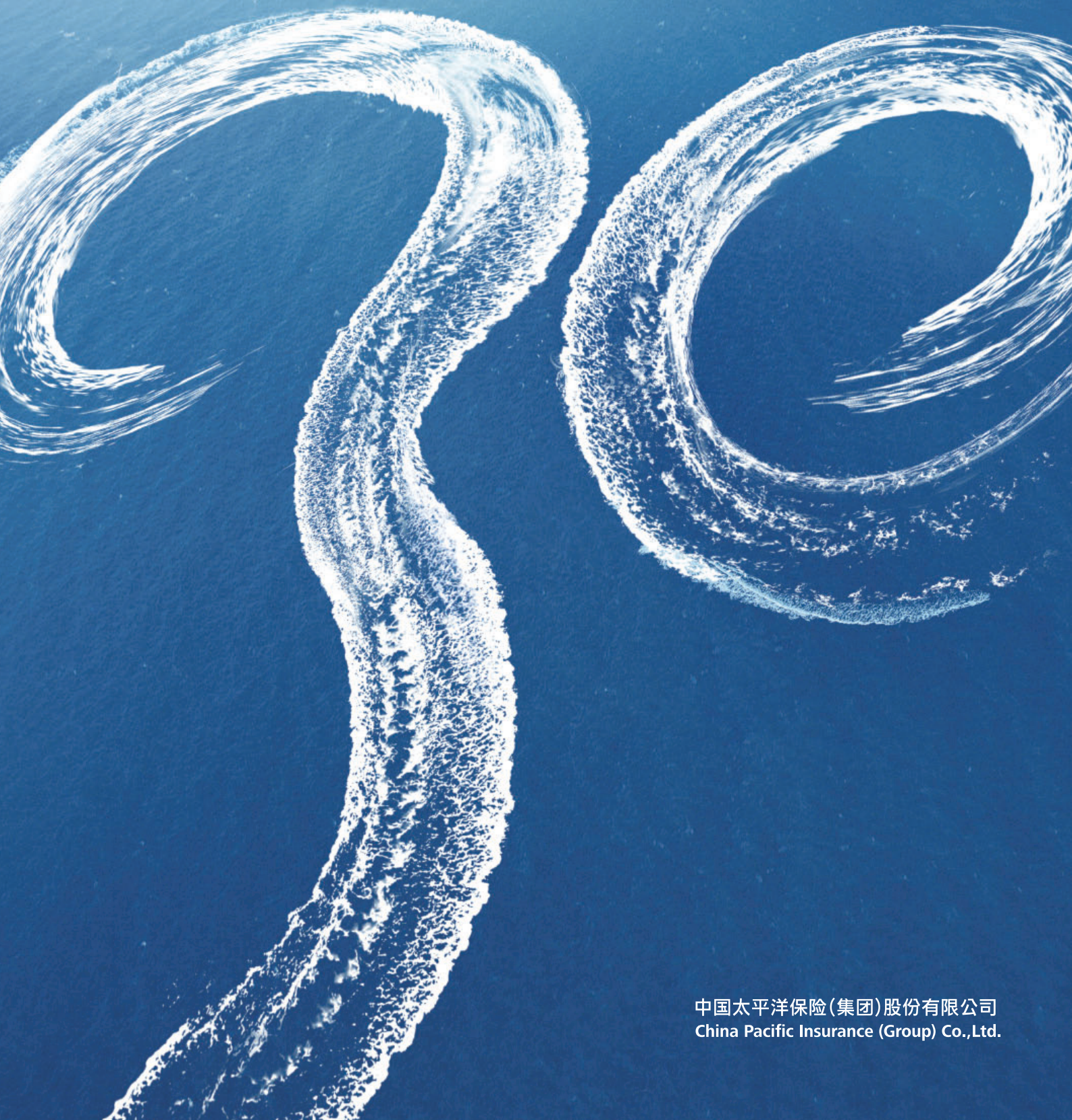


2021 Interim Report

(Trading Symbol: CPIC)



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Cautionary Statements:

Certain statements included in this report, including future plans and development strategies, are not historical facts and are "forward-looking". Forward-looking statements are based upon various 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. None of the Company or its management can guarantee or give any assurance to investors regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. Investors and other related parties are advised to be mindful of the risk, and be aware of the difference between the Company's plans or projections and its commitments.

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. You are advised to exercise caution and should not rely on the forward-looking statements in this report.

Important information

- I. The Board of Directors, the Board of Supervisors, the directors, the supervisors and the senior management of the Company warrant that the contents of this interim report are true, accurate and complete and that there is no false representation, misleading statement or material omission in this interim report; and they severally and jointly accept responsibility for the contents of this interim report.
- II. The Company's 2021 Interim Report was considered and approved at the 11th session of the 9th Board of Directors on 27 August 2021, which 15 Directors were required to attend and 13 of them attended in person. Due to other business engagements, directors John Robert DACEY and LIU Xiaodan did not attend the board meeting and appointed in writing directors KONG Qingwei and CHEN Jizhong respectively to attend the meeting and vote on their behalf. For the purposes of the United Kingdom's Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.1.12(3), each of the Directors of the Company named in "Directors, supervisors and senior management" of this report, to the best of his or her knowledge, confirm that: (1) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and (2) the interim report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- III. The 2021 Interim Financial Report of the Company has not been audited.
- IV. Mr. KONG Qingwei (person in charge of the Company), Mr. ZHANG Yuanhan (principal in charge of accounting and chief actuary) and Ms. XU Zhen (head of the Accounting Department) warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
- V. The Company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the reporting period.
- VI. The Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and other Group specific risks. For details of the risks that the Company may face, please refer to the Section "Review and analysis of operating results" of this report.
- VII. There were no funds misappropriated by major shareholders or related parties of the Company.
- VIII. The Company did not provide external guarantees in violation of the prescribed decision-making procedures.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

BOARD OF DIRECTORS

Contact us

IR team

Tel: +86-21-58767282

Fax: +86-21-68870791

Email: ir@cpic.com.cn

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



Follow us
on WeChat



Corporate information

Legal Name in Chinese:

中国太平洋保险 (集团) 股份有限公司 (“中国太保”)

Legal Name in English:

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

Legal Representative: KONG Qingwei

Board Secretary: SU Shaojun

Securities Representative: PAN Feng

Contact for Shareholder Inquiries:

Investor Relations Dept. of the Company

Tel: +86-21-58767282

Fax: +86-21-68870791

Email: ir@cpic.com.cn

Address:

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Registered Office:

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Office Address:

1 South Zhongshan Road, Huangpu, Shanghai, PR China

Postal Code: 200010

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

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):

China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at:

<http://www.sse.com.cn>

Announcements for H Share Published at:

<http://www.hkexnews.hk>

Announcements for GDR Published at:

<http://www.londonstockexchange.com>

Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing:

The Shanghai Stock Exchange

Stock Name for A Share: 中国太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:

The Stock Exchange of Hong Kong Limited

Stock Name for H Share: 中國太保

Stock Code for H Share: 02601

Stock Exchange for GDR Listing:

London Stock Exchange

Stock Name for GDR:

China Pacific Insurance (Group) Co., Ltd.

Trading symbol for GDR: CPIC

Accountant (A share): PricewaterhouseCoopers Zhong Tian LLP

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

Signing Certified Public Accountants:

PENG Runguo, ZHANG Jiong

Accountant (H share):

PricewaterhouseCoopers (Certified Public Accountants and Registered PIE Auditor)

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

Accountant (GDR): PricewaterhouseCoopers Zhong Tian LLP

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

Signing Certified Public Accountants:

PENG Runguo, ZHANG Jiong

Definitions

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

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

Key indicators

Unit: RMB million

| | | |
|---|---|---|
| <p>Group operating income</p> <p>252,512 +7.2%</p> <p>GWP_s – CPIC Life 141,449 +2.1%</p> <p>GWP_s – CPIC P/C 81,561 +6.4%</p> | <p>Group OPAT attributable to shareholders of the parent</p> <p>18,279 +4.9%</p> | <p>Group embedded value</p> <p>474,431 +3.3%</p> |
| | <p>Group net profit attributable to shareholders of the parent</p> <p>17,304 +21.5%</p> | <p>Group comprehensive solvency margin ratio</p> <p>279% -9pt</p> <p>CPIC Life 234%</p> <p>CPIC P/C 273%</p> |
| <p>NBV of life business</p> <p>10,231 -8.9%</p> <p>NBV margin of life business</p> <p>25.4% -11.6pt</p> | <p>Growth rate of Group investments' net asset value (annualised)</p> <p>4.8% -0.5pt</p> <p>Group total investment yield (annualised) 5.0% +0.2pt</p> <p>Group net investment yield (annualised) 4.1% -0.3pt</p> | <p>Group AuM</p> <p>2,565,483 +5.3%</p> |
| <p>Combined ratio of P/C business^{note 1}</p> <p>99.3% +0.9pt</p> | | <p>Group number of customers ('000)^{note 2}</p> <p>159,852 +10,914</p> |

Notes:

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

2. Figures as of the end of last year were restated.

Key performance indicators

Unit: RMB million

| Indicators | As at 30 June 2021 /for the period between January and June in 2021 | As at 31 December 2020 /for the period between January and June in 2020 | Changes (%) |
|--|---|---|-------------|
| Key value indicators | | | |
| Group embedded value | 474,431 | 459,320 | 3.3 |
| Value of in-force business ^{note 1} | 207,747 | 201,942 | 2.9 |
| Group net assets ^{note 2} | 218,534 | 215,224 | 1.5 |
| NBV of CPIC Life | 10,231 | 11,228 | (8.9) |
| NBV margin of CPIC Life (%) | 25.4 | 37.0 | (11.6pt) |
| Combined ratio of CPIC P/C (%) | 99.3 | 98.3 | 1.0pt |
| Annualised growth rate of Group investments' net asset value (%) | 4.8 | 5.3 | (0.5pt) |
| Key operating indicators | | | |
| GWPs | 224,518 | 216,597 | 3.7 |
| CPIC Life | 141,449 | 138,586 | 2.1 |
| CPIC P/C | 81,561 | 76,672 | 6.4 |
| Group number of customers ('000) ^{note 3,4} | 159,852 | 148,938 | 7.3 |
| Average number of insurance policies per customer | 2.14 | 2.09 | 2.4 |
| Monthly average agent number ('000) | 641 | 766 | (16.3) |
| Surrender rate of CPIC Life (%) | 0.9 | 0.5 | 0.4pt |
| Annualised total investment yield (%) | 5.0 | 4.8 | 0.2pt |
| Annualised net investment yield (%) | 4.1 | 4.4 | (0.3pt) |
| Third-party AuM | 813,367 | 788,073 | 3.2 |
| CPIC AMC | 261,693 | 253,227 | 3.3 |
| Changjiang Pension | 503,695 | 483,060 | 4.3 |
| Key financial indicators | | | |
| Net profit attributable to shareholders of the parent | 17,304 | 14,239 | 21.5 |
| CPIC Life | 12,873 | 10,147 | 26.9 |
| CPIC P/C | 3,503 | 3,176 | 10.3 |
| Basic earnings per share (RMB yuan) ^{note 2} | 1.80 | 1.57 | 14.6 |
| Net assets per share (RMB yuan) ^{note 2} | 22.72 | 22.37 | 1.5 |
| Comprehensive solvency margin ratio (%) | | | |
| CPIC Group | 279 | 288 | (9pt) |
| CPIC Life | 234 | 242 | (8pt) |
| CPIC P/C | 273 | 276 | (3pt) |

Notes:

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

2. Attributable to shareholders of the parent.

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

4. Figures as of the end of last year were restated.

Core Competitiveness

We are a leading integrated insurance group in China, and the first insurer simultaneously listed in Shanghai, Hong Kong and London, ranking 158th among Fortune Global 500 released in 2021. On the back of vigorous effort in transformation and competitive insurance expertise, we can capitalise on the vast growth potential of China's insurance market.

Focus

We persist in the focus on insurance, and have obtained a full range of insurance-related licences covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management. With balanced development of business segments along the insurance value chain, we have fostered top-notch core competitiveness of specialised business operation in the insurance business. Our life/health insurance business upholds protection as the central insurance value proposition, stays committed to value and the long-term, continuously deepens the model of “products + services” to drive sustainable growth of customer value; focuses on quality and productivity improvement of the agency force while fostering new growth drivers via value-added service and technology empowerment. The property and casualty insurance adheres to guidelines of high-quality development centring on “profitability, sustainability and sound management”, continues to enhance customer operation capabilities, strengthens business quality control to achieve industry leadership in premium growth and underwriting profitability. As for investment, we established and have continued to optimise the system of asset liability management (ALM) through economic cycles while adhering to prudent, value and long-term investing, with sustained improvement in industry-leading, liability-based strategic asset allocation (SAA) capabilities and specialised investment expertise.

Prudence

We are committed to prudent business operation, uphold protection as the central insurance value proposition to improve people's life, and pursue a path of high-quality development. We boast a professional and competent board of directors, an experienced management team and a group-centralised platform of management, with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. Through the GDR issuance, we further optimised shareholding structure, with an even more diversified, international and professional board of directors, paving the way for continued improvement in corporate governance and decision-making processes and capabilities. We established an industry leading system for risk management and internal control, which ensures healthy and sustainable development of the Company.

Dynamism

We persist in customer orientation and forge ahead with transformation in a bid to foster capabilities for sustainable development. We promote breakthroughs in technology, data service and innovative mechanisms in an all-around manner, put in place data governance structures and data platforms, introduced market-based reform of technology to unleash its power to drive innovation. In response to trends and dynamics of the industry, we pro-actively invested in emerging business segments such as health care and elderly care, achieved breakthroughs in key areas such as the big data platform of health care, the network of brick-and-mortar care providers and retirement communities, with progress in building a value chain of health and retirement for the full life cycle of customers and new “products + services” model. We contribute to China's regional integrated development initiatives, in particular the Yangtze River Delta Region, the Area of Beijing, Tianjin and Hebei, and the Greater Bay Area of Guangdong, Hongkong and Macao, improve the differentiated regional development path for key areas with our own characteristics to drive business growth through regional integration. We launched “the Ever-Green Plan”, a long-term incentive scheme to stimulate organisational vitality. We also set up an in-house CPIC Learning & Innovation Centre so that expertise and knowledge can be passed from generation to generation, laying the foundation for sustainable development.

Responsibility

Committed to our responsibility to society, customers and shareholders, we vigorously participate in national initiatives, serve the needs of the real economy and peoples' aspirations for a better life. We promote the brand image of “Responsible, Intelligent and Caring” CPIC Service, supported by innovation in mechanisms and technology. We use insurance to fulfil our social responsibilities, pioneering in the fight against the pandemic, rural revitalization and combating natural disasters. We implemented ESG sustainable development philosophies, formulated ESG top-level design and governance framework, contribute to a low-carbon economy through sustainable insurance and green investment, helping with fulfillment of “Carbon Peaking” and “Carbon Neutrality” goals. We conduct charitable activities such as “pair-up to assist with education” and “caring for the elderly with cognitive impairment”. At the same time, we strive to generate sound returns and give back to our shareholders so that they can benefit from the growth of the Company.

Honours and awards

- CPIC Group was listed on Fortune Global 500 for the 11th consecutive year, ranking 158th, up 35 places from 2020.
- CPIC Group ranked 119th among the World's 500 Most Valuable Brands in 2021, and 5th among the World's 100 Most Valuable Insurance Brands in 2021 released by Brand Finance, with brand value of USD15.389 billion, an increase of 9.6% from the previous year.
- CPIC won the Social Responsibility Institution of the Year award granted by China Banking and Insurance News.
- Ti Fang Bao, an insurance programme of CPIC P/C with financing and social management functions, won the "Best Economics Insurance Product of the Year" award in the Jin Ri Bao•China Insurance White Elephant List.
- In the Jin Ri Bao• China Insurance White Elephant List, Zhizun Xinmanyi, an annuity insurance (participating) product of CPIC Life, won the "Top Ten Best-selling Insurance Products of the Year" award; its Lexiang Baiwan (H2019), a medical insurance product, won the "Top Ten Best-selling Protection Insurance Products of the Year" award, and Tai Hui Bao, a city-specific customised inclusive insurance product of CPIC Life, won the "Best Economics Insurance Product of the Year" award.
- CPIC AMC won the "Insurance Asset Management Company Golden Bull Award", "Insurance Asset Management Product Portfolio Golden Bull Award (Fixed Income)", and "Insurance Assets Management Product Portfolio Golden Bull Award (Equity)" in the first "China Insurance Industry Investment Golden Bull Awards" sponsored by China Securities Journal.
- CPIC Health was awarded the 2021 Customer Satisfaction Brand for March 15th Consumer Rights Protection Day by China's Foundation of Consumer Rights Protection for the 4th consecutive year.
- Changjiang Pension was honoured Best Pension Management Company of the Year 2021 in the Jinbei Awards Ceremony hosted by the 21st Century Economic Daily.

Chairman's statement

中国太保成立30周年总结发展大会

1991-2021



Dear shareholders:

In the first half of 2021, the COVID-19 pandemic continued to spread, casting a pall over prospects of global economic recovery. Market conditions became increasingly complicated and challenging. The insurance sector continued to explore the path forward in a new stage of development. **In the face of greater uncertainties, we met the challenges head-on, worked hard and ensured stable fundamentals while laying the groundwork for the future.**

We reported solid business performance in the first half of 2021, with steady growth on key metrics such as Group operating income, net operating profits (OPAT), embedded value (EV), and assets under management (AuM). Group number of customers amounted to nearly 160 million, and what is worth noting is we acquired over 10 million new customers for the first time in half a year.

