EQUITY				
Securities sold under agreements to repurchase	10	1,540	1,840	140
Commission and brokerage payable		1	1	1
Employee benefits payable		247	200	208
Taxes payable		86	42	61
Interest payable		—	2	—
Deferred income tax liabilities		194	—	—
Lease liabilities		11	—	—
Other liabilities	11	828	1,007	919
Total liabilities		2,907	3,092	1,329
Issued capital		9,062	9,062	9,062
Capital reserves	12	66,164	66,164	66,164
Other comprehensive income/(loss)	14	867	56	(388)
Surplus reserves		4,531	4,531	4,531
Retained profits		32,666	25,761	21,400
Total equity		113,290	105,574	100,769
TOTAL LIABILITIES AND EQUITY		116,197	108,666	102,098

The accompanying notes from F-19 to F-191 form an integral psart of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2019	2018	2017
Operating income		18,349	13,572	18,313
Other income		6	2	—
Investment income	13	17,359	12,707	17,330
Gains/(losses) arising from changes in fair value		5	(9)	3
Exchange (losses)/gains		(5)	(112)	14
Other operating income		984	984	966
Operating expenses		(2,248)	(1,859)	(1,675)
Taxes and surcharges		(81)	(85)	(87)
Operating and administrative expenses		(1,843)	(1,509)	(1,358)
Interest expenses		(45)	(56)	(46)
Other operating expenses		(151)	(151)	(149)
Assets impairment losses		(128)	(58)	(35)
Operating profit		16,101	11,713	16,638
Add: Non-operating income		8	—	4
Less: Non-operating expenses		(15)	(3)	(1)
Profit before tax		16,094	11,710	16,641
Less: Income tax		(127)	(99)	(189)
Net profit		15,967	11,611	16,452
Classified by continuity of operations				
Net profit from continuing operations		15,967	11,611	16,452
Net profit from discontinued operations		—	—	—
Other comprehensive income/(loss)	14			
Other comprehensive income/(loss) to be reclassified to profit or loss				
Changes in fair value of available-for-sale financial assets		1,081	592	(676)
Income tax relating to available-for-sale financial assets		(270)	(148)	169
Other comprehensive income/(loss)		811	444	(507)
Total comprehensive income		16,778	12,055	15,945

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	2019					
	Issued capital	**Capital reserves**	**Other comprehensive income**	**Surplus reserves**	**Retained profits**	**Total equity**
Balance at the beginning of the year	9,062	66,164	56	4,531	25,761	105,574
Movements in the current year	—	—	811	—	6,905	7,716
Net profit	—	—	—	—	15,967	15,967
Other comprehensive income/(loss) (Note IX 14)	—	—	811	—	—	811
Total comprehensive income	—	—	811	—	15,967	16,778
Profit distribution	—	—	—	—	(9,062)	(9,062)
Profit distribution to shareholders	—	—	—	—	(9,062)	(9,062)
Balance at the end of the year	9,062	66,164	867	4,531	32,666	113,290

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

	2018					
	Issued capital	Capital reserves	Other comprehensive income/(loss)	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the year	9,062	66,164	(388)	4,531	21,400	100,769
Movements in the current year	—	—	444	—	4,361	4,805
Net profit	—	—	—	—	11,611	11,611
Other comprehensive income/(loss) (Note IX 14)	—	—	444	—	—	444
Total comprehensive income	—	—	444	—	11,611	12,055
Profit distribution	—	—	—	—	(7,250)	(7,250)
Profit distribution to shareholders	—	—	—	—	(7,250)	(7,250)
Balance at the end of the year	9,062	66,164	56	4,531	25,761	105,574

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

	2017					
	Issued capital	Capital reserves	Other comprehensive income/(loss)	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the year	9,062	66,164	119	4,531	11,291	91,167
Movements in the current year	—	—	(507)	—	10,109	9,602
Net profit	—	—	—	—	16,452	16,452
Other comprehensive income/(loss) (Note IX 14)	—	—	(507)	—	—	(507)
Total comprehensive income	—	—	(507)	—	16,452	15,945
Profit distribution	—	—	—	—	(6,343)	(6,343)
Profit distribution to shareholders	—	—	—	—	(6,343)	(6,343)
Balance at the end of the year	9,062	66,164	(388)	4,531	21,400	100,769

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 and 2017

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2019	2018	2017
Cash flows from operating activities				
Cash received relating to other operating activities		1,094	1,137	1,068
Sub-total of cash inflows		1,094	1,137	1,068
Cash paid to and on behalf of employees		(873)	(762)	(660)
Payments of taxes and surcharges		(213)	(272)	(270)
Cash paid relating to other operating activities		(832)	(728)	(547)
Sub-total of cash outflows		(1,918)	(1,762)	(1,477)
Net cash flows used in operating activities	15	(824)	(625)	(409)
Cash flows from investing activities				
Cash received from disposal of investments		13,145	14,591	24,518
Net cash received from disposal of subsidiaries and other business entities		3	—	—
Cash received from returns on investments		17,239	12,775	17,132
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1	9	—
Sub-total of cash inflows		30,388	27,375	41,650
Cash paid to acquire investments		(18,526)	(19,852)	(34,512)
Net cash paid to acquire subsidiaries and other business entities		(1,471)	(701)	(859)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(373)	(362)	(278)
Sub-total of cash outflows		(20,370)	(20,915)	(35,649)
Net cash flows from investing activities		10,018	6,460	6,001
Cash flows from financing activities				
Increase in securities sold under agreements to repurchase, net		—	1,700	140
Sub-total of cash inflows		—	1,700	140
Cash payments for distribution of dividends, profits or interest expenses		(9,108)	(7,303)	(6,389)
Decrease in securities sold under agreements to repurchase, net		(300)	—	—
Cash paid relating to other financing activities		(8)	—	—
Sub-total of cash outflows		(9,416)	(7,303)	(6,389)
Net cash flows used in financing activities		(9,416)	(5,603)	(6,249)
Effect of exchange rate changes on cash and cash equivalents		—	—	(1)
Net (decrease)/increase in cash and cash equivalents	15	(222)	232	(658)
Add: Cash and cash equivalents at the beginning of the year	15	413	181	839
Cash and cash equivalents at the end of the year	15	191	413	181

The accompanying notes from F-19 to F-191 form an integral part of these financial statements.

I. GENERAL INFORMATION

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

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

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

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

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

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

II. BASIS OF PREPARATION

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

Standard adopted for the first time for 2017

In 2017, the Ministry of Finance released the Accounting Standard for Business Enterprises No.42- Non-current assets held for sale, disposal group and termination of business operations and the revised Accounting Standard for Business Enterprises No. 16—Government Subsidies. The Group has prepared the financial statements for 2017, 2018 and 2019 based on the prospective application method. Though it has given rise to certain new or revised accounting policies, the adoption of those new or revised standards currently have had no significant impact on the Group's financial position and financial performance.

II. BASIS OF PREPARATION (continued)

Standard adopted for the first time for 2018

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 14—Revenue, which became effective on 1 January 2018. The Group has adopted this standard for the first time in the 2018 financial statements. The adoption of this revised standard currently has had no significant impact on the Group's financial position and financial performance.

Standard adopted for the first time for 2019

In 2018, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No.21—Leases (the "new standard on Leases"), which became effective on 1 January 2019. The Group has adopted this standard for the first time in the 2019 financial statements. The Group did not restate comparatives retrospectively and recognised the cumulative effect of applying this standard initially as an adjustment to the relevant line items in the financial statements as permitted under the specific transitional provisions in the standard. On 1 January 2019, the Group recognised the right-of-use assets of RMB 3,773 million and the lease liabilities of RMB 3,365 million.

For contracts entered into before the transition date, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. For leases previously classified as operating leases prior to the initial application date, the Group recognised lease liabilities and right-of-use assets in accordance with the new standard on Leases unless the leases were short-term or low-value asset leases. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. On the initial application date, the Group should apply the Accounting Standard for Business Enterprises No.8—Impairment of Assets to determine whether the right-of-use asset is impaired and make corresponding accounting treatment.

The Group applied the following practical expedients for leases previously classified as operating leases prior to the initial application date:

(1) the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

(2) the exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application;

(3) the use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease; and

(4) the accounting for final arrangement of lease terms without making retrospective adjustments for any changes in lease terms occurred prior to the beginning of the year of initial application.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.98%.

The difference between the operating lease commitments disclosed as at 31 December 2018 discounted using the lessee's incremental borrowing rate of at the date of initial application and the lease liabilities as on 1 January 2019 is not material.

II. BASIS OF PREPARATION (continued)

Standards effective but not yet adopted for 2018 and 2019

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

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

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

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

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

	As at 31 December 2019 Fair value	2019 Changes in fair value
Financial assets held for trading (A)	4,045	832
Financial assets managed and assessed for performance on a fair value basis (B)	886	(31)
Financial assets other than A or B		
—Financial assets that meet SPPI (C)	919,837	2,230
—Financial assets that do not meet SPPI	233,406	22,550
Total	1,158,174	25,581

	As at 31 December 2018 Fair value	2018 Changes in fair value
Financial assets held for trading (A)	7,344	(2,166)
Financial assets managed and assessed for performance on a fair value basis (B)	4,491	(2)
Financial assets other than A or B		
—Financial assets that meet SPPI (C)	831,894	38,878
—Financial assets that do not meet SPPI	161,879	(11,473)
Total	1,005,608	25,237

II. BASIS OF PREPARATION (continued)

	As at 31 December 2019 Carrying amounts	As at 31 December 2018 Carrying amounts
Credit risk rating grades of financial assets that meet SPPI (C)		
Domestic		
Exempt from rating[Note]	263,954	228,308
AAA	584,105	542,281
A–1	409	1,450
AA+	45,222	36,641
AA	1,780	1,214
Unrated	1,346	313
Overseas		
A– (inclusive) or above	420	192
BBB+	330	194
BBB	69	64
BBB–	15	10
BB+ (inclusive) or below	127	161
Total	897,777	810,828

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

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

	As at 31 December 2019	
	Carrying amount	Fair value
Financial assets not having low credit risks		
Domestic	3,126	3,126
Overseas	127	129
Total	3,253	3,255

	As at 31 December 2018	
	Carrying amount	Fair value
Financial assets not having low credit risks		
Domestic	1,527	1,527
Overseas	161	159
Total	1,688	1,686

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, and restricted statutory deposits, all meet SPPI requirements, and their carrying amounts approximate their fair values.

The financial statements are prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as at 31 December 2019, 31 December 2018 and 31 December 2017 and their financial performance, cash flows and other information for the years then ended.

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

Financial information in the financial statements of the Company and the Group for the years ended 31 December 2019, 2018 and 2017 are prepared in accordance with the following significant accounting policies and accounting estimates as determined under the Accounting Standards for Business Enterprises.

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

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

1. Accounting year

The Group adopts the calendar year as its accounting year, i.e. from 1 January to 31 December.

2. Reporting currency

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

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

3. Basis of accounting and measurement bases

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

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

4. Business combinations

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

Business combinations involving enterprises under common control

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

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

4. Business combinations (continued)

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

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

Business combinations involving enterprises not under common control

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

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

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

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

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

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

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

4. Business combinations (continued)

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

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

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

5. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the years ended 31 December 2019, 2018 and 2017. A subsidiary is an entity (including structured entities) over which the Company has control. Structured entities are entities where voting rights or other similar rights are not used as factors to determine the controlling party, such as when voting rights only relate to administrative tasks while related operation activities are arranged according to contractual agreements.

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

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

5. Consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

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

5. Consolidated financial statements (continued)

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

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

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

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

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

6. Cash equivalents

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

7. Foreign currency transactions

   Foreign currency transactions are converted into the reporting currency.

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

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

7. Foreign currency transactions (continued)

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

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

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

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

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

9. Policy loans

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

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

10. Long-term equity investments

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

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

    Long-term equity investments are measured at initial investment cost, and cash dividends or profits distribution declared by the investee are recognised as investment income for the current period. The

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

10. Long-term equity investments (continued)

Group recognises the cash dividends or profits distributed to the investee in accordance with the above provisions, and considers whether the long-term equity investments are impaired. Considering whether the long-term equity investments are impaired, the Group shall pay attention to whether the carrying amount of the long-term equity investment is higher than the share of the carrying amount of the net assets (including relevant goodwill) of the investee and other situations.

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

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

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

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

11. Investment properties

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

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

11. Investment properties (continued)

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

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

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

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

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

12. Fixed assets

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

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

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

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

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

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

13. Construction in progress

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

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

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

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

14. Intangible assets (continued)

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

The useful lives of major intangible assets are as follows:

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

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

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

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

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

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

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

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

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

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

15. Debt assets

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

Debt assets are accounted for at the fair value at the time of acquisition. The difference between the carrying amount of the restructured debts and the fair value of the acquired debt assets is offset against the provision for impairment of the restructured debts with the net change recognised in profit or loss for the current period. The debt assets are not depreciated or amortised. The recoverable amount of debt assets is assessed at the balance sheet date, tested for impairment, and adjusted as appropriate. The recoverable

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

15. Debt assets (continued)

amount of a debt asset is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset.

16. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

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

Classification and measurement of financial assets

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

Financial assets at fair value through profit or loss

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

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

16. Financial instruments (continued)

has to be settled by delivery of such equity instruments. These financial assets are subsequently measured using fair value, and all realised (such as dividends or interest income etc.) and unrealised profit or loss are recorded in profit or loss for the current period.

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated at fair value through profit or loss. Financial liabilities held for trading refer to financial liabilities satisfying one of the following conditions: the financial liabilities are assumed with the intention to repurchase in the near future; they belong to a part of identifiable financial instruments group under the centralised management, and there is objective evidence that the Group has recently managed the financial instruments group using short-term profit method; they belong to derivative instruments, excluding the derivative instruments that are designated with effective hedging, and those belong to financial guarantee contract, as well as the derivative instruments that are linked to equity instrument investments that are not

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

16. Financial instruments (continued)

quoted in an active market and whose fair value cannot be reliably measured and has to be settled by delivery of such equity instruments. These financial liabilities are subsequently measured at fair value, and all realised and unrealised profit or loss are recorded in profit or loss for the current period.

Other financial liabilities

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

Derivative financial instruments

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

Impairment of financial assets

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

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

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

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

16. Financial instruments (continued)

Financial assets at amortised cost

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

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

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

Available-for-sale financial assets

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

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

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

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

16. Financial instruments (continued)

Transfer of financial assets

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

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

Offsetting of financial assets and financial liabilities

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

17. Asset impairment

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

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

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

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

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

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

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

17. Asset impairment (continued)

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

18. Insurance security fund

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

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

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

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

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

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

19. Policyholders' deposits and investments

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

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

20. Definition of insurance contract

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

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

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

20. Definition of insurance contract (continued)

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

21. Significant insurance risk test

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

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

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

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

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

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

22. Insurance contract reserves

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

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

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

22. Insurance contract reserves (continued)

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

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

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

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

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

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

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

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

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

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment

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

22. Insurance contract reserves (continued)

portfolio, the discount rates are determined based on expected investment return rates of the underlying investment portfolios.

- The Group reasonably estimates the insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

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

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

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

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

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

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

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

23. Reinsurance

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

Ceded reinsurance

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

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

23. Reinsurance (continued)

contract reserves that would be recovered from reinsurers will be recognised as corresponding reinsurers' share of reserves as assets.

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

Reinsurance assumed

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

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

24. Non-insurance contract

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

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

25. Provisions

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

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

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

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

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

26. Dividend distribution

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

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

27. Revenue

Premium income

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

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

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

Initial policy fee and account management fee

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

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

Interest income

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

Management fee income

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

28. Policy dividends expenditure

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

29. Leases

In 2018, the Ministry of Finance released the revised "new standard on Leases", which has come into effect since 1 January 2019. The Group adopted this standard for the first time for 2019. The Group has adopted this standard in the financial statements as permitted under the specific transitional provisions in the standard.

Accounting policies applied for the year 2019

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

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

29. Leases (continued)

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

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

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

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

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

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

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

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

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

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

Accounting policies applied until 31 December 2018

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease. An operating lease is a lease other than a finance lease.

Rental incomes and lease payments under an operating lease are recognised as expense for the current period, on a straight-line basis over each period of the lease.

30. Government grants

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

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

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

30. Government grants (continued)

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

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

31. Income tax

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

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

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

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

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

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

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

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

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

31. Income tax (continued)

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

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

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

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

32. Employee benefits

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

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

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

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

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

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

33. Measured at fair value

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

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

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

34. Contingent liabilities

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

35. Summary of significant accounting judgements and accounting estimates

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

Significant judgements

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

(1) Classification of financial assets

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

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

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

(2) Unbundling and classification of hybrid contracts

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

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

(3) Measurement unit for insurance contracts

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

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

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

(5) Determination of control over structured entities

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

Estimation uncertainty

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

(1) Measurement of insurance contract reserves

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

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

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

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

Unearned premium reserves

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

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2017 were from 3.25% to 4.80%, as at 31 December 2018 were from 3.41% to 4.80% and as at 31 December 2019 were from 3.43% to 4.80%.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. The ranges of discount rates used as at 31 December 2017 were from 4.90% to 5.00%, the discount rates used as at 31 December 2018 and as at 31 December 2019 were 5.00%.

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

(b) Mortality and morbidity

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

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

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

(c) Loss ratios

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

(d) Surrender rates

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

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

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

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

(e) Expenses assumptions

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

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

(f) Policy dividend assumptions

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

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

Claim reserves

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

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

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

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

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

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

IV. CHANGE IN ACCOUNTING ESTIMATES

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

As at 31 December 2019, the Group used information available as at that balance sheet date to determine the above assumptions (mainly due to change of the morbidity assumption of certain products) and the impact of change in assumptions was charged to profit or loss. Such changes in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2019 by approximately RMB 8,077 million and a decrease in profit before tax for 2019 by approximately RMB 8,077 million.

As at 31 December 2018, the Group used information available as at that balance sheet date to determine the above assumptions and changes in insurance contract reserves and other policy-related liabilities resulted from changes in above assumptions were charged to profit or loss. Such change in accounting estimates resulted in a decrease in net insurance contract reserves and other policy-related liabilities as at 31 December 2018 by approximately RMB 497 million and an increase in profit before tax for 2018 by approximately RMB 497 million.

As at 31 December 2017, the Group used information available as at that balance sheet date to determine the above assumptions and changes in insurance contract reserves and other policy-related liabilities resulted from changes in above assumptions were charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract reserves and other policy-related liabilities as at 31 December 2017 by approximately RMB 9,024 million and a decrease in profit before tax for 2017 by approximately RMB 9,024 million.

V. TAXES

In 2019, the main types of taxes and tax rates applicable to the Group in China are set out below:

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

V. TAXES (continued)

In 2018, the main types of taxes and tax rates applicable to the Group in China are set out below:

Corporate income tax	—	25% on its taxable income under current tax laws and relevant regulations
VAT[(2)]	—	The taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) determined under current tax laws and relevant regulations, applicable tax rates: 3%, 5%, 6%, 10% or 16%
City maintenance and construction tax	—	1%, 5% or 7% of the VAT actually paid
Educational supplementary tax	—	3% of the VAT actually paid
Local educational supplementary tax	—	2%/1% of the VAT actually paid

In 2017, the main types of taxes and tax rates applicable to the Group in China are set out below:

Corporate income tax	—	25% on its taxable income under current tax laws and relevant regulations
VAT	—	The taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) determined under current tax laws and relevant regulations, applicable tax rates: 3%, 5%, 6%, 11% or 17%
City maintenance and construction tax	—	1%, 5% or 7% of the VAT actually paid
Educational supplementary tax	—	3% of the VAT actually paid
Local educational supplementary tax	—	2% of the VAT actually paid

(1) Pursuant to the *Circular on Announcement on Further Reformation of VAT Policies* ([2019] No. 39) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, the VAT taxable sales, which were previously subject to the tax rates of 16% and 10%, were subject to 13% and 9% respectively upon adjustment after 1 April 2019.

(2) Pursuant to the Circular on Adjustment of Tax Rate of VAT (Cai Shui [2018] No. 32) issued by the Ministry of Finance and the State Administration of Taxation, the VAT taxable sales, which were previously subject to the tax rates of 17% and 11%, were subject to 16% and 10% respectively upon adjustment after 1 May 2018.

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

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

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

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Issued capital/paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
CPIC Property	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	—	98.50	
CPIC Life	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	—	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd. ("CPIC H.K.")	Property and casualty insurance	Hong Kong	Hong Kong	HK$ 250,000 thousand	HK$ 250,000 thousand	100.00	—	100.00	
Shanghai Pacific Real Estate Co., Ltd. ("CPIC Real Estate")	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	—	100.00	
Ningbo Fenghua Xikou Garden Hotel Co., Ltd. ("Xikou Garden Hotel")	Hotel operations	Zhejiang	Zhejiang	27,277	27,277	—	98.39	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	—	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Investment management	Hong Kong	Hong Kong	HK$ 50,000 thousand	HK$ 50,000 thousand	49.00	50.83	100.00	
City Island Developments Limited ("City Island")	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	—	98.29	100.00	
Great Winwick Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	—	98.29	100.00	
Great Winwick (Hong Kong) Limited*	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	—	98.29	100.00	
Newscott Investments Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	—	98.29	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows: (continued)

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Issued capital/paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
Newscott (Hong Kong) Investments Limited*	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	—	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd.* ("Xinhui Real Estate")	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	—	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd.* ("Hehui Real Estate")	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	—	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	—	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Real estate	Tianjin	Tianjin	353,690	353,690	—	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Pension business investment, etc.	Shanghai	Shanghai	3,000,000	3,000,000	—	98.29	100.00	
CPIC Allianz Health Insurance Co., Ltd. ("CPIC Allianz Health")	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	—	77.05	
Anxin Agricultural Insurance Co., Ltd. ("Anxin")	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	—	51.35	52.13	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Medical consulting services, etc.	Shanghai	Shanghai	500,000	500,000	—	98.29	100.00	(1)
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Insurance agency	Shanghai	Shanghai	50,000	50,000	—	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Fund management	Shanghai	Shanghai	150,000	150,000	—	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Pension business investment, real estate	Chengdu	Chengdu	1,000,000	510,000	—	98.29	100.00	(2)
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Pension business investment, real estate	Hangzhou	Hangzhou	1,200,000	350,000	—	98.29	100.00	(3)
Taiji (Shanghai) Information Technology Co., Ltd.("Taiji Information Technology")	Technology development and consulting	Shanghai	Shanghai	15,000	4,600	—	100.00	100.00	(4)

* Subsidiaries of City Island

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 31 December 2019 are as follows: (continued)

   (1) Pacific Medical & Healthcare

   Pursuant to the resolution of the 4th meeting of the CPIC Life's 6th term of board of directors held in 2018. CPIC Life signed a capital injection contract with Pacific Medical & Healthcare, the Group's wholly-owned subsidiary, to inject capital to Pacific Medical & Healthcare by RMB 400 million. The CBIRC issued the 'Approval of CPIC Life's equity investment in Pacific Medical & Healthcare' (Yin Bao Jian Fu [2019] No.246) on 1 March 2019, Pacific Medical & Healthcare completed the modification of its business license on 7 May 2019.

   (2) Chengdu Project Company

   Chengdu 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 91510115MA6B4BEJ4P on 24 December 2018. The registered capital is RMB 1,000 million, CPIC Life made the capital contribution of RMB 400 million and RMB 110 million in 2018 and 2019, respectively. CPIC Life has made the capital contribution of RMB 510 million as at 31 December 2019.

   (3) 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 and CPIC Life has made the capital contribution of RMB 350 million as at 31 December 2019.

   (4) Taiji Information Technology

   On 14 March 2019, CPIC Online Services entered into a share transfer agreement with Zhonghe Xintai Investment (Fujian) Co., Ltd. to acquire 60% of the equity interests in Taiji information technology shares held by the latter with RMB 1.14 million. After this transaction, CPIC Online Services has shareholdings of 100% in Taiji information technology, and the Group has shareholdings of 100% of Taiji Information Technology through CPIC Online Services indirectly. Taiji Information Technology has modified its business license as at 31 December 2019.

VI. SCOPE OF CONSOLIDATION (continued)

2. Particulars of the Company's incorporated subsidiaries as at 31 December 2018 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Issued capital/paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
CPIC Property	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	—	98.50	
CPIC Life	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	—	98.29	
CPIC Asset Management	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
CPIC H.K	Property and casualty insurance	Hong Kong	Hong Kong	HK$ 250,000 thousand	HK$ 250,000 thousand	100.00	—	100.00	
CPIC Real Estate	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	—	100.00	
Xikou Garden Hotel	Hotel operations	Zhejiang	Zhejiang	27,277	27,277	—	98.39	100.00	(1)
Changjiang Pension	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	—	61.10	62.16	(2)
CPIC Investment (H.K.)	Investment management	Hong Kong	Hong Kong	HK$ 50,000 thousand	HK$ 50,000 thousand	49.00	50.83	100.00	
City Island	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	—	98.29	100.00	
Great Winwick Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	—	98.29	100.00	
Great Winwick (Hong Kong) Limited*	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	—	98.29	100.00	
Newscott Investments Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	—	98.29	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

2. Particulars of the Company's incorporated subsidiaries as at 31 December 2018 are as follows: (continued)

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Issued capital/paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
Newscott (Hong Kong) Investments Limited*	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	—	98.29	100.00	
Xinhui Real Estate	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	—	98.29	100.00	
Hehui Real Estate	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	—	98.29	100.00	
CPIC Online Services	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	—	100.00	
Tianjin Trophy	Real estate	Tianjin	Tianjin	353,690	353,690	—	98.29	100.00	
CPIC Senior Living Investment	Pension business investment, etc.	Shanghai	Shanghai	3,000,000	3,000,000	—	98.29	100.00	(3)
CPIC Allianz Health	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	—	77.05	(4)
Anxin	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	—	51.35	52.13	
Pacific Medical & Healthcare	Medical consulting services, etc.	Shanghai	Shanghai	100,000	100,000	—	98.29	100.00	(5)
Pacific Insurance Agency	Insurance agency	Shanghai	Shanghai	50,000	50,000	—	100.00	100.00	(6)
CPIC Funds	Fund management	Shanghai	Shanghai	150,000	150,000	—	50.83	51.00	(7)
Chengdu Project Company	Pension business investment, real estate.	Chengdu	Chengdu	1,000,000	400,000	—	98.29	100.00	(8)

* Subsidiaries of City Island

VI. SCOPE OF CONSOLIDATION (continued)

2. Particulars of the Company's incorporated subsidiaries as at 31 December 2018 are as follows: (continued)

(1) Xikou Garden Hotel

Xikou Garden Hotel was converted into a limited liability company in 2018 from the ownership of the whole people through enterprise restructuring. It obtained the new business license issued by Ningbo Fenghua State Administration for Market Regulation with the unified social credit code of 91330283726398994E in 2018. The company name was changed from Fenghua Xikou Garden Hotel to Ningbo Fenghua Xikou Garden Hotel Co., Ltd. after the restructuring, and the total registered capital increased to RMB 27.28 million from RMB 8 million.

(2) Changjiang Pension

On 27 April 2018, CPIC Life signed a transfer of capital agreement with Changjiang Pension, and agreed to participate in the Changjiang Pension capital transfer program. According to the agreement, the registered capital of Changjiang Pension increased RMB 966 million, of which RMB 64 million was from retained profits and RMB 902 million from capital reserves. After this capital injection, the total registered capital of Changjiang Pension was changed to RMB 3 billion. CPIC Life's ownership in Changjiang Pension is 62.16% while the Company's ownership in Changjiang Pension is 61.10% indirectly through CPIC Life. The CBIRC approved the change of registered capital of Changjiang Pension by issuing the Approval of Changing Registered Capital of Changjiang Pension (Yin Bao Jian Xu Ke [2018] No.464) on 27 June 2018, and approved the change of articles of corporation by issuing the Approval of Changing Articles of Corporation of Changjiang Pension (Yin Bao Jian Xu Ke [2018] No.630) on 23 July 2018.

(3) CPIC Senior Living Investment

Pursuant to the resolution of the shareholders' meeting of CPIC Life, the Group's subsidiary, held in 2018 and the 1st meeting of the CPIC Life's 6th term of board of directors, CPIC Life signed a capital increase agreement with CPIC Senior Living Investment, the Group's subsidiary, to inject capital into CPIC Senior Living Investment in the amount of RMB 2,781 million. After this capital injection, the total registered capital of CPIC Senior Living Investment was changed to RMB 3 billion. The CBIRC issued the Approval of CPIC Life's Equity Investment in CPIC Senior Living Investment (Yin Bao Jian Xu Ke [2018] No.729) on 22 August 2018. CPIC Senior Living Investment completed the change of its business license on 18 September 2018.

(4) CPIC Allianz Health

On 8 November 2017, the Company signed a capital increase agreement with CPIC Allianz Health, whereby the Company acquired 539,357,000 shares of common stocks at RMB 1 per share issued by CPIC Allianz Health. After this capital injection, the Company's ownership in CPIC Allianz Health will be 77.05%. The CBIRC approved the change of registered capital of CPIC Allianz Health by issuing the Approval of Changing Registered Capital of CPIC Allianz Health (Yin Bao Jian Xu Ke [2018] No.1) on 22 March 2018. CPIC Allianz Health completed the change of its business license on 13 April 2018.