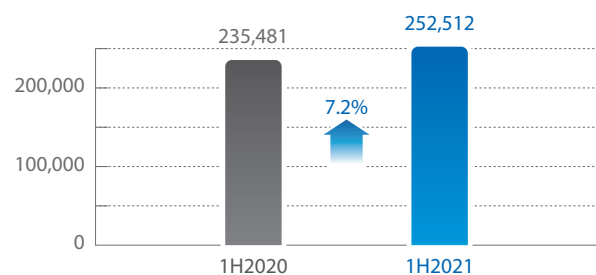
Core business remained stable. Property and casualty insurance proactively adapted to the comprehensive reform of automobile insurance, pushed for integration of automobile and non-auto insurance business and delivered rapid top-line growth while maintaining underwriting profitability. Life insurance recorded a first year premium (FYP) growth of high double digits on the back of well-planned and executed business promotion activity and continued innovation in "products + services", with sustained increase in residual margin. As for investment, we made wise decisions, based on a Group-centralised investment research platform, and realised stable investment results amid a volatile market. We also established a private equity firm and obtained the qualification for fund management, enhancing our deployment in asset management.

Thanks to growing overall strength, we have been included among Fortune Global 500 for the 11th consecutive year, ranking 158th, rising 35 places.

In the first half of 2021, we celebrated our 30th anniversary. As a company headquartered in Shanghai, a city spearheading China's reform and opening-up, we started from scratch, navigated uncharted waters and learned useful lessons from 30 years of market competitions. Value and

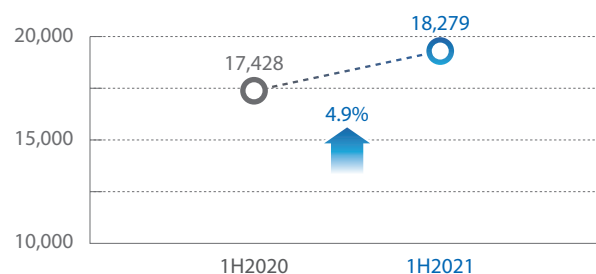
Group operating income

Unit: RMB million



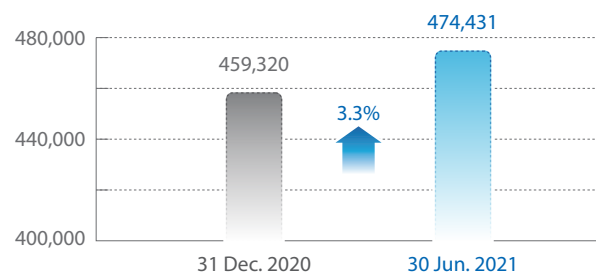
Group OPAT ^{note 1}

Unit: RMB million



Group EV

Unit: RMB million



long term have been ingrained into our culture and business philosophy, **which prepared us for challenges. When faced with hard choices, we would choose to do the right and difficult thing.**

The implementation of the health business strategy got underway. Guangci-CPIC On-line Hospital went operational and launched its first product “CPIC Family Doctor”, a proprietary on-line management platform for doctors so that each of our customers can access high-quality family doctor services. We explored in-depth off-line cooperation with brick-and-mortar hospitals, made plans for deployment in rehab hospitals, which would pave the way for the integration of insurance claims payment with premium health care resources through single illnesses and rehab care. Our health insurance subsidiary completed shareholding restructuring, and is currently working on “new channels, new products, new technology” to drive transformation. As for industrial investment in health care, on the back of market-based platforms, we established a dedicated equity investment fund focusing on innovative drug, medical equipment and appliances and medical services, with a number of projects underway.

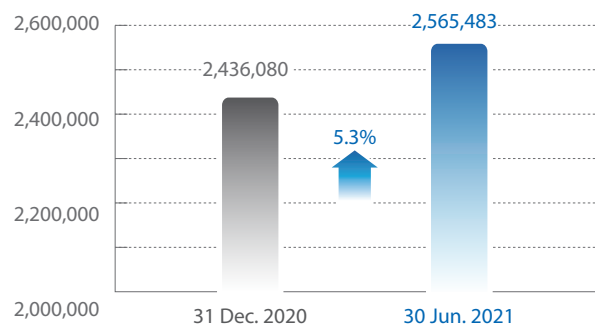
We initiated and moved ahead with the big data strategy. A unified data management policy was formulated, with the establishment of a multi-tiered organisational structure from the Group to subsidiaries. We proceeded with platform building, data governance and data applications based on an overall blueprint. The mechanism of technology marketisation went operational. CPIC Fintech, which is still in the preparatory stage, signed shared service agreements with other subsidiaries so that it could be more pro-active and efficient in serving their needs. The building of R&D centres also delivered initial success. The centres in Shanghai, Chengdu and Wuhan combine specialisation with collaboration. Going forward, we will establish an innovation R&D centre in the Greater Bay Area, and its construction plan is being reviewed for feasibility. We also set up the Data and Intelligence Institute, stepped up recruitment of top-notch talent in the industry, with 7 leading experts now on board. We put in place task forces in 6 areas such as big data, AI, cyber-security, Internet operation, cloud computing and block chain, responsible for development of core technologies with incubation mechanisms initially in shape.

We continued to deepen “CPIC Service”. The institution of “Service Officer” was put in place, which covers 5,800 branch offices and stretches across 4 levels of hierarchy, from the Group to key sub-branches. Over 700 senior managers were appointed as Service Officers, working at the front-line of customer service and shouldering the responsibility of “integrating CPIC Service into transformation initiatives”. We expanded the scope of service, enhanced technology innovation and improved service standards in an all-around way. “CPIC Home” retirement communities achieved deployment across the country, and “CPIC Blue” health management programme benefited 15 million customers. “Blue Friends”, or CPIC employees in blue uniforms can be seen at the forefront of the fight against the pandemic, on the venue of the China International Import Expo and the Flower Expo, and the site of relief and rescue of heavy rains in Henan Province. “Responsible, intelligent and caring” have become the label of “CPIC Service”.

We made progress with sustainable development. Under the leadership of the board, we completed the top-level ESG design, and have started to incorporate ESG sustainable development philosophy into daily business operation. In line with the national strategy of low-carbon transitioning of social and economic development, we vigorously supported motor vehicles running on renewal energy via automobile insurance to encourage green travelling, and provided insurance cover for 424.6 thousand new energy vehicles; we tailor made insurance solutions for environmental treatment, green ship-building, advanced manufacturing and new infrastructure, and launched a number of products to boost sustainable development of the ecosystem; we conducted green investment in renewable energy, water conservation and environmental protection area by means of debt securities, equity investments and industry funds. We are in the process of formulating a Group-level sustainable development strategy covering liabilities, assets and our own operation, so as to attain a new level of sustainable development.

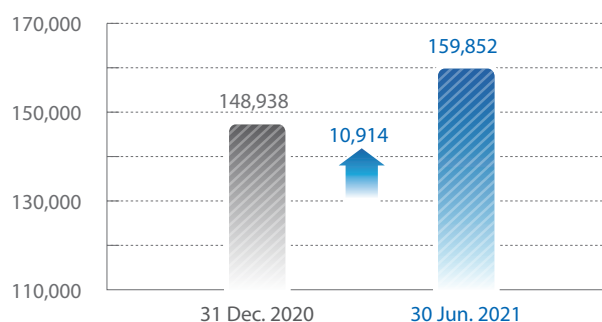
Group AuM

Unit: RMB million



Group number of customers^{note 2}

Unit: '000



Doing the right and perhaps difficult thing requires patience and tenacity. Though there are numerous challenges down the road, we are full of confidence. The board, with expectations of our investors in mind, will lead the effort and press ahead towards goals of high-quality development.

In the second half of the year, we will be committed to close the gaps in business operation, and intensify efforts, in a differentiated manner, in quality improvement of the life insurance agency channel, automobile insurance in the context of comprehensive reform and enhancement of underwriting profitability of non-auto business in a bid to fulfill annual business budgets. At the same time, we will move resolutely towards the strategic direction and targets of “best in customer experience, business quality and risk control capabilities”, and in particular strive for breakthroughs in long-term incentive systems, professional capacity-building of investment management, platform-based development of health service, marketisation of technology, and modernisation of corporate governance so as to pave the way for a successful beginning of a new round of 5-year high-quality development.

Notes:

1. Attributable to shareholders of the parent.
2. Figures as of the end of last year were restated.

KONG Qingwei
Chairman of the Board of Directors
CPIC Group

Operating
results





1

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

Unit: RMB million

| Key accounting data | January to June 2021 | January to June 2020 | Changes (%) |
|--|----------------------|----------------------|-------------|
| Operating income | 252,512 | 235,481 | 7.2 |
| Profit before tax | 21,400 | 17,630 | 21.4 |
| Net profit ^{note} | 17,304 | 14,239 | 21.5 |
| Net profit net of non-recurring profit or loss ^{note} | 17,184 | 14,163 | 21.3 |
| Net cash flows from operating activities | 59,104 | 67,285 | (12.2) |
| | 30 June 2021 | 31 December 2020 | Changes (%) |
| Total assets | 1,896,869 | 1,771,004 | 7.1 |
| Equity ^{note} | 218,534 | 215,224 | 1.5 |

Note: Attributable to shareholders of the parent.

Unit: RMB

| Key accounting indicators | January to June 2021 | January to June 2020 | Changes (%) |
|---|----------------------|----------------------|-------------|
| Basic earnings per share ^{note 1} | 1.80 | 1.57 | 14.6 |
| Basic earnings per share net of non-recurring profit or loss ^{note 1} | 1.79 | 1.56 | 14.7 |
| Diluted earnings per share ^{note 1} | 1.80 | 1.57 | 14.6 |
| Weighted average return on equity (%) ^{note 1} | 7.8 | 7.7 | 0.1 pt |
| Weighted average return on equity net of non-recurring profit or loss (%) ^{note 1} | 7.8 | 7.7 | 0.1 pt |
| Net cash flows per share from operating activities ^{note 2} | 6.14 | 7.41 | (17.1) |
| | 30 June 2021 | 31 December 2020 | Changes (%) |
| Net assets per share ^{note 1} | 22.72 | 22.37 | 1.5 |

Notes:

1. Attributable to shareholders of the parent.

2. Calculated by the weighted average number of ordinary shares in issue.

2 Non-recurring items

Unit: RMB million

| Non-recurring items | January to June 2021 |
|--|----------------------|
| Gains on disposal of non-current assets | 1 |
| Government grants recognised in current profit or loss | 128 |
| Custody fees of entrusted operation | 21 |
| Other net non-operating income and expenses other than aforesaid items | 14 |
| Effect of income tax relating to non-recurring profit or loss | (43) |
| Net non-recurring profit or loss attributable to non-controlling interests | (1) |
| Total | 120 |

3 Other key financial and regulatory indicators

Unit: RMB million

| Indicators | 30 June 2021/ January to June 2021 | 31 December 2020/ January to June 2020 |
|--|---------------------------------------|---|
| The Group | | |
| Investment assets ^{note 1} | 1,752,116 | 1,648,007 |
| Investment yield (%) ^{note 2} | 5.0 | 4.8 |
| CPIC Life | | |
| Net premiums earned | 133,700 | 130,489 |
| Growth rate of net premiums earned (%) | 2.5 | (1.7) |
| Net claims | 27,891 | 29,066 |
| Surrender rate (%) ^{note 3} | 0.9 | 0.5 |
| CPIC P/C | | |
| Net premiums earned | 63,306 | 59,304 |
| Growth rate of net premiums earned (%) | 6.7 | 17.3 |
| Net claims | 37,914 | 30,673 |
| Unearned premium reserves | 71,761 | 63,706 |
| Claim reserves | 47,961 | 40,772 |
| Combined ratio (%) ^{note 4} | 99.3 | 98.3 |
| Loss ratio (%) ^{note 5} | 70.1 | 59.7 |

Notes:

1. Investment assets include cash at bank and on hand, etc.

2. Total investment yield (annualised) = (investment income + gains/(losses) arising from changes in fair value + rental income from investment properties - charge of impairment losses on investment assets - interest expenses from securities sold under agreements to repurchase) / average investment assets, excluding foreign exchange gain or loss. Interest income from fixed income investments of investment income and rental income from investment properties are annualised. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

3. Surrender rate=surrenders for the period / (opening balance of life insurance reserves + opening balance of long-term health insurance reserves + gross written premiums for long-term insurance).

4. Combined ratio = (claims-claims recoveries from reinsurers + changes in insurance contract reserves - insurance contract reserves recovered from reinsurers + expenses for reinsurance assumed + taxes and surcharges for insurance business + commission and brokerage expenses + operating and administrative expenses for insurance business - expenses recoveries from reinsurers + changes in insurance premium reserves + asset impairment losses of receivables) / net premiums earned.

5. Loss ratio = (claims-claims recoveries from reinsurers + changes in insurance contract reserves - insurance contract reserves recovered from reinsurers + changes in insurance premium reserves) / net premiums earned.

4

Discrepancy between the financial results prepared under PRC GAAP and HKFRS

There is no difference on the equity of the Group as at 30 June 2021 and 31 December 2020 and the net profit of the Group for the 6-month periods then ended as stated in accordance with PRC GAAP and HKFRS.



Review and analysis of operating results

1

Business overview

I. Key businesses

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

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

In the first half of 2021, China's insurance market realised direct insurance business premiums^{note} of RMB2.7 trillion, up by 4.2% from the same period of 2020. Measured by direct business premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

Note: Based on statistics released on the website of CBIRC.

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

Unit: RMB million

| Balance sheet items | 30 June 2021 | 31 December 2020 | Changes (%) | Main reason for the changes |
|-----------------------------|--------------|------------------|-------------|--|
| Premium receivables | 41,462 | 21,692 | 91.1 | Growth in insurance business and timing difference |
| Deferred income tax assets | 1,955 | 845 | 131.4 | Increase in deductible temporary differences |
| Premium received in advance | 8,140 | 27,983 | (70.9) | Timing difference |
| Reinsurance payables | 9,611 | 5,501 | 74.7 | Change in insurance business and timing difference |
| Taxes payable | 5,356 | 3,211 | 66.8 | Increase in corporate income tax payable |
| Insurance premium reserves | 472 | 207 | 128.0 | Growth in insurance business |

Unit: RMB million

| Income statement items | January to June 2021 | January to June 2020 | Changes (%) | Main reason for the changes |
|---|----------------------|----------------------|-------------|--|
| Losses arising from changes in fair value | (277) | (414) | (33.1) | Change in market value of financial assets held for trading |
| Surrenders | (11,684) | (5,354) | 118.2 | Growth in insurance business and increase in surrender |
| Expenses for reinsurance assumed | (138) | (432) | (68.1) | Change in insurance business |
| Asset impairment losses | (1,725) | (2,838) | (39.2) | Decrease in impairment losses of investment assets |
| Other comprehensive income/(loss) | (1,384) | 2,534 | (154.6) | Change in fair value for available-for-sale financial assets due to capital market fluctuation |

2

Performance overview

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

I. Performance highlights

During the reporting period, Group operating income amounted to RMB252.512 billion, of which, gross written premiums (GWPs) reached RMB224.518 billion, a growth of 3.7% compared with the same period of 2020. Group net profits^{note 1} reached RMB17.304 billion, up by 21.5%, with Group OPAT^{notes 1,2} of RMB18.279 billion, a growth of 4.9%. Group EV amounted to RMB474.431 billion, an increase of 3.3% from the end of 2020. Of this, value of in-force business^{note 3} reached RMB207.747 billion, up by 2.9%. Life insurance business delivered RMB10.231 billion in new business value (NBV), down by 8.9% compared with the same period of 2020, with an NBV margin of 25.4%, down by 11.6pt. Property and casualty insurance business^{note 4} recorded a combined ratio of 99.3%, up by 0.9pt. Annualised growth rate of Group investments' net asset value fell by 0.5pt to 4.8%. As of the end of the reporting period, Group total number of customers amounted to 159.85 million, an increase of 10.91 million from the end of 2020.^{note 5}

Life insurance new business sales grew rapidly, but NBV growth was under pressure.

- > GWPs of CPIC Life amounted to RMB141.449 billion, up by 2.1%. Of this, FYPs from the agency channel of the individual business realised a growth of 18.5%.
- > CPIC Life realised RMB10.231 billion in NBV, down by 8.9%, with an NBV margin of 25.4%, down by 11.6pt.
- > OPAT of life insurance reached RMB14.293 billion, up by 6.7%; the residual margin of life insurance amounted to RMB357.713 billion, a growth of 1.9% from the end of 2020.

Property and casualty business^{note 4} maintained underwriting profitability, with sustained fast growth of non-auto business.

- > The combined ratio was 99.3%, up by 0.9pt. Of this, the loss ratio stood at 70.1%, up by 10.2pt, and the expense ratio 29.2%, down by 9.3pt.
- > GWPs amounted to RMB82.761 billion, an increase of 6.4%. Of this, non-auto business grew by 28.3% and accounted for 46.1% of total property and casualty insurance GWPs, up by 7.9pt.
- > Automobile insurance enhanced customer retention to push for a shift of growth drivers. Emerging business lines such as health, agricultural and liability insurance maintained rapid development.

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

- > The share of fixed income investments stood at 77.7%, down by 0.6pt from the end of 2020; that of equity investments 19.2%, up by 0.4pt, and of this, core equity investments^{note 6} accounted for 9.9% of total investment assets, a decrease of 0.3pt from the end of 2020.
- > Continued to extend asset duration, enhanced investment research capabilities and the Tactical Asset Allocation (TAA) process. Annualised growth rate of Group investments' net asset value reached 4.8%, down by 0.5pt from the same period of 2020. Annualised total investment yield was 5.0%, up by 0.2pt and annualised net investment yield 4.1%, down by 0.3pt.
- > Group AuM amounted to RMB2,565.483 billion, an increase of 5.3% from the end of 2020. Of this, third-party AuM amounted to RMB813.367 billion, an increase of 3.2%.