(5) Pacific Medical & Healthcare

CPIC Life invested RMB 100 million to set up Pacific Medical & Healthcare. The CIRC issued the Approval of CPIC Life's Equity Investment in Pacific Medical & Healthcare' (Bao Jian Xu Ke [2017] No.1050) on 18 August 2017. Pacific Medical & Healthcare obtained the business license with the unified social credit code of 91310101MA1FP9K43U on 11 January 2018, with the registered capital of RMB 100 million.

VI. SCOPE OF CONSOLIDATION (continued)

2. Particulars of the Company's incorporated subsidiaries as at 31 December 2018 are as follows: (continued)

(6) Pacific Insurance Agency

Pacific Insurance Agency set up by CPIC Online Services was approved by CBIRC to carry out insurance agency business on 2 July 2018 (Yin Bao Jian Xu Ke [2018] No.488). Pacific Insurance Agency has obtained the business license with the unified social credit code of 91310104MA1FR59M09, with the registered capital of RMB 50 million.

(7) CPIC Funds

CPIC Asset Management acquired 51% equity interests of CPIC Funds held by Guotai Junan Securities Co., Ltd. (the "Transaction"). The Transaction was carried out by public tendering on Shanghai United Assets and Equity Exchange. The Company's bidding price for the target of the Transaction was RMB 1,045 million and the final price of the Transaction was RMB 1,045 million. After the Transaction, CPIC Asset Management's ownership in CPIC Funds would be 51% while the Company would hold 50.83% of CPIC Funds' ownership indirectly through CPIC Asset Management. According to *the Approval of CPIC Asset Management's Share Acquisition of CPIC Funds* (Bao Jian Xu Ke [2017] No.873), the acquisition was approved by the CIRC on 26 July 2017. According to *the Letter of Decision that No Further Examination on the Concentration of Anti-monopoly Examination by the Ministry of Commerce* (Shang Fan Long Chu Shen Han [2018] No.17), the acquisition was approved by the Ministry of Commerce on 9 January 2018. According to *the Approval of CPIC Funds' Change of Equity* (Zheng Jian Xu Ke [2018] No.557), the acquisition was approved by the CSRC on 28 March 2018. On 25 April 2018, CPIC Funds held the 1st meeting of the Company's 5th term of board of directors and 55th meeting of the shareholders' meeting. The meeting approved and authorised resolutions regarding the appointment of CPIC Funds' chairman and etc. CPIC Funds completed the change of business license on 27 April 2018.

The business combination was a business combination not under common control, the information as at the acquisition date are as follows:

VI. SCOPE OF CONSOLIDATION (continued)

2. Particulars of the Company's incorporated subsidiaries as at 31 December 2018 are as follows: (continued)

(7) CPIC Funds (continued)

(a) Business combinations not under common control

Acquiree	Transaction date	Purchase cost	Percentage of equity acquired	Acquisition method	Acquisition date	Basis of acquisition date	Acquiree's revenue from acquisition date to 31 December 2018	Acquiree's net profit from acquisition date to 31 December 2018	Acquiree's net cash flow from operating activities from acquisition date to 31 December 2018	Acquiree's net cash flow from acquisition date to 31 December 2018
CPIC Funds	25 April 2018	RMB 920.05 million	51.00%	Public tender	30 April 2018	Board of directors and shareholders meeting	124	9	(48)	(53)

VI. SCOPE OF CONSOLIDATION (continued)

2. Particulars of the Company's incorporated subsidiaries as at 31 December 2018 are as follows: (continued)

(7) CPIC Funds (continued)

(b) Acquisition cost and goodwill

	CPIC Funds
Acquisition cost	
Cash	1,045
Less: Dividend declared but not distributed	(125)
Less: Fair value of net identifiable assets acquired by the Group	(525)
Goodwill	395

(c) The fair values and carrying amounts of the identifiable assets and liabilities as at the acquisition date are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2017 Carrying amount
Cash at bank and on hand	309	309	276
Financial assets at fair value through profit or loss	360	360	352
Securities purchased under agreements to resell	—	—	3
Interest receivables	3	3	4
Available-for-sale financial assets	22	22	22
Fixed assets	10	8	9
Construction in progress	1	1	—
Intangible assets	660	6	7
Deferred income tax assets	44	44	44
Other assets	53	53	69
Total assets	1,462	806	786
Less: Employee benefits payable	(101)	(101)	(89)
Taxes payable	(2)	(2)	(4)
Deferred income tax liabilities	(164)	—	—
Other liabilities	(165)	(165)	(181)
Total liabilities	(432)	(268)	(274)
Net assets	1,030	538	512
Less: Non-controlling interests	(505)		
Net assets acquired	525		

When determining the fair values of the identifiable assets and liabilities as at the acquisition date, the Group adopted income approach on the license recognised in the intangible assets, adopted cost method on trademark rights, adopted market approach on software license, and adopted replacement cost method and market approach on the transportation and other equipment recognised in property and equipment.

Except the assets listed above, the fair values of CPIC Funds' identifiable net assets approximated their carrying amounts as at the acquisition date.

(8) Chengdu Project Company

Chengdu Project Company set up by CPIC Life, has obtained the business license with the unified social credit code of 91510115MA6B4BEJ4P on 24 December 2018. The registered capital is RMB 1,000 million. CPIC Life has made the capital contribution of RMB 400 million as of 31 December 2018.

VI. SCOPE OF CONSOLIDATION (continued)

3. Shanghai Nanshanju Xuhong Nursing Home Co., Ltd. ("Nan Shan Ju"), the CPIC Aging Investment's subsidiary, was registered in Shanghai with a paid-in capital of RMB 15 million. Nan Shan Ju completed the liquidation work in 2018, and completed the termination procedures on 4 September 2018.

4. Particulars of the Company's incorporated subsidiaries as at 31 December 2017 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Issued capital/paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
						Direct	Indirect		
CPIC Property	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	—	98.50	
CPIC Life	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	—	98.29	
CPIC Asset Management	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	(1)
CPIC H.K.	Property and casualty insurance	Hong Kong	Hong Kong	HK$ 250,000 thousand	HK$ 250,000 thousand	100.00	—	100.00	
CPIC Real Estate	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	—	100.00	
Xikou Garden Hotel	Hotel operations	Zhejiang	Zhejiang	8,000	8,000	—	98.39	100.00	
Changjiang Pension	Pension business and investment management	Shanghai	Shanghai	1,446,415	1,446,415	—	61.10	62.16	(2)
CPIC Investment (H.K.)	Investment management	Hong Kong	Hong Kong	HK$ 50,000 thousand	HK$ 50,000 thousand	49.00	50.83	100.00	
City Island	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	—	98.29	100.00	
Great Winwick Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	—	98.29	100.00	
Great Winwick (Hong Kong) Limited*	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	—	98.29	100.00	
Newscott Investments Limited*	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	—	98.29	100.00	
Newscott (Hong Kong) Investments Limited*	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	—	98.29	100.00	
Xinhui Real Estate*	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	—	98.29	100.00	
Hehui Real Estate*	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	—	98.29	100.00	
CPIC Online Services	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	—	100.00	
Tianjin Trophy	Real estate	Tianjin	Tianjin	353,690	353,690	—	98.29	100.00	
CPIC Senior Living Investment	Pension business investment, etc.	Shanghai	Shanghai	219,000	219,000	—	98.29	100.00	
CPIC Allianz Health	Health insurance	Shanghai	Shanghai	1,000,000	1,000,000	77.05	—	77.05	
Nan Shan Ju	Pension services	Shanghai	Shanghai	20,000	15,000	—	98.29	100.00	
Anxin	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	—	51.35	52.13	

* Subsidiaries of City Island

VI. SCOPE OF CONSOLIDATION (continued)

4. Particulars of the Company's incorporated subsidiaries as at 31 December 2017 are as follows: (continued)

   (1) CPIC Asset Management

   In 2017, the Company, CPIC Life and CPIC Property made a combined additional capital contribution of RMB 800 million to CPIC Asset Management, including RMB 400 million in monetary contribution and RMB 400 million that had been converted from retained profits into paid-in capital, to increase registered capital of CPIC Asset Management to RMB 2,100 million. After this capital injection, the shareholdings of the Company, CPIC Life and CPIC Property in CPIC Asset Management were 80%, 16%, and 4% respectively. The CIRC approved the change of registered capital of CPIC Asset Management through its Decision regarding the Change of Registered Capital of CPIC Asset Management (Bao Jian Xu Ke [2017] No.1401) issued on 14 December 2017. CPIC Asset Management completed its change of business license on 15 December 2017.

   (2) Changjiang Pension

   On 12 May 2017, CPIC Life entered into a capital increase agreement with Changjiang Pension to acquire 491.5127 million shares of Changjiang Pension at RMB 3.0358 per share. After this capital increase, CPIC Life had a shareholding of 62.16% in Changjiang Pension, while the Company indirectly held 61.10% of the equity interests in Changjiang Pension through CPIC Life. The CIRC approved the changes of registered capital and the articles of association of Changjiang Pension through its Decision regarding the Change of Registered Capital of Changjiang Pension (Bao Jian Xu Ke [2017] No.1044) issued on 1 September 2017 and Decision regarding the Change of the Articles of Association of Changjiang Pension (Bao Jian Xu Ke [2017] No.1221) issued on 18 October 2017. Changjiang Pension completed its change of business license on 1 November 2017.

VI. SCOPE OF CONSOLIDATION (continued)

5. As at 31 December 2019, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in thousand)	Nature of business
CPIC Zengfu Annually Open Pure Type Launching Securities Investment Fund	100.00%	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund	100.00%	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-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.
Pacific Excellent Wealth Focus Dividend & Value Equity	98.08%	908,712	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hong Kong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, term deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.). The product could also be invested in stock index futures (limited to hedging).

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

VI. SCOPE OF CONSOLIDATION (continued)

6. As at 31 December 2018, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in thousand)	Nature of business
CPIC Zengfu Annually Open Pure Type Launching Securities Investment Fund	100.00%	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund	100.00%	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CNMC Debt Investment Plan (Phase I)	53.91%	2,430,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.
Pacific Excellent Wealth Focus Dividend &Value Equity	99.28%	905,760	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hong Kong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, term deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.). The product could also be invested in stock index futures (limited to hedging).

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

VI. SCOPE OF CONSOLIDATION (continued)

7. As at 31 December 2017, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in thousand)	Nature of business
Pacific Excellent Wealth CSI 300 Index	100.00%	3,048,052	Investing in financial instruments with good liquidity, including CSI 300 Index Constituent and Proxy Stocks. In addition, to successfully achieve the investment goal, this product also allocates a few investments in non-constituent stocks to be listed in CSI 300 Index Constituent Stocks, stocks newly-issued or additionally-issued in the primary market, government bond to be due within one year, exchange repo, demand deposits at bank, funds in monetary market, etc. Product Manager may bring other financial instruments that are allowed by laws and regulations or regulators into the scope of investment after implementation of proper procedures.
CNMC Debt Investment Plan (Phase I)	62.98%	2,080,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.
Pacific Excellent Wealth Focus Dividend &Value Equity	100.00%	895,298	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hong Kong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, term deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.). The product could also be invested in stock index futures (limited to hedging).
Pacific Well-selected Growth Equity	100.00%	637,463	Investing in financial instruments with good liquidity, including legally listed domestic stocks (including stocks listed in SME, GEM and others approved by CSRC), bonds (including national debts, financial bonds, subordinated bonds, central bank bills, corporate bonds, local government bonds, convertible bonds, detachable bonds, medium-term notes, short-term financing bonds, bond repurchases, etc.), money market funds, structured fund with fixed income characteristics (senior tranche), bond funds, credit assets backed securities, bank deposits (including current deposits, term deposits, agreement deposits, etc.) and other financial instruments that regulators may allow in the future (subject to relevant regulatory authorities).

Note: CPIC Asset Management is the asset manager of the consolidated structured entities.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

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

		31 December 2018		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	12,409	1.00000	12,409
	USD	109	6.86320	748
	HKD	1,236	0.87620	1,083
	Sub-total			14,240
Other cash balances	RMB	1,056	1.00000	1,056
	USD	4	6.86320	27
	Sub-total			1,083
Total				15,323

		31 December 2017		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	9,436	1.00000	9,436
	USD	152	6.53420	993
	HKD	301	0.83591	252
	Sub-total			10,681
Other cash balances	RMB	972	1.00000	972
	USD	1	6.53420	7
	Sub-total			979
Total				11,660

As at 31 December 2019, the Group's cash at bank and on hand deposited overseas amounted to RMB 779 million, as at 31 December 2018 amounted to RMB 1,356 million, as at 31 December 2017 amounted to RMB 855 million.

As at 31 December 2019, RMB 371 million in the Group's cash at bank and on hand balance were restricted for special-purpose use. As at 31 December 2018, RMB 297 million in the Group's cash at bank and on hand balance were restricted for special-purpose use.

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Government bonds	11	173	128
Finance bonds	253	121	246
Corporate bonds	3,224	2,945	1,530
Wealth management products	11	5	—
Debt investment plan	3	2	—
Equity investments			
Funds	320	2,018	2,959
Stocks	237	2,087	9,665
Wealth management products	277	3,903	1,137
Investments in other equity instruments	595	581	522
Total	4,931	11,835	16,187

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 31 December 2019 amounted to RMB 886 million, as at 31 December 2018 amounted to RMB 4,491 million, as at 31 December 2017 amounted to RMB 2,072 million. The rest are trading assets, with no material limitation in realisation.

3. Securities purchased under agreements to resell

	31 December 2019	31 December 2018	31 December 2017
Securities—bonds			
Inter-bank market	25,028	11,910	14,232
Stock exchange	3,017	11,185	2,894
Total	28,045	23,095	17,126

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

4. Premium receivables

	31 December 2019	31 December 2018	31 December 2017
Premium receivables	18,439	12,440	8,785
Less: Provision for bad debts	(523)	(377)	(293)
Net value	17,916	12,063	8,492

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Premium receivables (continued)

Premium receivables are analysed by category as follows:

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

	31 December 2018			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	12,418	100%	(355)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	22	0%	(22)	100%
	12,440	100%	(377)	3%

	31 December 2017			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	8,486	97%	(263)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	299	3%	(30)	10%
	8,785	100%	(293)	3%

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

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Premium receivables (continued)

	31 December 2018			
Aging	**Ending balance**	**% of total balance**	**Provision for bad debts**	**Net value**
Within 3 months (inclusive)	4,860	39%	(46)	4,814
3 months to 1 year (inclusive)	5,560	45%	(57)	5,503
Over 1 year	2,020	16%	(274)	1,746
Total	12,440	100%	(377)	12,063

	31 December 2017			
Aging	**Ending balance**	**% of total balance**	**Provision for bad debts**	**Net value**
Within 3 months (inclusive)	4,023	46%	(24)	3,999
3 months to 1 year (inclusive)	3,355	38%	(40)	3,315
Over 1 year	1,407	16%	(229)	1,178
Total	8,785	100%	(293)	8,492

Premium receivables are analysed by line of products as follows:

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Premium receivables (continued)

	31 December 2018			
Category	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Automobile insurance	117	1%	(14)	103
Commercial property insurance	590	5%	(60)	530
Liability insurance	850	7%	(35)	815
Accident insurance	181	1%	(29)	152
Engineering insurance	1,562	13%	(67)	1,495
Guarantee insurance	3,891	31%	(47)	3,844
Agricultural insurance	1,556	13%	(48)	1,508
Other insurances	1,176	9%	(77)	1,099
Sub-total	9,923	80%	(377)	9,546
Life and health insurance:				
Long-term insurance	1,763	14%	—	1,763
Short-term insurance	754	6%	—	754
Sub-total	2,517	20%	—	2,517
Total	12,440	100%	(377)	12,063

	31 December 2017			
Category	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Automobile insurance	113	1%	(13)	100
Commercial property insurance	586	7%	(57)	529
Liability insurance	415	5%	(27)	388
Accident insurance	101	1%	(18)	83
Engineering insurance	1,538	18%	(57)	1,481
Guarantee insurance	1,520	17%	(10)	1,510
Agricultural insurance	1,303	15%	(20)	1,283
Other insurances	905	10%	(91)	814
Sub-total	6,481	74%	(293)	6,188
Life and health insurance:				
Long-term insurance	1,836	21%	—	1,836
Short-term insurance	468	5%	—	468
Sub-total	2,304	26%	—	2,304
Total	8,785	100%	(293)	8,492

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

	31 December 2019	31 December 2018	31 December 2017
Total amount of the top five Premium receivables	610	422	315
Total provision for bad debts	(1)	(14)	(36)
% of total balance of Premium receivables	3%	3%	4%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Premium receivables (continued)

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

5. Reinsurance receivables

	31 December 2019	31 December 2018	31 December 2017
Reinsurance receivables	5,507	7,111	7,992
Less: Provision for bad debts	(167)	(162)	(151)
Net value	5,340	6,949	7,841

Reinsurance receivables are analysed by category as follows:

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

	31 December 2018			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	6,982	98%	(116)	2%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	129	2%	(46)	36%
Total	7,111	100%	(162)	2%

	31 December 2017			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	7,902	99%	(109)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	90	1%	(42)	47%
Total	7,992	100%	(151)	2%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Reinsurance receivables (continued)

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

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

	31 December 2018			
Aging	**Ending balance**	**% of total balance**	**Provision for bad debts**	**Net value**
Within 3 months (inclusive)	6,024	85%	—	6,024
3 months to 1 year (inclusive)	857	12%	—	857
Over 1 year	230	3%	(162)	68
Total	7,111	100%	(162)	6,949

	31 December 2017			
Aging	**Ending balance**	**% of total balance**	**Provision for bad debts**	**Net value**
Within 3 months (inclusive)	4,796	60%	—	4,796
3 months to 1 year (inclusive)	3,022	38%	—	3,022
Over 1 year	174	2%	(151)	23
Total	7,992	100%	(151)	7,841

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

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

	31 December 2018		
Reinsurer/Broker	**Ending balance (including accrual)**	**% of total balance**	**Provision for bad debts**
China Property & Casualty Reinsurance Company Ltd.	1,159	16%	—
Munich Reinsurance Company	975	14%	—
Swiss Reinsurance Company Ltd.	778	11%	—
China Life Reinsurance Company Ltd.	647	9%	—
Taiping General Insurance Co., Ltd.	346	5%	(2)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Reinsurance receivables (continued)

	31 December 2017		
Reinsurer/Broker	**Ending balance (including accrual)**	**% of total balance**	**Provision for bad debts**
Qianhai Reinsurance Co., Ltd.	1,646	21%	—
China Property & Casualty Reinsurance Company Ltd.	1,584	20%	—
Munich Reinsurance Company	1,307	16%	—
Swiss Reinsurance Company Ltd.	740	9%	—
China Life Reinsurance Company Ltd.	360	5%	—

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

6. Interest receivables

	31 December 2019	31 December 2018	31 December 2017
Interest receivables from debt investments	13,398	13,504	12,273
Interest receivables from deposits	4,675	4,648	3,657
Interest receivables from loans	1,453	1,137	835
Interest receivables from securities purchased under agreements to resell	6	20	9
Sub-total	19,532	19,309	16,774
Less: Provision for bad debts	(39)	(27)	(17)
Net value	19,493	19,282	16,757

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

7. Term deposits

Term to maturity	31 December 2019	31 December 2018	31 December 2017
Within 3 months (inclusive)	21,997	14,134	3,493
3 months to 1 year (inclusive)	2,939	12,993	18,876
1 to 2 years (inclusive)	15,800	23,589	25,030
2 to 3 years (inclusive)	16,470	16,200	24,090
3 to 4 years (inclusive)	41,080	16,400	16,200
4 to 5 years (inclusive)	48,770	41,080	16,300
Over 5 years	700	4,000	—
Total	147,756	128,396	103,989

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Available-for-sale financial assets

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

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Government bonds	79,646	78,692	47,383
Finance bonds	41,683	32,257	40,720
Corporate bonds	183,083	169,258	140,860
Wealth management products	2,985	304	459
Equity investments			
Funds	48,425	38,068	35,326
Stocks	90,373	48,913	49,294
Wealth management products	452	3,281	19,447
Preferred shares	13,621	7,765	7,764
Investments in other equity instruments	51,554	37,330	27,615
Total	511,822	415,868	368,868

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

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Fair value	307,397	280,511	229,422
Including: Amortised cost	301,451	275,672	241,903
Accumulated amount recognised in other comprehensive income/(loss)	6,567	5,137	(12,144)
Total impairment provisions	(621)	(298)	(337)
Equity investments			
Fair value	204,425	135,357	139,446
Including: Cost	182,766	135,290	127,353
Accumulated amount recognised in other comprehensive income/(loss)	23,707	1,372	13,395
Total impairment provisions	(2,048)	(1,305)	(1,302)
Total			
Fair value	511,822	415,868	368,868
Including: Amortised cost/Cost	484,217	410,962	369,256
Accumulated amount recognised in other comprehensive income/(loss)	30,274	6,509	1,251
Total impairment provisions	(2,669)	(1,603)	(1,639)

9. Held-to-maturity financial assets

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Government bonds	109,730	77,279	71,145
Finance bonds	100,276	110,425	109,765
Corporate bonds	85,288	97,040	106,587
Sub-total	295,294	284,744	287,497
Less: Provision for impairment	(47)	—	—
Net Value	295,247	284,744	287,497

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Held-to-maturity financial assets (continued)

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Group's intention and ability to hold these assets were evaluated by itself and proved unchanged.

10. Investments classified as loans and receivables

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Finance bonds	2,000	2,600	2,699
Debt investment plan	151,446	134,041	92,844
Wealth management products	138,528	103,374	89,205
Preferred shares	32,000	32,000	32,000
Loans	236	—	—
Sub-total	324,210	272,015	216,748
Less: Provision for impairment	(197)	—	—
Net Value	324,013	272,015	216,748

As at 31 December 2019, 31 December 2018 and 31 December 2017, CPIC Asset Management, a subsidiary of the Company, had 81, 70 and 67 existing debt investment plans issued by it with a total value of RMB 117.469 billion, 111.412 billion and 106.122 billion respectively. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 54.941 billion, RMB 47.993 billion and RMB 39.472 billion were recognised on the Group's consolidated financial statement. As at 31 December 2019, 31 December 2018 and 31 December 2017, Changjiang Pension, a subsidiary of the company, had 57, 47, and 41 existing debt investment plans issued by it with a total value of RMB 101.912 billion, RMB 87.740 billion and RMB 65.105 billion respectively. Of these, the existing amounts of investment classified as loans and receivables with a book value of approximately RMB 34.816 billion, RMB 30.165 billion and RMB 19.211 billion were recognised on the Group's consolidated financial statement. Meanwhile, as at 31 December 2019, 31 December 2018 and 31 December 2017, 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 61.689 billion, RMB 55.883 billion and RMB 34.161 billion respectively. The amount of debt investment plans guaranteed by a third party or by pledge that invested by the Group is about RMB 108.991 billion, RMB 98.467 billion and RMB 73.979 billion respectively. 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 its carrying amount.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments

	31 December 2019							
	Investment cost	Opening balance	Increase in the current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance
Equity method:								
Joint venture								
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui")	11	12	—	—	—	—	—	12
Taiyi (Shanghai) Information Technology Co., Ltd. ("Taiyi Information Technology")	5	2	—	—	—	—	—	2
Hangzhou Dayu Internet Technology Co., Ltd. ("Dayu Technology")	3	5	—	1	—	—	—	6
Aizhu (Shanghai) Information Technology Co., Ltd. ("Aizhu Information")	1	1	—	(1)	—	—	—	—
Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes")	25	17	—	(4)	—	—	—	13
Shanghai Dabaoguisheng Information Technology Co., Ltd. ("Dabaoguisheng")	10	7	—	—	—	—	—	7
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,831	—	3	—	—	—	9,834
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea")	6	6	—	(1)	—	—	—	5
Sub-total	9,896	9,881	—	(2)	—	—	—	9,879

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

	31 December 2019								
	Investment cost	Opening balance	Increase in the current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Transfer out due to business combination	Ending balance
Equity method:									
Associate									
Taiji Information Technology	2	1	—	1	—	—	—	(2)	—
Shanghai Juche Information Technology Co., Ltd. ("Juche")	3	8	—	1	—	—	—	—	9
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	17	21	—	2	—	11	—	—	34
Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital")	100	63	—	3	—	—	—	—	66
Shanghai Dedao Co., Ltd. ("Dedao")	5	1	—	—	—	—	—	—	1
Shanghai Xingongying Information Technology Co., Ltd. ("Xingongying")	81	63	—	(9)	—	4	—	—	58
Shanghai Heji Business Management LP. ("Heji")	500	496	—	8	—	—	(27)	—	477
Changjiang Pension—China National Chemical Corporation Infrastructure Debt investment plan ("CHEMCHINA Debt Investment Plan")	2,160	2,164	—	116	—	—	(116)	—	2,164
Changjiang Pension—Sichuan Railway Xugu Highway Investment Infrastructure Debt investment plan ("Sichuan Railway Investment Plan")	250	250	—	14	—	—	(14)	—	250
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,475	—	159	—	—	(120)	—	2,514
Changjiang Pension—Yunnan Energy Investment Infrastructure Debt investment plan ("Yunnan Energy Investment Plan")	3,610	2,049	1,565	213	—	—	(210)	—	3,617
Beijing More Health Technology Group Co., Ltd.("Beijing Miaoyijia")	413	—	413	(26)	—	—	—	—	387
Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang")	474	—	474	12	—	—	—	—	486
Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health")	500	—	500	—	—	—	—	—	500
Sub-total	10,531	7,591	2,952	494	—	15	(487)	(2)	10,563
Total	20,427	17,472	2,952	492	—	15	(487)	(2)	20,442

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

On 25 September 2015, CPIC Property and CPIC Online Services entered into a share transfer agreement with Shanghai Bochen Business Information Consulting Firm, Shanghai Shiji Investment Management LLP, and Jun Fan, among other natural person shareholders, to acquire a combined total of 33.6% of the equity interests in Zhongdao held by the latter. After this transfer, CPIC Property and CPIC Online Services had shareholdings of 25.6% and 8% in Zhongdao respectively. In 2019, Shanghai Sudao Management Consulting Centre LLP., Hangzhou Yuanningruixin Investment Management LLP and Ningbo Meishan Bonded Area Youning Investment LLP became shareholders of Zhongdao, and the total registered capital increased to RMB 63 million. CPIC Property's shareholding in Zhongdao became 20.32%, and CPIC Online Services's shareholding in Zhongdao became 6.35% respectively.

On 18 September 2015, CPIC Property and Xingongying entered into a business partnership agreement for RMB 40 million, and at the same time, entered into a share transfer agreement with Xingongying and its individual shareholder Wenjian Zhang to acquire 6.63% of the equity interests of Xingongying. On 31 December 2016, CPIC Online Services entered into a capital increase agreement with Xingongying and two other companies to make an additional contribution of RMB 0.73 million. After this capital injection, CPIC Online Services held 1.62% of the equity interests in Xingongying. On 10 January 2017, CPIC Property entered into a capital increase agreement with Xingongying, seven other companies and six natural person shareholders to make an additional contribution of RMB 40 million. In 2019, the shareholders of Xingongying changed, and the total registered capital increased to RMB 3.106 million. CPIC Property's shareholding in Xingongying became 6.29%, and CPIC Online Services's shareholding in Xingongying became 0.67% respectively.

On 10 September 2015, CPIC Property, CPIC Online Services, Shanghai Huizhong Investment Management LLP, Shanghai Taihui Investment Management LLP, and Suzhou Industrial Area 825 New Media Investment Management LLP jointly set up Juche, which had an approved operating period of 20 years and a registered capital of RMB 5 million, including a first capital contribution of RMB 1.6 million from CPIC Property for a shareholding of 32% and a first capital contribution of RMB 0.8 million from CPIC Online Services for a shareholding of 16%. In 2016, additional capital contributions from new shareholders, namely Ningbo Chunfeng Investment Co., Ltd. and Shanghai Huitian Car Services Limited, increased the registered capital of Juche to RMB 5.88 million, while the shareholdings of CPIC Property and CPIC Online Services decreased to 27.2% and 13.6% respectively. In 2019, CPIC Property, CPIC Online Services entered into a share transfer contract with Shanghai Jingyang Business Informaiton Consulting Co., Ltd., CPIC Property transferred 2% and CPIC Online Services transferred 1% of the shares of Juche, with a total consideration of RMB 3 million. After this transaction, CPIC Property held 25.2% shares of Juche, and CPIC Online Services held 12.6% shares of Juche, respectively.

CPIC Life, Shanghai Yizong Equity Investment Fund Management Co., Ltd., Shanxi Guantian Capital Management Limited and Shanghai Dongjin Industrial Co., Ltd. set up Jiaxing Yishang with operating period of 50 years and registered capital of RMB 1,002 million. Among all, CPIC Life stands for 94.81% shares, its subscribed capital contribution reaches RMB 950 million and its injected capital of RMB 474.05 million in 2019.