Notes:

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

II. Key performance indicators

Unit: RMB million

| Indicators | As at 30 June 2021 /for the period between January and June in 2021 | As at 31 December 2020 /for the period between January and June in 2020 | Changes (%) |
|--|---|---|-------------|
| Key value indicators | | | |
| Group embedded value | 474,431 | 459,320 | 3.3 |
| Value of in-force business ^{note 1} | 207,747 | 201,942 | 2.9 |
| Group net assets ^{note 2} | 218,534 | 215,224 | 1.5 |
| NBV of CPIC Life | 10,231 | 11,228 | (8.9) |
| NBV margin of CPIC Life (%) | 25.4 | 37.0 | (11.6pt) |
| Combined ratio of CPIC P/C (%) | 99.3 | 98.3 | 1.0pt |
| Annualised growth rate of Group investments' net asset value (%) | 4.8 | 5.3 | (0.5pt) |
| Key operating indicators | | | |
| GWPs | 224,518 | 216,597 | 3.7 |
| CPIC Life | 141,449 | 138,586 | 2.1 |
| CPIC P/C | 81,561 | 76,672 | 6.4 |
| Group number of customers ('000) ^{note 3,4} | 159,852 | 148,938 | 7.3 |
| Average number of insurance policies per customer | 2.14 | 2.09 | 2.4 |
| Monthly average agent number ('000) | 641 | 766 | (16.3) |
| Surrender rate of CPIC Life (%) | 0.9 | 0.5 | 0.4pt |
| Annualised total investment yield (%) | 5.0 | 4.8 | 0.2pt |
| Annualised net investment yield (%) | 4.1 | 4.4 | (0.3pt) |
| Third-party AuM | 813,367 | 788,073 | 3.2 |
| CPIC AMC | 261,693 | 253,227 | 3.3 |
| Changjiang Pension | 503,695 | 483,060 | 4.3 |
| Key financial indicators | | | |
| Net profit attributable to shareholders of the parent | 17,304 | 14,239 | 21.5 |
| CPIC Life | 12,873 | 10,147 | 26.9 |
| CPIC P/C | 3,503 | 3,176 | 10.3 |
| Comprehensive solvency margin ratio (%) | | | |
| CPIC Group | 279 | 288 | (9pt) |
| CPIC Life | 234 | 242 | (8pt) |
| CPIC P/C | 273 | 276 | (3pt) |

Notes:

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

3

Life/health insurance business

New business premiums grew rapidly, but NBV growth was under pressure. CPIC Life pushed forward the “Changhang Action Plan” in an all-around way, stepped up the restructuring of the agency force, strived for recruitment and retention of high-quality agents, and made efforts to establish a multi-tiered service ecosystem based on customer segmentation. CPIC Health vigorously explored new business model, focused on core capability-building to enhance foundation of development.

I. CPIC Life

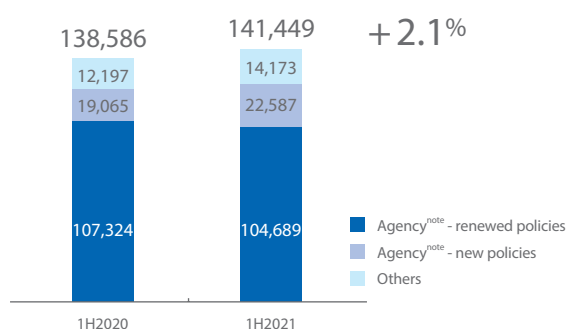
(I) Business analysis

The life insurance sector is still in a stage of transformation and adjustment. In particular, the traditional development mode driven largely by agent headcount growth has experienced bottlenecks, which, aggravated by the COVID-19 pandemic, posed formidable challenges to the industry’s development. In the first half of 2021, CPIC Life reported RMB141.449 billion in GWPs, a growth of 2.1% compared with the same period of 2020. The NBV fell by 8.9% to RMB10.231 billion. As a result of change to business mix, the NBV margin decreased by 11.6pt to 25.4%.

CPIC Life adheres to the long term, pursues high-quality development, pushed for all-around implementation of the “Changhang Action Plan”, accelerated upgrading of the agency force, diversified distribution channels, stepped up capability in digitalisation and the building of the health and retirement ecosystem, stimulated organisational vitality, enhanced employee motivation, ensured effective risk control and compliance management, and strived to be a life insurance company with the best customer experience and long-term commitments.

GWPs of CPIC Life

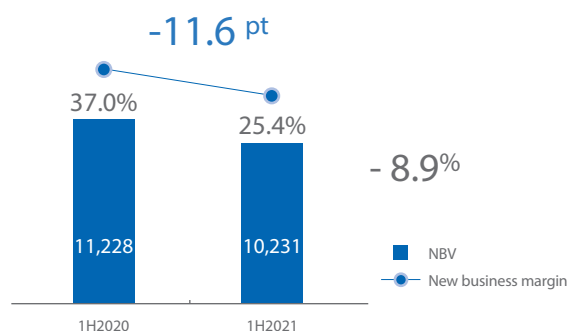
Unit: RMB million



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

NBV and new business margin of CPIC Life

Unit: RMB million



1. Analysis by channels

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|--------------------------------------|----------------|----------------|--------------|
| Individual customers | 131,476 | 130,707 | 0.6 |
| Agency channel | 127,276 | 126,389 | 0.7 |
| New policies | 22,587 | 19,065 | 18.5 |
| Regular premium business | 19,711 | 14,741 | 33.7 |
| Renewed policies | 104,689 | 107,324 | (2.5) |
| Other channels^{note} | 4,200 | 4,318 | (2.7) |
| Group clients | 9,973 | 7,879 | 26.6 |
| Total GWPs | 141,449 | 138,586 | 2.1 |

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

(1) Business from individual customers

For the reporting period, CPIC Life realised RMB131.476 billion in GWPs from individual customers, up by 0.6%. Of this, new policies from the agency channel amounted to RMB22.587 billion, a growth of 18.5%, due to early and well-planned business promotion activity and the launch of new products on its 30th anniversary; renewal business reached RMB104.689 billion, down by 2.5%. GWPs from the agency channel accounted for 90.0% of total GWPs, a decrease of 1.2pt from the first half of 2020.

In the first half of 2021, monthly average number of agents was 641 thousand, down by 16.3% versus the level for the same period of 2020. CPIC Life focused on quality in agency channel development, adopted a host of measures such as enhancing the role of the amended rules on compensation and management of agents, introducing supportive product strategies, and increasing empowerment of training, so as to create an enabling environment for development of high-performing agents, higher agent income and recruitment & retention of high-quality agents. During the reporting period, monthly average FYP and FYC (first-year commission) per agent reached RMB5,918 and RMB986, up by 41.5% and 15.1% respectively. In the meantime, based on customer needs, the company worked on establishing a multi-tiered service system to promote integration of insurance and health management, elderly care and wealth management, thus fostering new drivers for high-quality development of the individual business.

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|---|-------|-------|-------------|
| Monthly average agent number ('000) | 641 | 766 | (16.3) |
| Monthly average performing ratio of agents (%) | 50.1 | 62.5 | (12.4pt) |
| Monthly average FYP per agent (RMB) | 5,918 | 4,183 | 41.5 |
| Average number of new long-term life insurance policies per agent per month | 1.59 | 1.83 | (13.1) |

(2) Business from group clients

In pursuit of high-quality development, CPIC Life focused on target customer segments of its group business, intensified control of profits and losses, launched the pilot programme of up-sell from group clients to individual customers, and delivered a sustainable value growth of the business segment. During the reporting period, it realised RMB9.973 billion in GWPs, up by 26.6%. CPIC Life vigorously contributed to China's social security medical insurance system by engaging in government-sponsored business such as critical illness programmes, third-party administration of social insurance, long-term care, supplementary medical insurance and DRG (Diagnosis Related Groups)/DIP (Big Data Diagnosis-Intervention Packet) based reform of social insurance payment, while actively participating in Huiminbao, or city-specific customised commercial insurance programmes. As of the end of the reporting period, the programmes in operation covered over 145 million people, which, coupled with those in run-off, cumulatively responded to nearly 23 million service requests, and paid out a total of RMB23 billion in claims. Managed care programmes covered more than 30 million people under the social security system in 36 municipalities/prefectures of 13 provinces. CPIC Life was the lead underwriter of Huiminbao in Shanghai, with participation of over 7 million people.

2. Analysis by product types

CPIC Life derived its premium income mainly from traditional and participating products. For the reporting period, traditional business generated RMB67.630 billion in GWPs, up by 22.1%. Of this, long-term health insurance contributed RMB30.590 billion, up by 7.4%. Participating business delivered RMB60.623 billion in GWPs, down by 13.7%, due to the impact of liberalisation of pricing interest rates and adjustment of product strategies.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|--------------------------------|----------------|----------------|-------------|
| GWPs | 141,449 | 138,586 | 2.1 |
| Traditional | 67,630 | 55,370 | 22.1 |
| Long-term health | 30,590 | 28,491 | 7.4 |
| Participating | 60,623 | 70,234 | (13.7) |
| Universal | 48 | 49 | (2.0) |
| Tax-deferred pension | 38 | 38 | - |
| Short-term accident and health | 13,110 | 12,895 | 1.7 |

3. Policy persistency ratio

Due to lower agent retention and the impact of the pandemic, the 13-month and 25-month persistency ratios dropped by 5.2pt and 5.8pt to 81.7% and 80.9% respectively.

| For 6 months ended 30 June | 2021 | 2020 | Changes |
|---|------|------|---------|
| Individual life insurance customer 13-month persistency ratio (%) ^{note 1} | 81.7 | 86.9 | (5.2pt) |
| Individual life insurance customer 25-month persistency ratio (%) ^{note 2} | 80.9 | 86.7 | (5.8pt) |

Notes:

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

4. Top 10 regions for GWPs

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

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|----------------------------|----------------|----------------|-------------|
| GWPs | 141,449 | 138,586 | 2.1 |
| Henan | 15,298 | 16,193 | (5.5) |
| Jiangsu | 14,906 | 14,215 | 4.9 |
| Shandong | 11,934 | 11,776 | 1.3 |
| Zhejiang | 10,927 | 10,038 | 8.9 |
| Hebei | 9,131 | 8,738 | 4.5 |
| Guangdong | 7,531 | 7,486 | 0.6 |
| Hubei | 6,030 | 6,001 | 0.5 |
| Heilongjiang | 5,937 | 6,009 | (1.2) |
| Shanxi | 5,420 | 5,614 | (3.5) |
| Sichuan | 4,601 | 4,460 | 3.2 |
| Subtotal | 91,715 | 90,530 | 1.3 |
| Others | 49,734 | 48,056 | 3.5 |

(II) Financial analysis

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|---|------------------|------------------|-------------|
| Net premiums earned | 133,700 | 130,489 | 2.5 |
| Investment income ^{note 1} | 42,239 | 35,284 | 19.7 |
| Exchange (losses)/gains | (18) | 6 | (400.0) |
| Other operating income | 947 | 1,189 | (20.4) |
| Gains on disposal of assets | - | - | / |
| Other income | 16 | 35 | (54.3) |
| Operating income | 176,884 | 167,003 | 5.9 |
| Surrenders | (11,684) | (5,354) | 118.2 |
| Claims | (30,017) | (30,551) | (1.7) |
| Less: claims recoveries from reinsurers | 2,126 | 1,486 | 43.1 |
| Net change in insurance contract reserves | (93,056) | (89,441) | 4.0 |
| Commission and brokerage expenses | (11,729) | (13,018) | (9.9) |
| Operating and administrative expenses | (6,930) | (6,680) | 3.7 |
| Other expenses ^{note 2} | (10,872) | (11,830) | (8.1) |
| Operating expenses | (162,162) | (155,388) | 4.4 |
| Operating profit | 14,722 | 11,615 | 26.7 |
| Net of non-operating income and expenses | 1 | - | / |
| Income tax | (1,850) | (1,468) | 26.0 |
| Net profit | 12,873 | 10,147 | 26.9 |

Notes:

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

Investment income for the reporting period was RMB42.239 billion, up by 19.7%, mainly because of a sharp increase in gains from securities trading and higher interest income on bond investments.

Claims amounted to RMB30.017 billion, down by 1.7%, largely due to decrease in maturity benefit payment in the reporting period.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|---|---------------|---------------|--------------|
| Claims | 30,017 | 30,551 | (1.7) |
| Traditional | 9,116 | 7,444 | 22.5 |
| Long-term health | 4,946 | 3,396 | 45.6 |
| Participating | 15,719 | 19,251 | (18.3) |
| Universal | 34 | 27 | 25.9 |
| Tax-deferred pension | - | - | / |
| Short-term accident and health | 5,148 | 3,829 | 34.4 |
| Claims | 30,017 | 30,551 | (1.7) |
| Indemnity | 5,148 | 3,829 | 34.4 |
| Payment upon maturity and survival | 9,857 | 13,986 | (29.5) |
| Payment of annuity | 8,683 | 8,128 | 6.8 |
| Payment upon death, injury or medical treatment | 6,329 | 4,608 | 37.3 |

Commission and brokerage expenses for the reporting period amounted to RMB11.729 billion, down by 9.9%, mainly due to shift of new business mix.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|--|---------------|---------------|--------------|
| Commission and brokerage expenses | 11,729 | 13,018 | (9.9) |
| Traditional | 9,369 | 9,368 | - |
| Long-term health | 4,605 | 4,622 | (0.4) |
| Participating | 1,334 | 2,270 | (41.2) |
| Universal | - | - | / |
| Tax-deferred pension | - | - | / |
| Short-term accident and health | 1,026 | 1,380 | (25.7) |

Income tax for the reporting period was RMB1.850 billion, up by 26.0%, mainly due to growth of operating profits.

As a result, CPIC Life recorded a net profit of RMB12.873 billion in the first half of 2021, up by 26.9%.

II. CPIC Health

In the first half of 2021, CPIC Health completed its shareholding restructuring and renaming, marking a new stage of transformation and development. With the new vision of “building an open, high-tech health insurance company”, the subsidiary vigorously explored a business model underpinned by “new channels, new products and new technology”, which calls for increased focus on core competencies such as product innovation, independent operation of Internet business, health management, and technology empowerment, so as to lay the groundwork for rapid development in the future. For the reporting period, it realised RMB2.793 billion in GWPs and health management fee income, and net profit of RMB152 million. As of the end of the reporting period, its core and comprehensive solvency margin ratios were both 165%.

As the platform of specialised health insurance business operation under the Group, CPIC Health will play a central role in development of short-term medical insurance. It vigorously explored commercialisation of on-line traffic to achieve a shift of the business model via technology; accelerated integration with the health care ecosystem to cultivate professional health management capabilities. Besides, the company promoted product innovation to substantiate the model of “products + services” and foster differentiators in core product offerings. In particular, it strived to develop products for people with prior conditions through enhanced big data pricing capability. On the other hand, the subsidiary actively explored new channels of on-line traffic commercialisation, deepened cooperation with on-line platforms, stepped up Internet scenario-based marketing, promoted digitalisation to enhance on-line service capabilities; pushed for coordination with social insurance, health care and pharmaceuticals, and capitalised on intra-Group synergy to contribute to the development of the health business segment.

4

Property and casualty insurance

CPIC P/C^{note} stepped up transformation, promoted the shift of growth drivers and delivered steady premium growth. Automobile insurance business, in the context of comprehensive reform, enhanced capabilities in customer operation, i.e, customer acquisition and retention, with further improvement in customer loyalty; non-auto business seized market opportunities, achieved rapid development of emerging business lines and its share of property and casualty insurance continued to increase.

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

I. CPIC P/C

(I) Business analysis

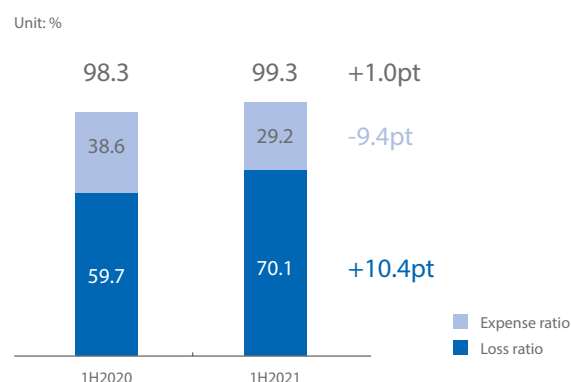
CPIC P/C accelerated implementation of transformation initiatives, promoted the shift of growth drivers, deepened "CPIC Service" and realised high-quality development. During the reporting period, it reported GWPs of RMB81.561 billion, up by 6.4%, with a combined ratio of 99.3%, an increase of 1.0pt from the same period of 2020. Of this, loss ratio stood at 70.1%, up by 10.4pt, and the expense ratio reached 29.2%, down by 9.4pt.

1. Analysis by lines of business

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|---------------------------------|---------------|---------------|-------------|
| GWPs | 81,561 | 76,672 | 6.4 |
| Automobile insurance | 44,642 | 47,962 | (6.9) |
| Compulsory automobile insurance | 12,450 | 11,515 | 8.1 |
| Commercial automobile insurance | 32,192 | 36,447 | (11.7) |
| Non-automobile insurance | 36,919 | 28,710 | 28.6 |
| Health insurance | 8,213 | 4,828 | 70.1 |
| Agricultural insurance | 6,725 | 5,721 | 17.5 |
| Liability insurance | 6,715 | 4,840 | 38.7 |
| Commercial property insurance | 3,856 | 3,553 | 8.5 |
| Others | 11,410 | 9,768 | 16.8 |

Combined ratio of CPIC P/C



(1) Automobile insurance

CPIC P/C proactively adapted to the comprehensive reform of automobile insurance, persisted in high-quality development, continued to enhance customer acquisition and retention, promoted intensive management in an all-around way, and strengthened risk management capabilities.

During the reporting period, due to the impact of automobile insurance comprehensive reform, CPIC P/C reported GWPs of RMB44.642 billion from the business line, a decline of 6.9%, with a combined ratio of 99.0%, up by 1.2pt from the first half of 2020. Of this, the loss ratio stood at 72.7%, up by 13.1pt and the expense ratio decreased by 11.9pt to 26.3%.

Going forward, CPIC P/C will focus on customer operation, adhere to high-quality development, continue to enhance risk control capabilities, step up innovation, intensify claims management and claims cost control, and promote centralised management of operation.

(2) Non-automobile insurance

In the first half of 2021, CPIC P/C seized opportunities of the new stage of development, continuously boosted growth drivers of emerging business lines, improved risk management capabilities, and recorded GWPs of RMB36.919 billion, up by 28.6%, with a combined ratio of 99.9%, up by 0.2pt. Of the major business lines, emerging business such as agricultural and liability insurance maintained strong momentum of growth, with stable underwriting profitability.

Health insurance seized opportunities arising from increasing demand post the pandemic, diversified the supply of innovative personal lines health insurance products, and vigorously pushed for rapid development of innovative government-sponsored health insurance programmes such as those linked with social medical insurance, for poverty-alleviation and city-specific inclusive medical insurance. In the first half of 2021, the business line reported RMB8.213 billion in GWPs, a growth of 70.1%.

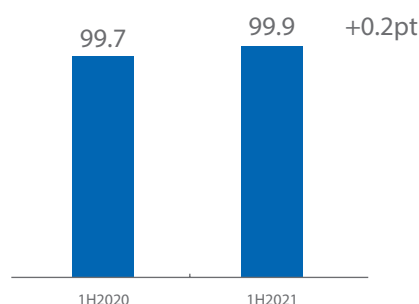
Agricultural insurance seized opportunities of national initiatives such as Fight against Poverty and Rural Revitalization, followed a new path of development centering on “model innovation + service improvement”, stepped up regional breakthroughs and specialised business operation, consolidated the foundation in

digitalisation, organisation, strategy and research platforms, and delivered high-quality development. In the first half of 2021, the business line delivered RMB6.725 billion in GWPs, up by 17.5%; the combined ratio of livestock farming business fell by 17.9pt, with the overall business risk under control.

Liability insurance focused on improving people's well-being, supporting the real economy, and facilitating industrial upgrading, with great efforts to drive the development of business in food safety, workplace safety, environmental protection, and new materials. The business line delivered RMB6.715 billion in GWPs during the reporting period, up by 38.7%, with a combined ratio of 99.2%, maintaining underwriting profitability.

Combined ratio of non-auto business

Unit: %



Going forward, CPIC P/C will step up the building of risk control systems, enhance risk identification and pricing capabilities, increase the use of new technology, strengthen the coordination of front-end, middle platforms and back office, continue to optimise resource-allocation and business quality; accelerate transformation and innovations, push for rapid development of emerging business lines, improve product line-up, step up the building of customer service platforms so as to achieve high-quality development of the business.

(3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2021

| Name of insurance | GWPs | Amounts Insured | Claims | Reserves | Underwriting profit | Combined ratio (%) |
|-------------------------------|--------|-----------------|--------|----------|---------------------|--------------------|
| Automobile insurance | 44,642 | 25,663,535 | 29,091 | 66,512 | 420 | 99.0 |
| Health insurance | 8,213 | 55,484,028 | 3,059 | 8,326 | (184) | 103.8 |
| Agricultural insurance | 6,725 | 217,373 | 2,462 | 5,626 | 3 | 99.9 |
| Liability insurance | 6,715 | 64,561,590 | 2,342 | 9,069 | 30 | 99.2 |
| Commercial property insurance | 3,856 | 8,797,583 | 1,726 | 6,089 | 128 | 92.9 |

2. Top 10 regions for GWPs

CPIC P/C is committed to regional integrated development via improved market responses, product competitiveness and customer services in local markets.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|----------------------------|---------------|---------------|-------------|
| GWPs | 81,561 | 76,672 | 6.4 |
| Guangdong | 9,595 | 8,600 | 11.6 |
| Jiangsu | 8,763 | 8,362 | 4.8 |
| Zhejiang | 7,015 | 6,760 | 3.8 |
| Shanghai | 6,235 | 5,220 | 19.4 |
| Shandong | 4,603 | 4,368 | 5.4 |
| Beijing | 3,391 | 3,575 | (5.1) |
| Hubei | 3,214 | 2,543 | 26.4 |
| Henan | 3,085 | 2,888 | 6.8 |
| Hunan | 3,037 | 2,785 | 9.0 |
| Hebei | 3,035 | 2,992 | 1.4 |
| Subtotal | 51,973 | 48,093 | 8.1 |
| Others | 29,588 | 28,579 | 3.5 |

(II) Financial analysis

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|---|-----------------|-----------------|-------------|
| Net premiums earned | 63,306 | 59,304 | 6.7 |
| Investment income ^{note 1} | 4,462 | 3,613 | 23.5 |
| Exchange (losses)/gains | (32) | 42 | (176.2) |
| Other operating income | 100 | 137 | (27.0) |
| Gains on disposal of assets | 1 | 1 | - |
| Other income | 30 | 23 | 30.4 |
| Operating income | 67,867 | 63,120 | 7.5 |
| Claims | (42,670) | (34,822) | 22.5 |
| Less: claims recoveries from reinsurers | 4,756 | 4,149 | 14.6 |
| Net change in insurance contract reserves | (6,211) | (4,603) | 34.9 |
| Changes in insurance premium reserves | (244) | (150) | 62.7 |
| Commission and brokerage expenses | (7,042) | (9,637) | (26.9) |
| Operating and administrative expenses | (14,291) | (15,539) | (8.0) |
| Other expenses ^{note 2} | 2,455 | 1,735 | 41.5 |
| Operating expenses | (63,247) | (58,867) | 7.4 |
| Operating profit | 4,620 | 4,253 | 8.6 |
| Net of non-operating income and expenses | 7 | (5) | (240.0) |
| Income tax | (1,124) | (1,072) | 4.9 |
| Net profit | 3,503 | 3,176 | 10.3 |

Notes:

1. Investment income includes investment income and gains/(losses) arising from changes in fair value on financial statements.

2. Other expenses include expenses for reinsurance assumed, expense recoveries from reinsurers, interest expenses, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period amounted to RMB4.462 billion, up by 23.5%, mainly attributable to higher gains from securities trading.

Claims reached RMB42.670 billion, up by 22.5%, mainly due to growth of insurance business, the impact of automobile insurance comprehensive reform and lower base in claims frequency for the same period of 2020 as a result of COVID-19.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|----------------------------|---------------|---------------|-------------|
| Claims | 42,670 | 34,822 | 22.5 |
| Automobile insurance | 29,091 | 24,958 | 16.6 |
| Non-automobile insurance | 13,579 | 9,864 | 37.7 |

Commission and brokerage expenses amounted to RMB7.042 billion, a decrease of 26.9%, and representing 8.6% of GWPs, down by 3.9pt, mainly because of lower commission rates for automobile insurance.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|--|--------------|--------------|---------------|
| Commission and brokerage expenses | 7,042 | 9,637 | (26.9) |
| Automobile insurance | 3,594 | 6,931 | (48.1) |
| Non-automobile insurance | 3,448 | 2,706 | 27.4 |

Operating and administrative expenses amounted to RMB14.291 billion, a decrease of 8.0%, and accounting for 17.5% of GWP, down by 2.8pt from the same period of 2020.

As a result, net profit for the first half of 2021 amounted to RMB3.503 billion, an increase of 10.3% from the same period of 2020.

II. CPIC Anxin Agricultural

In the first half of 2021, under the guidelines of “one agricultural insurance firm within the Group, boosting development via full integration”, CPIC Anxin Agricultural secured its foothold in Shanghai while extending its reach across the country, combined its own strengths in specialised agricultural insurance operation with nationwide network of branch offices of CPIC, and realised high-quality development. It delivered RMB1.070 billion in GWPs, up by 18.6%. Of this, agricultural insurance reported GWPs of RMB705 million, a growth of 17.9%, with a combined ratio of 98.4%, down by 9.0pt^{note}, with net profit of RMB88 million, up by 238.5%.

Note: Figures for the same period of 2020 were restated.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2021, its total assets stood at RMB1.621 billion, with net assets of RMB533 million. GWPs for the reporting period amounted to RMB228 million, with a combined ratio of 92.4%, and a net profit of RMB6 million.

5

Asset management

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

I. Group AuM

As of the end of the first half of 2021, Group AuM totalled RMB2,565.483 billion, rising 5.3% from the end of 2020. Of this, Group in-house investment assets amounted to RMB1,752.116 billion, a growth of 6.3%, and third-party AuM RMB813.367 billion, an increase of 3.2%, with a fee income of RMB1.320 billion, up by 24.6% from the same period of 2020.

Unit: RMB million

| | 30 June 2021 | 31 December 2020 | Changes (%) |
|----------------------------------|------------------|------------------|-------------|
| Group AuM | 2,565,483 | 2,436,080 | 5.3 |
| Group in-house investment assets | 1,752,116 | 1,648,007 | 6.3 |
| Third-party AuM | 813,367 | 788,073 | 3.2 |
| CPIC AMC | 261,693 | 253,227 | 3.3 |
| Changjiang Pension | 503,695 | 483,060 | 4.3 |

II. Group in-house investment assets

During the reporting period, with the acceleration of COVID-19 vaccination, major economies of the world showed signs of recovery, and China's economy experienced a fast rebound, with GDP growing by 12.7% in the first half of 2021. However, the recovery faced great uncertainty and many destabilising factors, such as resurgence of COVID-19 infections and geo-political tensions. On the capital markets, interest rates are clearly in secular decline, defaults are rising, the equity market rallied and then fell, which shows the economic recovery is imbalanced and not yet on a secure footing.

With the guidance of SAA, we conducted TAA with flexibility, seized market opportunities and achieved an investment income higher than the cost of liabilities. Given expectations of lower interest rates and in the face of rising credit risk on the fixed income market, we adopted a "dumb-bell" shaped strategy within the SAA framework, namely, increasing allocation into long-term T-bonds and local government bonds to extend asset duration on the one hand and moderately increasing investments in equity assets including private equity on the other. We maintained prudence in credit risk exposure, enhanced credit risk management to pro-actively tackle and mitigate the risk.

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

(I) Group consolidated investment portfolios

Unit: RMB million

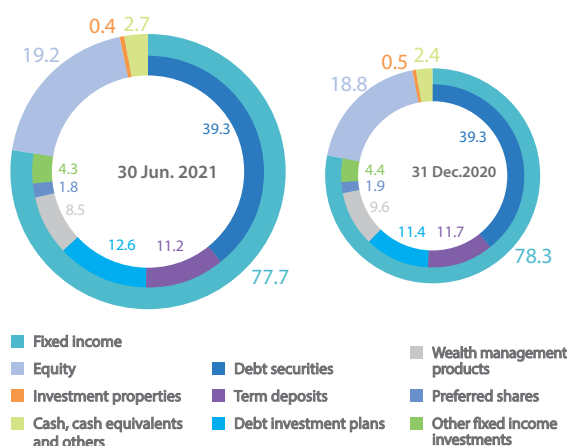
| | 30 June 2021 | Share (%) | Share change from the end of 2020 (pt) | Changes (%) |
|---|------------------|--------------|--|-------------|
| Group investment assets (total) | 1,752,116 | 100.0 | - | 6.3 |
| By investment category | | | | |
| Fixed income investments | 1,360,784 | 77.7 | (0.6) | 5.4 |
| - Debt securities | 689,046 | 39.3 | - | 6.3 |
| - Term deposits | 196,565 | 11.2 | (0.5) | 1.9 |
| - Debt investment plans | 219,930 | 12.6 | 1.2 | 17.3 |
| - Wealth management products ^{note 1} | 148,604 | 8.5 | (1.1) | (5.8) |
| - Preferred shares | 32,000 | 1.8 | (0.1) | - |
| - Other fixed income investments ^{note 2} | 74,639 | 4.3 | (0.1) | 3.7 |
| Equity investments | 337,119 | 19.2 | 0.4 | 8.7 |
| - Equity funds | 46,231 | 2.7 | 0.2 | 12.9 |
| - Bond funds | 21,695 | 1.2 | - | 13.4 |
| - Stocks | 126,392 | 7.2 | (0.5) | (0.7) |
| - Wealth management products ^{note 1} | 1,716 | 0.1 | - | 18.7 |
| - Preferred shares | 12,565 | 0.7 | (0.1) | (4.3) |
| - Other equity investments ^{note 3} | 128,520 | 7.3 | 0.8 | 18.7 |
| Investment properties | 7,673 | 0.4 | (0.1) | (2.5) |
| Cash, cash equivalents and others | 46,540 | 2.7 | 0.3 | 18.5 |
| By investment purpose | | | | |
| Financial assets at fair value through profit or loss ^{note 4} | 12,429 | 0.7 | - | (1.5) |
| Available-for-sale financial assets | 613,468 | 35.0 | (1.2) | 2.9 |
| Held-to-maturity financial assets | 383,552 | 21.9 | 1.9 | 16.5 |
| Long-term equity investments | 22,749 | 1.3 | (0.2) | (6.9) |
| Loans and other investments ^{note 5} | 719,918 | 41.1 | (0.5) | 5.0 |

Notes:

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

Group consolidated investment portfolios

Unit: %



1. By investment category

As of the end of the reporting period, the share of debt securities was 39.3%, the same as that as of the end of 2020. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored banks made up 20.3% of total investment assets, up by 2.8pt from the end of 2020. The average duration of fixed income assets reached 6.7 years, extended by 0.5 years versus the end of 2020. Moreover, 99.7% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-1 or above. Of this, the share of AAA reached 93.3%. We put in place and dynamically enhanced independent internal credit-rating teams and credit risk management systems covering the entire debt securities investment process, namely, before, during and after the investment. We made great efforts to establish a Group-wise integrated credit-rating management system. In the selection of new securities, we evaluated the internal credit-ratings of both the debt and debt issuers, identified the credit risk based on our internal credit-rating system and the input from in-house credit analysts, while considering other factors such as macroeconomic conditions, market environment and external credit-ratings in order to make a well-informed investment decision. At the same time, to assess the credit risk of the stock of bond holdings, we followed a uniform and standardised set of regulations and procedures, combining both regular and unscheduled follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors with good diversification effect; the debt issuers all reported sound financial strength, with the overall credit risk under control.

The share of equity investments stood at 19.2%, up by 0.4pt from the end of 2020. Of this, stocks and equity funds accounted for 9.9% of total investment assets, down by 0.3pt from the end of 2020. On the back of market strategy research and in compliance of disciplined TAA processes, we pro-actively seized tactical opportunities on the equity market and realised solid investment performance, supporting the core business of insurance.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB389.930 billion, accounting for 22.3% of total investment assets, rising 0.7pt from the end of 2020. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects and strived to serve the needs of China's real economy. The underlying projects spread across sectors like infrastructure, real estate, non-bank financial institutions and communications & transport, and were geographically concentrated in China's prosperous areas such as Beijing, Sichuan, Shandong, Hubei and Jiangsu.

Overall, the credit risk of our NPFI holdings is in the comfort zone. 99.0% of NPFIs had external credit-ratings, and of these, the share of AAA reached 94.7%, and that of AA+ and above 99.0%. 53.7% of NPFIs were exempt from debt issuer external credit-ratings, with the rest secured with credit-enhancing measures such as guarantee or pledge of collateral and the overall credit risk under control.

Mix and distribution of yields of non-public financing instruments

| Sectors | Share of investments (%) | Nominal yield (%) | Average duration (year) | Average remaining duration (year) |
|---------------------------------|--------------------------|-------------------|-------------------------|-----------------------------------|
| Infrastructural | 39.2 | 5.2 | 7.4 | 5.6 |
| Real estate | 18.3 | 5.2 | 6.5 | 4.5 |
| Non-bank financial institutions | 14.6 | 4.9 | 4.9 | 3.3 |
| Communications & transport | 13.7 | 5.3 | 9.0 | 6.3 |
| Energy and manufacturing | 7.2 | 5.3 | 6.0 | 3.7 |
| Others | 7.0 | 5.6 | 8.3 | 6.0 |
| Total | 100.0 | 5.2 | 7.0 | 5.0 |

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

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss decreased by 1.5% from the end of 2020, mainly because of a slight drop of equity and bond investments in the category; AFS financial assets increased by 2.9%, mainly as a result of increased investments in equity, funds and infrastructure debt investment plans; HTM financial assets grew by 16.5% from the end of 2020, mainly due to increased investments in government bonds; long-term equity investment dropped by 6.9% mainly due to lower investments in structured entities; loans and other investments rose by 5.0%, largely attributable to increased allocation in debt investment plans and term deposits.

(II) Group consolidated investment income

For the reporting period, net investment income totalled RMB35.383 billion, up by 8.3%. This stemmed mainly from increased interest income on fixed income investments. Annualised net investment yield reached 4.1%, down by 0.3pt compared with the same period of 2020.

Total investment income amounted to RMB49.340 billion, up by 28.4%, mainly attributable to increase in gains from securities trading and interest income on fixed income investments, with annualised total investment yield at 5.0%, up by 0.2pt from the first half of 2020.

Annualised growth rate of investments' net asset value fell by 0.5pt to 4.8%, as a result of decrease in net of fair value movement of AFS assets booked as other comprehensive income.