Pacific Medical & Healthcare and CPIC Senior Living Investment, the Subsidiary of CPIC Life, signed a C-round capital injection contract with Shanghai Changxi Information Technology Consulting Co., Ltd. and some other investment companies. After this capital injection, Pacific Medical & Healthcare held 15.00% shares of Beijing Miaoyijia and CPIC Senior Living Investment held 5.00% shares of Beijing Miaoyijia. Pacific Medical & Healthcare's capital contribution reached RMB 309.38 million and CPIC Senior Living Investment's capital contribution reached RMB 103.13 million respectively in 2019.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

On 7 November 2019, CPIC Life, together with seven other companies including China Mobile Capital Holding Co., Ltd. and Jinan International Medical Centre Industry Development Co., Ltd. set up Lianren Digital Health. CPIC Life holds 25% of Lianren Digital Health's shares with the subscribed capital of RMB 500 million. CPIC Life paid up the subscribed capital in 2019.

	31 December 2018							
	Investment cost	Opening balance	Increase in the current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance
Equity method:								
Joint venture								
Binjiang-Xiangrui	11	11	—	1	—	—	—	12
Taiyi Information Technology	5	2	—	—	—	—	—	2
Dayu Technology	3	—	—	(2)	—	7	—	5
Aizhu Information	1	1	—	—	—	—	—	1
Euler Hermes	25	17	—	—	—	—	—	17
Dabaoguisheng	10	10	—	(3)	—	—	—	7
Ruiyongjing Real Estate	9,835	—	9,835	(4)	—	—	—	9,831
Pacific Orpea	6	—	6	—	—	—	—	6
Sub-total	9,896	41	9,841	(8)	—	7	—	9,881
Associate								
Taiji Information Technology	2	1	—	—	—	—	—	1
Juche	3	7	—	1	—	—	—	8
Zhongdao	17	19	—	2	—	—	—	21
Zhizhong Hospital	100	67	—	(4)	—	—	—	63
Dedao	5	2	—	(1)	—	—	—	1
Xingongying	81	73	—	(10)	—	—	—	63
Heji	500	198	300	1	—	—	(3)	496
CHEMCHINA Debt Investment Plan	2,160	2,164	—	116	—	—	(116)	2,164
Sichuan Railway Investment Plan	250	250	—	14	—	—	(14)	250
Ningbo Zhilin	2,416	2,449	—	128	—	—	(102)	2,475
Yunnan Energy Investment Plan	2,045	—	2,045	96	—	—	(92)	2,049
Sub-total	7,579	5,230	2,345	343	—	—	(327)	7,591
Total	17,475	5,271	12,186	335	—	7	(327)	17,472

On 24 July 2018, CPIC Life and Shui On Development (Holding) Limited and Shanghai Yongye Enterprise (Group) Co., Ltd. signed the partnership contract to jointly establish Ruiyongjing Real Estate with operating period of 20 years and registered capital of RMB 14,050 million. CPIC Life subscribed capital contribution of RMB 9,835 million, which was 70% of the ownership interest of Ruiyongjing Real Estate and was fully paid as at 31 December 2018.

On 16 November 2018, CPIC Senior Living Investment and Orpea (Shanghai) Investment Co., Ltd. signed the partnership contract to establish the Pacific Orpea with operating period of 20 years and registered capital of RMB 10 million. CPIC Senior Living Investment subscribed capital contribution of RMB 5.6 million, which was 56% of the ownership interest of Pacific Orpea and was fully paid as at 31 December 2018.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

On 19 December 2016, CPIC Property, Shanghai Guohe Capital, and Shinovation Capital Corporation Co., Ltd. signed the partnership contract to join Heji with operating period of 20 years and total commitments of RMB 505 million. Among all, CPIC Property stands for 99% shares, its subscribed capital contribution reaches RMB 500 million, and its first capital contribution reaches RMB 200 million. Heji completed the registration of business license on 17 January 2017. On 19 November 2018, CPIC Property injected capital to Heji by RMB 300 million. After this capital injection, the total registered capital of Heji was changed to RMB 502 million. CPIC Property's subscribed capital contribution reaches RMB 500 million. The shareholding ratio increased from 99.0% to 99.6%.

	31 December 2017							
	Investment cost	Opening balance	Increase in the current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance
Equity method:								
Joint venture								
Binjiang-Xiangrui	11	11	—	—	—	—	—	11
Taiyi Information Technology	5	2	—	—	—	—	—	2
Dayu Technology	3	2	—	(2)	—	—	—	—
Aizhu Information	1	1	—	—	—	—	—	1
Euler Hermes	25	20	—	(3)	—	—	—	17
Dabaoguisheng	10	—	10	—	—	—	—	10
Sub-total	55	36	10	(5)	—	—	—	41
Associate								
Taiji Information Technology	2	1	—	—	—	—	—	1
Juche	3	1	—	(3)	—	9	—	7
Zhongdao	17	18	—	1	—	—	—	19
Zhizhong Hospital	100	92	—	(25)	—	—	—	67
Dedao	5	3	—	(1)	—	—	—	2
Xingongying	81	—	81	(8)	—	—	—	73
Heji	200	—	200	(2)	—	—	—	198
CHEMCHINA Debt Investment Plan	2,160	—	2,160	84	—	—	(80)	2,164
Sichuan Railway Investment Scheme	250	—	250	—	—	—	—	250
Ningbo Zhilin	2,416	—	2,416	33	—	—	—	2,449
Sub-total	5,234	115	5,107	79	—	9	(80)	5,230
Total	5,289	151	5,117	74	—	9	(80)	5,271

On 29 March 2017, CPIC Life, Wonders Information System Co., Ltd., and Shanghai Zicheng Internet Technology Limited Partnership set up Dabaoguisheng with operating period of 20 years and registered capital of RMB100 million. Among all, CPIC Life stands for 34% shares, its subscribed capital contribution reaches RMB 34 million, and its first capital contribution reaches RMB 10.2 million.

On 18 September 2015, CPIC Property and Xingongying entered into a business partnership agreement for RMB 40 million, and at the same time, entered into a share transfer agreement with Xingongying and its individual shareholder Wenjian Zhang to acquire 6.63% of the equity interests of Xingongying. On 31 December 2016, CPIC Online Services entered into a capital increase agreement with Xingongying and

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

two other companies to make an additional contribution of RMB 0.73 million. After this capital injection, CPIC Online Services held 1.62% of the equity interests in Xingongying. On 10 January 2017, CPIC Property entered into a capital increase agreement with Xingongying, seven other companies and six natural person shareholders to make an additional contribution of RMB 40 million. After this capital injection, CPIC Property's shareholding in Xingongying changed to 7.53%, while CPIC Online Services's shareholding changed to 0.8%.

On 19 December 2016, CPIC Property, Shanghai Guohe Capital, and Shinovation Capital Corporation Co., Ltd. entered into a partnership agreement to jointly establish Heji, which had an approved operating period of 20 years and a registered capital of RMB 505 million. CPIC Property had a shareholding of 99% in Heji with a committed capital contribution of RMB 500 million and a first capital contribution RMB 200 million. Heji completed its registration of business license on 17 January 2017.

On 14 July 2017, CPIC Life, Shanghai Zhenxin Industrial Co., Ltd. and Dongjiuzhiyi (Shanghai) Equity Investment Fund LLP jointly funded the establishment of Ningbo Zhilin, a limited partnership entity with an approved operating period of 20 years and a total of committed contributions of RMB 2,684.80 million, including a committed contribution of RMB 2,416.32 million from CPIC Life for a shareholding of 90%.

As at 31 December 2019, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration /Major business location	Legal representative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Binjiang-Xiangrui	Limited liability company	Shanghai	Gu Jun	Real estate	150,000	30,000	91310101062588014A	—	35.16	35.70
Taiyi Information Technology	Limited liability company	Shanghai	Yang Yong	Used car information service platform	10,000	10,000	9131011334229187 2F	—	48.00	48.00
Dayu Technology	Limited liability company	Hangzhou	Ji Wei	Technical development, technical service and technical consulting	13,333	13,333	913301083524659446	—	20.25	20.25
Aizhu Information	Limited liability company	Shanghai	Qiao Yifeng	Network technology, technical consulting and technical service	10,000	6,950	91310113MA1GKNGFXL	—	35.00	35.00
Euler Hermes	Limited liability company	Shanghai	Sun Haiyang	Insurance sales	50,000	50,000	91310000MA1FL24D4M	—	50.24	50.00
Dabaoguisheng	Company limited by shares	Shanghai	Wu Aijun	Third party operation services of insurance industry	100,000	22,200	91310000MA1FL3QM0A	—	33.42	34.00
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Wei Lin	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	—	68.80	57.14
Pacific Orpea (Note 2)	Limited liability company	Shanghai	Wei Lin	Operation and management of pension industry, technical consulting	10,000	10,000	91310115MA1K48AQ73	—	55.04	60.00

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

As at 31 December 2019, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/Major business location	Legal representative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Juche	Limited liability company	Shanghai	Dai Yang	Internet	5,882	5,882	913101133508051 40T	—	37.42	37.80
Zhongdao	Limited liability company	Shanghai	Liu Yi	Road rescue	63,000	58,000	91310113069319140A	—	26.37	26.67
Zhizhong Hospital	Limited liability company	Shanghai	Chen Jianping	Oncology, medical laboratory, clinical fluid, etc.	500,000	500,000	913101150800686 37C	—	15.41	20.00
Dedao	Limited liability company	Shanghai	Qiu Jianmin	Computer information technology, technical development in the field of automotive software technology, etc.	20,000	20,000	91310104MA1FR16T89	—	25.00	25.00
Xingongying (Note 3)	Limited liability company	Shanghai	Zhang Wenjian	Technical development in the field of computer information technology, technical consulting, etc.	3,106	3,106	913101040878095 49Q	—	6.87	6.96
Beijing Miaoyijia	Limited liability company	Beijing	Bu Jiangyong	Information transmission, software and information technology services	75,009	67,372	91110105MA0029NRX0	—	19.66	20.00
Lianren Digital Health	Company limited by shares	Shanghai	Dai Zhong	Information technology services	2,000,000	2,000,000	91310000MA1FL70Y4L	—	24.57	25.00
Heji (Note 4)	LLP	Shanghai	Not applicable	Enterprise management, industrial investment, investment management, asset management and consulting, etc.	Not applicable	502,000	91310109MA1G58GG51	—	98.11	
CHEMCHINA Debt Investment Plan (Note 5)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,000,000	Not applicable	—	70.55	
Sichuan Railway Investment Scheme (Note 6)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	600,000	Not applicable	—	38.17	
Ningbo Zhilin (Note 7)	LLP	Ningbo	Not applicable	Investment management and asset management	Not applicable	2,684,798	91330206MA290G5B4K	—	88.46	
Yunnan Energy Investment Scheme (Note 8)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,800,000	Not applicable	—	92.94	
Jiaxing Yishang (Note 9)	LLP	Jiaxing	Not applicable	Equity investment	Not applicable	500,000	91330402MA2BCWUX4C	—	93.19	

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

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

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

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

Note 4: CPIC Property holds over 50% shares of Heji. Since CPIC Group cannot direct the relevant activities of Heji according to the partnership agreement of Heji, Heji is accounted under equity method.

Note 5: 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 Scheme, CHEMCHINA Debt Investment Plan is accounted under equity method.

Note 6: CPIC Life and Changjiang Pension hold shares of Sichuan Railway Investment Scheme. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Scheme. Since CPIC Group has significant impact on Sichuan Railway Investment Scheme, Sichuan Railway Investment Scheme is accounted under equity method.

Note 7: CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot direct the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.

Note 8: CPIC Life and Changjiang Pension hold over 50% shares of Yunnan Energy Investment Scheme. Since CPIC Group cannot direct the relevant activities of Yunnan Energy Investment Scheme according to the Agreement of Investment Scheme, Yunnan Energy Investment Scheme is accounted under equity method.

Note 9: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot direct the relevant activities of Jiaxing Yishang according to the articles of association and the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

As at 31 December 2018, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration /Major business location	Legal representative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Binjiang-Xiangrui	Limited liability company	Shanghai	Gu Jun	Real estate	150,000	30,000	91310101062588014A	—	35.16	35.70
Taiyi Information Technology	Limited liability company	Shanghai	Yang Yong	Used car information service platform	10,000	10,000	91310113342291872F	—	48.00	48.00
Dayu Technology	Limited liability company	Hangzhou	Ji Wei	Technical development, technical service and technical consulting	13,333	13,333	913301083524659446	—	20.25	20.25
Aizhu Information	Limited liability company	Shanghai	Qiao Yifeng	Network technology, technical consulting and technical service	10,000	4,000	91310113MA1GKNGFXL	—	35.00	35.00
Euler Hermes	Limited liability company	Shanghai	Sun Haiyang	Insurance sales	50,000	50,000	91310000MA1FL24D4M	—	50.24	50.00
Dabaoguisheng	Company limited by shares	Shanghai	Wu Aijun	Third party operation services of insurance industry	100,000	22,200	91310000MA1FL3QM0A	—	33.42	34.00
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Wang Ying	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	—	68.80	57.14
Pacific Orpea (Note 2)	Limited liability company	Shanghai	Wei Lin	Operation and management of pension industry, technical consulting	10,000	10,000	91310115MA1K48AQ73	—	55.04	60.00

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

As at 31 December 2018, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Taiji Information Technology	Limited liability company	Shanghai	Zheng Tiemin	Technology development and consulting	15,000	4,600	9131010431251352 6N	—	40.00	40.00
Juche	Limited liability company	Shanghai	Dai Yang	Internet	5,882	5,882	91310113350805140T	—	40.39	40.80
Zhongdao	Limited liability company	Shanghai	Liu Yi	Road rescue	50,000	50,000	91310113069319140A	—	33.22	33.60
Zhizhong Hospital	Limited liability company	Shanghai	Chen Jianping	Oncology, medical laboratory, clinical fluid, etc.	500,000	500,000	91310115080068637C	—	15.41	20.00
Dedao	Limited liability company	Shanghai	Qiu Jianmin	Computer information technology, technical development in the field of automotive software technology, etc.	20,000	20,000	91310104MA1FR16T89	—	25.00	25.00
Xingongying (Note 3)	Limited liability company	Shanghai	Zhang Wenjian	Technical development in the field of computer information technology, technical consulting, etc.	2,866	2,866	91310104087809549Q	—	7.44	7.54
Heji (Note 4)	LLP	Shanghai	Not applicable	Enterprise management, industrial investment, investment management, asset management and consulting, etc.	Not applicable	502,000	91310109MA1G58GG51	—	98.11	
CHEMCHINA Debt Investment Plan (Note 5)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,000,000	Not applicable	—	70.55	
Sichuan Railway Investment Scheme (Note 6)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	600,000	Not applicable	—	38.17	
Ningbo Zhilin (Note 7)	LLP	Ningbo	Not applicable	Investment management and asset management	Not applicable	2,684,798	91330206MA290G5B4K	—	88.46	
Yunnan Energy Investment Scheme (Note 8)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	2,235,000	Not applicable	—	89.19	

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

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

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

Note 4 : CPIC Property holds over 50% shares of Heji. Since CPIC Group cannot direct the relevant activities of Heji according to the partnership agreement of Heji, Heji is accounted under equity method.

Note 5 : 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 Scheme, CHEMCHINA Debt Investment Plan is accounted under equity method.

Note 6 : CPIC Life and Changjiang Pension hold shares of Sichuan Railway Investment Scheme. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Scheme. Since CPIC Group has significant impact on Sichuan Railway Investment Scheme, Sichuan Railway Investment Scheme is accounted under equity method.

Note 7 : CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot direct the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.

Note 8 : CPIC Life and Changjiang Pension hold over 50% shares of Yunnan Energy Investment Scheme. Since CPIC Group cannot direct the relevant activities of Yunnan Energy Investment Scheme according to the Agreement of Investment Scheme, Yunnan Energy Investment Scheme is accounted under equity method.

As at 31 December 2017, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Binjiang-Xiangrui	Limited liability company	Shanghai	Gu Jun	Real estate	150,000	30,000	9131010106258801 4A	—	35.16	35.70
Taiyi Information Technology	Limited liability company	Shanghai	Yang Yong	Used car information service platform	10,000	10,000	9131011334229187 2F	—	48.00	48.00
Dayu Technology	Private limited company	Hangzhou	Ji Wei	Technology development services, consulting, etc.	10,000	10,000	913301083524659446	—	27.00	33.33
Aizhu Information	Limited liability company	Shanghai	Qiao Yifeng	Internet technology, etc.	10,000	2,000	91310113MA1GKNGFXL	—	35.00	35.00
Euler Hermes	Limited liability company	Shanghai	Sun Haiyang	Insurance sales	50,000	50,000	91310000MA1FL24D4M	—	50.24	50.00
Dabaoguisheng	Company limited by shares	Shanghai	Wu Aijun	Third party operation services of insurance industry	100,000	22,200	91310000MA1FL3QM0A	—	33.42	34.00

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

As at 31 December 2017, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand)	Paid-in capital (RMB thousand)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Taiji Information Technology	Limited liability company	Shanghai	Zheng tiemin	Technology development services, consulting, etc.	15,000	4,600	9131010431251352 6N	—	40.00	40.00
Juche	Limited liability company	Shanghai	Dai Yang	Internet technology, etc.	5,882	5,882	91310113350805140T	—	40.39	40.80
Zhongdao	Limited liability company	Shanghai	Liu Yi	Automobile rescue services	50,000	50,000	9131011306931914 0A	—	33.22	33.60
Zhizhong Hospital	Limited liability company	Shanghai	Chen Jianping	Oncology department and medical laboratory	500,000	500,000	91310115080068637C	—	15.41	20.00
Dedao	Limited liability company	Shanghai	Qiu Jianmin	Information technology and automotive software	20,000	20,000	91310104MA1FR16T89	—	25.00	25.00
Xingongying (Note 1)	Limited liability company	Shanghai	Zhang Wenjian	Information technology development and consulting	2,637	2,637	91310104087809549Q	—	8.22	8.33
Heji(Note 2)	LLP	Shanghai	Not applicable	Business management, industrial investment, investment management, , etc.	Not applicable	202,000	91310109MA1G58GG51	—	97.52	
CHEMCHINA Debt Investment Plan (Note 3)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	3,000,000	Not applicable	—	70.55	
Sichuan Railway Investment Scheme (Note 4)	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	600,000	Not applicable	—	38.17	
Ningbo Zhilin(Note 5)	LLP	Ningbo	Not applicable	Investment management, assets management	Not applicable	2,684,798	91330206MA290G5B4K	—	88.46	

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

Note 1 : According to the articles of association of Xingongying, CPIC Property has significant impact on Xingongying by accrediting a director to the company. Therefore, Xingongying is accounted under equity method.

Note 2 : CPIC Property holds over 50% shares of Heji. Since CPIC Group cannot direct the relevant activities of Heji according to the partnership agreement of Heji, Heji is accounted under equity method.

Note 3: 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 Scheme, CHEMCHINA Debt Investment Plan is accounted under equity method.

Note 4 : CPIC Life and Changjiang Pension hold shares of Sichuan Railway Investment Scheme. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Scheme. Since CPIC Group has significant impact on Sichuan Railway Investment Scheme, Sichuan Railway Investment Scheme is accounted under equity method.

Note 5: 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.

Summarised financial information for joint ventures:

	31 December 2019			31 December 2018			31 December 2017		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Binjiang-Xiangrui	2,083	1,915	168	1,775	1,609	166	1,794	1,641	153
Taiyi Information Technology	4	—	4	4	1	3	3	—	3
Dayu Technology	57	25	32	35	4	31	2	—	2
Aizhu Information	11	11	—	4	1	3	1	—	1
Euler Hermes	31	6	25	39	5	34	37	4	33
Dabaoguisheng	33	20	13	34	21	13	29	6	23
Ruiyongjing Real Estate	14,285	237	14,048	14,061	11	14,050	—	—	—
Pacific Orpea	9	—	9	10	—	10	—	—	—

As at 31 December 2019, 2018 and 2017 there was no impairment in the Group's long-term equity investments.

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

Summarised financial information for significant associates:

	31 December 2019/2019			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Ningbo Zhilin	2,920	17	211	197
CHEMCHINA Debt Investment Plan	3,007	2	177	161
Yunnan Energy Investment Scheme	3,809	2	231	225

	31 December 2018/2018			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Ningbo Zhilin	2,842	16	180	166
CHEMCHINA Debt Investment Plan	3,007	2	177	161
Yunnan Energy Investment Scheme	2,241	1	108	105

	31 December 2017/2017			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Ningbo Zhilin	2,726	6	41	35
CHEMCHINA Debt Investment Plan	3,006	—	128	117

Summarised financial information for other associates:

	2019	2018	2017
Net loss	(209)	(127)	(229)
Other comprehensive income/(loss)	—	—	—
Total comprehensive loss	(209)	(127)	(229)
Total comprehensive income/(loss) attributable to the Group	6	3	(38)
Total carrying amount of the Group's investment	2,268	903	617

12. Restricted statutory deposits

	31 December 2019	31 December 2018	31 December 2017
Opening balance	6,738	6,566	6,078
Movements for the current year	(80)	172	488
Ending balance	6,658	6,738	6,566

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Restricted statutory deposits (continued)

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Restricted statutory deposits (continued)

	31 December 2018		
	Amount	Storage	Period
CPIC Property			
China Minsheng Bank	568	Term deposits	5 years
Bank of Communications	500	Term deposits	3 years
China Zheshang Bank	500	Term deposits	5 years
Industrial Bank	440	Term deposits	5 years and 1 month
China Merchants Bank	368	Term deposits	3 years
Bank of China	294	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
Bank of Communications	250	Term deposits	5 years and 1 month
Hengfeng Bank	200	Term deposits	5 years
Bank of Shanghai	200	Term deposits	3 years
Shanghai Pudong Development Bank	200	Term deposits	3 years
China Minsheng Bank	100	Term deposits	3 years
Sub-total	3,894		
CPIC Life			
Bank of Communications	500	Term deposits	3 years
Agricultural Bank of China	320	Term deposits	3 years
Bank of Nanjing	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
China Construction Bank	200	Term deposits	3 years
China Construction Bank	164	Term deposits	5 years
Sub-total	1,684		
Changjiang Pension			
Bank of Hangzhou	300	Term deposits	5 years and 1 month
Bank of Communications	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Bank of China	80	Term deposits	5 years and 1 month
Sub-total	680		
CPIC Allianz Health			
Bank of Communications	170	Term deposits	5 years and 1 day
Bank of Communications	140	Term deposits	5 years
China Construction Bank	30	Term deposits	5 years
Sub-total	340		
Anxin			
China CITIC Bank	60	Term deposits	3 years
Bank of Shanghai	40	Term deposits	3 years
Agricultural Bank of China	30	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	140		
Total	6,738		

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Restricted statutory deposits (continued)

	31 December 2017		
	Amount	Storage	Period
CPIC Property			
China Minsheng Bank	568	Term deposits	5 years
Bank of Communications	500	Term deposits	3 years
China Zheshang Bank	500	Term deposits	5 years
Industrial Bank	440	Term deposits	5 years and 1 month
China Merchants Bank	368	Term deposits	3 years
Bank of China	294	Term deposits	5 years
Bank of Communications	288	Term deposits	5 years
China Merchants Bank	274	Term deposits	5 years
Bank of Communications	250	Term deposits	5 years and 1 month
Shanghai Pudong Development Bank	200	Term deposits	3 years
Hengfeng Bank	200	Term deposits	5 years
Bank of Shanghai	200	Term deposits	3 years
China Minsheng Bank	100	Term deposits	3 years
Sub-total	4,182		
CPIC Life			
Bank of Communications	500	Term deposits	3 years
Bank of Communications	320	Term deposits	5 years
Bank of Nanjing	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years
China Construction Bank	200	Term deposits	3 years
China Construction Bank	164	Term deposits	5 years
Sub-total	1,684		
Changjiang Pension			
Bank of Communications	200	Term deposits	5 years and 1 month
Bank of China	80	Term deposits	5 years and 1 month
Bank of Communications	50	Term deposits	3 years
China Minsheng Bank	30	Term deposits	3 years
Sub-total	360		
CPIC Allianz Health			
Bank of Communications	170	Term deposits	5 years
China Construction Bank	30	Term deposits	5 years
Sub-total	200		
Anxin			
Bank of Shanghai	40	Term deposits	3 years
Agricultural Bank of China	30	Term deposits	3 years
China Everbright Bank	30	Term deposits	3 years
China Construction Bank	20	Term deposits	3 years
Shanghai Pudong Development Bank	10	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	140		
Total	6,566		

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Investment properties

	Buildings
Cost:	
1 January 2017	9,972
Transfer from fixed assets, net	441
31 December 2017	10,413
Transfer from fixed assets, net	179
31 December 2018	10,592
Additions	11
Transfer from fixed assets, net	35
31 December 2019	10,638
Accumulated depreciation:	
1 January 2017	(1,315)
Charge for the year	(312)
Transfer from fixed assets, net	(59)
31 December 2017	(1,686)
Charge for the year	(328)
Transfer from fixed assets, net	(36)
31 December 2018	(2,050)
Charge for the year	(334)
Transfer to fixed assets, net	29
31 December 2019	(2,355)
Carrying amount:	
31 December 2019	8,283
31 December 2018	8,542
31 December 2017	8,727

The fair values of investment properties of the Group as at 31 December 2019 amounted to RMB 11,887 million, the fair values of investment properties of the Group as at 31 December 2018 amounted to RMB 12,017 million, the fair values of investment properties of the Group as at 31 December 2017 amounted to RMB 11,856 million respectively, which were estimated by the Group having regard to valuations performed by independent valuers.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost:				
1 January 2017	13,869	1,075	5,326	20,270
Procurement	118	96	652	866
Transfers from construction in progress	599	—	—	599
Transfers to investment properties, net	(441)	—	—	(441)
Disposals	(134)	(68)	(604)	(806)
31 December 2017	14,011	1,103	5,374	20,488
Procurement	237	100	864	1,201
Transfers from construction in progress	2,169	—	47	2,216
Transfers to investment properties, net	(179)	—	—	(179)
Acquisition of subsidiaries	—	2	15	17
Disposals	(20)	(53)	(897)	(970)
31 December 2018	16,218	1,152	5,403	22,773
Procurement	82	64	712	858
Transfers from construction in progress	1,921	—	—	1,921
Transfers to investment properties, net	(35)	—	—	(35)
Disposals	(43)	(69)	(483)	(595)
31 December 2019	18,143	1,147	5,632	24,922
Accumulated depreciation:				
1 January 2017	(2,791)	(652)	(3,702)	(7,145)
Depreciation charge	(450)	(119)	(541)	(1,110)
Transfers to investment properties, net	59	—	—	59
Disposals	36	63	604	703
31 December 2017	(3,146)	(708)	(3,639)	(7,493)
Depreciation charge	(478)	(113)	(598)	(1,189)
Transfers to investment properties, net	36	—	—	36
Acquisition of subsidiaries	—	—	(7)	(7)
Disposals	3	51	893	947
31 December 2018	(3,585)	(770)	(3,351)	(7,706)
Depreciation charge	(549)	(104)	(699)	(1,352)
Transfers from investment properties, net	(29)	—	—	(29)
Disposals	15	64	473	552
31 December 2019	(4,148)	(810)	(3,577)	(8,535)
Provision for impairment loss:				
1 January 2017, 31 December 2017, 31 December 2018 and 31 December 2019	(9)	—	—	(9)
Carrying amount:				
31 December 2019	13,986	337	2,055	16,378
31 December 2018	12,624	382	2,052	15,058
31 December 2017	10,856	395	1,735	12,986

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Group's motor vehicles and other equipment with a cost of RMB 2,535 million, RMB 2,617 million and RMB 3,043 million are fully depreciated but still in use respectively.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Construction in progress

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

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

	31 December 2018									
Item	**Budget**	**Opening balance**	**Increase in the current year**	**Acquisition of subsidiaries**	**Transfer to fixed assets in the current year**	**Transfer to intangible assets in the current year**	**Transfer to long-term prepaid expenses in the current year**	**Disposal**	**Ending balance**	**% of project investment in budget**
Office building in Guangdong	924	782	34	—	—	—	—	—	816	95%
Office building in Hunan	541	291	74	—	—	—	—	—	365	69%
Office building in Liaoning	346	—	316	—	—	—	—	—	316	91%
Office building in Jiangsu	529	350	78	—	(139)	—	—	—	289	81%
Office building in Beijing	581	505	16	—	(285)	—	—	—	236	90%
Office building in Hubei	229	199	9	—	—	—	—	—	208	91%
Office building in Guizhou	246	112	75	—	—	—	—	—	187	76%
Office building in Chengdu	268	1	220	—	(67)	—	—	—	154	82%
Office building in Hainan	187	44	95	—	—	—	—	—	139	74%
Office building in Jiangxi	380	278	61	—	(208)	—	—	—	131	89%
Office building in Jilin	128	—	103	—	—	—	—	—	103	80%
Office building in Shandong	147	53	65	—	(28)	—	—	—	90	89%
Office building in Shanxi	109	53	18	—	(14)	—	—	—	57	65%
Office building in Anhui	37	—	28	—	—	—	—	—	28	76%
Office building in Hebei	26	—	23	—	—	—	—	—	23	88%
Office building in Xinjiang	22	—	14	—	—	—	—	—	14	64%
Office building in Heilongjiang	51	42	6	—	(47)	—	—	—	1	94%
Office building in Shenzhen	1,085	994	8	—	(1,002)	—	—	—	—	92%
Office building in Zhejiang	84	42	6	—	(48)	—	—	—	—	100%
Office building in Henan	340	288	13	—	(301)	—	—	—	—	89%
Others	381	142	188	1	(77)	(24)	(1)	—	229	87%
		4,176	1,450	1	(2,216)	(24)	(1)	—	3,386	

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

	31 December 2017								
Item	Budget	Opening balance	Increase in the current year	Transfer to fixed assets in the current year	Transfer to intangible assets in the current year	Transfer to long-term prepaid expenses in the current year	Disposal	Ending balance	% of project investment in budget
Office building in Shenzhen	1,085	956	38	—	—	—	—	994	92%
Office building in Guangdong	958	477	366	(61)	—	—	—	782	88%
Office building in Beijing	581	434	71	—	—	—	—	505	87%
Office building in Jiangsu	541	152	277	(79)	—	—	—	350	79%
Office building in Hunan	541	227	71	(7)	—	—	—	291	55%
Office building in Henan	340	56	232	—	—	—	—	288	85%
Office building in Jiangxi	380	105	173	—	—	—	—	278	73%
Office building in Hubei	229	—	199	—	—	—	—	199	87%
Office building in Shanxi	75	—	53	—	—	—	—	53	71%
Office building in Shandong	129	39	27	(13)	—	—	—	53	51%
Office building in Hainan	187	—	44	—	—	—	—	44	24%
Office building in Zhejiang	84	31	47	(36)	—	—	—	42	93%
Office building in Heilongjiang	74	10	49	(17)	—	—	—	42	80%
Office building in Chengdu	130	—	1	—	—	—	—	1	1%
Office building in Anhui	95	74	19	(93)	—	—	—	—	98%
Office building in Hebei	26	24	—	(24)	—	—	—	—	92%
Office building in Xinjiang	186	128	37	(165)	—	—	—	—	89%
Others	503	186	173	(104)	—	(1)	—	254	71%
		2,899	1,877	(599)	—	(1)	—	4,176	

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

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost:				
31 December 2018	—	—	—	—
Changes in accounting policies (Refer to note III)	3,769	1	3	3,773
1 January 2019	3,769	1	3	3,773
Increase	1,753	3	14	1,770
Decrease	(136)	—	—	(136)
31 December 2019	5,386	4	17	5,407
Accumulated depreciation:				
31 December 2018	—	—	—	—
Changes in accounting policies (Refer to note III)	—	—	—	—
1 January 2019	—	—	—	—
Depreciation charge	(1,293)	(1)	(3)	(1,297)
Decrease	20	—	—	20
31 December 2019	(1,273)	(1)	(3)	(1,277)
Carrying amount:				
31 December 2019	4,113	3	14	4,130
31 December 2018	—	—	—	—

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Intangible assets

	Land use rights	Software use rights	License	Total
Cost:				
1 January 2017	65	3,488	—	3,553
Increase	—	785	—	785
31 December 2017	65	4,273	—	4,338
Increase	290	918	—	1,208
Transfers from construction in progress	—	24	—	24
Acquisition of subsidiaries	—	35	646	681
Disposals	—	(23)	—	(23)
31 December 2018	355	5,227	646	6,228
Increase	350	994	—	1,344
Transfers from construction in progress	—	34	—	34
Disposals	—	(1)	—	(1)
31 December 2019	705	6,254	646	7,605
Accumulated Amortisation:				
1 January 2017	(9)	(2,316)	—	(2,325)
Amortisation	(1)	(467)	—	(468)
31 December 2017	(10)	(2,783)	—	(2,793)
Amortisation	(1)	(541)	—	(542)
Acquisition of subsidiaries	—	(21)	—	(21)
Disposals	—	14	—	14
31 December 2018	(11)	(3,331)	—	(3,342)
Amortisation	(14)	(597)	—	(611)
31 December 2019	(25)	(3,928)	—	(3,953)
Carrying amount:				
31 December 2019	680	2,326	646	3,652
31 December 2018	344	1,896	646	2,886
31 December 2017	55	1,490	—	1,545

There was no such case as the recoverable amount was lower than the carrying amount of the intangible assets at the end of the year, thus no provision for impairment of intangible assets was required.