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|---|---------------|---------------|-------------|
| Interest income from fixed income investments | 30,953 | 29,091 | 6.4 |
| Dividend income from equity investments | 4,047 | 3,188 | 26.9 |
| Rental income from investment properties | 383 | 384 | (0.3) |
| Net investment income | 35,383 | 32,663 | 8.3 |
| Gains from securities trading | 15,051 | 8,106 | 85.7 |
| Losses arising from changes in fair value | (277) | (414) | (33.1) |
| Charge of impairment losses on investment assets | (1,219) | (2,484) | (50.9) |
| Other income ^{note 1} | 402 | 558 | (28.0) |
| Total investment income | 49,340 | 38,429 | 28.4 |
| Net investment yield (annualised) (%) ^{note 2} | 4.1 | 4.4 | (0.3pt) |
| Total investment yield (annualised) (%) ^{note 2} | 5.0 | 4.8 | 0.2pt |
| Growth rate of investments' net asset value (annualised) (%) ^{notes 2,3} | 4.8 | 5.3 | (0.5pt) |

Notes:

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

(III) Total investment yield on a consolidated basis

Unit: %

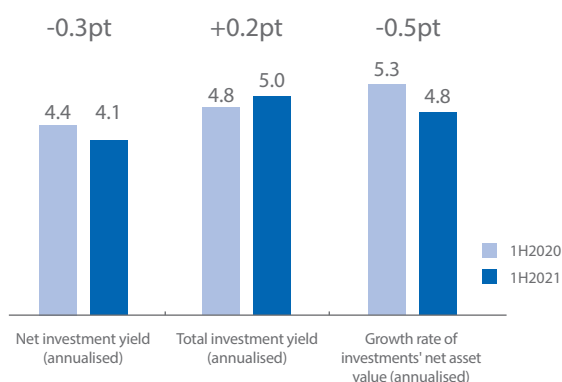
| For 6 months ended 30 June | 2021 | 2020 | Changes |
|---|------------|------------|--------------|
| Total investment yield (annualised) | 5.0 | 4.8 | 0.2pt |
| Fixed income investments ^{note 1} | 4.8 | 4.9 | (0.1pt) |
| Equity investments ^{note 1} | 5.7 | 4.1 | 1.6pt |
| Investment properties ^{note 1,2} | 7.4 | 7.4 | - |
| Cash, cash equivalents and others ^{note 1} | 0.6 | 0.7 | (0.1pt) |

Notes:

1. The impact of securities sold under agreements to repurchase was not considered.
2. Figures for the same period last year were restated.

Group consolidated investment yields

Unit: %



In alternative investments, it seized opportunities arising from the New Development Pattern, focused on high-quality assets with high credit-ratings, supported the implementation of key national initiatives and the development of the real economy in an all-around way, developed business of high-quality customers with mandates in Rural Revitalization, industry upgrading, supply-side structural reform, strategic deployment in the New Infrastructure, the Greater Bay Area, and the Yangtze River Economic Belt. For the first half of 2021, it registered a total of 17 alternative investment products involving an amount of RMB44.3 billion, a growth of 34%, maintaining industry leadership.

As for portfolio asset management products, the company strived to leverage capabilities it fostered in the past 15 years in product-driven business development, and focused on setting well-managed, predictable and sustainable investment targets. Positioned to serve institutional clients, it maintained its competitive edge in fixed income products, centred on "fixed income +" type of products with target investment income as its core, and gradually put in place a full line-up of FOF products. As of the end of the reporting period, the subsidiary reported RMB201.309 billion in third-party asset management products and AuM combined, an increase of 5.2% from the end of 2020.

III. Third-party AuM

(I) CPIC AMC

In the first half of 2021, CPIC AMC vigorously stepped up long-term investment capacity-building to enhance market competitiveness, and made steady progress in third-party asset management business while ensuring support of the core insurance business. As of the end of the reporting period, its third-party AuM amounted to RMB261.693 billion, an increase of 3.3% from the end of 2020.

(II) Changjiang Pension

Changjiang Pension is committed enhancing “CPIC Service” and the core business of pension fund management. It gives priority to customers, talent and technology and firmly pursues high-quality development underpinned by “high-quality business, well-qualified team and high-tech platforms”. As at 30 June 2021, its third-party assets under trustee management amounted to RMB273.332 billion, up by 12.4% from the end of 2020; third-party assets under investment management reached RMB503.695 billion, an increase of 4.3%.

During the reporting period, it deepened deployment in pension fund management business in an all-around way. In the first pillar, it maintained leadership, on a comparable basis, in both volume and investment performance of social security pension fund under management. As for the second pillar, the company was selected as manager of occupational annuity schemes of government agencies and not-for-profit institutions of the Tibetan Autonomous Region, marking a record of “all success” in the bid for manager of 33 occupational annuity schemes; continued to deepen its presence in enterprise annuity business, with breakthroughs in power and railway sectors; maintained a leading position in group retirement business, rolled out innovative business across the nation and facilitated the reform of compensation management and incentive systems of business enterprises. In the third pillar, Changjiang Pension vigorously explored the transitioning of individual business towards retirement protection; persisted in ESG investment philosophy and launched China’s first ESG-mandated insurance asset management product, making it China’s first domestic pension company offering such products. As of the end of the first half of 2021, the company cumulatively raised RMB170.0 billion to finance and support the development of the real economy.

6

Analysis of specific items

I. Items concerning fair value accounting

Unit: RMB million

| | 30 June 2021 | 31 December 2020 | Changes | Impact of fair value changes on profits ^{note} |
|---|----------------|------------------|---------------|---|
| Financial assets at fair value through profit or loss | 12,253 | 12,473 | (220) | (313) |
| Available-for-sale financial assets | 613,468 | 596,158 | 17,310 | (1,080) |
| Derivative financial assets | 176 | 140 | 36 | 36 |
| Total | 625,897 | 608,771 | 17,126 | (1,357) |

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

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

II. Structured entities controlled by the Company

The structured entities controlled by the group are detailed in Note VI-2 of Financial report.

III. Solvency

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

Unit: RMB million

| | 30 June 2021 | 31 December 2020 | Reasons of change |
|---|--------------|------------------|---|
| CPIC Group | | | |
| Core capital | 502,945 | 500,766 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Actual capital | 512,945 | 510,766 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Minimum required capital | 183,533 | 177,288 | Growth of insurance business and changes to asset allocation |
| Core solvency margin ratio (%) | 274 | 282 | |
| Comprehensive solvency margin ratio (%) | 279 | 288 | |
| CPIC Life | | | |
| Core capital | 378,045 | 377,203 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Actual capital | 378,045 | 377,203 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Minimum required capital | 161,640 | 155,860 | Growth of insurance business and changes to asset allocation |
| Core solvency margin ratio (%) | 234 | 242 | |
| Comprehensive solvency margin ratio (%) | 234 | 242 | |
| CPIC P/C | | | |
| Core capital | 45,496 | 44,208 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Actual capital | 55,496 | 54,208 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Minimum required capital | 20,296 | 19,672 | Growth of insurance business and changes to asset allocation |
| Core solvency margin ratio (%) | 224 | 225 | |
| Comprehensive solvency margin ratio (%) | 273 | 276 | |
| CPIC Health | | | |
| Core capital | 1,358 | 1,294 | Profit for the period, change of fair value of investment assets |
| Actual capital | 1,358 | 1,294 | Profit for the period, change of fair value of investment assets |
| Minimum required capital | 823 | 949 | Growth of insurance business and changes to asset allocation |
| Core solvency margin ratio (%) | 165 | 136 | |
| Comprehensive solvency margin ratio (%) | 165 | 136 | |
| CPIC Anxin Agricultural | | | |
| Core capital | 1,884 | 1,821 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Actual capital | 1,884 | 1,821 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Minimum required capital | 585 | 614 | Growth of insurance business and changes to asset allocation |
| Core solvency margin ratio (%) | 322 | 297 | |
| Comprehensive solvency margin ratio (%) | 322 | 297 | |

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

IV. Sensitivity analysis of price risk

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

Unit: RMB million

| From January to June 2021 / 30 June 2021 | | |
|--|-----------------------------|------------------|
| Market value | Impact on profit before tax | Impact on equity |
| +10% | 7 | 10,809 |
| - 10% | (7) | (10,809) |

Notes:

1. After policyholder participation.

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

V. Insurance contract reserves

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

As at 30 June 2021, insurance contract reserves of CPIC Life amounted to RMB1,217.928 billion, representing an increase of 8.9% from the end of 2020. Those of CPIC P/C amounted to RMB119.722 billion, an increase of 14.6%. The rise was mainly caused by business expansion and accumulation of insurance liabilities.

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

Unit: RMB million

| | 31 December 2020 | Increase in the period | Decrease in the period | | | 30 June 2021 |
|-------------------------------------|------------------|------------------------|------------------------|-------------------|----------|--------------|
| | | | Claims | Early termination | Others | |
| CPIC Life | | | | | | |
| Unearned premium reserves | 4,100 | 13,109 | - | - | (9,239) | 7,970 |
| Claim reserves | 5,287 | 5,879 | (5,148) | - | - | 6,018 |
| Life insurance reserves | 1,010,194 | 108,880 | (19,855) | (10,753) | - | 1,088,466 |
| Long-term health insurance reserves | 98,789 | 22,630 | (5,014) | (931) | - | 115,474 |
| CPIC P/C | | | | | | |
| Unearned premium reserves | 63,706 | 81,561 | - | - | (73,506) | 71,761 |
| Claim reserves | 40,772 | 49,859 | (42,670) | - | - | 47,961 |

VI. Reinsurance business

In the first half of 2021, premiums ceded to reinsurers are shown below:

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|--------------------------------|---------------|---------------|---------------|
| CPIC Life | 3,676 | 5,105 | (28.0) |
| Traditional | 1,793 | 1,742 | 2.9 |
| Long-term health | 1,407 | 1,373 | 2.5 |
| Participating | 214 | 213 | 0.5 |
| Universal | 27 | 27 | - |
| Tax-deferred pension | - | - | / |
| Short-term accident and health | 1,642 | 3,123 | (47.4) |
| CPIC P/C | 11,584 | 11,218 | 3.3 |
| Automobile | 2,566 | 3,207 | (20.0) |
| Non-automobile | 9,018 | 8,011 | 12.6 |

In the first half of 2021, premiums from reinsurance assumed are set out below:

Unit: RMB million

| For 6 months ended 30 June | 2021 | 2020 | Changes (%) |
|--------------------------------|------------|------------|---------------|
| CPIC Life | 71 | 238 | (70.2) |
| Traditional | 71 | 238 | (70.2) |
| Long-term health | 1 | 1 | - |
| Participating | - | - | / |
| Universal | - | - | / |
| Tax-deferred pension | - | - | / |
| Short-term accident and health | - | - | / |
| CPIC P/C | 792 | 607 | 30.5 |
| Automobile | - | - | / |
| Non-automobile | 792 | 607 | 30.5 |

As at the end of the first half of 2021, reinsurers' share of insurance contract reserves are set out below:

Unit: RMB million

| | 30 June 2021 | 31 December 2020 | Changes (%) |
|--|--------------|------------------|-------------|
| CPIC Life | | | |
| Reinsurers' share of unearned premium reserves | 1,003 | 1,206 | (16.8) |
| Reinsurers' share of claim reserves | 464 | 379 | 22.4 |
| Reinsurers' share of life insurance reserves | 1,973 | 1,812 | 8.9 |
| Reinsurers' share of long-term health insurance reserves | 11,693 | 11,126 | 5.1 |
| CPIC P/C | | | |
| Reinsurers' share of unearned premium reserves | 9,076 | 7,692 | 18.0 |
| Reinsurers' share of claim reserves | 7,831 | 6,853 | 14.3 |

We determine retained insured amounts and reinsurance ratio according to insurance regulations and our business development and risk management needs. To lower the concentration risk of reinsurance, we also entered into reinsurance agreements with various leading international reinsurance companies. The criteria for the selection of reinsurance companies include their financial strength, professional expertise, service level, claims settlement efficiency and price. Generally speaking, we prefer domestic and overseas reinsurance/insurance companies with proven records and in compliance with regulatory regulations, including international reinsurance companies with ratings of A- or above. Our reinsurance partners mainly include China Reinsurance (Group) Corporation and its subsidiaries, i.e., China Life Reinsurance Company Ltd., and China Property & Casualty Reinsurance Company Ltd., Swiss Reinsurance Company Ltd and Munich Reinsurance Company (慕尼黑再保险公司).

VII. Main subsidiaries & associates and equity participation

Unit: RMB million

| Company | Main business scope | Registered capital | Group shareholding ^{note 2} | Total assets | Net assets | Net profit |
|--|---|--------------------|--------------------------------------|--------------|------------|------------|
| China Pacific Property Insurance Co., Ltd. | Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC. | 19,470 | 98.5% | 207,096 | 46,240 | 3,503 |
| China Pacific Life Insurance Co., Ltd. | Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life/health insurance; agency and business relationships with domestic and overseas insurers and organisations, loss adjustment, claims and other business entrusted from overseas insurance organisations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as approved; other business as approved by CBIRC. | 8,420 | 98.3% | 1,585,352 | 95,635 | 12,873 |
| Changjiang Pension Insurance Co., Ltd. ^{note 3} | Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC. | 3,000 | 61.1% | 5,790 | 3,796 | 386 |
| Pacific Asset Management Co., Ltd. ^{note 3} | Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations. | 2,100 | 99.7% | 4,627 | 3,691 | 309 |
| Pacific Health Insurance Co., Ltd. | Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC. | 1,700 | 99.7% | 8,925 | 1,475 | 152 |
| China Pacific Anxin Agricultural Insurance Co., Ltd. | Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business. | 700 | 51.3% | 4,537 | 1,718 | 88 |
| CPIC Fund Management Co., Ltd. ^{note 4} | Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC. | 150 | 50.8% | 764 | 569 | 51 |

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to "Review and analysis of operating results" of this report, and "Scope of consolidation" and "Long-term equity investments" in Notes to the Financial Statements.
2. Figures for Group shareholding include direct and indirect shareholdings.
3. As per Circular on Implementing New Accounting Standards on Financial Instruments by the Ministry of Finance and CBIRC (Caikuai [2020] No.22), Changjiang Pension and CPIC AMC began to implement new accounting standards pertaining to financial instruments as set out in Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (Caikuai [2017] No.7) and other new accounting standards on financial instruments on 1 January 2021. Figures listed in the table are based on the new accounting standards.
4. As per Circular on Implementing Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (2017) and Other Related New Accounting Standards by Fund Management Firms issued by the Accounting Department and the Department of Securities and Fund Supervision of CSRC, CPIC Fund began to implement new accounting standards pertaining to financial instruments on 1 January 2020. Figures listed in the table are based on the new accounting standards.

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

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

IX. Gearing ratio

| | 30 June 2021 | 31 December 2020 | Changes |
|-------------------|--------------|------------------|---------|
| Gearing ratio (%) | 88.5 | 87.8 | 0.7pt |

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

7

Outlook

I. Market environment and business plan

Currently and in the foreseeable future, China's development is still facing an important window of opportunity, in spite of great uncertainty with COVID-19 and the market environment. The Chinese government made a strategic decision to boost the New Development Pattern underpinned by "dual circulation", with domestic circulation at the core and supplemented by international circulation. China's Fourteenth Five-Year Plan articulated the overarching strategy of "pursuing progress while ensuring stability", and set forth the target of achieving high-quality development, coordinate development and security, accelerate the building of a modern economic system, so that China's economy will transition toward a stage of development characterised by higher efficiency, better quality and improved equity. In the long term, economic growth, rising per capita income, demographic shift, shift of government roles and innovation in mechanisms of public administration will continue to drive sustainable development of China's insurance industry. China remains one of the most dynamic and fastest-growing insurance markets of the world.

Going forward, with the targets of “being the best in customer experience, business mix and risk control capabilities”, and the vision of “achieving leadership in healthy and stable development of the insurance industry”, the Company will deepen reform and innovation, adhere to the basics, pursue progress while securing stability, focus on the 3 key areas of health sector, regional development initiatives and big data, and promote the establishment of a long-term incentive system, the building of professional investment capabilities, platform-based development of health services, marketisation of technology, and modernisation of corporate governance, in a bid to foster core competitiveness for a sustainable future. In the meantime, the Company will implement the CPIC Service Initiative so as to boost high-quality development while supporting national strategies, the real economy, and improving the lot of Chinese people.

II. Major risks and mitigating measures

Firstly, in terms of macroeconomic environment, global economic recovery is faced with great uncertainty, given a lack of coordination in global effort to tackle COVID-19, imbalances in recovery of economies and escalation of international economic and political frictions. With the domestic economic recovery, the impact of domestic demand has been further enhanced while pandemic control becomes New Normal. Rising credit defaults, the downward pressure on long-term risk-free interest rates will materially impact insurance and asset management business.

Secondly, in terms of industry development, China’s insurance market is in a critical stage of development with shifting cycles and reshaping of growth engines. With deepening of financial market reform and upgrading of regulation, the trend of “preventing risks, addressing irregularities and tightening regulation” will continue. The implementation of the new regulation will further standardise business behavior and put forward higher requirements for professional ability of risk compliance. Combined ratio monitoring, growth on NBV and asset & liability management are under increasing pressure.

Thirdly, in respect of its business operation, the Company is facing catastrophic risk and risk of large claims arising from extreme weather events, natural catastrophes and major accidents, with emerging risks starting to have potential impact on the stability of its business performance. Changes in population age structure, the deepening transformation of life insurance, the promotion of reform in auto insurance, digitalisation and insurance technology have brought more uncertainties to traditional insurance operations. The implementation of sustainable development strategy means even higher standards for compliance and professionalism in corporate governance, risk management and investment capabilities.