18. Goodwill

	31 December 2019			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	—	—	149
City Island	813	—	—	813
CPIC Funds	395	—	—	395
Sub-total	1,357	—	—	1,357
Less: Provision for impairment	—	—	—	—
Net value	1,357	—	—	1,357

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Goodwill (continued)

	31 December 2018			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	—	—	149
City Island	813	—	—	813
CPIC Funds	—	395	—	395
Sub-total	962	395	—	1,357
Less: Provision for impairment	—	—	—	—
Net value	962	395	—	1,357

	31 December 2017			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	—	—	149
City Island	813	—	—	813
Sub-total	962	—	—	962
Less: Provision for impairment	—	—	—	—
Net value	962	—	—	962

CPIC Assets Management, the Group's subsidiary, completed the acquisition of CPIC Funds in April 2018, with the goodwill amounting to RMB 395 million identified. Refer to Note VI.2(7)(b).

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 31 December, the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is greater than its carrying amount, thus no impairment loss is recognised.

19. Deferred income tax assets and liabilities

	31 December 2019		31 December 2018		31 December 2017	
Deferred income tax assets	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract reserves	513	2,052	995	3,980	819	3,276
Changes in fair value of financial instruments	(389)	(1,556)	(680)	(2,720)	(856)	(3,424)
Commissions and brokerage expenses	—	—	641	2,564	424	1,696
Provision for asset impairment	193	772	448	1,792	496	1,984
Others	543	2,172	975	3,900	859	3,436
Sub-total	860	3,440	2,379	9,516	1,742	6,968

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Deferred income tax assets and liabilities (continued)

	31 December 2019		31 December 2018		31 December 2017	
Deferred income tax liabilities	**Deferred income tax**	**Temporary differences**	**Deferred income tax**	**Temporary differences**	**Deferred income tax**	**Temporary differences**
Insurance contract reserves	754	3,016	—	—	—	—
Changes in fair value of financial instruments	(3,827)	(15,308)	76	304	(88)	(352)
Commission and brokerage expenses	473	1,892	—	—	—	—
Provision for asset impairment	594	2,376	—	—	—	—
Adjustment in fair value arising from acquisition of subsidiaries	(921)	(3,684)	(949)	(3,796)	(817)	(3,268)
Others	16	64	(295)	(1,180)	(15)	(60)
Sub-total	(2,911)	(11,644)	(1,168)	(4,672)	(920)	(3,680)
Net value	(2,051)	(8,204)	1,211	4,844	822	3,288

Deferred income tax assets and liabilities of the Group presented above reflect the net amount after each taxpayer's offsetting within their entity level.

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract reserves	**Fair value**	**Commissions and brokerage expenses**	**Provision for asset impairments**	**Deductible losses**	**Adjustment in fair value arising from acquisition of subsidiaries**	**Others**	**Total**
1 January 2017	546	(1,325)	371	361	—	(849)	1,341	445
Recognised in profit or loss	273	(439)	53	135	—	32	(497)	(443)
Recognised in equity	—	820	—	—	—	—	—	820
31 December 2017	819	(944)	424	496	—	(817)	844	822
Acquisition of subsidiaries	—	—	—	—	—	(164)	44	(120)
Recognised in profit or loss	176	769	217	(48)	—	32	(208)	938
Recognised in equity	—	(429)	—	—	—	—	—	(429)
31 December 2018	995	(604)	641	448	—	(949)	680	1,211
Recognised in profit or loss	272	(229)	(168)	339	—	28	(121)	121
Recognised in equity	—	(3,383)	—	—	—	—	—	(3,383)
31 December 2019	1,267	(4,216)	473	787	—	(921)	559	(2,051)

As at 31 December 2019, 31 December 2018 and 31 December 2017 there was no significant deductible temporary differences and deductible losses that were not recognised as deferred income tax assets.

20. Other assets

		31 December 2019	31 December 2018	31 December 2017
Other receivables	(1)	10,405	13,009	10,793
Improvements of right-of-use assets		1,000	857	788
Loans	(2)	—	—	—
Others		992	2,044	1,285
Total		12,397	15,910	12,866

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Other assets (continued)

(1) Other receivables

	31 December 2019	31 December 2018	31 December 2017
Receivable from securities sold but not settled	3,963	6,149	5,461
Due from related parties*	1,614	1,555	1,318
Due from external undertakings	1,042	1,125	1,007
Due from agents	276	887	1,045
Deposits	182	139	115
Co-insurance receivables	123	148	87
Prepaid tax	4	7	38
Others	3,403	3,259	1,976
Sub-total	10,607	13,269	11,047
Less: Provision for bad debts	(202)	(260)	(254)
Net value	10,405	13,009	10,793

* As at 31 December 2019, 31 December 2018 and 31 December 2017, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB 1,614 million, RMB 1,555 million and RMB 1,318 million respectively, which accounting for 15%, 12% and 12% of the total other receivables.

The category of other receivables is analysed below:

	31 December 2019			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,012	47%	(197)	4%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	5,595	53%	(5)	0%
Total	10,607	100%	(202)	2%

	31 December 2018			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	4,842	36%	(259)	5%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	8,427	64%	(1)	0%
Total	13,269	100%	(260)	2%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Other assets (continued)

	31 December 2017			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are individually significant and provisions for impairment considered on the individual basis	1,045	9%	—	0%
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	3,416	31%	(230)	7%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	6,586	60%	(24)	0%
Total	11,047	100%	(254)	2%

The aging of other receivables and related provisions for bad debts are analysed as follows:

	31 December 2019			
Aging	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,846	74%	—	7,846
3 months to 1 year (inclusive)	622	6%	(12)	610
1 to 3 years (inclusive)	618	6%	(58)	560
Over 3 years	1,521	14%	(132)	1,389
Total	10,607	100%	(202)	10,405

	31 December 2018			
Aging	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	9,841	74%	—	9,841
3 months to 1 year (inclusive)	1,554	12%	(15)	1,539
1 to 3 years (inclusive)	489	4%	(109)	380
Over 3 years	1,385	10%	(136)	1,249
Total	13,269	100%	(260)	13,009

	31 December 2017			
Aging	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,446	68%	—	7,446
3 months to 1 year (inclusive)	1,893	17%	(38)	1,855
1 to 3 years (inclusive)	464	4%	(90)	374
Over 3 years	1,244	11%	(126)	1,118
Total	11,047	100%	(254)	10,793

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

	31 December 2019	31 December 2018	31 December 2017
Total amount of the top five other receivables	2,056	2,684	3,518
Total provision for bad debts	(12)	(24)	(29)
% of total other receivables	19%	20%	32%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Other assets (continued)

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

(2) Loans

	31 December 2019	31 December 2018	31 December 2017
Guaranteed loans	7	7	7
Sub-total	7	7	7
Less: Provision for losses on loans	(7)	(7)	(7)
Net value	—	—	—

Since all loans of the Group were past due and expected unrecoverable, provision for losses on loans was made in full amount.

21. Provision for impairment of assets

	31 December 2019				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	826	181	(66)	(10)	931
—Premium receivables	377	159	(5)	(8)	523
—Reinsurance receivables	162	6	(1)	—	167
—Interest receivables	27	12	—	—	39
—Other receivables	260	4	(60)	(2)	202
Provision for impairment of available-for-sale financial assets	1,603	2,135	(40)	(1,029)	2,669
—Debt instruments	298	363	(40)	—	621
—Equity instruments	1,305	1,772	—	(1,029)	2,048
Provision for impairment of held-to-maturity financial assets	—	47	—	—	47
Provision for impairment of investments classified as loans and receivables	—	197	—	—	197
Provision for losses on loans	7	—	—	—	7
Provision for impairment of fixed assets	9	—	—	—	9
Provision for impairment of debt assets	20	—	—	—	20
Provision for impairment of other long-term assets	41	—	—	—	41
Total	2,506	2,560	(106)	(1,039)	3,921

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Provision for impairment of assets (continued)

	31 December 2018				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	715	155	(28)	(16)	826
—Premium receivables	293	103	(5)	(14)	377
—Reinsurance receivables	151	11	—	—	162
—Interest receivables	17	10	—	—	27
—Other receivables	254	31	(23)	(2)	260
Provision for impairment of available-for-sale financial assets	1,639	1,014	(39)	(1,011)	1,603
—Debt instruments	337	—	(39)	—	298
—Equity instruments	1,302	1,014	—	(1,011)	1,305
Provision for losses on loans	7	—	—	—	7
Provision for impairment of fixed assets	9	—	—	—	9
Provision for impairment of debt assets	20	—	—	—	20
Provision for impairment of other long-term assets	41	—	—	—	41
Total	2,431	1,169	(67)	(1,027)	2,506

	31 December 2017				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	686	95	(40)	(26)	715
—Premium receivables	316	7	(4)	(26)	293
—Reinsurance receivables	180	1	(30)	—	151
—Interest receivables	1	16	—	—	17
—Other receivables	189	71	(6)	—	254
Provision for impairment of available-for-sale financial assets	1,424	679	(21)	(443)	1,639
—Debt instruments	245	113	(21)	—	337
—Equity instruments	1,179	566	—	(443)	1,302
Provision for losses on loans	15	—	—	(8)	7
Provision for impairment of fixed assets	9	—	—	—	9
Provision for impairment of debt assets	20	—	—	—	20
Provision for impairment of other long-term assets	41	—	—	—	41
Total	2,195	774	(61)	(477)	2,431

In 2019, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 1,029 million. In 2018, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 1,011 million. In 2017, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 443 million. The ending balance of the provision for impairment of available-for-sale financial assets has been included in the carrying amount of available-for-sale financial assets.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Securities sold under agreements to repurchase

	31 December 2019	31 December 2018	31 December 2017
Securities—bonds			
Inter-bank market	64,588	65,384	44,646
Stock exchange	13,778	9,691	21,597
Total	78,366	75,075	66,243

As at 31 December 2019, 31 December 2018 and 31 December 2017 the Group's bond investments of approximately RMB 69,468 million, RMB 66,489 million and RMB 48,758 million respectively were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2019, 31 December 2018 and 31 December 2017 the Group's exchange-traded standardised bonds of approximately RMB 13,778 million, RMB 9,691 million and RMB 21,597 million respectively were pledged for the securities sold at Shanghai and Shenzhen stock exchange under agreements to repurchase.

23. Reinsurance payables

	31 December 2019	31 December 2018	31 December 2017
Within 1 year (inclusive)	4,305	5,781	5,910
Over 1 year	238	452	92
Total	4,543	6,233	6,002

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

	31 December 2019	
Reinsurer/Broker	Ending balance (including accrual)	% of total balance
China Life Reinsurance Company Ltd.	705	16%
Munich Reinsurance Company	635	14%
Swiss Reinsurance Company Ltd.	514	11%
China Property & Casualty Reinsurance Company Ltd.	218	5%
SCOR	121	3%

	31 December 2018	
Reinsurer/Broker	Ending balance (including accrual)	% of total balance
Munich Reinsurance Company	905	15%
China Property & Casualty Reinsurance Company Ltd.	591	9%
Guy Carpenter & Company Limited	484	8%
China Life Reinsurance Company Ltd.	442	7%
Mitsui Sumitomo Insurance (China) Co., Ltd.	411	7%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Reinsurance payables (continued)

	31 December 2017	
Reinsurer/Broker	**Ending balance (including accrual)**	**% of total balance**
Munich Reinsurance Company	1,507	25%
China Property & Casualty Reinsurance Company Ltd.	1,317	22%
China Life Reinsurance Company Ltd.	317	5%
Mitsui Sumitomo Insurance (China) Co., Ltd.	300	5%
Guy Carpenter & Company Limited	257	4%

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

24. Employee benefits payable

	1 January 2019	Increase	Decrease	31 December 2019
Wages and salaries, bonus, allowances and subsidies	4,110	18,219	(17,769)	4,560
Staff welfare	5	930	(927)	8
Social security contributions	85	3,168	(3,184)	69
Housing funds	7	1,051	(1,050)	8
Labour union funds	62	325	(332)	55
Employee education funds	372	221	(115)	478
Deferred bonus to management	73	—	(1)	72
Early retirement benefits	258	170	(105)	323
Total	4,972	24,084	(23,483)	5,573

	1 January 2018	Increase	Decrease	31 December 2018
Wages and salaries, bonus, allowances and subsidies	3,964	16,455	(16,309)	4,110
Staff welfare	5	827	(827)	5
Social security contributions	64	2,963	(2,942)	85
Housing funds	5	909	(907)	7
Labour union funds	51	302	(291)	62
Employee education funds	284	176	(88)	372
Deferred bonus to management	89	—	(16)	73
Early retirement benefits	241	101	(84)	258
Total	4,703	21,733	(21,464)	4,972

	1 January 2017	Increase	Decrease	31 December 2017
Wages and salaries, bonus, allowances and subsidies	3,273	14,942	(14,251)	3,964
Staff welfare	4	771	(770)	5
Social security contributions	44	2,528	(2,508)	64
Housing funds	3	795	(793)	5
Labour union funds	38	263	(250)	51
Employee education funds	187	188	(91)	284
Deferred bonus to management	125	3	(39)	89
Early retirement benefits	197	122	(78)	241
Total	3,871	19,612	(18,780)	4,703

The Group had no significant non-monetary benefits and compensation for termination of employment.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Taxes payable

	31 December 2019	31 December 2018	31 December 2017
Corporate income tax	549	7,331	4,934
Unpaid VAT	387	553	581
Withholding individual income tax	138	329	273
Others	1,092	1,033	841
Total	2,166	9,246	6,629

26. Policyholders' deposits and investment contract liabilities

	31 December 2019	31 December 2018	31 December 2017
Opening balance	62,325	56,343	48,855
Deposits received	17,028	11,819	12,961
Interest credited	3,005	2,531	1,910
Deposits withdrawn	(8,058)	(8,708)	(7,685)
Fees deducted for initial policy charge and account management	(224)	(148)	(167)
Others	1,500	488	469
Ending balance	75,576	62,325	56,343

	31 December 2019	31 December 2018	31 December 2017
Expire within 1 year (inclusive)	1,225	856	789
Expire within 1 to 3 years (inclusive)	2,337	1,681	1,382
Expire within 3 to 5 years (inclusive)	1,049	1,819	1,750
Expire within more than 5 years	70,965	57,969	52,422
Total	75,576	62,325	56,343

The above policyholders' deposits and investment contract liabilities included the investment part unbunded from universal insurance contracts and significant contracts that had not been determined as insurance contracts as per insurance risk testing, and the majority of them had a maturity of more than five years and involved insignificant insurance liabilities.

27. Unearned premium reserves

	Direct insurance contracts	Assumed reinsurance contracts	Total
1 January 2017	41,087	37	41,124
Increase	116,430	661	117,091
Decrease	(113,434)	(534)	(113,968)
31 December 2017	44,083	164	44,247
Increase	133,083	487	133,570
Decrease	(127,833)	(529)	(128,362)
31 December 2018	49,333	122	49,455
Increase	151,275	848	152,123
Decrease	(138,966)	(637)	(139,603)
31 December 2019	61,642	333	61,975

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Unearned premium reserves (continued)

The Group's unearned premium reserves split by term to maturity are listed below:

	31 December 2019		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	51,515	138	51,653
Over 1 year	10,127	195	10,322
Total	61,642	333	61,975

	31 December 2018		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	42,826	57	42,883
Over 1 year	6,507	65	6,572
Total	49,333	122	49,455

	31 December 2017		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	39,339	130	39,469
Over 1 year	4,744	34	4,778
Total	44,083	164	44,247

28. Claims reserves

	Direct insurance contracts	**Assumed reinsurance contracts**	**Total**
1 January 2017	36,491	152	36,643
Increase	66,902	259	67,161
Decrease—claims	(64,253)	(122)	(64,375)
31 December 2017	39,140	289	39,429
Increase	71,004	563	71,567
Decrease—claims	(71,759)	(373)	(72,132)
31 December 2018	38,385	479	38,864
Increase	82,320	535	82,855
Decrease—claims	(78,879)	(336)	(79,215)
31 December 2019	41,826	678	42,504

The Group's claims reserves split by term to maturity are listed below:

	31 December 2019		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	30,345	399	30,744
Over 1 year	11,481	279	11,760
Total	41,826	678	42,504

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Claims reserves (continued)

	31 December 2018		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	26,999	315	27,314
Over 1 year	11,386	164	11,550
Total	38,385	479	38,864

	31 December 2017		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	28,930	211	29,141
Over 1 year	10,210	78	10,288
Total	39,140	289	39,429

The claims reserves under direct insurance contracts are as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**
Incurred and reported claims reserves	31,651	29,459	30,860
IBNR reserves	9,276	8,102	7,430
Claim expense reserves	899	824	850
Total	41,826	38,385	39,140

29. Life insurance reserves

	Direct insurance contracts	**Assumed reinsurance contracts**	**Total**
1 January 2017	589,799	—	589,799
Increase	127,245	1,740	128,985
Decrease			
—Claims	(27,055)	(1)	(27,056)
—Early termination	(9,955)	(7)	(9,962)
31 December 2017	680,034	1,732	681,766
Increase	146,462	966	147,428
Decrease			
—Claims	(29,659)	(1)	(29,660)
—Early termination	(9,554)	(2,696)	(12,250)
31 December 2018	787,283	1	787,284
Increase	156,111	59	156,170
Decrease			
—Claims	(41,779)	(1)	(41,780)
—Early termination	(10,479)	—	(10,479)
31 December 2019	891,136	59	891,195

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Life insurance reserves (continued)

The Group's life insurance contract reserves split by term to maturity are as follows:

	31 December 2019		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	41,526	—	41,526
1 to 5 years (inclusive)	40,495	—	40,495
Over 5 years	809,115	59	809,174
Total	891,136	59	891,195

	31 December 2018		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	29,004	—	29,004
1 to 5 years (inclusive)	64,226	—	64,226
Over 5 years	694,053	1	694,054
Total	787,283	1	787,284

	31 December 2017		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	25,757	—	25,757
1 to 5 years (inclusive)	128,443	—	128,443
Over 5 years	525,834	1,732	527,566
Total	680,034	1,732	681,766

30. Long-term health insurance reserves

	Direct insurance contracts	**Assumed reinsurance contracts**	**Total**
1 January 2017	26,260	—	26,260
Increase	14,098	—	14,098
Decrease			
—Claims	(3,355)	—	(3,355)
—Early termination	(206)	—	(206)
31 December 2017	36,797	—	36,797
Increase	13,086	—	13,086
Decrease			
—Claims	(5,424)	—	(5,424)
—Early termination	(391)	—	(391)
31 December 2018	44,068	—	44,068
Increase	36,450	—	36,450
Decrease			
—Claims	(7,546)	—	(7,546)
—Early termination	(625)	—	(625)
31 December 2019	72,347	—	72,347

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Long-term health insurance reserves (continued)

The Group's long-term health insurance reserves split by term to maturity are as follows:

	31 December 2019		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	447	—	447
1 to 5 years (inclusive)	460	—	460
Over 5 years	71,440	—	71,440
Total	72,347	—	72,347

	31 December 2018		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	442	—	442
1 to 5 years (inclusive)	525	—	525
Over 5 years	43,101	—	43,101
Total	44,068	—	44,068

	31 December 2017		
Term to maturity	**Direct insurance contracts**	**Assumed reinsurance contracts**	**Total**
Within 1 year (inclusive)	378	—	378
1 to 5 years (inclusive)	772	—	772
Over 5 years	35,647	—	35,647
Total	36,797	—	36,797

31. Bonds payable

On 20 August 2012, CPIC Life issued a 10-year subordinated debt with a total face value of RMB 7.5 billion. CPIC Life had the option to redeem the debt at the end of the fifth interest-bearing year. The debt paid interests annually at a coupon rate of 4.58% per annum. If CPIC Life had not exercised the early redemption option, the annual coupon rate for the next five years would increase to 6.58% and would remain unchanged for the remaining term. CPIC Life exercised its option to redeem the subordinated debt in 2017.

On 7 March 2014, CPIC Property issued a 10-year subordinated debt with a total face value of RMB 4 billion. CPIC Property has the option to redeem the debt at the end of the fifth interest-bearing year. The coupon rate of the debt is 5.9% per annum, payable annually in arrears. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.9% and would remain unchanged for the remaining term. CPIC Property exercised the early redemption option for the subordinated debt in 2019.

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Bonds payable (continued)

rate of 4.99% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

Issuer	31 December 2018	Issuance	Amortisation of bond premium or discount	Redemption in current period	31 December 2019
CPIC Property	13,985	—	3	(4,000)	9,988

Issuer	31 December 2017	Issuance	Amortisation of bond premium or discount etc.	Redemption in current year	31 December 2018
CPIC Property	3,999	10,000	(14)	—	13,985

Issuer	31 December 2016	Issuance	Amortisation of bond premium or discount	Redemption in current year	31 December 2017
CPIC Life	7,500	—	—	(7,500)	—
CPIC Property	3,998	—	1	—	3,999
Total	11,498	—	1	(7,500)	3,999

32. Other liabilities

		31 December 2019	31 December 2018	31 December 2017
Other payables	(1)	17,100	16,794	11,756
Accrued expenses		1,720	1,788	1,317
Insurance security fund		701	441	381
Others		1,292	1,027	378
Total		20,813	20,050	13,832

(1) Other payables

	31 December 2019	31 December 2018	31 December 2017
Payables related to asset-backed securities	4,540	2,750	910
Payables for securities purchased but not settled	3,488	5,721	3,769
Payables to third-party investors of consolidated structured entities	2,250	1,614	1,197
Payables to be claimed by customers	1,548	1,319	1,326
Payables for purchases	1,249	1,291	1,057
Deposits	1,136	1,161	1,132
Coinsurance payable	393	365	261
Reimbursement payables	371	408	380
Compulsory automobile insurance rescue fund	266	241	227
Payables for construction and purchasing office building	260	356	382
Others	1,599	1,568	1,115
Total	17,100	16,794	11,756

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Other liabilities (continued)

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

33. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2019		Increase/(Decrease) of number of shares		31 December 2019	
	Number of shares	percentage of shareholding	Newly issued	Others	Number of shares	percentage of shareholding
I. Shares with selling restrictions						
Shares held by domestic non-state-owned legal persons	—	0%	—	—	—	0%
Sub-total	—	0%	—	—	—	0%
II. Shares without selling restrictions						
Ordinary shares denominated in RMB	6,286	69%	—	—	6,286	69%
Foreign shares listed overseas	2,776	31%	—	—	2,776	31%
Sub-total	9,062	100%	—	—	9,062	100%
III. Total	9,062	100%	—	—	9,062	100%

	1 January 2018		Increase/(Decrease) of number of shares		31 December 2018	
	Number of shares	percentage of shareholding	Newly issued	Others	Number of shares	percentage of shareholding
I. Shares with selling restrictions						
Shares held by domestic non-state-owned legal persons	—	0%	—	—	—	0%
Sub-total	—	0%	—	—	—	0%
II. Shares without selling restrictions						
Ordinary shares denominated in RMB	6,286	69%	—	—	6,286	69%
Foreign shares listed overseas	2,776	31%	—	—	2,776	31%
Sub-total	9,062	100%	—	—	9,062	100%
III. Total	9,062	100%	—	—	9,062	100%

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Issued capital (continued)

	1 January 2017		Increase/(Decrease) of number of shares		31 December 2017	
	Number of shares	percentage of shareholding	Newly issued	Others	Number of shares	percentage of shareholding
I. Shares with selling restrictions						
Shares held by domestic non-state-owned legal persons	—	0%	—	—	—	0%
Sub-total	—	0%	—	—	—	0%
II. Shares without selling restrictions						
Ordinary shares denominated in RMB	6,286	69%	—	—	6,286	69%
Foreign shares listed overseas	2,776	31%	—	—	2,776	31%
Sub-total	9,062	100%	—	—	9,062	100%
III. Total	9,062	100%	—	—	9,062	100%

34. Capital reserves

	31 December 2019	31 December 2018	31 December 2017
Capital premium	65,860	65,860	65,860
Impact of capital injection to subsidiaries	2,142	2,142	2,127
Impact of other changes in the equity of investees accounted for using the equity method	31	16	9
Transaction with non-controlling interests	(1,413)	(1,413)	(1,413)
Impact of phased business combinations	28	28	28
Others	2	2	2
Total	66,650	66,635	66,613

35. Surplus reserves

	Statutory surplus reserve (the "SSR")
1 January 2017, 31 December 2017, 31 December 2018 and 31 December 2019	4,835

36. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group's subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. General reserves (continued)

	General reserves
1 January 2017	8,392
Appropriations	1,369
31 December 2017	9,761
Appropriations	1,772
Acquired subsidiaries	109
31 December 2018	11,642
Appropriations	2,687
31 December 2019	14,329

37. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under CASs and the amount determined under Hong Kong Financial Reporting Standards, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

(1) Making up for losses brought forward from prior years;

(2) Appropriating to SSR at 10% of the net profit;

(3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and

(4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The Company did not set aside SSR in 2019, 2018 and 2017, since the balance of SSR reached 50% of the respective registered capital.

Of the Group's retained profits in the consolidated financial statements, RMB 12,576 million as at 31 December 2019, RMB 9,942 million as at 31 December 2018, RMB 7,524 million as at 31 December 2017 represents the Company's share of its subsidiaries' surplus reserve fund. RMB 2,634 million represents the Company's portion of surplus reserve fund appropriated in subsidiaries for the year end 31 December 2019, RMB 2,418 million represents the Company's portion of surplus reserve fund appropriated in subsidiaries for the year end 31 December 2018, RMB 436 million represents the Company's portion of surplus reserve fund appropriated in subsidiaries for the year end 31 December 2017.