To cope with these risks, we will persist in compliance in business operation, stay focused on the core business of insurance, uphold value-oriented strategies and press ahead with innovation and transformation. In particular, we will step up analysis of macroeconomic trends, enhance early-warning and mitigation of major risks, promote deployment in key business segments in line with key national strategies in a new stage of development; strengthen customer insights and risk screening capability via technology; accelerate product & service innovation and continuously optimise resource-allocation; improve ALM and counterparty credit risk management in an all-around way, strengthen investment research capabilities and the matching of assets and liabilities; continuously optimise mechanisms for risk identification, assessment, early warning and mitigation, enhance cumulative risk exposure control so as to forestall systematic risks and ensure stable business operation and healthy solvency levels.



Embedded value

1

Independent Actuarial Review Opinion on Embedded Value

To: China Pacific Insurance (Group) Co., Ltd.
Board of Directors

Towers Watson Management (Shenzhen) Consulting Co., Ltd. Beijing Branch ("WTW" or "we") has been engaged by China Pacific Insurance (Group) Co., Ltd. ("CPIC Group") to review the embedded value information of CPIC Group as of 30 June 2021. In forming our opinion we have not considered post valuation date events or information available after the valuation date.

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

Scope of work

WTW's scope of work comprised:

- > a review of the methodology used to develop the embedded value of CPIC Group and the value of half year's sales of China Pacific Life Insurance Co., Ltd. ("CPIC Life") as of 30 June 2021, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;
- > a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of half year's sales of CPIC Life as of 30 June 2021; and
- > a review of the results of CPIC Group's calculation of the value of in-force business, the value of half year's sales of CPIC Life, and the sensitivity results of the value of in-force business and value of half year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as of 30 June 2021 and the value of half year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

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

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of half year's sales of CPIC Life as of 30 June 2021, and WTW has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of CPIC Group's 2021 interim report and that the aggregate results are reasonable in this context.

WTW confirms that the results shown in the Embedded Value section of CPIC Group's 2021 interim report are consistent with those reviewed by WTW.

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

For and on behalf of WTW
Lingde Hong, FSA, CCA
Stanley Lu, FSA
12th August 2021

2

2021 Embedded Value Interim Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 30 June 2021 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 2021 interim report.

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

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

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

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

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

The table below shows the Group Embedded Value of CPIC Group as at 30 June 2021, and the value of half year's sales of CPIC Life in the 6 months to 30 June 2021 at a risk discount rate of 11%.

Unit: RMB Million

| Valuation Date | 30 June 2021 | 31 December 2020 |
|---|----------------|------------------|
| Group Adjusted Net Worth | 266,683 | 257,378 |
| Adjusted Net Worth of CPIC Life | 144,051 | 135,898 |
| Value of In Force Business of CPIC Life Before Cost of Required Capital Held | 224,376 | 217,617 |
| Cost of Required Capital Held for CPIC Life | (13,020) | (12,167) |
| Value of In Force Business of CPIC Life After Cost of Required Capital Held | 211,356 | 205,451 |
| 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 | 207,747 | 201,942 |
| Group Embedded Value | 474,431 | 459,320 |
| CPIC Life Embedded Value | 355,407 | 341,348 |

| Valuation Date | 30 June 2021 | 30 June 2020 |
|--|---------------|---------------|
| Value of Half Year's Sales of CPIC Life Before Cost of Required Capital Held | 11,840 | 12,674 |
| Cost of Required Capital Held | (1,609) | (1,447) |
| Value of Half Year's Sales of CPIC Life After Cost of Required Capital Held | 10,231 | 11,228 |

Notes:

1. Figures may not be additive due to rounding
2. Results in column "30 June 2020" are those reported in the 2020 interim report
3. Results in column "31 December 2020" are those reported in the 2020 annual report

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

III. Key Valuation Assumptions

In determining the embedded value as at 30 June 2021, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in “Appraisal of Embedded Value” standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of half year’s sales of CPIC Life as at 30 June 2021:

(I) Risk Discount Rate

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

(II) Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2021 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, considering CPIC Life’s morbidity experience analysis and expectation of future morbidity trends, taking into considering deterioration of morbidity rates in the long term, and varies by product.

(V) Lapse and Surrender Rates

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

(VI) Expense

Unit cost assumptions have been developed based on the recent results of an analysis of CPIC Life's 2020 non-commission related expenses. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

(VII) Policyholder Dividend

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

(VIII) Tax

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

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

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

The table below shows the volume of new business sold in terms of first year annual premium and value of half year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2021.

Unit: RMB Million

| | First Year Annual Premium (FYAP) in the First Half of Year | | Value of Half Year's Sales After Cost of Required Capital Held | |
|-----------------------|--|---------------|--|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Total | 40,299 | 30,316 | 10,231 | 11,228 |
| Of which: Traditional | 20,485 | 12,035 | 9,589 | 9,596 |
| Participating | 1,246 | 4,566 | 264 | 1,106 |

V. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2021 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

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

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

Unit: RMB Million

| | Value of In Force Business After Cost of Required Capital Held | Value of Half Year's Sales After Cost of Required Capital Held |
|---------------------------------------|---|---|
| Base | 211,356 | 10,231 |
| Risk discount rate "+50 basis points" | 203,794 | 9,803 |
| Risk discount rate "-50 basis points" | 219,541 | 10,690 |
| Investment return "+50 basis points" | 245,429 | 11,808 |
| Investment return "-50 basis points" | 176,843 | 8,655 |
| Mortality "+10%" | 210,162 | 10,168 |
| Mortality "-10%" | 212,548 | 10,293 |
| Morbidity "+10%" | 204,632 | 9,577 |
| Lapse and surrender rates "+10%" | 212,568 | 10,062 |
| Lapse and surrender rates "-10%" | 210,027 | 10,401 |
| Expenses "+10%" | 207,981 | 9,632 |

Corporate governance

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1

Implementation of profit distribution plan

The Company distributed a cash dividend of RMB1.20 per share (tax included) and 30th Anniversary Special Dividend of RMB0.1 per share (tax included) in accordance with the “Resolution on Profit Distribution Plan for the Year of 2020” approved at the 2020 annual general meeting.

2

Shareholders’ general meetings

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

3

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

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

4

Fulfilment of the undertakings

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

5

Material litigations and arbitrations

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

6

Penalties and subsequent rectification

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

7

Fulfilment of obligations

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

8

Capital occupation

During the reporting period, there was no non-operating occupation of capital of the Company by controlling shareholders or other related parties.

9

Guarantee contracts

During the reporting period, the Company did not enter into any guarantee contract that violated laws, administrative regulations or the external guarantee resolution procedures prescribed by the CSRC.

10

Share option scheme

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

11

Daily related party transactions

In the ordinary course of business, the Company and its subsidiaries conducted daily transactions, including bond trading, securities investment funds, bond pledge-style repo, trust products, asset management products and other daily transactions related to fund utilisation and financial products business, at fair market price with multiple counterparties. The 8th meeting of the 9th board of directors approved daily related party transactions related to fund utilisation and financial products business of the Company and its subsidiaries under the annual estimated cap, and each single transaction was not required to be submitted separately to the board of directors or the shareholders' general meeting for consideration and approval any more. As of 30 June 2021, the categorised summary of the daily related party transactions related to fund utilisation and financial products business is as follows:

Unit: RMB million

| No. | Related Parties | Content of Transaction | Estimated Cap of Daily Related Party Transactions in 2021 | Actual Amount as of 30 June 2021 | Percentage (%) of the Amount of Transactions of the Same Type |
|-----|-------------------------------------|---|---|----------------------------------|---|
| 1 | Hwabao WP Fund Management Co., Ltd. | Transaction of Fund Subscription and Redemption | 3,000 | 373 | 0.26% |

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

12

Material contracts

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

13

Use of Proceeds Received from Issuance of GDRs

The Company completed the initial offering of its GDRs on 22 June 2020, and partially exercised over-allotment on 9 July 2020. A total of 111,668,291 GDRs were issued through the initial offering and the over-allotment at the price of USD17.60 per GDR, and the total proceeds raised was USD1,965,361,921.60. The difference between the balance of proceeds unused at the end and the beginning of the reporting period is mainly the interest income generated by the raised funds.

As of the end of the reporting period, details of use of the above-said proceeds are as follows:

| Total proceeds raised | Proceeds unused as at the beginning of the reporting period | The intended use of proceeds raised | Proceeds used during the reporting period | Proceeds unused as at the end of the reporting period | Plan for use of the unused funds |
|-------------------------|---|--|---|---|---|
| USD 1,965,361,921.60 | USD 1,945,356,114.87 | <p>Pursuant to the Prospectus,</p> <p>(1) 70% or more of the net proceeds will be used for gradually developing the Group's businesses overseas, in the form of equity investments, partnerships and alliances, and mergers and acquisitions in both developed and emerging markets, supporting core insurance business growth.</p> <p>(2) Up to 30%, or the remainder of the net proceeds, will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities.</p> <p>If the Company deems that the plan in any particular areas described above to be unachievable, the corresponding intended portion of the proceeds will be used to replenish its capital and for general corporate purposes.</p> | - | USD 1,945,356,196.13 | It will be used in line with the Company's business development and market situation. |

14

Change in accounting estimates

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

As at 30 June 2021, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 4,387 million as at 30 June 2021 and profit before tax decreased by approximately RMB 4,387 million for the six months ended 30 June 2021.

15

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

So far as the directors of the Company are aware, as at 30 June 2021, none of the directors, supervisors or senior management of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

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

16

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

So far as the directors of the Company are aware, as at 30 June 2021, the following persons (excluding the directors, supervisors or senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

| Name of substantial shareholders | Capacity | Type of shares | Number of shares | Percentage of shareholdings in the class of shares issued (%) | Percentage of the total shares issued (%) |
|--|--|----------------|----------------------------------|---|---|
| Schroders Plc ^{note 1} | Investment manager | H shares | 362,783,188 (L) | 13.07 (L) | 3.77 (L) |
| 中国人寿保险股份有限公司 | Beneficial owner | H shares | 250,110,800 (L) | 9.01 (L) | 2.60 (L) |
| 中国人寿保险 (集团) 公司 ^{note 2} | Beneficial owner | H shares | 5,228,000 (L) | 0.19 (L) | 0.05 (L) |
| | Interest of corporation controlled by 中国人寿保险 (集团) 公司 | H shares | 242,560,800 (L) | 8.74 (L) | 2.52 (L) |
| 上海国际集团有限公司 ^{note 3} | Beneficial owner | H shares | 192,068,400 (L) | 6.92 (L) | 2.00 (L) |
| | Interest of corporation controlled by 上海国际集团有限公司 | H shares | 6,428,400 (L) | 0.23 (L) | 0.07 (L) |
| JPMorgan Chase & Co. ^{note 4} | Interest of corporation controlled by JPMorgan Chase & Co. | H shares | 31,814,285(L) 30,697,581(S) | 1.15 (L) 1.11(S) | 0.33 (L) 0.32 (S) |
| | Investment manager | H shares | 42,883,400 (L) | 1.55 (L) | 0.45 (L) |
| | Person having a security interest in shares | H shares | 20,771,282 (L) | 0.75 (L) | 0.22 (L) |
| | Approved lending agent | H shares | 76,946,466 (L) 76,946,466 (P) | 2.77 (L) 2.77 (P) | 0.80 (L) 0.80 (P) |
| BlackRock, Inc. ^{note 5} | Interest of corporation controlled by Blackrock, Inc. | H shares | 157,906,922 (L) | 5.69 (L) | 1.64 (L) |
| | | | 318,800 (S) | 0.01(S) | 0.00(S) |

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

Notes:

1. Pursuant to Part XV of the SFO, as at 30 June 2021, Schroders Plc is deemed or taken to be interested in a total of 362,783,188 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Schroders Plc are set out below:

| Name of controlled subsidiary | Number of shares |
|--|------------------|
| Schroder Administration Limited | 362,783,188 (L) |
| Schroder International Holdings Limited | 362,454,388 (L) |
| Schroder Investment Management (Hong Kong) Limited | 172,959,418 (L) |
| Schroder Investment Management (Singapore) Ltd | 76,151,800 (L) |
| Schroder Investment Management Limited | 71,648,000 (L) |
| Schroder Investment Management Limited | 41,536,170 (L) |
| Schroder Investment Management North America Limited | 41,536,170 (L) |
| Schroder Wealth Holdings Limited | 298,800 (L) |
| Schroder & Co. Limited | 298,800 (L) |
| Schroder US Holdings Inc. | 189,000 (L) |
| Schroder Investment Management North America Inc. | 189,000 (L) |

(L) denotes a long position

2. Pursuant to Part XV of the SFO, as at 30 June 2021, 中国人寿保险 (集团) 公司 is deemed or taken to be interested in a total of 247,788,800 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by 中国人寿保险 (集团) 公司 are set out below:

| Name of controlled subsidiary | Number of shares |
|-------------------------------|------------------|
| 中国人寿保险股份有限公司 | 242,410,800 (L) |
| 中国人寿保险 (海外) 股份有限公司 | 150,000 (L) |

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as at 30 June 2021, 上海国际集团有限公司 is deemed or taken to be interested in a total of 198,496,800 H shares (long position) of the Company. The details of the shareholding interests of the subsidiary directly or indirectly controlled by 上海国际集团有限公司 are set out below:

| Name of controlled subsidiary | Number of shares |
|-------------------------------|------------------|
| 上海國際集團 (香港) 有限公司 | 6,428,400 (L) |

(L) denotes a long position

4. Pursuant to Part XV of the SFO, as at 30 June 2021, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 172,415,433 H shares (long position), 30,697,581 H shares (short position) and 76,946,466 H shares (lending pool) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by JPMorgan Chase & Co. are set out below:

| Name of controlled subsidiary | Number of shares |
|--|-----------------------------------|
| China International Fund Management Co., Ltd. | 320,600 (L) |
| JPMorgan Asset Management (Taiwan) Limited | 717,400 (L) |
| J.P. Morgan AG | 60,247 (L) |
| J.P. Morgan Securities LLC | 52,001 (L) 26,000 (S) |
| JPMORGAN CHASE BANK, N.A. - LONDON BRANCH | 76,946,466 (L) |
| J.P. Morgan Investment Management Inc. | 22,542,400 (L) |
| JPMORGAN ASSET MANAGEMENT (UK) LIMITED | 8,189,000 (L) |
| J.P. Morgan Structured Products B.V. | 5 (S) |
| J.P. Morgan Chase Bank Berhad | 1,300,000 (S) |
| JPMorgan Chase Bank, National Association | 3,209,400 (L) |
| JPMorgan Asset Management (Asia Pacific) Limited | 7,904,600 (L) |
| J.P. MORGAN SECURITIES PLC | 52,473,319 (L) 29,371,576 (S) |
| JPMORGAN ASSET MANAGEMENT (UK) LIMITED | 320,600 (L) |
| JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED | 8,509,600 (L) |
| JPMorgan Asset Management Holdings Inc. | 39,674,000 (L) |
| JPMorgan Chase Holdings LLC | 39,726,001 (L) 26,000 (S) |
| JPMorgan Asset Management (Asia) Inc. | 8,622,000 (L) |
| J.P. Morgan International Finance Limited | 52,533,566 (L) 30,671,581 (S) |
| JPMorgan Chase Bank, National Association | 129,480,032 (L) 30,671,581 (S) |
| J.P. Morgan Broker-Dealer Holdings Inc. | 52,001 (L) 26,000 (S) |
| J.P. MORGAN CAPITAL HOLDINGS LIMITED | 52,473,319 (L) 29,371,576 (S) |

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

5. Pursuant to Part XV of the SFO, as at 30 June 2021, BlackRock, Inc. is deemed or taken to be interested in a total of 157,906,922 H shares (long position) and 318,800 H shares (short position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by BlackRock, Inc. are set out below:

| Name of controlled subsidiary | Number of shares |
|---|--------------------------------|
| Trident Merger, LLC | 1,096,762 (L) |
| BlackRock Investment Management, LLC | 362,562 (L) |
| BlackRock Investment Management, LLC | 734,200 (L) |
| BlackRock Holdco 2, Inc. | 156,810,160 (L) 318,800 (S) |
| BlackRock Financial Management, Inc. | 154,541,194 (L) 318,800 (S) |
| BlackRock Financial Management, Inc. | 2,268,966 (L) |
| BlackRock Holdco 4, LLC | 89,788,605 (L) 318,800 (S) |
| BlackRock Holdco 6, LLC | 89,788,605 (L) 318,800 (S) |
| BlackRock Delaware Holdings Inc. | 89,788,605 (L) 318,800 (S) |
| BlackRock Institutional Trust Company, National Association | 27,866,005 (L) 318,800 (S) |
| BlackRock Fund Advisors | 61,922,600 (L) |
| BlackRock Capital Holdings, Inc. | 87,400 (L) |
| BlackRock Advisors, LLC | 87,400 (L) |
| BlackRock International Holdings, Inc. | 64,665,189 (L) |
| BR Jersey International Holdings L.P. | 64,665,189 (L) |
| BlackRock Lux Finco S.à r.l. | 12,842,355 (L) |
| BlackRock Japan Holdings GK | 12,842,355 (L) |
| BlackRock Japan Co., Ltd. | 12,842,355 (L) |
| BlackRock Holdco 3, LLC | 48,724,302 (L) |
| BlackRock Canada Holdings LP | 312,400 (L) |
| BlackRock Canada Holdings ULC | 312,400 (L) |
| BlackRock Asset Management Canada Limited | 312,400 (L) |
| BlackRock Australia Holdco Pty. Ltd. | 1,017,600 (L) |
| BlackRock Investment Management (Australia) Limited | 1,017,600 (L) |
| BlackRock (Singapore) Holdco Pte. Ltd. | 14,923,287 (L) |
| BlackRock HK Holdco Limited | 14,762,687 (L) |
| BlackRock Asset Management North Asia Limited | 1,920,332 (L) |
| BlackRock Cayman 1 LP | 48,411,902 (L) |
| BlackRock Cayman West Bay Finco Limited | 48,411,902 (L) |
| BlackRock Cayman West Bay IV Limited | 48,411,902 (L) |
| BlackRock Group Limited | 48,411,902 (L) |
| BlackRock Finance Europe Limited | 29,211,291 (L) |
| BlackRock (Netherlands) B.V. | 184,800 (L) |
| BlackRock (Netherlands) B.V. | 11,209,480 (L) |
| BlackRock International Limited | 228,605 (L) |
| BlackRock Group Limited-Luxembourg Branch | 18,972,006 (L) |
| BlackRock Luxembourg Holdco S.à r.l. | 18,972,006 (L) |

| Name of controlled subsidiary | Number of shares |
|--|------------------|
| BlackRock Investment Management Ireland Holdings Limited | 18,420,806 (L) |
| BlackRock Asset Management Ireland Limited | 18,420,806 (L) |
| BLACKROCK (Luxembourg) S.A. | 538,000 (L) |
| BlackRock Investment Management (UK) Limited | 11,844,487 (L) |
| BlackRock Investment Management (UK) Limited | 5,972,524 (L) |
| BlackRock (Netherlands) B.V. – German Branch – Frankfurt BlackRock | 184,800 (L) |
| BlackRock Asset Management Deutschland AG | 184,800 (L) |
| BlackRock Fund Managers Limited | 11,844,487 (L) |
| BlackRock Life Limited | 228,605 (L) |
| BlackRock (Singapore) Limited | 160,600 (L) |
| BlackRock UK Holdco Limited | 13,200 (L) |
| BlackRock Asset Management Schweiz AG | 13,200 (L) |
| EG Holdings Blocker, LLC | 362,562 (L) |
| Amethyst Intermediate, LLC | 362,562 (L) |
| Aperio Holdings, LLC | 362,562 (L) |
| Aperio Holdings, LLC | 362,562 (L) |
| Aperio Group, LLC | 362,562 (L) |

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

Save as disclosed above, as at 30 June 2021, the directors of the Company were not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Specifics on the shareholdings by the Company's top ten shareholders are set out in the Section "Changes in the Share Capital and Shareholders' Profile" of this report.