According to the resolution of the 6th meeting of the 6th Board of Directors of CPIC Property on 22 April 2019, CPIC Property proposed to appropriate RMB 2 billion of DSR from its retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 24 May 2019.

According to the resolution of the first meeting of the 6th Board of Directors of CPIC Property on 26 April 2018, CPIC Property proposed to appropriate RMB 2 billion of DSR from its retained profits after making appropriations to the SSR. The proposal was approved by the general meeting of shareholders of CPIC Property on 25 May 2018.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

37. Profit distribution and retained profits (continued)

Pursuant to the resolution of the 24th meeting of the Company's 8th Board of Directors 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 surplus reserves. The proposal was approved by the general meeting of shareholders of the Company on 12 May 2020.

Pursuant to the resolution of the 15th meeting of the Company's 8th Board of Directors held on 22 March 2019, a final dividend of approximately RMB 9,062 million (equivalent to RMB 1.0 per share (including tax)) was proposed after the appropriation of surplus reserves. The proposal was approved by the general meeting of shareholders of the Company on 5 June 2019.

Pursuant to the resolution of the 7th meeting of the Company's 8th Board of Directors held on 29 March 2018, a final dividend of approximately RMB 7,250 million (equivalent to RMB 0.8 per share (including tax)) was proposed after the appropriation of surplus reserves. The proposal was approved by the general meeting of shareholders of the Company on 15 June 2018.

38. Non-controlling interests

	31 December 2019	31 December 2018	31 December 2017
CPIC Property	599	534	530
CPIC Life	1,447	1,176	1,065
Changjiang Pension	1,290	1,237	1,163
CPIC Funds	495	509	—
CPIC Allianz Health	269	262	135
Anxin	793	754	728
Total	4,893	4,472	3,621

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

39. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

	2019	2018	2017
Property and casualty insurance:			
Automobile insurance	93,251	88,003	81,838
Agricultural insurance	6,895	5,056	3,467
Liability insurance	6,329	5,392	4,259
Commercial property insurance	6,302	5,349	4,940
Guarantee insurance	5,635	3,588	1,606
Other insurances	16,238	11,830	9,749
Sub-total	134,650	119,218	105,859
Life insurance:			
Individual insurance			
—Life insurance	83,399	69,948	53,031
—Participating insurance	111,521	117,951	111,113
—Universal insurance	104	94	57
—Short-term accident and health insurance	9,499	7,434	5,867
Group insurance			
—Life insurance	370	331	348
—Participating insurance	—	1	4
—Short-term accident and health insurance	7,974	6,918	5,365
Sub-total	212,867	202,677	175,785
Total	347,517	321,895	281,644

(2) The Group's gross written premiums with the top five customers is listed below:

	2019	2018	2017
Gross written premiums of the top five customers	1,473	2,946	1,910
% of gross written premiums	0.42%	0.92%	0.68%

40. Net change in unearned premium reserves

	2019	2018	2017
Unearned premium reserves			
—Direct insurance contracts	12,306	5,254	3,005
—Assumed reinsurance contracts	211	(42)	127
Sub-total	12,517	5,212	3,132
Unearned premium reserves recovered from reinsurers			
—Direct insurance contracts	(451)	(501)	(772)
—Assumed reinsurance contracts	(153)	(103)	(54)
Sub-total	(604)	(604)	(826)
Net	11,913	4,608	2,306

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

41. Investment income

	2019	2018	2017
Net gains/(losses) on disposal of stock investments	5,055	(848)	3,651
Net gains/(losses) on disposal of fund investments	923	(120)	(4,972)
Net gains/(losses) on disposal of bond investments	282	139	(311)
Interest on securities purchased under agreements to resell	346	329	363
Interest income from debt investments	44,200	39,104	34,455
Interest income from other fixed-interest investments	10,796	8,810	7,525
Fund dividend income	1,213	1,718	7,635
Stock dividend income	2,288	1,498	931
Income from other equity investments	2,167	2,512	2,596
Share of profit of associates and joint ventures	494	335	74
Net losses on sales of derivatives	(2)	—	(1)
Total	67,762	53,477	51,946

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

42. Gains/(Losses) arising from changes in fair value

	2019	2018	2017
Bond investments	167	2	(113)
Fund investments	273	(400)	280
Derivatives	(1)	1	—
Stock investments	391	(1,790)	1,254
Wealth management products and other equity instruments	(29)	19	22
Total	801	(2,168)	1,443

43. Other operating income

	2019	2018	2017
Income from third-party assets management fee	1,625	1,155	961
Rental income from investment properties	754	739	686
Amortisation of initial policy fee and account management fee	224	148	167
Others	881	1,075	1,000
Total	3,484	3,117	2,814

44. Gains on disposal of assets

	2019	2018	2017
Gains on disposal of fixed assets	15	18	168

45. Surrenders

	2019	2018	2017
Individual life insurance			
—Direct insurance contracts	11,033	9,870	10,118
—Reinsurance contracts	—	2,696	—
Group life insurance			
—Direct insurance contracts	71	75	50
Total	11,104	12,641	10,168

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

46. Claims

	2019	2018	2017
Indemnity			
—Direct insurance contracts	78,879	71,759	64,253
—Assumed reinsurance contracts	336	373	122
Sub-total	79,215	72,132	64,375
Payment upon maturity—direct insurance contracts	22,660	15,655	14,796
Payment of annuity—direct insurance contracts	16,676	11,506	9,877
Payment upon death, injury or medical treatment—direct insurance contracts	9,989	7,922	5,737
Payment upon death, injury or medical treatment—reinsurance contracts	1	1	1
Total	128,541	107,216	94,786

The breakdown of the Group's claims by types of insurance is as follows:

	2019	2018	2017
Property and casualty insurance:			
Automobile insurance	51,119	49,690	45,988
Agricultural insurance	5,033	3,313	1,906
Commercial property insurance	3,051	3,263	3,408
Health insurance	2,942	1,829	1,510
Liability insurance	2,552	2,258	2,329
Other insurances	5,803	4,491	3,784
Sub-total	70,500	64,844	58,925
Life insurance:			
Individual insurance			
—Life insurance	17,992	12,081	9,166
—Participating insurance	30,648	22,276	20,415
—Universal insurance	70	75	33
—Short-term accident and health insurance	2,406	1,929	1,641
Group insurance			
—Life insurance	528	569	728
—Participating insurance	85	81	67
—Universal insurance	3	2	2
—Short-term accident and health insurance	6,309	5,359	3,809
Sub-total	58,041	42,372	35,861
Total	128,541	107,216	94,786

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Changes in insurance contract reserves

	2019	2018	2017
Changes in claims reserves			
—Direct insurance contracts	3,441	(755)	2,649
—Assumed reinsurance contracts	196	203	140
Sub-total	3,637	(552)	2,789
Changes in life insurance reserves			
—Direct insurance contracts	90,802	100,090	90,500
—Assumed reinsurance contracts	58	(1,731)	1,732
Sub-total	90,860	98,359	92,232
Changes in long-term health insurance reserves			
—Direct insurance contracts	28,279	7,271	10,537
Total	122,776	105,078	105,558

The particulars of changes in claims reserves under direct insurance contracts are as follows:

	2019	2018	2017
Incurred and reported claims reserves	2,192	(1,401)	1,409
IBNR reserves	1,174	672	1,054
Claim expense reserves	75	(26)	186
Total	3,441	(755)	2,649

48. Insurance contract reserves recovered from reinsurers

	2019	2018	2017
Recovery of claims reserves			
—Direct insurance contracts	449	(854)	52
—Assumed reinsurance contracts	375	185	47
Recovery of life insurance reserves			
—Direct insurance contracts	(3)	524	(143)
Recovery of long-term health insurance reserves			
—Direct insurance contracts	669	465	1,649
Total	1,490	320	1,605

49. Taxes and surcharges

	2019	2018	2017
City maintenance and construction tax	299	353	360
Educational surcharge	213	253	265
Others	370	294	341
Total	882	900	966

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

50. Commission and brokerage expenses

	2019	2018	2017
Fee			
Property and casualty insurance			
Automobile insurance	13,033	19,644	14,401
Accident insurance	1,172	779	495
Liability insurance	1,058	843	621
Commercial property insurance	1,033	854	733
Health insurance	666	413	273
Other insurances	963	832	604
Sub-total	17,925	23,365	17,127
Life insurance	1,361	1,574	1,549
Total	19,286	24,939	18,676
Commission			
Commission expenses for single premium policy	1,148	858	523
First-year commission expenses for regular premium policy	17,756	26,625	25,084
Renewal commission expenses for regular premium policy	8,663	3,829	2,998
Total	27,567	31,312	28,605
Total of fee and commission expenses	46,853	56,251	47,281

51. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	2019	2018	2017
Payroll and welfare benefits	21,222	18,802	16,860
Advertising expenses (including business publicity expenses)	5,237	3,674	4,176
General office expenses	3,571	3,219	3,249
Professional service fees	3,490	2,463	1,745
Depreciation of fixed assets	1,275	1,104	1,022
Depreciation of right-of-use assets	1,256	—	—
Prevention expenses	1,176	720	306
Labour costs	772	739	625
Property management fee	704	626	560
Amortisation of intangible assets	611	542	468
Consulting fees	481	549	551
Amortisation of other long-term assets	367	315	260
Travel expenses	287	296	311
Rent for short-term and low-value asset leases	269	—	—
Compulsory automobile rescue fund	257	252	219
Transportation expenses	201	244	332
Audit fee	31	27	28
Taxes	8	10	13
Rent for operating leases	—	1,333	1,179
Others	4,224	5,028	4,389
Total	45,439	39,943	36,293

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Interest expenses

	2019	2018	2017
Securities sold under agreements to repurchase	1,922	1,804	2,676
Unclaimed policy dividend	657	596	517
Debts	551	543	455
Interest on lease liabilities	140	—	—
Others	241	16	55
Total	3,511	2,959	3,703

53. Other operating expenses

	2019	2018	2017
Interest expenses for policyholders' investment contract liabilities	3,005	2,531	1,910
Depreciation of investment properties	334	328	312
Amortisation of fee and commission for acquiring policyholders' investment contract	2	2	2
Others	1,113	944	2,851
Total	4,454	3,805	5,075

54. Asset impairment losses

	2019	2018	2017
Provision for available-for-sale financial assets impairment, net	2,095	975	658
Provision for investments classified as loans and receivables, net	197	—	—
Provision for held-to-maturity financial assets, net	47	—	—
Provision for bad debts, net	115	127	55
Total	2,454	1,102	713

55. Non-operating income

	2019	2018	2017
Government subsidies unrelated to ordinary activities	15	26	37
Others	67	77	149
Total	82	103	186

56. Non-operating expenses

	2019	2018	2017
Charitable donations and commercial sponsorship	50	26	17
Government fines & confiscations and liquidated damages	9	20	9
Overdue tax payment and fines	2	4	32
Others	122	300	49
Total	183	350	107

57. Income tax

	2019	2018	2017
Current income tax	(267)	10,512	5,668
Deferred income tax	(121)	(938)	443
Total	(388)	9,574	6,111

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

57. Income tax (continued)

The relationship between income tax expenses and total profit is shown below:

	2019	2018	2017
Total profit	27,966	28,008	21,102
Taxes calculated at the statutory tax rate of 25%	6,992	7,002	5,276
Income tax adjustment for prior years	(4,900)	28	2
Non-taxable income	(3,038)	(2,786)	(3,702)
Non-deductible expenses	447	5,178	4,490
Others	111	152	45
Income tax calculated at applicable tax rates	(388)	9,574	6,111

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

58. Earnings per share

Basic earnings per share are calculated by dividing the net profit of the current period attributable to the shareholders of the Company by the weighted average number of ordinary shares issued by the Company. The number of newly issued ordinary shares shall be calculated from the date of the consideration receivable (usually the date of issue of the shares) in accordance with the terms of the issuance contract.

	2019	2018	2017
Net profit for the year attributable to shareholders of the Company	27,741	18,019	14,662
Weighted average number of ordinary shares in issue (million)	9,062	9,062	9,062
Basic earnings per share (RMB Yuan)	3.06	1.99	1.62
Diluted earnings per share (RMB Yuan)	3.06	1.99	1.62

The Company had no dilutive potential ordinary shares as at 31 December 2019, 2018 and 2017.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2019	Attributable to the Company—net of tax	31 December 2019	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company—net of tax	Attributable to Non-controlling interests—net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	2,808	10,144	12,952	27,439	(6,030)	2,095	(9,788)	(3,383)	10,144	189
Exchange differences on translation of foreign operations	(16)	13	(3)	13	—	—	—	—	13	—
Total	2,792	10,157	12,949	27,452	(6,030)	2,095	(9,788)	(3,383)	10,157	189

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2018	Attributable to the Company—net of tax	31 December 2018	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company—net of tax	Attributable to Non-controlling interests—net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	1,546	1,262	2,808	4,069	236	975	(3,594)	(429)	1,262	(5)
Exchange differences on translation of foreign operations	(41)	25	(16)	25	—	—	—	—	25	—
Total	1,505	1,287	2,792	4,094	236	975	(3,594)	(429)	1,287	(5)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2017	Attributable to the Company - net of tax	31 December 2017	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company—net of tax	Attributable to Non-controlling interests—net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	3,969	(2,423)	1,546	(8,839)	2,154	658	2,744	820	(2,423)	(40)
Exchange differences on translation of foreign operations	(8)	(33)	(41)	(33)	—	—	—	—	(33)	—
Total	3,961	(2,456)	1,505	(8,872)	2,154	658	2,744	820	(2,456)	(40)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. Cash paid relating to other operating activities

Significant payments related to other operating activities are listed below:

	2019	2018	2017
Surrenders	11,104	9,945	10,168
Advertising expenses (including business publicity expenses)	5,237	3,674	4,176
General office expenses	3,571	3,219	3,249
Professional service fees	3,490	2,463	1,745
Prevention expenses	1,176	720	306
Labour costs	772	739	625
Property management fee	704	626	560
Consulting fees	481	549	551
Travel expenses	287	296	311
Rent for short-term and low-value asset leases	269	—	—
Transportation expenses	201	244	332
Rent for operating leases	—	1,333	1,179

61. Cash and cash equivalents

	2019	2018	2017
Cash:			
Cash at bank readily available for payments	13,517	13,943	10,681
Other cash balances readily available for payments	984	1,083	979
Cash equivalents:			
Investments with an initial term within 3 months	28,045	23,095	17,126
Total	42,546	38,121	28,786

62. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2019	2018	2017
Net profit	28,354	18,434	14,991
Add: Asset impairment losses	2,454	1,102	713
Changes in insurance contract reserves - net	121,286	104,758	103,953
Net change in unearned premium reserves	11,913	4,608	2,306
Depreciation of right-of-use assets	1,297	—	—
Depreciation of fixed assets and investment properties	1,686	1,517	1,422
Amortisation of intangible assets	611	542	468
Amortisation of other long-term assets	371	320	266
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(15)	(18)	(168)
Investment income	(67,762)	(53,477)	(51,946)
(Gains)/Losses arising from changes in fair value	(801)	2,168	(1,443)
Interest expenses	2,854	2,363	3,186
Exchange (gains)/losses	(56)	(53)	140
Deferred income tax	(121)	(938)	443
Increase in operating receivables	(3,839)	(4,480)	(5,693)
Increase in operating payables	13,563	12,603	17,413
Net cash flows from operating activities	111,795	89,449	86,051

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

62. Supplementary information to the cash flow statements (continued)

(2) Net cash outflow on acquisition of the subsidiary:

	2018
Cash and cash equivalents paid in the current year for business combination incurred in the current year	—
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	309
Net cash received from acquisition of subsidiaries	309

(3) Net increase/(decrease) in cash and cash equivalents:

	2019	2018	2017
Cash at the end of the year	14,501	15,026	11,660
Less: Cash at the beginning of the year	(15,026)	(11,660)	(15,257)
Cash equivalents at the end of the year	28,045	23,095	17,126
Less: Cash equivalents at the beginning of the year	(23,095)	(17,126)	(21,138)
Net increase/(decrease) in cash and cash equivalents	4,425	9,335	(7,609)

VIII. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life and health insurance segment (including CPIC Life and CPIC Allianz Health) offers a wide range of RMB life and health insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment provides corporation management and assets management services, etc.

Intersegment sales and transfers are measured based on the actual transaction price.

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

In 2019, 2018 and 2017, gross written premiums from transactions with the top five external customers amounted to 0.42%, 0.92% and 0.68%, respectively (Note VII 39).

VIII. SEGMENT INFORMATION (continued)

	2019							
		Property and casualty insurance						
Item	Life and health insurance	Mainland China	Hong Kong	Eliminations	Subtotal	Corporate and others	Eliminations	Total
Premiums earned	207,267	105,747	254	(14)	105,987	—	(8)	313,246
Including: Premiums earned from third parties	206,545	106,691	10	—	106,701	—	—	313,246
Premiums earned within the Group	722	(944)	244	(14)	(714)	—	(8)	—
Other income	30	38	—	—	38	57	—	125
Investment income	59,225	5,730	36	—	5,766	19,269	(16,498)	67,762
Gains/(losses) arising from changes in fair value	823	2	—	—	2	(24)	—	801
Exchange gains/(losses)	17	44	(1)	—	43	(12)	8	56
Other operating income	2,372	318	3	—	321	4,708	(3,917)	3,484
Gains on disposal of assets	13	1	—	—	1	1	—	15
Operating income	269,747	111,880	292	(14)	112,158	23,999	(20,415)	385,489
Surrenders	(11,104)	—	—	—	—	—	—	(11,104)
Claims	(58,355)	(70,418)	(241)	159	(70,500)	—	314	(128,541)
Less: Claims recoveries from reinsurers	2,338	8,892	94	(159)	8,827	—	(307)	10,858
Changes in insurance contract reserves	(120,009)	(2,684)	(69)	(31)	(2,784)	—	17	(122,776)
Less: Insurance contract reserves recovered from reinsurers	1,047	344	63	31	438	—	5	1,490
Others	(63,691)	(41,806)	(98)	—	(41,904)	(5,476)	3,722	(107,349)
Operating expenses	(249,774)	(105,672)	(251)	—	(105,923)	(5,476)	3,751	(357,422)
Operating profit	19,973	6,208	41	(14)	6,235	18,523	(16,664)	28,067
Add: Non-operating income	32	38	—	—	38	12	—	82
Less: Non-operating expenses	(127)	(38)	—	—	(38)	(18)	—	(183)
Profit before tax	19,878	6,208	41	(14)	6,235	18,517	(16,664)	27,966
Less: Income tax	1,254	(223)	(6)	—	(229)	(390)	(247)	388
Net profit for the year	21,132	5,985	35	(14)	6,006	18,127	(16,911)	28,354

VIII. SEGMENT INFORMATION (continued)

	2019							
		Property and casualty insurance						
Item	Life and health insurance	Mainland China	Hong Kong	Eliminations	Subtotal	Corporate and others	Eliminations	Total
Supplementary information:								
Capital expenditure	1,265	1,155	—	—	1,155	934	—	3,354
Depreciation and amortisation	1,035	871	—	—	871	2,059	—	3,965
Provision for asset impairment	1,632	758	—	—	758	64	—	2,454
31 December 2019								
Segment assets	1,272,861	168,757	1,225	(161)	169,821	102,806	(17,155)	1,528,333
Segment liabilities	1,206,005	128,029	668	(145)	128,552	16,971	(6,515)	1,345,013

VIII. SEGMENT INFORMATION (continued)

	2018							
		Property and casualty insurance						
Item	Life and health insurance	Mainland China	Hong Kong	Eliminations	Subtotal	Corporate and others	Eliminations	Total
Premiums earned	199,741	99,647	335	12	99,994	—	(11)	299,724
Including: Premiums earned from third parties	199,318	100,490	(84)	—	100,406	—	—	299,724
Premiums earned within the Group	423	(843)	419	12	(412)	—	(11)	—
Other income	47	60	—	—	60	35	—	142
Investment income	46,140	5,553	40	—	5,593	13,892	(12,148)	53,477
(Losses)/gains arising from changes in fair value	(2,195)	—	—	—	—	27	—	(2,168)
Exchange gains/(losses)	23	140	—	—	140	(101)	(9)	53
Other operating income	2,941	412	—	—	412	3,984	(4,220)	3,117
Gains on disposal of assets	8	10	—	—	10	—	—	18
Operating income	246,705	105,822	375	12	106,209	17,837	(16,388)	354,363
Surrenders	(12,641)	—	—	—	—	—	—	(12,641)
Claims	(42,568)	(64,776)	(279)	210	(64,845)	—	197	(107,216)
Less: Claims recoveries from reinsurers	1,674	8,066	104	(210)	7,960	—	(200)	9,434
Changes in insurance contract reserves	(106,603)	1,508	(84)	(2)	1,422	—	103	(105,078)
Less: Insurance contract reserves recovered from reinsurers	1,184	(862)	84	2	(776)	—	(88)	320
Others	(67,151)	(43,167)	(142)	—	(43,309)	(4,618)	4,151	(110,927)
Operating expenses	(226,105)	(99,231)	(317)	—	(99,548)	(4,618)	4,163	(326,108)
Operating profit	20,600	6,591	58	12	6,661	13,219	(12,225)	28,255
Add: Non-operating income	41	41	—	—	41	21	—	103
Less: Non-operating expenses	(324)	(23)	—	—	(23)	(3)	—	(350)
Profit before tax	20,317	6,609	58	12	6,679	13,237	(12,225)	28,008
Less: Income tax	(6,119)	(3,017)	(9)	—	(3,026)	(310)	(119)	(9,574)
Net profit for the year	14,198	3,592	49	12	3,653	12,927	(12,344)	18,434

VIII. SEGMENT INFORMATION (continued)

	2018							
		Property and casualty insurance						
Item	Life and health insurance	Mainland China	Hong Kong	Eliminations	Subtotal	Corporate and others	Eliminations	Total
Supplementary information:								
Capital expenditure	1,719	1,636	3	—	1,639	889	—	4,247
Depreciation and amortisation	930	800	2	—	802	647	—	2,379
Provision for asset impairment	737	241	—	—	241	124	—	1,102
31 December 2018								
Segment assets	1,088,667	163,489	1,394	(545)	164,338	87,410	(4,456)	1,335,959
Segment liabilities	1,046,623	127,232	895	(544)	127,583	13,214	(5,509)	1,181,911

VIII. SEGMENT INFORMATION (continued)

	2017							
		Property and casualty insurance						
Item	Life and health insurance	Mainland China	Hong Kong	Eliminations	Subtotal	Corporate and others	Eliminations	Total
Premiums earned	173,200	89,974	368	(6)	90,336	—	18	263,554
Including: Premiums earned from third parties	172,977	90,618	(41)	—	90,577	—	—	263,554
Premiums earned within the Group	223	(644)	409	(6)	(241)	—	18	—
Other income	2	21	—	—	21	1	—	24
Investment income	45,318	5,350	33	—	5,383	18,548	(17,303)	51,946
Gains arising from changes in fair value	1,427	—	—	—	—	16	—	1,443
Exchange (losses)/gains	(39)	(115)	1	—	(114)	13	—	(140)
Other operating income	2,576	444	1	—	445	3,722	(3,929)	2,814
Gains on disposal of assets	168	—	—	—	—	—	—	168
Operating income	222,652	95,674	403	(6)	96,071	22,300	(21,214)	319,809
Surrenders	(10,168)	—	—	—	—	—	—	(10,168)
Claims	(36,001)	(58,864)	(258)	194	(58,928)	—	143	(94,786)
Less: Claims recoveries from reinsurers	1,058	6,945	57	(194)	6,808	—	(143)	7,723
Changes in insurance contract reserves	(103,800)	(1,993)	(14)	—	(2,007)	—	249	(105,558)
Less: Insurance contract reserves recovered from reinsurers	1,542	88	24	—	112	—	(49)	1,605
Others	(61,855)	(35,801)	(165)	—	(35,966)	(3,685)	3,904	(97,602)
Operating expenses	(209,224)	(89,625)	(356)	—	(89,981)	(3,685)	4,104	(298,786)
Operating profit	13,428	6,049	47	(6)	6,090	18,615	(17,110)	21,023
Add: Non-operating income	62	89	—	—	89	35	—	186
Less: Non-operating expenses	(55)	(50)	—	—	(50)	(2)	—	(107)
Profit before tax	13,435	6,088	47	(6)	6,129	18,648	(17,110)	21,102
Less: Income tax	(3,441)	(2,243)	(8)	—	(2,251)	(385)	(34)	(6,111)
Net profit for the year	9,994	3,845	39	(6)	3,878	18,263	(17,144)	14,991

VIII. SEGMENT INFORMATION (continued)

	2017							
		Property and casualty insurance						
Item	Life and health insurance	Mainland China	Hong Kong	Eliminations	Subtotal	Corporate and others	Eliminations	Total
Supplementary information:								
Capital expenditure	1,698	1,965	—	—	1,965	273	—	3,936
Depreciation and amortisation	990	727	1	—	728	438	—	2,156
Provision for assets impairment	925	41	—	—	41	(253)	—	713
31 December 2017								
Segment assets	973,777	146,453	1,082	(357)	147,178	80,457	(30,188)	1,171,224
Segment liabilities	916,134	110,432	636	(351)	110,717	10,169	(6,915)	1,030,105

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Financial assets at fair value through profit or loss

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Corporate bonds	10	14	9
Equity investments			
Funds	—	24	53
Total	10	38	62

Financial assets at fair value through profit or loss are all financial assets held for trading, and there is no significant restriction on the realisation of investments.

2. Securities purchased under agreements to resell

	31 December 2019	31 December 2018	31 December 2017
Securities—bonds			
Inter-bank market	108	320	60

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

3. Term deposits

Term to maturity	31 December 2019	31 December 2018	31 December 2017
2 to 3 years (inclusive)	500	—	—
3 to 4 years (inclusive)	—	500	—
4 to 5 years (inclusive)	1,500	—	500
Total	2,000	500	500

4. Available-for-sale financial assets

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

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Government bonds	4,085	4,019	—
Finance bonds	2,544	2,594	3,625
Corporate bonds	17,035	18,019	18,089
Equity investments			
Funds	3,048	3,555	2,363
Stocks	2,209	894	699
Investments in other equity instruments	222	—	—
Total	29,143	29,081	24,776

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Available-for-sale financial assets (continued)

Available-for-sale financial assets analysed by relevant information are as follows:

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Fair value	23,664	24,632	21,714
Including: Amortised cost	23,151	24,237	22,386
Accumulated amount recognised in other comprehensive income/(loss)	583	466	(602)
Total impairment provisions	(70)	(71)	(70)
Equity investments			
Fair value	5,479	4,449	3,062
Including: Cost	5,059	4,939	3,023
Accumulated amount recognised in other comprehensive income/(loss)	573	(391)	85
Total impairment provisions	(153)	(99)	(46)
Total			
Fair value	29,143	29,081	24,776
Including: Amortised cost/Cost	28,210	29,176	25,409
Accumulated amount recognised in other comprehensive income/(loss)	1,156	75	(517)
Total impairment provisions	(223)	(170)	(116)

5. Held-to-maturity financial assets

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Finance bonds	—	500	500
Corporate bonds	300	300	400
Total	300	800	900

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

6. Investments classified as loans and receivables

	31 December 2019	31 December 2018	31 December 2017
Debt investments			
Wealth management products	7,855	4,755	1,319
Debt investment plan	4,594	2,221	4,100
Total	12,449	6,976	5,419

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Long-term equity investments

	31 December 2019	31 December 2018	31 December 2017
Subsidiaries			
CPIC Property	20,424	20,424	20,424
CPIC Life	39,908	39,908	39,908
CPIC Asset Management	1,360	1,360	1,360
CPIC H.K.	240	240	240
CPIC Real Estate	115	115	115
CPIC Investment (H.K.)	21	21	21
CPIC Online Services	200	200	200
CPIC Allianz Health	1,310	1,310	771
Consolidated structured entities	1,401	701	—
Total	64,979	64,279	63,039

The Company does not have any other items that substantially constitute net investment in subsidiaries.

8. Investment properties

	Buildings
Cost:	
1 January 2017	4,282
Transfer from fixed assets, net	55
31 December 2017	4,337
Transfer from fixed assets, net	63
31 December 2018	4,400
Transfer to fixed assets, net	(67)
31 December 2019	4,333
Accumulated depreciation:	
1 January 2017	(643)
Provision	(139)
Transfer from fixed assets, net	(2)
31 December 2017	(784)
Provision	(140)
Transfer from fixed assets, net	(4)
31 December 2018	(928)
Provision	(141)
Transfer to fixed assets, net	67
31 December 2019	(1,002)
Carrying amount:	
31 December 2019	3,331
31 December 2018	3,472
31 December 2017	3,553

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Investment properties (continued)

The fair values of investment properties of the Company as at 31 December 2019 amounted to RMB 5,392 million, as at 31 December 2018 amounted to RMB 5,794 million and as at 31 December 2017 amounted to RMB 5,708 million, respectively, which were estimated by the Company having regard to valuations performed by independent valuers. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Allianz Health charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

9. Other assets

	31 December 2019	31 December 2018	31 December 2017
Receivables from subsidiaries	1,000	229	830
Dividends receivable	48	47	62
Receivables from securities sold but not settled	34	3	22
Improvements of right-of-use assets	15	17	18
Prepayment for construction	8	1	10
Others	86	69	71
Total	1,191	366	1,013

10. Securities sold under agreements to repurchase

	31 December 2019	31 December 2018	31 December 2017
Securities—bonds			
Inter-bank market	1,540	1,840	—
Stock exchange	—	—	140
Total	1,540	1,840	140

As at 31 December 2019, the Company's bond investments of approximately RMB 1,687 million were pledged for inter-bank securities sold under agreements to repurchase.

As at 31 December 2018, the Company's bond investments of approximately RMB 1,871 million were pledged for inter-bank securities sold under agreements to repurchase.

As at 31 December 2017, the Company's exchange-traded standardised bonds amounting to approximately RMB 140 million were pledged for securities sold at Shanghai stock exchange under agreements to repurchase.

11. Other liabilities

	31 December 2019	31 December 2018	31 December 2017
Payables to subsidiaries	151	24	31
Payables for purchasing office buildings	4	308	379
Others	673	675	509
Total	828	1,007	919

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

12. Capital reserves

	31 December 2019	31 December 2018	31 December 2017
Capital premium	65,860	65,860	65,860
Asset evaluation appreciation	301	301	301
Others	3	3	3
Total	66,164	66,164	66,164

13. Investment income

	2019	2018	2017
Net (losses)/gains on sales of stock investments	(27)	(4)	83
Net gains on sales of bond investments	59	32	21
Net gains/(losses) on sales of fund investments	166	(62)	37
Interest income from securities purchased under agreements to resell	8	3	13
Interest income from debt investments	1,604	1,400	960
Interest income from other fixed-interest investments	62	27	11
Stock dividend income	54	30	4
Fund dividend income	80	81	114
Income from other equity investments	—	7	221
Dividend income from subsidiaries	15,353	11,193	15,866
Total	17,359	12,707	17,330

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2019	Attributable to the Company—net of tax	31 December 2019	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company-net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	56	811	867	1,152	(197)	126	(270)	811

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2018	Attributable to the Company—net of tax	31 December 2018	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company-net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	(388)	444	56	503	33	56	(148)	444

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2017	Attributable to the Company—net of tax	31 December 2017	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company—net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	119	(507)	(388)	(567)	(139)	30	169	(507)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

15. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2019	2018	2017
Net profit	15,967	11,611	16,452
Add: Asset impairment losses	128	58	35
Depreciation of right-of-use assets	6	—	—
Depreciation of fixed assets and investment properties	413	361	339
Amortisation of intangible assets	105	60	40
Amortisation of other long-term assets	12	8	7
(Gains)/Losses arising from changes in fair value	(5)	9	(3)
Interest expenses	45	56	46
Exchange losses/(gains)	5	112	(14)
Investment income	(17,359)	(12,707)	(17,330)
Deferred income tax	(19)	(17)	25
(Increase)/Decrease in operating receivables	(806)	60	(49)
Increase/(Decrease) in operating payables	684	(236)	43
Net cash flows used in operating activities	(824)	(625)	(409)

(2) Net increase/(decrease) in cash and cash equivalents:

	2019	2018	2017
Cash at the end of the year	83	93	121
Less: Cash at the beginning of the year	(93)	(121)	(96)
Cash equivalents at the end of the year	108	320	60
Less: Cash equivalents at the beginning of the year	(320)	(60)	(743)
Net (decrease)/increase in cash and cash equivalents	(222)	232	(658)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

In 2019, 2018 and 2017, the Company's major related parties comprise:

(1) Subsidiaries of the Company;

(2) Investors who exerts significant influence on the Company;

(3) Joint ventures and associates of the Company;

(4) Key management personnel of the Company and close family members of such individuals;

(5) Enterprise annuity fund established by the Group; and

(6) A legal entity or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company, is not a related party to the Company.

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company

	Registered capital			Shares or equities held		
Name of investee	1 January 2019	Movements for the current year	31 December 2019	1 January 2019	Movements for the current year	31 December 2019
CPIC Property	19,470	—	19,470	98.50%	—	98.50%
CPIC Life	8,420	—	8,420	98.29%	—	98.29%
CPIC Asset Management	2,100	—	2,100	99.67%	—	99.67%
Changjiang Pension	3,000	—	3,000	61.10%	—	61.10%
CPIC H.K.	HKD 250 million	—	HKD 250 million	100.00%	—	100.00%
CPIC Real Estate	115	—	115	100.00%	—	100.00%
CPIC Investment (H.K.)	HKD 50 million	—	HKD 50 million	99.83%	—	99.83%
Xikou Garden Hotel	27	—	27	98.39%	—	98.39%
City Island	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Great Winwick Limited	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	—	HKD 10,000	98.29%	—	98.29%
Newscott Investments Limited	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	—	HKD 10,000	98.29%	—	98.29%
Xinhui Real Estate	USD 15,600 thousand	—	USD 15,600 thousand	98.29%	—	98.29%
Hehui Real Estate	USD 46,330 thousand	—	USD 46,330 thousand	98.29%	—	98.29%
CPIC Online Services	200	—	200	100.00%	—	100.00%
Tianjin Trophy	354	—	354	98.29%	—	98.29%
CPIC Senior Living Investment	3,000	—	3,000	98.29%	—	98.29%
CPIC Allianz Health	1,700	—	1,700	77.05%	—	77.05%
Anxin	700	—	700	51.35%	—	51.35%
Pacific Medical & Healthcare	100	400	500	98.29%	—	98.29%
CPIC Funds	150	—	150	50.83%	—	50.83%
Pacific Insurance Agency	50	—	50	100.00%	—	100.00%
Chengdu Project Company	1,000	—	1,000	98.29%	—	98.29%
Hangzhou Project Company	—	1,200	1,200	—	98.29%	98.29%
Taiji Information Technology	15	—	15	40.00%	60.00%	100.00%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company (continued)

	Registered capital			Shares or equities held		
Name of investee	1 January 2018	Movements for the current year	31 December 2018	1 January 2018	Movements for the current year	31 December 2018
CPIC Property	19,470	—	19,470	98.50%	—	98.50%
CPIC Life	8,420	—	8,420	98.29%	—	98.29%
CPIC Asset Management	2,100	—	2,100	99.67%	—	99.67%
Changjiang Pension	1,446	1,554	3,000	61.10%	—	61.10%
CPIC H.K.	HKD 250 million	—	HKD 250 million	100.00%	—	100.00%
CPIC Real Estate	115	—	115	100.00%	—	100.00%
CPIC Investment (H.K.)	HKD 50 million	—	HKD 50 million	99.83%	—	99.83%
Xikou Garden Hotel	8	19	27	98.39%	—	98.39%
City Island	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Great Winwick Limited	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	—	HKD 10,000	98.29%	—	98.29%
Newscott Investments Limited	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	—	HKD 10,000	98.29%	—	98.29%
Xinhui Real Estate	USD 15,600 thousand	—	USD 15,600 thousand	98.29%	—	98.29%
Hehui Real Estate	USD 46,330 thousand	—	USD 46,330 thousand	98.29%	—	98.29%
CPIC Online Services	200	—	200	100.00%	—	100.00%
Tianjin Trophy	354	—	354	98.29%	—	98.29%
CPIC Senior Living Investment	219	2,781	3,000	98.29%	—	98.29%
CPIC Allianz Health	1,000	700	1,700	77.05%	—	77.05%
Anxin	700	—	700	51.35%	—	51.35%
Pacific Medical & Healthcare	—	100	100	—	98.29%	98.29%
CPIC Funds	150	—	150	—	50.83%	50.83%
Pacific Insurance Agency	50	—	50	100.00%	—	100.00%
Chengdu Project Company	—	1,000	1,000	—	98.29%	98.29%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company (continued)

	Registered capital			Shares or equities held		
Name of investee	1 January 2017	Movements for the current year	31 December 2017	1 January 2017	Movements for the current year	31 December 2017
CPIC Property	19,470	—	19,470	98.50%	—	98.50%
CPIC Life	8,420	—	8,420	98.29%	—	98.29%
CPIC Asset Management	1,300	800	2,100	99.67%	—	99.67%
Changjiang Pension	788	658	1,446	50.87%	10.23%	61.10%
CPIC H.K.	HKD 250 million	—	HKD 250 million	100.00%	—	100.00%
CPIC Real Estate	115	—	115	100.00%	—	100.00%
CPIC Investment (H.K.)	HKD 50 million	—	HKD 50 million	99.83%	—	99.83%
Xikou Garden Hotel	8	—	8	98.39%	—	98.39%
City Island	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Great Winwick Limited	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	—	HKD 10,000	98.29%	—	98.29%
Newscott Investments Limited	USD 50,000	—	USD 50,000	98.29%	—	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	—	HKD 10,000	98.29%	—	98.29%
Xinhui Real Estate	USD 15,600 thousand	—	USD 15,600 thousand	98.29%	—	98.29%
Hehui Real Estate	USD 46,330 thousand	—	USD 46,330 thousand	98.29%	—	98.29%
CPIC Online Services	200	—	200	100.00%	—	100.00%
Tianjin Trophy	354	—	354	98.29%	—	98.29%
CPIC Senior Living Investment	219	—	219	98.29%	—	98.29%
CPIC Allianz Health	1,000	—	1,000	77.05%	—	77.05%
Nan Shan Ju	20	—	20	98.29%	—	98.29%
Anxin	700	—	700	51.35%	—	51.35%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai Haiyan Investment Management Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai Tobacco Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Taiyi Information Technology	Joint venture of the Company
Dayu Technology	Joint venture of the Company
Aizhu Information	Joint venture of the Company
Euler Hermes	Joint venture of the Company
Dabaoguisheng	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Pacific Orpea	Joint venture of the Company
Juche	Associate of the Company
Zhongdao	Associate of the Company
Zhizhong Hospital	Associate of the Company
Dedao	Associate of the Company
Xingongying	Associate of the Company
Heji	Associate of the Company
Ningbo Zhilin	Associate of the Company
Beijing Miaoyijia	Associate of the Company
Jiaxing Yishang	Associate of the Company
Lianren Digital Health	Associate of the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Allianz Health's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment's enterprise annuity plan	Enterprise annuity fund established by the Group
Anxin's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund's enterprise annuity plan	Enterprise annuity fund established by the Group
Baoshan Iron & Steel Co., Ltd.[Note]	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao WP Fund Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Orient Securities Company Limited	Company of which the Group's related natural persons serve as directors or senior management personnel
Haitong Securities Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Commercial Aircraft Corporation of China, Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Shanghai Rural Commercial Bank Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Hankou Bank Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Jingtian & Gongcheng Beijing Office	Company of which the Group's related natural persons serve as directors or senior management personnel

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

Name of entity	Relationship with the Company
Taikang Insurance Group Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Baosteel Group Finance Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
China Bohai Bank Co., Ltd.[Note]	Company of which the Group's related natural persons serve as directors or senior management personnel
China United Network Communications Limited	Company of which the Group's related natural persons serve as directors or senior management personnel
China United Network Communications Group Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

Note: The entity was no longer identified as a related party of the Company as at 31 December 2018.

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

	2019	2018	2017
China United Network Communications Co., Ltd.	8	—	—
Commercial Aircraft Corporation of China, Ltd.	4	7	8
China United Network Communications Group Co., Ltd.	2	—	—
Shanghai Tobacco Group Co., Ltd.	2	4	7
Haitong Securities Co., Ltd.	1	1	1
Shanghai Rural Commercial Bank Co., Ltd.[Note]	1	—	—
Orient Securities Company Limited	1	—	4
Jingtian & Gongcheng Beijing Office	1	—	—
Baoshan Iron & Steel Co., Ltd.[Note]	—	22	22
	20	34	42

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. In 2019, premiums from related parties accounted for 0.01%, in 2018, premiums from related parties accounted for 0.01% and in 2017, premiums from related parties accounted for 0.01% of the Group's total gross written premiums.

(2) Fund subscription and redemption transactions

	2019	2018	2017
Hwabao WP Fund Management Co., Ltd.	506	194	929

(3) Bond trading

	2019	2018	2017
Orient Securities Company Limited	3,317	2,817	2,041
Haitong Securities Co., Ltd.	857	349	—
Shanghai Rural Commercial Bank Co., Ltd.[Note]	617	2,404	—
Hankou Bank Co., Ltd.[Note]	269	1,034	—
China Bohai Bank Co., Ltd.[Note]	—	—	40
	5,060	6,604	2,081

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

(4) Pledged repo transactions

	2019	2018	2017
Shanghai Rural Commercial Bank Co., Ltd.[Note]	94,310	80,592	—
Hankou Bank Co., Ltd.[Note]	540	100	—
Taikang Insurance Group Co., Ltd.	167	444	—
Hwabao WP Fund Management Co., Ltd.	62	—	—
Orient Securities Company Limited	—	500	—
	95,079	81,636	—

(5) Transaction of trust products

	2019	2018	2017
Hwabao Trust Co., Ltd.	—	90	6,500

(6) Transaction of asset management products

	2019	2018	2017
Hwabao Trust Co., Ltd.	52	—	—
Orient Securities Company Limited	10	1	—
Hwabao Investments Co., Ltd.	4	—	—
Baosteel Group Finance Co., Ltd.	—	—	74
	66	1	74

(7) Pension products business

	2019	2018	2017
Shanghai Rural Commercial Bank Co., Ltd.[Note]	17	154	—

(8) Distribution of cash dividends

	2019	2018	2017
Shenergy (Group) Company Limited	1,368	1,040	943
Hwabao Investments Co., Ltd.	1,284	1,027	899
Shanghai State-Owned Assets Operation Co., Ltd.	567	393	296
Shanghai Haiyan Investment Management Co., Ltd.	530	420	392
	3,749	2,880	2,530

(9) Deposits

	2019	2018	2017
Shanghai Rural Commercial Bank Co., Ltd.[Note]	135	155	—
China Bohai Bank Co., Ltd.[Note]	—	2,390	1,300
	135	2,545	1,300

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

(10) Capital injection to subsidiaries of the Group

	2019	2018	2017
China Baowu Steel Group Corporation Limited	—	118	152
Shenergy (Group) Company Limited	—	27	—
	—	145	152

(11) Remuneration of key management

	2019	2018	2017
Salary and other benefits	39	30	36

(12) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2019	2018	2017
Contribution to the enterprise annuity plan	312	281	269

(13) The major related transactions between the Group and joint ventures during the years are as follows:

	2019	2018	2017
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	59	237	—
Rental fees for leasing office buildings of Binjiang-Xiangrui	19	—	—
Total	78	237	—

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during each year are as follows:

	2019	2018	2017
Purchase of insurance contracts			
CPIC Life	—	4	4
CPIC Property	6	4	1
Total	6	8	5
Rental income from office building			
CPIC Property	43	40	39
CPIC Life	27	33	66
Changjiang Pension	4	4	4
CPIC Senior Living Investment	4	3	2
CPIC Allianz Health	1	1	1
Total	79	81	112
Shared service centre fee			
CPIC Life	265	259	266
CPIC Property	234	239	252
CPIC Allianz Health	13	10	13
CPIC Asset Management	11	9	8
CPIC Senior Living Investment	2	1	1
CPIC Online Services	1	1	1
Changjiang Pension	1	1	2
Total	527	520	543
Asset management fee			
CPIC Asset Management	27	25	25
Payment of rental expenses for office buildings			
CPIC Property	—	1	2
CPIC Life	—	1	1
CPIC Real Estate	—	1	—
Total	—	3	3
Medical examination fee			
CPIC Allianz Health	2	3	2
Cash dividends received			
CPIC Life	12,416	8,276	12,414
CPIC Property	2,877	2,877	3,452
CPIC Asset Management	60	40	—
Total	15,353	11,193	15,866
Capital injection to subsidiaries			
CPIC Allianz Health	771	—	539
CPIC Asset Management	—	—	640
Total	771	—	1,179

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

The rent of the office building charged by the Company from CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Allianz Health is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Life, CPIC Property, CPIC Assets Management, CPIC Allianz Health, CPIC Senior Living Investment, CPIC Online Services and Changjiang Pension is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The rent of the office building paid by the Company to CPIC Life, CPIC Property and CPIC Real Estate is determined at the price negotiated by both parties. The asset management fee charged by CPIC Assets Management to the Company shall be determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The medical examination fee paid by the Company to CPIC Allianz Health is determined at the price negotiated by both parties. The capital injection to CPIC Allianz Health was subject to approval from CBIRC and was recognised in other receivables as at 31 December 2019.

(2) The major related transactions between the Company and other related parties of the Group during each year are as follows:

	2019	2018	2017
Fund subscription and redemption transactions			
Hwabao WP Fund Management Co., Ltd.	10	—	25
Bond trading			
Haitong Securities Co., Ltd.	—	264	—
Shanghai Rural Commercial Bank Co., Ltd.[Note]	—	243	—
China Bohai Bank Co., Ltd.[Note]	—	—	10
Pledged repo transactions			
Shanghai Rural Commercial Bank Co., Ltd.[Note]	290	245	—
Transaction of trust products			
Hwabao Trust Co., Ltd.	—	—	1,150
Total	300	752	1,185

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2019	31 December 2018	31 December 2017
Dividends receivable			
CPIC H.K.	45	44	42
Other receivables			
CPIC Life	92	83	127
CPIC Property	130	138	154
CPIC Allianz Health	774	4	545
CPIC Asset Management	2	3	3
CPIC Senior Living Investment	2	1	1
Changjiang Pension	—	—	1
Total	1,000	229	831
Other payables			
CPIC Asset Management	26	24	24
CPIC Property	9	—	1
Changjiang Pension	1	1	1
CPIC Life	—	—	6
Total	36	25	32

(2) Receivables between the Group and its joint ventures are as follows:

	31 December 2019	31 December 2018	31 December 2017
Other receivables			
Binjiang-Xiangrui	1,614	1,555	1,318

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

XI. CONTINGENCIES

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

In addition to the legal proceedings of the above natures, as at 31 December 2019, 31 December 2018 and 31 December 2017, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

XII. OPERATING LEASE COMMITMENTS

Before the first implementation of the new leasing standard, the Group leases office premises and staff quarters under various operating lease agreements as the leasee. Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018	31 December 2017
Within 1 year (including 1 year)	1,246	1,014
1 to 2 years (including 2 years)	992	817
2 to 3 years (including 3 years)	688	648
3 to 5 years (including 5 years)	625	474
More than 5 years	377	278
	3,928	3,231

XIII. COMMITMENTS

	31 December 2019	31 December 2018	31 December 2017
Capital commitments			
Contracted, but not provided for[(1)(2)(3)(4)]	3,485	355	850
Authorised, but not contracted for[(1)(2)(3)]	3,115	6,256	1,023
	6,600	6,611	1,873

The Group had the following capital commitments:

(1) The Company resolved to establish IT Backup Centre and Customer Support Centre in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB 2,000 million. As at 31 December 2019, 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. As at 31 December 2018, the cumulative amount incurred by the Company amounted to RMB 1,558 million. Of the balance, RMB 90 million was disclosed as a capital commitment contracted but not provided for and RMB 352 million was disclosed as a capital commitment authorised but not contracted for. As at 31 December 2017, the cumulative amount incurred by the Company amounted to RMB 1,463 million. Of the balance, RMB 190 million was disclosed as a capital commitment contracted but not provided for and RMB 347 million was disclosed as a capital commitment authorised but not contracted for.

(2) In November 2012, CPIC Property and a third party bade for the use right of the land located at Huangpu District, Shanghai. And in February 2013, two parties set up a project company named Binjiang-Xiangrui as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB 2,090 million. As at 31 December 2019, the cumulative amount incurred by CPIC Property amounted to RMB 1,626 million. Of the balance, RMB 133 million was disclosed as a capital commitment contracted but not provided for and RMB 331 million was disclosed as a capital commitment authorised but not contracted for. As at 31 December 2018, the cumulative amount incurred by CPIC Property amounted to RMB 1,568 million. Of the balance, RMB 145 million was disclosed as a capital commitment contracted but not provided for and RMB 377 million was disclosed as a capital commitment authorised but not contracted for. As at 31 December 2017, the cumulative amount incurred by CPIC Property amounted to RMB 1,330 million. Of the balance, RMB 159 million was disclosed as a capital commitment contracted but not provided for and RMB 601 million was disclosed as a capital commitment authorised but not contracted for.

XIII. COMMITMENTS (continued)

(3) In July 2018, 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 31 December 2019, the cumulative amount incurred by CPIC Life amounted to RMB 10,071 million. Of the balance, RMB 2,764 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. As at 31 December 2018, the cumulative amount incurred by CPIC Life amounted to RMB 9,835 million. Of the balance, RMB 5,450 million was disclosed as a capital commitment authorized but not contracted for.

(4) CPIC Life and a third party jointly established Jiaxing Yishang Equity investment Partnership (Limited Partnership). The Total investment of this project approximated RMB 950 million. As at 31 December 2019, the cumulative amount incurred by the Company amounted to RMB 474 million. Of the balance, RMB 476 million was disclosed as a capital commitment contracted but not provided for.

XIV. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risks

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk—the possibility that the number of insured events will differ from that expected;

Severity risk—the possibility that the cost of the events will differ from those expected;

Development risk—the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risks (continued)

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(2) Concentration of insurance risks

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note VII 39.

(3) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in determining insurance contract reserves and in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumptions and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group has measured the impact on insurance contract reserves of long-term life insurance contract reserves using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances.

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

	31 December 2019				
	Changes in assumptions	Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(14,399)	–1.64%	(6,882)	–9.51%
	– 25 basis points	15,557	1.77%	7,454	10.30%
Mortality rate	+10%	2,016	0.23%	(111)	–0.15%
	–10%	(2,014)	–0.23%	125	0.17%
Morbidity rate	+10%	445	0.05%	15,651	21.63%
	–10%	(472)	–0.05%	(16,071)	–22.21%
Surrender rate	+10%	(2,528)	–0.29%	1,016	1.40%
	–10%	2,784	0.32%	(962)	–1.33%
Expenses	+10%	5,793	0.66%	1,010	1.40%
	–10%	(5,793)	–0.66%	(1,010)	–1.40%
Policy dividend	+5%	16,961	1.93%	(103)	–0.14%

	31 December 2018				
	Changes in assumptions	Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(13,221)	–1.69%	(4,441)	–10.08%
	– 25 basis points	14,264	1.82%	4,793	10.88%
Mortality rate	+10%	2,312	0.29%	(179)	–0.41%
	–10%	(2,309)	–0.29%	194	0.44%
Morbidity rate	+10%	385	0.05%	11,405	25.89%
	–10%	(406)	–0.05%	(11,678)	–26.51%
Surrender rate	+10%	(2,557)	–0.33%	1,412	3.21%
	–10%	2,836	0.36%	(1,413)	–3.21%
Expenses	+10%	5,495	0.70%	716	1.63%
	–10%	(5,495)	–0.70%	(716)	–1.63%
Policy dividend	+5%	16,032	2.04%	(121)	–0.28%

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

	31 December 2017				
	Changes in assumptions	Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(11,768)	–1.72%	(2,792)	–7.59%
	– 25 basis points	12,685	1.86%	2,988	8.12%
Mortality rate	+10%	1,955	0.29%	(214)	–0.58%
	–10%	(1,948)	–0.29%	226	0.62%
Morbidity rate	+10%	336	0.05%	7,879	21.42%
	–10%	(354)	–0.05%	(8,054)	–21.90%
Surrender rate	+10%	(2,140)	–0.31%	916	2.49%
	–10%	2,394	0.35%	(927)	–2.52%
Expenses	+10%	4,857	0.71%	386	1.05%
	–10%	(4,857)	–0.71%	(386)	–1.05%
Policy dividend	+5%	13,794	2.02%	(72)	–0.20%

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for claim reserves is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (e.g. changes in market factors such as one-off events, public attitudes to claims, economic conditions, and changes in internal factors such as portfolio mix, policy conditions and claims handling procedures). In addition, judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include risk margin, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the claim reserves for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

A respective percentage change in average claim costs or claim numbers alone results in a similar percentage change in claim reserves. When other assumptions remain unchanged, a 5% increase in average claim costs will result in an increase of approximately RMB 1,588 million and RMB 195 million in net outstanding claims for property and casualty and short-term life insurance as at 31 December 2019, RMB 1,471 million and RMB 171 million in net outstanding claims for property and casualty and short-term life insurance as at 31 December 2018, RMB 1,498 million and RMB 138 million in net outstanding claims for property and casualty and short-term life insurance as at 31 December 2017.

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

As at 31 December 2019, the development table of gross claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost as of:						
End of current year	58,926	57,960	59,974	64,450	71,637	
One year later	57,737	57,071	57,147	64,051		
Two years later	56,376	55,725	55,300			
Three years later	55,752	55,167				
Four years later	55,506					
Current estimate of cumulative claims	55,506	55,167	55,300	64,051	71,637	301,661
Cumulative payments to date	(54,835)	(53,799)	(52,356)	(56,884)	(47,661)	(265,535)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,791
Outstanding claim reserves						37,917

As at 31 December 2019, the development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost as of:						
End of current year	51,435	50,934	52,415	56,073	62,405	
One year later	50,423	50,251	50,539	55,809		
Two years later	49,470	49,406	48,720			
Three years later	49,077	48,841				
Four years later	48,860					
Current estimate of cumulative claims	48,860	48,841	48,720	55,809	62,405	264,635
Cumulative payments to date	(48,335)	(47,759)	(46,251)	(50,124)	(41,926)	(234,395)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,523
Outstanding claim reserves						31,763

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

As at 31 December 2019, the development table of gross claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost as of:						
End of current year	2,072	2,496	3,301	4,112	4,628	
One year later	1,952	2,488	3,189	3,796		
Two years later	1,956	2,473	3,231			
Three years later	1,964	2,480				
Four years later	1,963					
Current estimate of cumulative claims	1,963	2,480	3,231	3,796	4,628	16,098
Cumulative payments to date	(1,963)	(2,473)	(3,204)	(3,600)	(2,924)	(14,164)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						2,653
Outstanding claim reserves						4,587

As at 31 December 2019, the development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost as of:						
End of current year	2,050	2,438	3,068	3,355	3,058	
One year later	1,916	2,414	2,960	3,210		
Two years later	1,944	2,365	2,993			
Three years later	1,930	2,374				
Four years later	1,929					
Current estimate of cumulative claims	1,929	2,374	2,993	3,210	3,058	13,564
Cumulative payments to date	(1,928)	(2,368)	(2,933)	(2,995)	(2,074)	(12,298)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						2,634
Outstanding claim reserves						3,900

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

As at 31 December 2018, the development table of gross claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2014	2015	2016	2017	2018	Total
Estimate of ultimate claim cost as of:						
End of current year	55,880	58,926	57,960	59,974	64,450	
One year later	55,420	57,737	57,071	57,147		
Two years later	55,098	56,376	55,725			
Three years later	54,798	55,752				
Four years later	54,738					
Current estimate of cumulative claims	54,738	55,752	55,725	57,147	64,450	287,812
Cumulative payments to date	(54,091)	(54,630)	(53,116)	(49,576)	(42,860)	(254,273)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,592
Outstanding claim reserves						35,131

As at 31 December 2018, the development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2014	2015	2016	2017	2018	Total
Estimate of ultimate claim cost as of:						
End of current year	46,868	51,435	50,934	52,415	56,073	
One year later	46,816	50,423	50,251	50,539		
Two years later	46,654	49,470	49,406			
Three years later	46,351	49,077				
Four years later	46,255					
Current estimate of cumulative claims	46,255	49,077	49,406	50,539	56,073	251,350
Cumulative payments to date	(45,818)	(48,161)	(47,266)	(44,013)	(38,081)	(223,339)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,409
Outstanding claim reserves						29,420

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

As at 31 December 2018, the development table of gross claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2014	2015	2016	2017	2018	Total
Estimate of ultimate claim cost as of:						
End of current year	1,939	2,072	2,496	3,301	4,112	
One year later	1,877	1,952	2,488	3,189		
Two years later	1,878	1,956	2,473			
Three years later	1,851	1,964				
Four years later	1,873					
Current estimate of cumulative claims	1,873	1,964	2,473	3,189	4,112	13,611
Cumulative payments to date	(1,872)	(1,956)	(2,447)	(3,032)	(2,499)	(11,806)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,928
Outstanding claim reserves						3,733

As at 31 December 2018, the development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2014	2015	2016	2017	2018	Total
Estimate of ultimate claim cost as of:						
End of current year	1,913	2,050	2,438	3,068	3,355	
One year later	1,843	1,916	2,414	2,960		
Two years later	1,826	1,944	2,365			
Three years later	1,809	1,930				
Four years later	1,830					
Current estimate of cumulative claims	1,830	1,930	2,365	2,960	3,355	12,440
Cumulative payments to date	(1,830)	(1,922)	(2,340)	(2,772)	(2,076)	(10,940)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,926
Outstanding claim reserves						3,426

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

As at 31 December 2017, the development table of gross claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim cost as of:						
End of current year	49,591	55,880	58,926	57,960	59,974	
One year later	51,733	55,420	57,737	57,071		
Two years later	52,324	55,098	56,376			
Three years later	52,189	54,798				
Four years later	52,082					
Current estimate of cumulative claims	52,082	54,798	56,376	57,071	59,974	280,301
Cumulative payments to date	(51,518)	(53,738)	(53,800)	(49,997)	(36,208)	(245,261)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,527
Outstanding claim reserves						36,567