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

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

The background is a solid blue color with several wavy, horizontal lines in a slightly darker shade of blue, creating a layered effect. Various light blue, semi-transparent icons are scattered across the page. In the upper left, there is a large, stylized virus or microorganism with a central circle and several radiating lines ending in small circles. Below it, there is a shopping bag icon, a car icon, a flower icon, a butterfly icon, a person icon, and a small airplane icon. In the lower right, there is a small cross icon, a small cloud icon, and a small shopping bag icon.

Changes in the share capital and shareholders' profile

1

Changes in share capital

The table below shows the Company's share capital as at the end of the reporting period:

Unit: share

| | Before change | | Increase or decrease (+ or -) | | | | | After change | |
|--|---------------|----------------|-------------------------------|--------------|------------------------|--------|-----------|---------------|----------------|
| | Amount | Percentage (%) | New shares issued | Bonus shares | Transfer from reserves | Others | Sub-total | Amount | Percentage (%) |
| 1. Shares with selling restrictions | | | | | | | | | |
| (1) State-owned shares | - | - | - | - | - | - | - | - | - |
| (2) State-owned enterprises shares | - | - | - | - | - | - | - | - | - |
| (3) Other domestic shares | - | - | - | - | - | - | - | - | - |
| held by | | | | | | | | | |
| legal entities | - | - | - | - | - | - | - | - | - |
| natural persons | - | - | - | - | - | - | - | - | - |
| (4) Foreign shares | - | - | - | - | - | - | - | - | - |
| held by | | | | | | | | | |
| legal entities | - | - | - | - | - | - | - | - | - |
| natural persons | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - |
| 2. Shares without selling restrictions | | | | | | | | | |
| (1) Ordinary shares denominated in RMB | 6,845,041,455 | 71.15 | - | - | - | - | - | 6,845,041,455 | 71.15 |
| (2) Domestically listed foreign shares | - | - | - | - | - | - | - | - | - |
| (3) Overseas listed foreign shares (H share) | 2,775,300,000 | 28.85 | - | - | - | - | - | 2,775,300,000 | 28.85 |
| (4) Others | - | - | - | - | - | - | - | - | - |
| Total | 9,620,341,455 | 100.00 | - | - | - | - | - | 9,620,341,455 | 100.00 |
| 3. Total number of shares | 9,620,341,455 | 100.00 | - | - | - | - | - | 9,620,341,455 | 100.00 |

2

Shareholders

(I) Number of shareholders and their shareholdings

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

Unit: share

Total number of shareholders as at the end of the reporting period: 174,704 (including 170,444 A share holders and 4,260 H share holders)

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

| Name of shareholders | Total number of shares held | Percentage of the shareholding | Increase or decrease (+ or -) of shareholding during the reporting period | Number of shares held with selling restriction | Number of shares subject to pledge or lock-up period | Type of shares |
|--|---|--------------------------------|---|--|--|----------------|
| HKSCC Nominees Limited | 28.82% | 2,772,784,429 | +59,800 | - | - | H Share |
| Shenergy (Group) Co., Ltd. | 13.79% | 1,326,776,782 | - | - | - | A Share |
| Hwabao Investment Co., Ltd. | 13.35% | 1,284,277,846 | - | - | - | A Share |
| Shanghai State-Owned Assets Operation Co., Ltd. | 5.70% | 548,010,693 | +57,877,610 | - | - | A Share |
| Shanghai Haiyan Investment Management Company Limited | 4.87% | 468,828,104 | - | - | - | A Share |
| China Securities Finance Co., Ltd. | 2.82% | 271,089,843 | -79 | - | - | A Share |
| HKSCC | 2.37% | 228,158,527 | +85,422,040 | - | - | A Share |
| Citibank, National Association | 1.81% | 173,777,395 | -136,086,730 | - | - | A Share |
| Shanghai International Group | 1.66% | 160,000,000 | +160,000,000 | - | - | A Share |
| China Structural Reform Fund Corporation Limited | 1.20% | 115,181,140 | +115,181,140 | - | - | A Share |
| Description of the stock repurchase accounts of the top 10 shareholders | None | | | | | |
| Description of the aforesaid shareholders' proxy voting rights, entrusted voting rights, and waiver of voting rights | Entrusted by its parent company, China Baowu Steel Group, Hwabao Investment Co., Ltd. exercises the voting rights corresponding to 68,818,407 ordinary shares (A share) of China Baowu Steel Group. Apart from this, the Company is not aware of any other proxy voting rights, entrusted voting rights, and waiver of voting rights of the aforesaid shareholders. | | | | | |
| Description of related relations or concerted actions among the aforesaid shareholders | HKSCC Nominees Limited and HKSCC are connected, as the former is a wholly-owned subsidiary of the latter. Shanghai State-Owned Assets Operation Co., Ltd. is a wholly-owned subsidiary of Shanghai International Group, they act in concert. As is confirmed by relevant shareholders regarding the Company's inquiry, the Company is not aware of any other connected relations or concerted actions among the above-mentioned shareholders. | | | | | |

Notes:

- As at the end of the reporting period, the Company did not issue any preferred shares.
- The shareholding of the top 10 shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Hong Kong Investor Services Limited (H share) respectively.
- The shares held by HKSCC Nominees Limited are held on behalf of its clients. As SEHK does not require such shareholders to disclose to HKSCC Nominees Limited whether the shares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data. Pursuant to Part XV of the SFO, a Substantial Shareholder is required to give notice to SEHK and the Company on the occurrence of certain events including a change in the nature of its interest in shares such as the pledging of its shares. As at the end of the reporting period, the Company is not aware of any such notices from Substantial Shareholders under Part XV of the SFO.
- HKSCC is the nominal holder of shares traded through Shanghai-Hong Kong Connect Programme.
- Citibank, National Association is the depository of the Company's GDRs, and the underlying A shares of the Company represented by the GDRs have been registered under it; according to Citibank, National Association, as of the end of the reporting period, the remaining number of the GDRs is 34,755,479, which is 31.12% of the number of GDRs issued under approval by the China Securities Regulatory Commission.
- As at the end of the reporting period, Shanghai International Group obtained 207,938,200 H shares of the Company through Shanghai-Hong Kong Stock Connect which were registered under the name of HKSCC Nominees Limited. During the reporting period, with the approval of State-owned Assets Supervision and Administration Commission of Shanghai, Shanghai Jiushi (Group) Co., Ltd. transferred 160,000,000 A shares of the Company to Shanghai International Group free of charge, and completed the transfer on 8 April 2021.

(II) Controlling shareholders or de facto controllers

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

3

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

Unit: share

| Name | Position | Type of shares | Shareholding at the beginning of the reporting period | Increase in shareholding during the reporting period | Decrease in shareholding during the reporting period | Shareholding at the end of the reporting period | Reason for the change |
|---------------|--|----------------|---|--|--|---|------------------------------|
| YU Bin | Vice President | A share | 5,900 | - | - | 5,900 | - |
| | | H share | 26,600 | - | - | 26,600 | - |
| MA Xin | Vice President | A share | 4,300 | - | - | 4,300 | - |
| | | H share | 16,400 | 11,800 | - | 28,200 | Secondary market transaction |
| SUN Peijian | Chief Risk Officer | A share | 36,125 | - | 16,000 | 20,125 | Secondary market transaction |
| SHENG Yafeng | Director of Greater Bay Area Development | A share | 11,300 | - | 500 | 10,800 | Secondary market transaction |
| ZHAO Yonggang | Vice President | A share | 17,200 | - | - | 17,200 | - |

Notes:

1. With the appointment at the 8th meeting of the 9th Board of Directors of the Company and the qualification approval from CBIRC, the term of office of Mr.SUN Peijian became effective in March 2021. The changes of Mr. SUN's shareholding shown in the table above all occurred before his term of office.
2. With the appointment at the 9th meeting of 9th Board of Directors of the Company and the qualification approval from CBIRC, the term of office of Mr. SHENG Yafeng became effective in May 2021. The changes of Mr. SHENG's shareholding shown in the table above all occurred before his term of office.
3. In May 2021, due to job changes, Mr. ZHAO Yonggang ceased to serve as Vice President of the Company.



Directors, supervisors and
senior management

1

Directors

The Company currently has 15 Directors. Among them, there are 2 Executive Directors, namely: Mr. KONG Qingwei, and Mr. FU Fan; 8 Non-executive Directors, namely: Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LIANG Hong, Ms. LU Qiaoling, and Mr. John Robert DACEY; 5 Independent Non-executive Directors, namely: Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping. The relevant changes of directors are as follows:

| Name | New Position | Notes |
|---------------------|------------------------------------|---|
| CHEN Ran | Non-executive Director | In August 2020, at the first extraordinary session of shareholders' meeting of 2020, Mr. CHEN Ran was elected as Non-executive Director of the 9th Board of Directors. The appointment qualification of Mr. CHEN Ran was approved by the CBIRC in January 2021. |
| ZHOU Donghui | Non-executive Director | In May 2020, at the 2019 annual general meeting (AGM) of the Company, Mr. ZHOU Donghui was elected as Non-executive Director of the 9th Board of Directors. The appointment qualification of Mr. ZHOU Donghui was approved by the CBIRC in January 2021. |
| LIANG Hong | Non-executive Director | In August 2020, at the first extraordinary session of shareholder's meeting of 2020, Ms. LIANG Hong was elected as Non-executive Director of the 9th Board of Directors. The appointment qualification of Ms. LIANG Hong was approved by the CBIRC in February 2021. |
| LU Qiaoling | Non-executive Director | In May 2020, at the 2019 AGM of the Company, Ms. LU Qiaoling was elected as Non-executive Director of the 9th Board of Directors. The appointment qualification of Ms. LU Qiaoling was approved by the CBIRC in March 2021. |
| John Robert DACEY | Non-executive Director | In August 2020, at the first extraordinary session of shareholder's meeting of 2020, Mr. John Robert DACEY was elected as Non-executive Director of the 9th Board of Directors. The appointment qualification of Mr. John Robert DACEY was approved by the CBIRC in March 2021. |
| LIU Xiaodan | Independent Non-executive Director | In May 2020, at the 2019 AGM of the Company, Ms. LIU Xiaodan was elected as Independent Non-executive Director of the 9th Board of Directors. The appointment qualification of Ms. LIU Xiaodan was approved by the CBIRC in January 2021. |
| WOO Ka Biu, Jackson | Independent Non-executive Director | In May 2020, at the 2019 AGM of the Company, Mr. WOO Ka Biu, Jackson was elected as Independent Non-executive Director of the 9th Board of Directors. The appointment qualification of Mr. WOO Ka Biu, Jackson was approved by the CBIRC in March 2021. |

2

Supervisors

The Company currently has 4 Supervisors. Among them, there are 2 Shareholder Representative Supervisors, namely: Mr. ZHU Yonghong and Mr. LU Ning; and 2 Employee Representative Supervisors, namely: Mr. JI Zhengrong and Mr. GU Qiang. The relevant changes are as follows:

| Name | New Position | Notes |
|----------|------------------------------------|--|
| GU Qiang | Employee Representative Supervisor | In April 2020, Mr. GU Qiang was elected as Employee Representative Supervisor of the 9th Board of Supervisors at Company's Employee Representatives Meeting and the first session of the Trade Union Congress. Mr. GU Qiang's qualification was approved by CBIRC in January 2021. |

3

Senior management

The Company currently has 11 members of senior management. They are Mr. KONG Qingwei, Chairman, Mr. FU Fan, President, Mr. YU Bin and Mr. MA Xin, Vice Presidents, Mr. SUN Peijian, Chief Risk Officer, Mr. ZHANG Yuanhan, Chief Actuary and Finance Responsible Person, Mr. ZHANG Weidong, Chief Compliance Officer and General Counsel, Mr. Benjamin DENG, Chief Investment Officer, Mr. QIAN Zhonghua, Chief Internal Auditor and Internal Audit Responsible Person, Mr. SHENG Yafeng, Director of Greater Bay Area Development, and Mr. SU Shaojun, Board Secretary and Deputy Director on Transformation Matters. The relevant changes are as follows:

| Name | New Position | Notes |
|--------------|--|--|
| SUN Peijian | Chief Risk Officer | In December 2020, the 8th session of the 9th Board of Directors of the Company agreed to appoint Mr. SUN Peijian as the Company's Chief Risk Officer. In March 2021, Mr. SUN Peijian's appointment qualification was approved by the CBIRC. |
| SU Shaojun | Board Secretary | In December 2020, the 8th session of the 9th Board of Directors of the Company agreed to appoint Mr. SU Shaojun as the Company's Board Secretary. In March 2021, Mr. SU Shaojun's appointment qualification was approved by the CBIRC. |
| SHENG Yafeng | Director of Greater Bay Area Development | In March 2021, the 9th session of the 9th Board of Directors of the Company agreed to appoint Mr. SHENG Yafeng as the Company's Director of Greater Bay Area Development. In May 2021, Mr. SHENG Yafeng's appointment qualification was approved by the CBIRC. |

| Name | Cessation of office | Notes |
|---------------|---------------------|---|
| MA Xin | Board Secretary | In March 2021, Mr. MA Xin ceased to serve as Board Secretary of the Company due to work arrangements. |
| ZHANG Weidong | Chief Risk Officer | In March 2021, Mr. ZHANG Weidong ceased to serve as Chief Risk Officer of the Company due to work arrangements. |
| ZHAO Yonggang | Vice President | In May 2021, due to job changes, Mr. ZHAO Yonggang resigned from the position of Vice President of the Company. |

4

Changes in the information about the Company's Directors, Supervisors and Senior Management

During the reporting period, Mr. WANG Tayu, Director of the Company, was appointed as Director of Shanghai Fintech Co., Ltd. Mr. WU Junhao, Director of the Company, ceased to serve as Director of Orient Securities Limited and was appointed as Supervisor of Orient Securities Limited. Mr. CHEN Ran, Director of the Company, was appointed as Chairman of Shanghai Ouyeel Financial Information Service Co., Ltd. Ms. LU Qiaoling, Director of the Company, ceased to serve as General Manager of Finance Department of China Baowu Steel Group Corporation Limited, Chairman of Board of Supervisors of Zhongnan Iron and Steel Co., Ltd. of Baowu Group, Chairman of Board of Supervisors of Ouyeel Yunshang Co., Ltd., Supervisor of Magang (Group) Holding Co., Ltd. and Chairman of the Board of Supervisors of Baowu Equipment Intelligent Technology Co., Ltd., and was appointed as General Manager of the Industry and Finance Development Centre and Capital Market Transactions Department of China Baowu Steel Group Corporation Limited, Director of Hwabao Trust Co., Ltd., and Director of Zhongnan Iron and Steel Co., Ltd. of Baowu Group.



Corporate governance

1

Corporate governance

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

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

Under the Articles of Association, the Board of Directors shall be accountable to the SGM and exercise, among others, the following powers: to convene SGMs, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or decreases in the registered share capital and issue

and listing of other securities of the Company, appointment or dismissal of President, appointment or dismissal of Board Secretary based on Chairman's nomination, appointment or dismissal of Chief Internal Auditor and Internal Audit Responsible Person based on Chairman or Audit Committee's nomination, appointment, dismissal and remuneration of Vice President, Chief Actuary, General Counsel, Chief Risk Officer, Chief Technology Officer, Chief Investment Officer, Finance Responsible Person, Compliance Responsible Person and other senior executives based on President's nomination and develop the basic policies and systems of the Company.

The Company currently has 15 Directors, including 2 Executive Directors, 8 Non-executive Directors, and 5 Independent Non-executive Directors. The number and member structure of the Board of Directors are in compliance with the regulatory policies and the Company's Articles of Association.

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

The Company currently has 4 Supervisors, including 2 Shareholder Representative Supervisors and 2 Employee Representative Supervisors. The number and member structure of the Board of Supervisors comply with the regulatory policies and the Company's Articles of Association.