As at 31 December 2017, the development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim cost as of:						
End of current year	42,287	46,868	51,435	50,934	52,415	
One year later	44,203	46,816	50,423	50,251		
Two years later	44,660	46,654	49,470			
Three years later	44,603	46,351				
Four years later	44,424					
Current estimate of cumulative claims	44,424	46,351	49,470	50,251	52,415	242,911
Cumulative payments to date	(44,078)	(45,634)	(47,546)	(44,635)	(32,402)	(214,295)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,343
Outstanding claim reserves						29,959

XIV. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

As at 31 December 2017, the development table of gross claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim cost as of:						
End of current year	1,612	1,939	2,072	2,496	3,301	
One year later	1,633	1,877	1,952	2,488		
Two years later	1,612	1,878	1,956			
Three years later	1,614	1,851				
Four years later	1,596					
Current estimate of cumulative claims	1,596	1,851	1,956	2,488	3,301	11,192
Cumulative payments to date	(1,595)	(1,841)	(1,926)	(2,340)	(1,984)	(9,686)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,356
Outstanding claim reserves						2,862

As at 31 December 2017, the development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					
	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim cost as of:						
End of current year	1,553	1,913	2,050	2,438	3,068	
One year later	1,579	1,843	1,916	2,414		
Two years later	1,552	1,826	1,944			
Three years later	1,547	1,809				
Four years later	1,529					
Current estimate of cumulative claims	1,529	1,809	1,944	2,414	3,068	10,764
Cumulative payments to date	(1,529)	(1,799)	(1,892)	(2,246)	(1,894)	(9,360)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						1,347
Outstanding claim reserves						2,751

2. Financial instrument risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

(1) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in the PRC, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the US Dollars or the HK Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

The following tables summarise the Group's financial assets and financial liabilities by major currency:

	31 December 2019			
	RMB	USD (in RMB)	HKD (in RMB)	Total
Financial assets:				
Cash at bank and on hand	13,416	879	577	14,872
Financial assets at fair value through profit or loss	4,759	—	172	4,931
Securities purchased under agreements to resell	28,045	—	—	28,045
Premium receivables	17,325	566	25	17,916
Reinsurance receivables	4,295	914	131	5,340
Interest receivables	19,474	13	6	19,493
Policy loans	57,194	—	—	57,194
Term deposits	146,940	816	—	147,756
Available-for-sale financial assets	505,447	4,143	2,232	511,822
Held-to-maturity financial assets	294,997	250	—	295,247
Investments classified as loans and receivables	324,013	—	—	324,013
Restricted statutory deposits	6,658	—	—	6,658
Others	10,791	137	80	11,008
Sub-total	1,433,354	7,718	3,223	1,444,295
Financial liabilities:				
Securities sold under agreements to repurchase	78,366	—	—	78,366
Commissions and brokerage payable	4,364	—	—	4,364
Reinsurance payables	4,143	222	178	4,543
Interest payable	516	—	—	516
Claims payable	21,712	—	—	21,712
Policyholder dividend payable	25,447	—	—	25,447
Policyholders' deposits and investment contract liabilities	75,576	—	—	75,576
Bonds payable	9,988	—	—	9,988
Lease liabilities	3,650	—	18	3,668
Others	16,691	368	45	17,104
Sub-total	240,453	590	241	241,284
Net amount	1,192,901	7,128	2,982	1,203,011

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

	31 December 2018			
	RMB	USD (in RMB)	HKD (in RMB)	Total
Financial assets:				
Cash at bank and on hand	13,465	775	1,083	15,323
Financial assets at fair value through profit or loss	11,646	—	189	11,835
Securities purchased under agreements to resell	23,095	—	—	23,095
Premium receivables	11,645	401	17	12,063
Reinsurance receivables	6,018	582	349	6,949
Interest receivables	19,269	7	6	19,282
Policy loans	49,194	—	—	49,194
Term deposits	127,536	860	—	128,396
Available-for-sale financial assets	413,850	1,947	71	415,868
Held-to-maturity financial assets	284,519	225	—	284,744
Investments classified as loans and receivables	272,015	—	—	272,015
Restricted statutory deposits	6,738	—	—	6,738
Others	13,364	172	60	13,596
Sub-total	1,252,354	4,969	1,775	1,259,098
Financial liabilities:				
Securities sold under agreements to repurchase	75,075	—	—	75,075
Commissions and brokerage payable	4,520	—	—	4,520
Reinsurance payables	4,999	815	419	6,233
Interest payable	585	—	—	585
Claims payable	20,789	—	—	20,789
Policyholder dividend payable	26,501	—	—	26,501
Policyholders' deposits and investment contract liabilities	62,325	—	—	62,325
Bonds payable	13,985	—	—	13,985
Others	16,382	372	44	16,798
Sub-total	225,161	1,187	463	226,811
Net amount	1,027,193	3,782	1,312	1,032,287

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

	31 December 2017			
	RMB	USD (in RMB)	HKD (in RMB)	Total
Financial assets:				
Cash at bank and on hand	10,408	1,000	252	11,660
Financial assets at fair value through profit or loss	15,525	22	640	16,187
Securities purchased under agreements to resell	17,126	—	—	17,126
Premium receivables	8,113	369	10	8,492
Reinsurance receivables	7,300	363	178	7,841
Interest receivables	16,748	1	8	16,757
Policy loans	38,643	—	—	38,643
Term deposits	103,248	741	—	103,989
Available-for-sale financial assets	367,574	1,294	—	368,868
Held-to-maturity financial assets	287,375	122	—	287,497
Investments classified as loans and receivables	216,748	—	—	216,748
Restricted statutory deposits	6,566	—	—	6,566
Others	11,136	106	71	11,313
Sub-total	1,106,510	4,018	1,159	1,111,687
Financial liabilities:				
Securities sold under agreements to repurchase	66,243	—	—	66,243
Commissions and brokerage payable	3,888	—	—	3,888
Reinsurance payables	5,733	—	269	6,002
Interest payable	309	—	—	309
Claims payable	19,033	2	—	19,035
Policyholder dividend payable	24,422	—	—	24,422
Policyholders' deposits and investment contract liabilities	56,343	—	—	56,343
Bonds payable	3,999	—	—	3,999
Others	11,433	285	42	11,760
Sub-total	191,403	287	311	192,001
Net amount	915,107	3,731	848	919,686

Exchange rates used by the Group by major currencies:

	31 December 2019		31 December 2018		31 December 2017	
	USD	HKD	USD	HKD	USD	HKD
Exchange rate	6.97620	0.89578	6.86320	0.87620	6.53420	0.83591

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in exchange rates, and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency as at the dates indicated.

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

	31 December 2019	
USD and HKD to RMB exchange rate	**Impact on profit before tax**	**Impact on equity**
+5%	223	506
-5%	(223)	(506)

	31 December 2018	
USD and HKD to RMB exchange rate	**Impact on profit before tax**	**Impact on equity**
+5%	174	255
-5%	(174)	(255)

	31 December 2017	
USD and HKD to RMB exchange rate	**Impact on profit before tax**	**Impact on equity**
+5%	183	229
-5%	(183)	(229)

The impact on profit and equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both changes in total profit and fair value.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks arising from interest rate risk on interest-bearing financial instruments.

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

The tables below summarise major interest-bearing financial instruments of the Group by contractual/ estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest-free and not exposed to interest rate risk:

	31 December 2019					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	358	—	—	—	14,514	14,872
Debt investments at fair value through profit or loss	2,154	732	595	21	—	3,502
Securities purchased under agreements to resell	28,045	—	—	—	—	28,045
Policy loans	57,194	—	—	—	—	57,194
Term deposits	24,796	32,270	89,850	700	140	147,756
Available-for-sale debt investments	66,380	52,207	42,656	146,154	—	307,397
Held-to-maturity financial assets	16,236	16,793	28,406	233,812	—	295,247
Investments classified as loans and receivables	55,478	61,527	73,504	131,504	2,000	324,013
Restricted statutory deposits	404	2,638	3,616	—	—	6,658
Financial liabilities:						
Securities sold under agreements to repurchase	78,366	—	—	—	—	78,366
Policyholders' deposits and investment contract liabilities	1,225	2,337	1,049	70,965	—	75,576
Bonds payable	—	—	—	9,988	—	9,988

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

	31 December 2018					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	262	—	—	—	15,061	15,323
Debt investments at fair value through profit or loss	1,383	1,038	613	212	—	3,246
Securities purchased under agreements to resell	23,095	—	—	—	—	23,095
Policy loans	49,194	—	—	—	—	49,194
Term deposits	27,127	39,649	57,480	4,000	140	128,396
Available-for-sale debt investments	56,584	40,904	45,750	137,219	54	280,511
Held-to-maturity financial assets	25,387	20,390	23,031	215,936	—	284,744
Investments classified as loans and receivables	34,502	66,378	59,552	104,754	6,829	272,015
Restricted statutory deposits	2,482	1,484	2,772	—	—	6,738
Financial liabilities:						
Securities sold under agreements to repurchase	75,075	—	—	—	—	75,075
Policyholders' deposits and investment contract liabilities	856	1,681	1,819	57,969	—	62,325
Bonds payable	4,000	—	—	9,985	—	13,985

	31 December 2017					
	Up to1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	712	—	—	—	10,948	11,660
Debt investments at fair value through profit or loss	717	337	722	128	—	1,904
Securities purchased under agreements to resell	17,126	—	—	—	—	17,126
Policy loans	38,643	—	—	—	—	38,643
Term deposits	22,369	48,980	32,500	—	140	103,989
Available-for-sale debt investments	67,119	22,704	36,916	102,683	—	229,422
Held-to-maturity financial assets	21,176	23,275	16,987	226,059	—	287,497
Investments classified as loans and receivables	26,080	62,265	49,317	72,257	6,829	216,748
Restricted statutory deposits	1,262	3,086	2,218	—	—	6,566
Financial liabilities:						
Securities sold under agreements to repurchase	66,243	—	—	—	—	66,243
Policyholders' deposits and investment contract liabilities	789	1,382	1,750	52,422	—	56,343
Bonds payable	—	3,999	—	—	—	3,999

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

	31 December 2019	
Change in RMB interest rate	**Impact on profit before tax**	**Impact on equity**
+50 basis points	(24)	(5,619)
-50 basis points	22	5,732

	31 December 2018	
Change in RMB interest rate	**Impact on profit before tax**	**Impact on equity**
+50 basis points	(44)	(5,695)
-50 basis points	43	6,272

	31 December 2017	
Change in RMB interest rate	**Impact on profit before tax**	**Impact on equity**
+50 basis points	(22)	(4,221)
-50 basis points	21	4,610

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet dates.

	31 December 2019	
Change in RMB interest rate	**Impact on profit before tax**	**Impact on equity**
+50 basis points	76	76
-50 basis points	(76)	(76)

	31 December 2018	
Change in RMB interest rate	**Impact on profit before tax**	**Impact on equity**
+50 basis points	101	101
-50 basis points	(101)	(101)

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

	31 December 2017	
Change in RMB interest rate	**Impact on profit before tax**	**Impact on equity**
+50 basis points	84	84
-50 basis points	(84)	(84)

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2019, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 3,183 million; As at 31 December 2018, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 2,106 million; As at 31 December 2017, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 1,177 million.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 31 December 2019, 31 December 2018 and 31 December 2017. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

The Group mitigates credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

	31 December 2019						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	14,872	—	—	—	—	—	14,872
Debt investments at fair value through profit or loss	3,502	—	—	—	—	—	3,502
Securities purchased under agreements to resell	28,045	—	—	—	—	—	28,045
Premium receivables	15,806	—	—	—	—	2,110	17,916
Reinsurance receivables	5,327	—	—	—	—	13	5,340
Interest receivables	19,493	—	—	—	—	—	19,493
Policy loans	57,194	—	—	—	—	—	57,194
Term deposits	147,756	—	—	—	—	—	147,756
Available-for-sale debt investments	305,424	—	—	—	—	1,973	307,397
Held-to-maturity financial assets	294,992	—	—	—	—	255	295,247
Investments classified as loans and receivables	323,746	—	—	—	—	267	324,013
Restricted statutory deposits	6,658	—	—	—	—	—	6,658
Others	10,830	—	—	—	—	178	11,008
Total	1,233,645	—	—	—	—	4,796	1,238,441

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

	31 December 2018						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	15,323	—	—	—	—	—	15,323
Debt investments at fair value through profit or loss	3,246	—	—	—	—	—	3,246
Securities purchased under agreements to resell	23,095	—	—	—	—	—	23,095
Premium receivables	9,484	—	—	—	—	2,579	12,063
Reinsurance receivables	6,874	—	—	—	—	75	6,949
Interest receivables	19,282	—	—	—	—	—	19,282
Policy loans	49,194	—	—	—	—	—	49,194
Term deposits	128,396	—	—	—	—	—	128,396
Available-for-sale debt investments	280,511	—	—	—	—	—	280,511
Held-to-maturity financial assets	284,744	—	—	—	—	—	284,744
Investments classified as loans and receivables	272,015	—	—	—	—	—	272,015
Restricted statutory deposits	6,738	—	—	—	—	—	6,738
Others	13,244	—	—	—	—	352	13,596
Total	1,112,146	—	—	—	—	3,006	1,115,152

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

	31 December 2017						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	11,660	—	—	—	—	—	11,660
Debt investments at fair value through profit or loss	1,904	—	—	—	—	—	1,904
Securities purchased under agreements to resell	17,126	—	—	—	—	—	17,126
Premium receivables	6,211	—	—	—	—	2,281	8,492
Reinsurance receivables	7,823	—	—	—	—	18	7,841
Interest receivables	16,757	—	—	—	—	—	16,757
Policy loans	38,643	—	—	—	—	—	38,643
Term deposits	103,989	—	—	—	—	—	103,989
Available-for-sale debt investments	229,422	—	—	—	—	—	229,422
Held-to-maturity financial assets	287,497	—	—	—	—	—	287,497
Investments classified as loans and receivables	216,748	—	—	—	—	—	216,748
Restricted statutory deposits	6,566	—	—	—	—	—	6,566
Others	10,925	—	—	—	—	388	11,313
Total	955,271	—	—	—	—	2,687	957,958

Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	31 December 2019					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	14,514	358	—	—	—	14,872
Financial assets at fair value through profit or loss	63	231	2,452	1,621	879	5,246
Securities purchased under agreements to resell	—	28,061	—	—	—	28,061
Premium receivables	4,194	5,746	7,850	649	—	18,439
Reinsurance receivables	—	5,490	17	—	—	5,507
Policy loans	—	58,647	—	—	—	58,647
Term deposits	—	35,021	137,314	700	—	173,035
Available-for-sale financial assets	263	33,753	167,461	284,590	183,261	669,328
Held-to-maturity financial assets	—	29,029	96,981	404,187	—	530,197
Investments classified as loans and receivables	—	62,932	188,337	165,689	—	416,958
Restricted statutory deposits	—	807	7,030	—	—	7,837
Others	1,887	7,773	1,623	—	—	11,283
Sub-total	20,921	267,848	609,065	857,436	184,140	1,939,410

	31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Securities sold under agreements to repurchase	—	78,503	—	—	—	78,503
Commissions and brokerage payable	715	2,217	1,321	111	—	4,364
Reinsurance payables	—	4,306	237	—	—	4,543
Claims payable	21,705	7	—	—	—	21,712
Policyholder dividend payable	25,447	—	—	—	—	25,447
Policyholders' deposits and investment contract liabilities	—	8,636	24,484	101,810	—	134,930
Bonds payable	—	505	2,176	12,064	—	14,745
Lease liabilities	—	1,341	2,369	358	—	4,068
Others	1,616	15,082	406	—	—	17,104
Sub-total	49,483	110,597	30,993	114,343	—	305,416
Net amount	(28,562)	157,251	578,072	743,093	184,140	1,633,994

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	31 December 2018					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	15,260	63	—	—	—	15,323
Financial assets at fair value through profit or loss	61	4,019	2,875	723	4,690	12,368
Securities purchased under agreements to resell	—	23,125	—	—	—	23,125
Premium receivables	2,708	6,946	2,703	83	—	12,440
Reinsurance receivables	—	7,073	37	1	—	7,111
Policy loans	—	50,331	—	—	—	50,331
Term deposits	—	33,670	120,213	4,027	—	157,910
Available-for-sale financial assets	321	27,627	151,025	274,426	120,526	573,925
Held-to-maturity financial assets	—	35,667	94,886	363,852	—	494,405
Investments classified as loans and receivables	—	39,514	173,263	135,678	—	348,455
Restricted statutory deposits	—	2,935	4,370	—	—	7,305
Others	1,085	11,252	1,568	—	—	13,905
Sub-total	19,435	242,222	550,940	778,790	125,216	1,716,603

	31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Securities sold under agreements to repurchase	—	75,238	—	—	—	75,238
Commissions and brokerage payable	1,264	3,139	101	16	—	4,520
Reinsurance payables	—	5,841	392	—	—	6,233
Claims payable	20,728	56	5	—	—	20,789
Policyholder dividend payable	26,501	—	—	—	—	26,501
Policyholders' deposits and investment contract liabilities	63	793	3,500	57,969	—	62,325
Bonds payable	—	4,741	2,623	12,418	—	19,782
Others	1,877	14,921	—	—	—	16,798
Sub-total	50,433	104,729	6,621	70,403	—	232,186
Net amount	(30,998)	137,493	544,319	708,387	125,216	1,484,417

XIV. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

	31 December 2017					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	10,944	716	—	—	—	11,660
Financial assets at fair value through profit or loss	—	561	2,560	321	13,123	16,565
Securities purchased under agreements to resell	—	17,143	—	—	—	17,143
Premium receivables	3,637	4,630	471	47	—	8,785
Reinsurance receivables	—	7,979	13	—	—	7,992
Policy loans	—	39,478	—	—	—	39,478
Term deposits	—	27,128	88,672	—	—	115,800
Available-for-sale financial assets	351	58,135	115,310	223,987	109,394	507,177
Held-to-maturity financial assets	—	22,478	104,528	378,581	—	505,587
Investments classified as loans and receivables	—	20,509	158,439	100,625	—	279,573
Restricted statutory deposits	—	1,519	5,737	—	—	7,256
Others	1,240	9,050	1,327	—	—	11,617
Sub-total	16,172	209,326	477,057	703,561	122,517	1,528,633

	31 December 2017					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Securities sold under agreements to repurchase	—	66,423	—	—	—	66,423
Commissions and brokerage payable	1,269	2,452	150	17	—	3,888
Reinsurance payable	—	5,902	100	—	—	6,002
Claims payables	19,023	12	—	—	—	19,035
Policyholder dividend payable	24,422	—	—	—	—	24,422
Policyholders' deposits and investment contract liabilities	—	789	3,132	52,422	—	56,343
Bonds payable	—	236	4,236	—	—	4,472
Others	719	11,041	—	—	—	11,760
Sub-total	45,433	86,855	7,618	52,439	—	192,345
Net amount	(29,261)	122,471	469,439	651,122	122,517	1,336,288

3. Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

XIV. RISK MANAGEMENT (continued)

3. Operational risk (continued)

   The following internal control measures are in place to mitigate the Group's exposure to operational risk:

   - Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
   - Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
   - Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
   - Implementing staff education and appraisals.

4. Mismatching risk of assets and liabilities

   Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

   In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of assets and liabilities matching.

5. Capital management risk

   Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

   It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

   - Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
   - Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
   - Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

   The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'.

XIV. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to the above solvency rules:

Group	31 December 2019	31 December 2018	31 December 2017
Core capital	453,838	381,723	318,882
Actual capital	463,838	392,523	322,882
Minimum required capital	157,481	130,560	113,766
Core solvency margin ratio	288%	292%	280%
Comprehensive solvency margin ratio	295%	301%	284%

CPIC Property	31 December 2019	31 December 2018	31 December 2017
Core capital	38,900	34,831	34,788
Actual capital	48,900	45,631	38,788
Minimum required capital	16,713	14,915	14,508
Core solvency margin ratio	233%	234%	240%
Comprehensive solvency margin ratio	293%	306%	267%

CPIC Life	31 December 2019	31 December 2018	31 December 2017
Core capital	357,883	298,654	241,486
Actual capital	357,883	298,654	241,486
Minimum required capital	139,354	114,526	98,460
Core solvency margin ratio	257%	261%	245%
Comprehensive solvency margin ratio	257%	261%	245%

CPIC Allianz Health	31 December 2019	31 December 2018	31 December 2017
Core capital	1,084	1,057	524
Actual capital	1,084	1,057	524
Minimum required capital	702	489	250
Core solvency margin ratio	155%	216%	210%
Comprehensive solvency margin ratio	155%	216%	210%

XIV. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

Anxin	31 December 2019	31 December 2018	31 December 2017
Core capital	1,684	1,578	1,488
Actual capital	1,684	1,578	1,488
Minimum required capital	557	527	479
Core solvency margin ratio	303%	300%	310%
Comprehensive solvency margin ratio	303%	300%	310%

XV. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 5 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

XV. STRUCTURED ENTITIES (continued)

As at 31 December 2019, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2019				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by related parties	148,442	—	—	—	Management fee
Insurance asset management products managed by related parties	253,128	101,384	101,513	101,049	Investment income and management fee
Securities investment funds managed by related parties	37,526	7,082	7,122	7,122	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	87,606	89,597	89,303	Investment income
Trust products managed by third parties	Note 1	129,561	129,765	129,364	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	3,671	3,765	3,765	Investment income
Securities investment funds managed by third parties	Note 1	36,535	39,241	39,241	Investment income
Total		365,839	371,003	369,844	

XV. STRUCTURED ENTITIES (continued)

As at 31 December 2018, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2018				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by related parties	149,510	—	—	—	Management fee
Insurance asset management products managed by related parties	221,745	83,638	84,166	83,601	Investment income and management fee
Securities investment funds managed by related parties	21,299	2,749	2,643	2,643	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	77,991	78,955	78,575	Investment income
Trust products managed by third parties	Note 1	95,005	95,270	95,004	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	6,502	6,545	6,545	Investment income
Securities investment funds managed by third parties	Note 1	36,934	35,127	35,127	Investment income
Total		302,819	302,706	301,495	

XV. STRUCTURED ENTITIES (continued)

As at 31 December 2017, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2017				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by related parties	100,474	—	—	—	Management fee
Insurance asset management products managed by related parties	268,257	66,203	66,741	66,180	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	49,409	49,791	49,516	Investment income
Trust products managed by third parties	Note 1	84,571	84,828	84,613	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	20,291	20,398	20,396	Investment income
Total		220,474	221,758	220,705	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are included in wealth management products, funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products, funds and other equity investments under available-for-sale financial assets, debt investment plan and wealth management products under investments classified as loans and receivables, and long-term equity investments.

XVI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 33).

The Group's financial assets mainly include cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits and investment contract liabilities, bonds payable, etc.

XVI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

	31 December 2019		31 December 2018		31 December 2017	
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Financial assets:						
Held-to-maturity financial assets	295,247	317,317	284,744	305,804	287,497	286,529
Investments classified as loans and receivables	324,013	324,104	272,015	272,101	216,748	216,715
Financial liabilities:						
Bonds payable	9,988	10,703	13,985	14,966	3,999	4,216

The Group has not disclosed fair values for certain policyholders' deposits and investment contract liabilities with DPF because no proper fair value valuation techniques are available.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

XVII. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised as a whole is determined on the basis of the lowest level input that is significant to the overall fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

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

(2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

XVII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	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 XVI)	7,948	309,114	255	317,317
Investments classified as loans and receivables (Note XVI)	—	2,141	321,963	324,104
Investment properties (Note VII 13)	—	—	11,887	11,887
Liabilities for which fair values are disclosed (Note XVI)				
Bonds payable	—	—	10,703	10,703

XVII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
—Stocks	1,777	310	—	2,087
—Funds	1,849	169	—	2,018
—Bonds	1,626	1,613	—	3,239
—Others	—	3,903	588	4,491
	5,252	5,995	588	11,835
Available-for-sale financial assets				
—Stocks	45,448	3,465	—	48,913
—Funds	25,029	13,039	—	38,068
—Bonds	24,911	255,296	—	280,207
—Others	—	3,585	45,095	48,680
	95,388	275,385	45,095	415,868
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XVI)	6,547	299,257	—	305,804
Investments classified as loans and receivables (Note XVI)	—	2,746	269,355	272,101
Investment properties (Note VII 13)	—	—	12,017	12,017
Liabilities for which fair values are disclosed (Note XVI)				
Bonds payable	—	—	14,966	14,966

XVII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2017			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
—Stocks	7,776	1,889	—	9,665
—Funds	2,270	689	—	2,959
—Bonds	456	1,448	—	1,904
—Others	—	1,159	500	1,659
	10,502	5,185	500	16,187
Available-for-sale financial assets				
—Stocks	44,464	4,826	4	49,294
—Funds	30,123	5,203	—	35,326
—Bonds	25,680	203,283	—	228,963
—Others	—	20,237	35,048	55,285
	100,267	233,549	35,052	368,868
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XVI)	7,694	278,835	—	286,529
Investments classified as loans and receivables (Note XVI)	—	3,158	213,557	216,715
Investment properties (Note VII 13)	—	—	11,856	11,856
Liabilities for which fair values are disclosed (Note XVI)				
Bonds payable	—	—	4,216	4,216

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. During 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.

In 2018, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. During 2018, the Group transferred the bonds with a carrying amount of RMB 9,667 million from Level 1 to Level 2 and RMB 5,909 million from Level 2 to Level 1.

In 2017, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. During 2017, the Group transferred the bonds with a carrying amount of RMB 10,948 million from Level 1 to Level 2 and RMB 3,654 million from Level 2 to Level 1.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

XVII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2019					
	Beginning of year	Increase	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gain recognised in other comprehensive income/(loss)	End of year
Financial assets at fair value through profit or loss						
—Wealth management products	5	6	—	—	—	11
—Debt investment plan	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

	31 December 2018					
	Beginning of year	Increase	Transferred from Level 3	Gains or losses recognised in profit or loss	Net unrealised gain recognised in other comprehensive income/(loss)	End of year
Financial assets at fair value through profit or loss						
—Wealth management products	—	5	—	—	—	5
—Debt investment plan	—	2	—	—	—	2
—Other equity investments	500	81	—	—	—	581
Available-for-sale financial assets						
—Stocks	4	—	(4)	—	—	—
—Preferred shares	7,764	—	—	—	1	7,765
—Other equity investments	27,284	7,720	—	(33)	2,359	37,330

XVII. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2017					
	Beginning of year	Increase	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gain recognised in other comprehensive income/(loss)	End of year
Financial assets at fair value through profit or loss						
—Other equity investments	—	500	—	—	—	500
Available-for-sale financial assets						
—Stocks	—	—	22	(29)	11	4
—Preferred shares	—	3,000	4,545	—	219	7,764
—Other equity investments	18,588	7,703	—	(23)	1,016	27,284

Valuation techniques

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

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 3.53% to 6.54% in year 2019, 3.94% to 12.20% in year 2018 and 5.46% to 14.50% in year 2017.

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.

XVIII. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution of the 1st meeting of the CPIC Life's 6th term of board of directors held in 2020, CPIC Life intends to invest RMB 1,487 million to set up the Pacific Care Home Development (Xiamen) Co., Ltd. (the "Xiamen Project Company"). The Xiamen Project Company is a wholly-owned subsidiary of CPIC Life with the registered capital of RMB 900 million. In addition, CPIC Life will provide shareholder loans to the Xiamen Project Company, which estimated to be approximately RMB 587 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 1,487 million in aggregate. CPIC Life has made the capital contribution of RMB 290 million as at the date of approval of the financial statements.

The proposal of closing down Xikou Garden Hotel, a subsidiary of CPIC Life, was approved by its 2019 first general meeting of shareholders and the liquidation work had been completed as at the date of approving this financial statements.

XVIII. EVENTS AFTER THE BALANCE SHEET DATE (continued)

The COVID-19 pandemic occurred nationwide in early 2020 and continue to spread in China and around the world. The COVID-19 pandemic has had a material impact on business operations and the overall economy in China and most parts of the world. Since the beginning of the second quarter, although China's economic and social operation has gradually get 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 business, results of operations, financial condition could further be materially and 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.

On 12 May 2020, the general meeting of shareholders of the Company passed the "Proposal on the Profit Distribution Plan of China Pacific Insurance (Group) Co., Ltd. for the Year 2019", which agreed to pay the final dividend of approximately RMB 10,874 million (equivalent to RMB 1.2 per share (including tax).

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

XIX. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorised for issue by the board of directors of the Company on 12 June 2020.

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2019		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to equity owners of the Company	16.92%	3.06	3.06
Net profit attributable to equity owners of the Company net of non-recurring profit or loss	13.97%	2.53	2.53

	2018		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to equity owners of the Company	12.55%	1.99	1.99
Net profit attributable to equity owners of the Company net of non-recurring profit or loss	12.60%	2.00	2.00

	2017		
	Weighted average return on net assets (%)	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to equity owners of the Company	10.89%	1.62	1.62
Net profit attributable to equity owners of the Company net of non-recurring profit or loss	10.75%	1.60	1.60

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Company had no diluted potential common shares.

I. NET ASSET RETURN AND EARNINGS PER SHARE (continued)

Net profit attributable to equity owners of the Company net of non-recurring profit or loss are listed as follows:

	2019	2018	2017
Net profit attributable to equity owners of the Company	27,741	18,019	14,662
Add/(Less): Non-recurring profit or loss items			
Government grants recognised in current profit or loss	(140)	(168)	(61)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(15)	(18)	(168)
Gains generated from the differences of fair value of the identifiable net assets of the subsidiaries, joint ventures and associates over the acquisition costs	(1)	—	—
Effect of one-off adjustment to profit or loss for the current year in accordance with the requirement of taxation and accounting laws and regulations	(4,881)	—	—
Other net operating income and expenses other than aforesaid items	117	273	(42)
Effect of income tax relating to non-recurring profit or loss	14	(20)	78
Net profit less non-recurring gains	22,835	18,086	14,469
Less: Net non-recurring profit or loss attributable to non-controlling interests	80	(2)	3
Net profit attributable to equity owners of the Company net of non-recurring profit or loss	22,915	18,084	14,472

The Group's embedded value information set out in this section is incorporated by reference in this Prospectus and can be found in the 2019 annual report of the Company.

2019 Embedded Value Annual Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 31 December 2019 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 2019 annual report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of one year's sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable shareholder profits for existing business in force at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date, where distributable shareholder profits are determined based on policy liability, required capital in excess of policy liability and minimum capital requirement quantification standards prescribed by the 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 one year's sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the risk of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate.

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

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

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

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2019, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2019 at a risk discount rate of 11%.

Valuation Date	31 December 2019	31 December 2018
	Unit: RMB million	
Group Adjusted Net Worth	**208,402**	**169,325**
Adjusted Net Worth of CPIC Life	**114,677**	**88,714**
Value of In Force Business of CPIC Life Before Cost of Required Capital held	203,392	181,631
Cost of Required Capital Held for CPIC Life	(12,548)	(11,917)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	190,844	169,714
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	**187,585**	**166,816**
Group Embedded Value	**395,987**	**336,141**
CPIC Life Embedded Value	**305,521**	**258,428**

Valuation Date	31 December 2019	31 December 2018
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	28,533	31,806
Cost of Required Capital Held	(3,936)	(4,686)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**24,597**	**27,120**

Notes:
1. Figures may not be additive due to rounding.
2. Results in column "31 December 2018" are those reported in the 2018 annual report.

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

III. Key Valuation Assumptions

In determining the embedded value as at 31 December 2019, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2019:

(I) Risk Discount Rate

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

(II) Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2019 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 One Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of one year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2019.

	First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Required Capital Held	
	2019	2018	2019	2018
	Unit: RMB million			
Total	56,773	62,116	24,597	27,120
Of which: Traditional	26,620	23,139	20,741	18,146
Participating	9,205	22,713	2,228	8,656

V. Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2018 to 31 December 2019.

No.	Item	Value	Comments
		Unit: RMB million	
1	Embedded Value of the life business at 31 December 2018	**258,428**	
2	Expected Return on Embedded Value	23,924	Expected returns on the 2018 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2019
3	Value of One Year's Sales	24,597	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2019
4	Investment Experience Variance	5,042	Reflects the difference between actual and assumed investment return in 2019
5	Operating Experience Variance	3,815	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(505)	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	2,602	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	215	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(12,630)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	34	
11	Embedded Value of the life business at 31 December 2019	**305,521**	
12	Adjusted net worth of businesses other than CPIC Life as at 31 December 2018	**85,427**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	22,473	
14	Shareholder dividends	(9,062)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	300	Reflects the change in value of assets not valued on a market value basis
16	Adjusted net worth of businesses other than CPIC Life as at 31 December 2019	**99,138**	
17	Minority interests relating to equity and market value adjustments	(8,672)	Minority interests on Embedded Value as at 31 December 2019
18	Group Embedded Value as at 31 December 2019	**395,987**	
19	Embedded Value as at 31 December 2019 per share (RMB)	**43.70**	

Note:
Figures may not be additive due to rounding.

VI. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2019 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

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

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

	Value of In Force Business After Cost of Required Capital Held	Value of One Year's Sales After Cost of Required Capital Held
	Unit: RMB million	
Base	**190,844**	**24,597**
Risk discount rate "+50 basis points"	183,948	23,521
Risk discount rate "-50 basis points"	198,317	25,760
Investment return "+50 basis points"	220,719	27,942
Investment return "-50 basis points"	160,500	21,252
Mortality "+10%"	189,766	24,424
Mortality "-10%"	191,919	24,769
Morbidity "+10%"	185,293	23,463
Lapse and surrender rates "+10%"	191,850	24,198
Lapse and surrender rates "-10%"	189,718	24,984
Expenses "+10%"	187,698	23,057

The information in respect of the Group's recent business operations and First Quarter Financial Information set forth below are extracted from the First Quarter Report from which material has been adapted for inclusion in this Prospectus. The First Quarter Report was prepared and published on 24 April 2020 pursuant to the listing rules of Shanghai Stock Exchange. Investors should be aware that First Quarter Financial Information set forth below, which has been prepared based on the requirements of the PRC GAAP, has not been audited or reviewed by PwC PRC.

Capitalised terms used herein shall have the same meanings as those defined in the section headed "Definitions and Glossary" in this Prospectus.

Business and Operating Review

The Group's GWPs for the three months ended 31 March 2020 amounted to RMB131.1 billion, representing an increase of 2.2% as compared with the same period of 2019. GWPs of CPIC Life and CPIC P/C for the three months ended 31 March 2020 amounted to RMB91.9 billion and RMB39.0 billion, respectively, representing a decrease of 1.1% and an increase of 10.4%, respectively, as compared with the same period of 2019. The Group realised net profit attributable to shareholders of the parent of RMB8,388 million for the three months ended 31 March 2020, representing an increase of 53.1% as compared with the same period of 2019.

CPIC Life

During the three months ended 31 March 2020, the COVID-19 pandemic hindered the sales by life insurance agents and the recruitment and management of the agency force, thus having an adverse impact on the development of life and health insurance business. GWPs of CPIC Life for the three months ended 31 March 2020 were RMB91.9 billion, representing a decrease of 1.1% as compared with the same period of 2019. Of this, GWPs from the agency channel were RMB84.9 billion, representing a decrease of 1.4% as compared with the same period of 2019, and of which, GWPs from new policies were RMB12.0 billion, representing a decrease of 31.1% as compared with the same period of 2019.

CPIC Life took effective disease control and prevention measures, and introduced steps to move its business operations online so as to mitigate the impact of the pandemic. To fulfill its corporate responsibilities, CPIC Life launched new short-term insurance products and expanded the coverage of existing personal accident and long-term disease insurance products to offer protection against the COVID-19. The move also helped it acquire and accumulate customers. In agency force management, CPIC Life conducted online recruitment, attendance checking, training and promoted customer acquisition and product sales. It upgraded the online service to enhance customer experience, improved the convenience and availability of customer service based on smooth and reliable online business processes. Centering on customer needs, it implemented the *CPIC Service*, fulfilled its commitments to customers and streamlined claims handling processes.

The table below sets forth GWPs of CPIC Life by distribution channel for the periods indicated:

	Three months ended 31 March			
	2019		2020	
	(RMB in millions)	(%)	(RMB in millions)	(%)
Individual customers	**89,471**	**96.4**	**87,404**	**95.1**
Agency channel	**86,116**	**92.8**	**84,908**	**92.4**
New policies	17,442	18.8	12,022	13.1
Regular premium business...	15,523	16.7	9,665	10.5
Renewed policies	68,674	74.0	72,886	79.3
Other channels	**3,355**	**3.6**	**2,496**	**2.7**
Group clients	**3,381**	**3.6**	**4,469**	**4.9**
Total GWPs	**92,852**	**100.0**	**91,873**	**100.0**

CPIC P/C

During the three months ended 31 March 2020, the automobile insurance business was adversely impacted by the COVID-19 pandemic. Shut-downs of businesses and restrictions on the flow of people and goods seriously impacted the commercial property, construction and engineering, travel and cargo insurance. However, demand increased for health protection and coverage for resumption of business, leading to sustained

rapid growth of health, agricultural and liability insurance. GWPs of CPIC P/C were RMB39.0 billion for the three months ended 31 March 2020, representing an increase of 10.4% as compared with the same period of 2019, of which, GWPs generated by automobile and non-auto insurance products were RMB23.5 billion and RMB15.5 billion, representing a decrease of 0.5% and an increase of 32.5% as compared with the same period of 2019, respectively.

In the face of the pandemic, CPIC P/C enhanced renewal business management to stabilise business performance, and improved online capacity-building, online service platforms through applications of new technologies in underwriting and claims management, so as to boost online business development. It also accelerated the development of innovative health and liability insurance products to meet market needs.

The table below sets forth GWPs of CPIC P/C by product type for the periods indicated:

	Three months ended 31 March			
	2019		2020	
	(RMB in millions)	(%)	(RMB in millions)	(%)
Automobile insurance	23,652	66.9	23,524	60.2
Non-auto insurance	11,714	33.1	15,520	39.8
Total GWPs	**35,366**	**100.0**	**39,044**	**100.0**

Investment Management

As at 31 March 2020, the Group's in-house investment assets amounted to RMB1,482.0 billion, representing an increase of 4.4% from 31 December 2019. The investment management of the Group was carried out on a liabilities-driven basis, and the allocation of investment portfolio remained largely stable. Fixed income investments accounted for 80.2% of the Group's in-house investment assets, representing a decrease of 0.2ppt from 31 December 2019. Equity investments accounted for 14.9% of the Group's in-house investment assets, representing a decrease of 0.8ppt from 31 December 2019, of which, the share of stocks and equity funds was 7.8%, representing a decrease of 0.5ppt from 31 December 2019. For the three months ended 31 March 2020, the annualised net investment yield and annualised total investment yield of the Group were 4.2% and 4.5%, respectively.

The table below sets forth the Group's in-house investment portfolio by category as at 31 March 2020:

	As at 31 March 2020			
	(RMB in millions)	(%)	Share changes from 31 December 2019 (ppt)	Amount changes from 31 December 2019 (%)
Fixed income investments	1,188,653	80.2	(0.2)	4.1
Debt securities	615,367	41.5	(1.1)	1.7
Term deposits	162,871	11.0	0.6	10.2
Debt investment plans	166,600	11.2	0.5	10.0
Wealth management products (fixed income)	146,201	9.9	—	3.4
Preferred shares (fixed income)	32,000	2.2	(0.1)	—
Other fixed income investments	65,614	4.4	(0.1)	2.4
Equity investments	221,028	14.9	(0.8)	(0.5)
Equity funds	26,878	1.8	(0.1)	1.8
Bond funds	18,315	1.2	(0.1)	0.8
Stocks	87,632	6.0	(0.4)	(3.3)
Wealth management products (equity investments)	1,408	0.1	—	93.1
Preferred shares (equity investments)	13,699	0.9	(0.1)	0.6
Other equity investments	73,096	4.9	(0.1)	0.7
Investment properties	8,202	0.6	—	(1.0)
Cash, cash equivalents and others	64,161	4.3	1.0	36.3
Total	**1,482,044**	**100.0**	**—**	**4.4**

The table below sets forth the Group's in-house investment portfolio by investment purpose as at 31 March 2020:

	As at 31 March 2020			
	(RMB in millions)	(%)	Share changes from 31 December 2019 (ppt)	Amount changes from 31 December 2019 (%)
Financial assets at fair value through profit or loss	4,522	0.3	—	(8.3)
Available-for-sale financial assets	521,405	35.2	(0.9)	1.9
Held-to-maturity financial assets	294,434	19.9	(0.9)	(0.3)
Long-term equity investments	20,172	1.4	—	(1.3)
Loans and other investments[1]	641,511	43.2	1.8	9.3
Total	**1,482,044**	**100.0**	**—**	**4.4**

Note:

(1) Loans and other investments include term deposits, cash at bank and on hand, securities purchased under agreements to resell, policy loans, restricted statutory deposits, investments classified as loans and receivables and investment properties, among others.

The table below sets forth details of the performance of consolidated investment portfolios of the Group for the three months ended 31 March 2020:

	For the three months ended March		
	2019	2020	Changes
	(%)	(%)	(ppt)
Net investment yield (annualised)[1]	4.4	4.2	(0.2)
Total investment yield (annualised)[1]	4.6	4.5	(0.1)

Note:

(1) 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.

Financial Information of the Group

Key Accounting Data and Financial Indicators

	As at 31 December 2019	As at 31 March 2020	Change (%)
		(unaudited, not reviewed)	
	(in millions of RMB, except percentages)		
Total assets	1,528,333	1,611,323	5.4
Equity[1]	178,427	185,925	4.2
Net assets per share (RMB)[1]	19.69	20.52	4.2

	For the three months ended 31 March		Period-over-period change (%)
	2019	2020	
	(unaudited, not reviewed)	(unaudited, not reviewed)	
	(in millions of RMB, except percentages)		
Net cash flows from operating activities	46,314	43,621	(5.8)
Net cash flows per share from operating activities	5.11	4.81	(5.8)

	For the three months ended 31 March		Period-over-period change (%)
	2019	2020	
	(unaudited, not reviewed)	(unaudited, not reviewed)	
	(in millions of RMB, except percentages)		
Operating income	133,153	138,211	3.8
Net profit[1]	5,479	8,388	53.1
Basic earnings per share (RMB)[1]	0.60	0.93	53.1
Diluted earnings per share (RMB)[1]	0.60	0.93	53.1
Net profit after deducting non-recurring items[1]	5,489	8,394	52.9
Basic earnings per share after deducting non-recurring items (RMB)[1]	0.61	0.93	52.9
Weighted average return on equity (%)[1]	3.5	4.6	+1.1ppt
Weighted average return on equity after deducting non-recurring items (%)[1]	3.5	4.6	+1.1ppt

Note:

(1) Attributable to shareholders of the parent

Non-recurring Items

	For the three months ended 31 March 2020
	(unaudited, not reviewed) (RMB in millions)
Income on disposal of non-current assets	1
Government grants included in profit or loss	14
Net non-operating income and expenses other than those mentioned above	(20)
Effect of income tax	(1)
Effect of non-controlling interests	—
Total	**(6)**

Significant Changes of Key Balance Sheet and Income Statement Items and Financial Indicators

Consolidated balance sheet items

	As at 31 December 2019	As at 31 March 2020	Changes	Main reasons for the changes
	(RMB in millions)	(unaudited, not reviewed) (RMB in millions)	(%)	
Cash at bank and on hand	14,872	27,747	86.6	Timing difference
Premium receivables	17,916	35,404	97.6	Growth in insurance business and timing difference
Premium received in advance	21,000	7,423	(64.7)	Timing difference
Reinsurance payables	4,543	8,569	88.6	Timing difference
Employee benefits payable	5,573	3,889	(30.2)	Timing difference
Taxes payable	2,166	4,141	91.2	Growth in insurance business
Interest payable	516	325	(37.0)	Decrease in interest of bonds payable

Consolidated income statement items

	For the three months ended 31 March			
	2019	2020	Changes	Main reasons for the changes
	(unaudited, not reviewed) (RMB in millions)	(unaudited, not reviewed) (RMB in millions)	(%)	
Premiums from reinsurance assumed	227	439	93.4	Growth in insurance business
Gains/(losses) arising from changes in fair value	1,071	(83)	(107.7)	Change in market value for financial assets at fair value through profit or loss
Insurance contract reserves recovered from reinsurers	500	1,246	149.2	Growth in insurance business
Asset impairment losses	(432)	(1,105)	155.8	Increase in impairment losses
Other comprehensive income/ (losses)	7,179	(908)	(112.6)	Change in fair value for available-for-sale financial assets

Unaudited Balance Sheets, Income Statements and Cash Flow Statements

Consolidated balance sheet as at 31 December 2019 and 31 March 2020

	As at 31 December 2019	As at 31 March 2020
		(unaudited, not reviewed)
	(RMB in millions)	
Cash at bank and on hand	14,872	27,747
Financial assets at fair value through profit or loss	4,931	4,522
Securities purchased under agreements to resell	28,045	33,295
Premium receivables	17,916	35,404
Reinsurance receivables	5,340	6,599
Interest receivables	19,493	18,291
Reinsurers' share of unearned premium reserves	6,385	7,329
Reinsurers' share of claim reserves	6,841	7,572
Reinsurers' share of life insurance reserves	1,881	1,974
Reinsurers' share of long-term health insurance reserves	10,453	10,879
Policy loans	57,194	58,186
Term deposits	147,756	162,871
Available-for-sale financial assets	511,822	521,405
Held-to-maturity financial assets	295,247	294,434
Investments classified as loans and receivables	324,013	344,552
Long-term equity investments	20,442	20,172
Restricted statutory deposits	6,658	6,658
Investment properties	8,283	8,202
Fixed assets	16,378	16,087
Construction in progress	1,987	1,999
Right-of-use assets	4,130	3,983
Intangible assets	3,652	3,784
Goodwill	1,357	1,357
Deferred income tax assets	860	1,078
Other assets	12,397	12,943
TOTAL ASSETS	**1,528,333**	**1,611,323**

	As at 31 December 2019	As at 31 March 2020 (unaudited, not reviewed)
	(RMB in millions)	
Securities sold under agreements to repurchase	78,366	78,568
Premium received in advance	21,000	7,423
Commission and brokerage payable	4,364	5,517
Reinsurance payables	4,543	8,569
Employee benefits payable	5,573	3,889
Taxes payable	2,166	4,141
Interest payable	516	325
Claims payable	21,712	22,123
Policyholder dividend payable	25,447	23,896
Policyholders' deposits and investment contract liabilities	75,576	82,552
Unearned premium reserves	61,975	70,227
Claims reserves	42,504	46,549
Life insurance reserves	891,195	945,297
Long-term health insurance reserves	72,347	81,824
Insurance premium reserves	349	421
Bonds payable	9,988	9,989
Lease liabilities	3,668	3,562
Deferred income tax liabilities	2,911	2,814
Other liabilities	20,813	22,718
Total liabilities	**1,345,013**	**1,420,404**
Issued capital	9,062	9,062
Capital reserves	66,650	66,650
Other comprehensive income	12,949	12,059
Surplus reserves	4,835	4,835
General reserves	14,329	14,345
Retained profits	70,602	78,974
Equity attributable to shareholders of the parent	178,427	185,925
Non-controlling interests	4,893	4,994
Total equity	**183,320**	**190,919**
TOTAL LIABILITIES AND EQUITY	**1,528,333**	**1,611,323**

Consolidated income statement for the three months ended 31 March 2019 and 2020

	For the three months ended 31 March	
	2019	2020
	(unaudited, not reviewed)	(unaudited, not reviewed)
	(RMB in millions)	
Operating income	**133,153**	**138,211**
Premiums earned	115,833	117,067
Gross written premiums	128,386	131,148
Including: Premiums from reinsurance assumed	227	439
Less: Premiums ceded to reinsurers	(5,250)	(6,775)
Net change in unearned premium reserves	(7,303)	(7,306)
Other income	4	11
Investment income	15,554	20,180
Including: Share of profit of associates and joint ventures	213	184
Gains/(losses) arising from changes in fair value	1,071	(83)
Exchange (losses)/gains	(103)	63
Other operating income	794	972
Gains on disposal of assets	—	1
Operating expenses	**(125,373)**	**(127,370)**
Surrenders	(2,789)	(2,247)
Claims	(33,945)	(31,530)
Less: Claim recoveries from reinsurers	2,216	2,126
Changes in insurance contract reserves	(59,813)	(67,847)
Less: Insurance contract reserves recovered from reinsurers	500	1,246
Changes in insurance premium reserves	(46)	(79)
Policyholder dividends	(3,492)	(3,155)
Expenses for reinsurance assumed	(64)	(94)
Taxes and surcharges	(257)	(256)
Commission and brokerage expenses	(15,638)	(12,218)
Operating and administrative expenses	(10,985)	(11,398)
Less: Expenses recoveries from reinsurers	1,569	1,472
Interest expenses	(968)	(866)
Other operating expenses	(1,229)	(1,419)
Asset impairment losses	(432)	(1,105)
Operating profit	**7,780**	**10,841**
Add: Non-operating income	9	6
Less: Non-operating expenses	(25)	(23)
Profit before tax	**7,764**	**10,824**
Less: Income tax	(2,165)	(2,234)
Net profit	**5,599**	**8,590**
Classified by continuity of operations		
Net profit from continuing operations	5,599	8,590
Net profit from discontinued operations	—	—
Classified by ownership of the equity		
Attributable to shareholders of the parent	5,479	8,388
Non-controlling interests	120	202
Earnings per share (RMB)		
Basic earnings per share	0.60	0.93
Diluted earnings per share	0.60	0.93
Other comprehensive income/(loss)		
Other comprehensive (loss)/income to be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(12)	12
Changes of fair value of available-for-sale financial assets and related impact to insurance liabilities	9,553	(1,159)
Income tax relating to these items	(2,362)	239
Other comprehensive income/(loss)	7,179	(908)
Total comprehensive income	**12,778**	**7,682**
Attributable to shareholders of the parent	12,514	7,498
Attributable to non-controlling interests	264	184

Consolidated cash flow statement for the three months ended 31 March 2019 and 2020

	For the three months ended 31 March	
	2019	2020
	(unaudited, not reviewed)	(unaudited, not reviewed)
	(RMB in millions)	
Cash flows from operating activities		
Cash received from premium income from direct insurance contracts	108,621	102,421
Net increase in policyholders' deposits and investments contract liabilities	7,377	5,920
Refund of taxes and surcharges	—	1
Cash received relating to other operating activities	1,013	1,186
Sub-total of cash inflows	**117,011**	**109,528**
Cash paid for claims under direct insurance contracts	(33,306)	(30,270)
Net cash paid under reinsurance contracts	(804)	(273)
Cash paid for commission and brokerage expenses	(13,160)	(11,284)
Cash paid for policyholder dividends	(3,245)	(3,296)
Cash paid to and on behalf of employees	(7,188)	(7,229)
Payments of taxes and surcharges	(2,524)	(1,850)
Cash paid relating to other operating activities	(10,470)	(11,705)
Sub-total of cash outflows	**(70,697)**	**(65,907)**
Net cash flows from operating activities	**46,314**	**43,621**
Cash flows from investing activities		
Cash received from disposal of investments	88,648	123,468
Cash received from returns on investments	15,282	16,716
Net cash received from disposal of subsidiaries and other business entities	—	318
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2	3
Sub-total of cash inflows	**103,932**	**140,505**
Cash paid to acquire investments	(134,754)	(166,845)
Net increase in policy loans	(2,306)	(997)
Net cash paid to acquire subsidiaries and other business entities	(1,584)	—
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(503)	(204)
Cash paid relating to other investing activities	—	(9)
Sub-total of cash outflows	**(139,147)**	**(168,055)**
Net cash flows from investing activities	**(35,215)**	**(27,550)**
Cash flows from financing activities		
Increase in securities sold under agreements to repurchase, net	—	366
Cash received relating to other financing activities	4,540	2,615
Sub-total of cash inflows	**4,540**	**2,981**
Cash repayments of borrowings	(4,002)	—
Cash payments for distribution of dividends, profits or interest expenses	(997)	(728)
Decrease in securities sold under agreements to repurchase, net	(4,887)	—
Cash paid relating to other financing activities	(44)	(257)
Sub-total of cash outflows	**(9,930)**	**(985)**
Net cash flows (used in)/from financing activities	**(5,390)**	**1,996**
Effects of exchange rate changes on cash and cash equivalents	**(38)**	**25**
Net increase in cash and cash equivalents	**5,671**	**18,092**
Add: Cash and cash equivalents at beginning of the period	38,121	42,546
Cash and cash equivalents at the end of the period	**43,792**	**60,638**

Company balance sheet as at 31 December 2019 and 31 March 2020

	As at 31 December 2019	As at 31 March 2020 (unaudited, not reviewed)
	(RMB in millions)	
Cash at bank and on hand	83	194
Financial assets at fair value through profit or loss	10	9
Securities purchased under agreements to resell	108	—
Interest receivables	499	675
Term deposits	2,000	5,300
Available-for-sale financial assets	29,143	27,830
Held-to-maturity financial assets	300	—
Investments classified as loans and receivables	12,449	13,204
Long-term equity investments	64,979	64,979
Investment properties	3,331	3,296
Fixed assets	1,750	1,684
Right-of-use assets	11	36
Intangible assets	343	317
Other assets	1,191	1,286
TOTAL ASSETS	**116,197**	**118,810**

	As at 31 December 2019	As at 31 March 2020 (unaudited, not reviewed)
	(RMB in millions)	
Securities sold under agreements to repurchase	1,540	4,040
Commission and brokerage payable	1	1
Employee benefits payable	247	138
Taxes payable	86	156
Interest payable	—	1
Lease liabilities	11	38
Deferred income tax liabilities	194	176
Other liabilities	828	726
Total liabilities	**2,907**	**5,276**
Issued capital	9,062	9,062
Capital reserves	66,164	66,164
Other comprehensive income	867	802
Surplus reserves	4,531	4,531
Retained profits	32,666	32,975
Total equity	**113,290**	**113,534**
TOTAL LIABILITIES AND EQUITY	**116,197**	**118,810**

Company income statement for the three months ended 31 March 2019 and 2020

	For the three months ended 31 March	
	2019	2020
	(unaudited, not reviewed)	(unaudited, not reviewed)
	(RMB in millions)	
Operating income	**580**	**821**
Investment income	319	602
Gains arising from changes in fair value	5	—
Exchange (losses)/gains	(1)	1
Other operating income	257	218
Operating expenses	**(427)**	**(417)**
Taxes and surcharges	(21)	(18)
Operating and administrative expenses	(353)	(304)
Interest expenses	(19)	(15)
Other operating expenses	(31)	(35)
Asset impairment losses	(3)	(45)
Operating profit	**153**	**404**
Less: Non-operating expenses	(10)	(5)
Profit before tax	**143**	**399**
Less: Income tax	(24)	(90)
Net profit	**119**	**309**
Classified by continuity of operations:		
Net profit from continuing operations	119	309
Net profit from discontinued operations	—	—
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	842	(87)
Income tax relating to available-for-sale financial assets	(211)	22
Other comprehensive income/(loss)	631	(65)
Total comprehensive income	**750**	**244**

Company cash flow statement for the three months ended 31 March 2019 and 2020

	For the three months ended 31 March	
	2019	2020
	(unaudited, not reviewed)	(unaudited, not reviewed)
	(RMB in millions)	
Cash flows from operating activities		
Cash received relating to other operating activities	114	107
Sub-total of cash inflows	**114**	**107**
Cash paid to and on behalf of employees	(282)	(263)
Payments of taxes and surcharges	(15)	(49)
Cash paid relating to other operating activities	(204)	(173)
Sub-total of cash outflows	**(501)**	**(485)**
Net cash flows from operating activities	**(387)**	**(378)**
Cash flows from investing activities		
Cash received from disposal of investments	3,159	2,388
Cash received from returns on investments	256	306
Sub-total of cash inflows	**3,415**	**2,694**
Cash paid to acquire investments	(4,156)	(4,778)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(37)	(14)
Sub-total of cash outflows	**(4,193)**	**(4,792)**
Net cash flows used in investing activities	**(778)**	**(2,098)**
Cash flows from financing activities		
Increase in securities sold under agreements to repurchase, net	1,161	2,500
Sub-total of cash inflows	**1,161**	**2,500**
Cash repayments of borrowings	(2)	—
Cash payments for distribution of dividends, profits or interest	(17)	(14)
Cash payments relating to other financing activities	—	(7)
Sub-total of cash outflows	**(19)**	**(21)**
Net cash flows from financing activities	**1,142**	**2,479**
Net (decrease)/increase in cash and cash equivalents	(23)	3
Add: Cash and cash equivalents at beginning of the period	413	191
Cash and cash equivalents at the end of the period	**390**	**194**

THE COMPANY

China Pacific Insurance (Group) Co., Ltd.
1 South Zhongshan Road, Huangpu District, Shanghai
PRC

JOINT GLOBAL CO-ORDINATORS AND JOINT BOOKRUNNERS

UBS AG London Branch
5 Broadgate
London EC2M 2QS
United Kingdom

Huatai Financial Holdings (Hong Kong) Limited
62/F, the Center
99 Queen's Road Central
Hong Kong

JOINT BOOKRUNNERS

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

China International Capital Corporation (UK) Limited
25th Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London EC14 5JP
United Kingdom

LEGAL ADVISORS TO THE COMPANY

As to English law
Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

As to US law
Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

As to PRC law
King & Wood Mallesons
18th Floor, East Tower,
World Financial Center 1
Dongsanhuan Zhonglu,
Chaoyang District,
Beijing 100020
People's Republic of China

LEGAL ADVISORS TO THE BANKS

As to English law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

As to US law
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Hong Kong

As to PRC law
Fangda Partners
24/F, HKRI Centre Two,
HKRI
Taikoo Hui
288 Shi Men Yi Road
Shanghai 200041
People's Republic of China

INDEPENDENT AUDITOR TO THE COMPANY

PricewaterhouseCoopers Zhong Tian LLP
11th Floor, Link Square 2, 202 Hu Bin Road,
Huangpu District, Shanghai
200021, PRC

DEPOSITARY

Citibank, N.A.
388 Greenwich Street
6th Floor North
New York, New York 10013
United States of America