During the reporting period, the Company held 1 AGM, 2 Board meetings, and 2 meetings of the Board of Supervisors. Relevant resolutions were announced on the websites of SSE and SEHK, and relevant information disclosure media in accordance with regulatory requirements.

On 28 May 2021, the Company held the 2020 AGM in Shanghai, at which resolutions including The Resolution in Relation to the Report the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2020, The Resolution on the 2020 Annual Report of China Pacific Insurance (Group) Co., Ltd., The Resolution on the Annual Financial Report of China Pacific Insurance (Group) Co., Ltd. for 2020, The Resolution on the Change of the Registered capital of China Pacific Insurance (Group) Co., Ltd., The Resolution on Amendments to the Articles of Association of China Pacific Insurance (Group) Co., Ltd. were considered and approved. The shareholders attending the meeting held a total of 5,822,097,650 voting shares, accounting for 60.52% of the Company's total voting shares. All the resolutions of this meeting were passed (for details, please refer to the announcements published on the websites of SSE, SEHK, LSE and the Company).

During the reporting period, the Company changed the former Strategic and Investment Decision-Making Committee under its Board to Strategic and Investment Decision-Making & ESG Committee to help the Board with ESG related work. The Strategic and Investment Decision-Making & ESG Committee emulates best practices of ESG in China and overseas and incorporates philosophies of sustainable development into business operation to boost high-quality development in environment, society and governance. At present, there are 5 special committees under the Board of Directors of the Company, namely the Strategic and Investment Decision-Making & ESG Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Related Party Transactions Control Committee, and the Technological Innovation and Consumer Rights Protection Committee. These special committees conduct in-depth research on professional issues and put forward suggestions for the Board of Directors' reference.

During the reporting period, the Strategic and Investment Decision-Making & ESG Committee held 4 meetings and provided comments and suggestions on such matters as profit distribution, and the Development Plan for 2021-2023 among others.

During the reporting period, the Audit Committee held 5 meetings to review, among other things, the 2020 Annual Report, the first quarter report for 2021, and the 2020 Annual

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

During the reporting period, the Nomination and Remuneration Committee convened 2 meetings to review such matters as the performance appraisals of the Company for 2020, and the appointment of senior executives.

During the reporting period, the Risk Management and Related Party Transactions Control Committee convened 2 meetings to review, among other things, the risk assessment report, the compliance report, the solvency report of the Company, and related party transactions of its subsidiaries.

During the reporting period, the Technological Innovation and Consumer Rights Protection Committee held 1 meeting to review, among other things, the 2020 Consumer Rights Protection Work Report.

The Company's 9th board of directors consists of 5 Independent Non-executive Directors comprising professionals in finance, financial services, auditing and legal affairs, and the proportion of Independent Non-executive Directors exceeded one-third of all board members, in compliance with applicable regulatory requirements and the provisions of the Articles of Association.

The Company's Independent Non-executive Directors have the required expertise and experience and are able to perform their duties strictly in accordance with the requirements of applicable laws and regulations, regulatory documents, the Articles of Association and Provisions on Performance of Duties by Independent Non-executive Directors. They have provided comments and suggestions on, among other things,

corporate governance, business operation, risk management and internal control. Independent Non-executive Directors have played a meaningful role in the Company's decision making process, offering an independent and impartial perspective and safeguarding the interests of the Company and of the shareholders as a whole, and in doing so, the interests of minority shareholders as well.

During the reporting period, based on its actual situation, the Company has revised contents in the Articles of Association and the Procedural Rules for the SGM concerning the registered capital of the Company, and the establishment of specialised committees under the Board of Directors, etc., in accordance with the latest regulatory requirements issued by the State Council, CSRC, and CBIRC, etc. The revisions will take effect after approval by CBIRC.

Under the Articles of Association of the Company, the Company's senior management exercises the following powers: organise the implementation of Board resolutions and report to the Board of Directors; be responsible for the Company's business management, organise the implementation of the Company's annual business plan and investment plan; draft the Company's internal management organisation setting plan and basic management systems; formulate the Company's basic rules; appoint or dismiss managers other than those that should be hired or dismissed by the Board of Directors; other powers granted by the Articles of Association and Board of Directors; and other duties required by insurance regulatory agencies or the law.

The Company currently has 11 members of senior management. According to the Articles of Association, the Company's senior management includes Executive Directors, President, Vice President, Chief Actuary, Chief Internal Auditor, General Counsel, Chief Risk Officer, Chief Technology Officer, Chief Investment Officer, Board Secretary, Finance Responsible Person, Compliance Responsible Person, Internal Audit Responsible Person, other senior executives, as well as other management personnel determined by the Board of Directors. Please refer to the "Directors, Supervisors and Senior Management" section of this report for details.

2

Investor relations

The investor relations (IR) programme of the Company focuses on market value management, seeks to establish a comprehensive and investor-oriented platform with diversified channels of effective communication and makes continued efforts to improve the reach and efficacy of investor communication.

During the COVID-19 period, the Company successfully held its 2020 Annual Results Presentation and global roadshow via "video + teleconference". In the first half of 2021, the Company hosted nearly 40 visits from analysts and investors, attended 12 investor strategy meetings, forums and summits, and timely and effectively communicated the Company's business performance and strategies to the capital markets. Besides, the Company employed diverse means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, and Investor Newsletters. These initiatives were well received by the capital market.

Actively responding to the call of the securities regulatory authority to strengthen the protection of minority shareholders, the Company had issued an announcement before the Annual Results Presentation, publicly solicited investors' questions, and responded to them at the Presentation, while facilitating retail investors' participation in the event by providing them with an Internet access. During the event, participants asked questions via the live-streaming platform of the event, and all the questions were answered within the same day. The Company also assigned staff to answer the investor relations hotline, and respond to investors' questions on the E-communication platform of SSE so as to objectively and comprehensively deliver information to the market, and help investors to reasonably understand the Company's investment value.

Besides, leveraging the two-way communication function of investor relations, the Company communicated the voice of the capital market in the form of capital market updates and special reports to help with management decision-making.

3

Information disclosure

Regarding information disclosure, the Company attaches great importance to the regulatory rules of each of the SSE, the HKSE and the LSE, where its securities are listed, strictly abides by the principle of "truthfulness, accuracy, completeness, timeliness and fairness", and releases regular reports and provisional announcements in strict accordance with regulatory requirements during reporting periods. Focusing on investor's needs, the Company continued to expand the scope of information disclosure, benchmarked with industry-leading international insurers and adopted innovative ways of disclosing non-financial information to fully, concisely, and effectively communicate its major business development strategies and results and its corporate social responsibility efforts and results to investors and other stakeholders in a comprehensive manner, greatly improving the relevance and effectiveness of information disclosure. During the reporting period, the Company effectively performed its obligations in information disclosure with no major errors or omissions, and did not receive any regulatory penalties. In addition, the Company has complied with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the Regulation (EU) 596/2014 on market abuse in connection with its issuance of GDRs on the LSE.

4

Risk management

Risk management is a core element of the Company's operation and management. The Company has established a risk management organisation structure covering all institutions and positions, under direct leadership of the management and the board of directors assuming the ultimate responsibility, relying on risk management department closely cooperates with relevant functional departments. The board of directors of each subsidiary is the highest authority in its own risk management, and bears the ultimate responsibility for the respective risk management system and risk profile.

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

The Company has always maintained a high level of risk awareness to strictly guard against risks, optimised risk limit constraints and penetrating control mechanisms, and continued to improve solvency risk management to achieve the strategic goal of "developing the best risk control capabilities". In the first half of 2021, the Company continued to optimise its risk management system, strengthened the control of key risks such as credit risk, reputation risk, and technology risk, improved the effectiveness of risk management, and enhanced integrated risk control.



Environmental and social responsibilities

1

Environment

The Company leverages its insurance expertise, and in particular its risk control techniques and high-tech service tools, to proactively tackle climate change and mitigate its damage. It promotes green insurance, green financing, enhances green operation, implements carbon emissions reduction and carbon neutrality actions to protect the ecosystem.

(I) Green insurance

Environmental liability insurance to boost green development of business enterprises. The Company participated in the development and roll-out of environmental liability insurance products, stepped up oversight of firms in environmental protection and prevention of environmental damage. As at 30 June 2021, it cumulatively provided insurance cover for environmental pollution to more than 3,000 companies, with SA exceeding RMB3 billion.

Catastrophe insurance to enhance disaster prevention and mitigation. The Company participated in pilot catastrophe insurance programmes in Shanghai, Shenzhen, Ningbo, Xiamen, Sichuan Province, Guangdong Province, Hebei Province, Chongqing, Hubei Province and Hunan Province. As at 30 June 2021, it cumulatively provided over RMB21 billion in catastrophe protection, covering bodily injuries and damage of properties like house collapses caused by natural disasters such as earthquakes, typhoons, heavy rains, lightning strike, tsunami, hailstorm and flooding, which considerably enhanced capabilities in disaster mitigation and resilience of affected areas in the face of climate change.

Renewable energy insurance to promote development of clean energy. The Company is committed to the national strategy of “Carbon Peaking” and “Carbon Neutrality”, providing insurance cover for a large number of energy firms. In maritime wind power, it conducted risk control assessment to support clean energy; in hydro-power, it provided early warning service regarding water levels and other natural disasters in hydro-power reaches via a customer risk radar app and Internet of Things, and set up, jointly with the China Three Gorges Corporation, an emergency response team, the only one with aquatic rescue capabilities in South-western China.

(II) Responsible investment

Changjiang Pension launched the first ESG insurance asset management product - Jinse Zengying No.6, filling the vacuum in ESG products issued by pension asset management firms, and channeling funds to support green development. As a fixed income and portfolio-based product, it focused on environment, social responsibility, and corporate governance, while giving priority to debt issuers with outstanding ESG credentials. Besides, the Company participated in the launch of Baowu Carbon Neutrality Equity Investment Fund, which centres on clean energy, green technology, environmental protection and pollution treatment, marking a new level of green, low-carbon high-quality development of the iron & steel industry.

(III) Energy saving and emission reduction to achieve carbon peaking and neutrality targets

Policies and measures to improve energy efficiency. The Company formulated policies on work-place environment and use of appliances & utilities, which set out a cap of 20 degrees Centigrade in winter and a floor of 26 degrees Centigrade in summer for air-conditioning; centralised control of lighting in corridors, staircases and entrance halls to save power; controlled flow of tap water with timely checks on whether it is turned off.

Higher energy efficiency of data centres. The Chengdu data centre reduced its full-load PUE from 1.75 in 2015 when it was established to 1.6 in 2020, pointing to initial success in energy saving and emission reduction, and green operation of data centres. For example, it adjusted precision air-conditioners including the fan speed, water temperature of chillers, operational mode and parameters of BA control system and saved 518KW in electric power.

Green operation to conserve resources. The Company promotes paperless work, handling office work via desk-top computers and mobile apps, rolling out mobile technology applications for customers, business sales and claims management, continued to improve paperless technology such as electronic insurance policies, electronic invoices and electronic files, all of which effectively reduced the use of paper and thus saved resources; advocated on-line meetings and strictly controlled off-line ones; conducted supplier evaluation, and gave priority to those with environment awareness or using environmental-friendly materials. On the 50th World Environment Day, the Company issued an initiative of green actions to employees, customers and society, calling for implementing green operation, supporting green financing and advocating green life.

Green charity to facilitate carbon neutrality. The ecological park the Company donated in Sanjiangyuan (origin of major rivers in China) expanded from roughly 67 hectares to 100 hectares, with nearly 150,000 trees in 9 species, with a reasonable mix of tree species, strong ecological impact, stable functionality and rich landscaping effect. The park is projected to absorb 22,500 tons of CO₂ in the next 30 years.

The Company is not in a high-polluting industry. During the reporting period, it received no administrative penalties due to breach of environmental regulations and there were no complaints against it over environmental issues.

2

Secure progress in poverty alleviation and support Rural Revitalization

The Company actively shouldered corporate social responsibilities, spread healthy social ethos through poverty-reduction consumption, donations and other charitable activities, and translated CSR into driver of sustainable development. To secure achievements in the fight against poverty and to prevent relapse into poverty on a massive scale, it rolled out the “Fang Pin Bao” programme, which, as of June 2021, offered insurance cover to over 100 million people from provinces and cities across China. The Company developed 8 dedicated agricultural insurance products especially for poverty reduction in Gansu, Shanxi and Hunan provinces, with cumulative SA amounting to RMB700 million.

At the same time, to support the building of a multi-tiered social security medical insurance system, the Company conducted government-sponsored business such as TPA for social medical insurance, terminal illness programmes, supplementary medical insurance and long-term care, deployed along the health care sector, and actively participated in the Rural Revitalization Initiative. As of the end of June 2021, it had 321 government-sponsored programmes running, involving 145 million people, and cumulatively responded to 23 million service requests, with claims payment amounting to over RMB23 billion.

Other
information





1

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

2

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

3

Interim reports disclosed in other security markets

Financial report

T

STATEMENTS

balance sheet

income statement

statement of changes in equity



Review Report

PwC ZT Yue Zi (2021) No. 0062

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

We have reviewed the accompanying interim financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the consolidated and company balance sheets as at 30 June 2021, the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the six months period ended 30 June 2021, and the notes to the financial statements. Management of CPIC is responsible for the preparation of these interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs"). Our responsibility is to issue a review report on these interim financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly, in all material respects, the consolidated and the company's financial position of CPIC as at 30 June 2021, and their financial performance and cash flows for the six months period ended 30 June 2021 in accordance with the CASs.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

PENG, Runguo

Signing CPA

ZHANG, Jiong

Shanghai, the People's Republic of China

27 August 2021

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| ASSETS | Note VII | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|----------|-----------------------------|-------------------------------|
| Cash at bank and on hand | 1 | 24,988 | 20,878 |
| Financial assets at fair value through profit or loss | 2 | 12,253 | 12,473 |
| Derivative financial assets | 3 | 176 | 140 |
| Securities purchased under agreements to resell | 4 | 15,823 | 14,327 |
| Premium receivables | 5 | 41,462 | 21,692 |
| Reinsurance receivables | 6 | 7,771 | 8,180 |
| Interest receivables | 7 | 18,240 | 20,563 |
| Reinsurers' share of unearned premium reserves | | 9,117 | 7,537 |
| Reinsurers' share of claim reserves | | 8,082 | 7,253 |
| Reinsurers' share of life insurance reserves | | 1,973 | 1,812 |
| Reinsurers' share of long-term health insurance reserves | | 11,689 | 11,117 |
| Policy loans | | 64,941 | 62,364 |
| Term deposits | 8 | 196,565 | 192,966 |
| Available-for-sale financial assets | 9 | 613,468 | 596,158 |
| Held-to-maturity financial assets | 10 | 383,552 | 329,360 |
| Investments classified as loans and receivables | 11 | 403,070 | 380,174 |
| Long-term equity investments | 12 | 22,749 | 24,443 |
| Restricted statutory deposits | 13 | 6,858 | 6,858 |
| Investment properties | 14 | 7,673 | 7,866 |
| Fixed assets | 15 | 15,878 | 16,516 |
| Construction in progress | 16 | 2,257 | 1,822 |
| Right-of-use assets | 17 | 3,593 | 3,798 |
| Intangible assets | 18 | 5,100 | 4,693 |
| Goodwill | 19 | 1,357 | 1,357 |
| Deferred income tax assets | 20 | 1,955 | 845 |
| Other assets | 21 | 16,279 | 15,812 |
| TOTAL ASSETS | | 1,896,869 | 1,771,004 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET (continued)

AS AT 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| LIABILITIES AND EQUITY | Note VII | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|----------|-----------------------------|-------------------------------|
| Securities sold under agreements to repurchase | 23 | 102,946 | 90,825 |
| Premium received in advance | | 8,140 | 27,983 |
| Commission and brokerage payable | | 4,763 | 4,003 |
| Reinsurance payables | 24 | 9,611 | 5,501 |
| Employee benefits payable | 25 | 4,952 | 6,711 |
| Taxes payable | 26 | 5,356 | 3,211 |
| Interest payable | | 564 | 594 |
| Claims payable | | 21,619 | 21,825 |
| Policyholder dividend payable | | 22,719 | 24,351 |
| Policyholders' deposits and investment contract liabilities | 27 | 98,965 | 87,126 |
| Unearned premium reserves | 28 | 81,113 | 68,800 |
| Claim reserves | 29 | 55,465 | 47,386 |
| Life insurance reserves | 30 | 1,088,466 | 1,010,194 |
| Long-term health insurance reserves | 31 | 115,476 | 98,796 |
| Insurance premium reserves | | 472 | 207 |
| Bonds payable | 32 | 9,993 | 9,991 |
| Lease liabilities | | 3,240 | 3,430 |
| Deferred income tax liabilities | 20 | 3,973 | 5,055 |
| Other liabilities | 33 | 35,167 | 34,180 |
| Total liabilities | | 1,673,000 | 1,550,169 |
| Issued capital | 34 | 9,620 | 9,620 |
| Capital reserves | 35 | 79,657 | 79,788 |
| Other comprehensive income | 60 | 20,983 | 22,340 |
| Surplus reserves | 36 | 5,114 | 5,114 |
| General reserves | 37 | 16,904 | 16,829 |
| Retained profits | 38 | 86,256 | 81,533 |
| Equity attributable to shareholders of the parent | | 218,534 | 215,224 |
| Non-controlling interests | 39 | 5,335 | 5,611 |
| Total equity | | 223,869 | 220,835 |
| TOTAL LIABILITIES AND EQUITY | | 1,896,869 | 1,771,004 |

The financial statements from Page 2 to Page 131 are signed by the persons below:

KONG Qingwei
Legal representative

ZHANG Yuanhan
Principal in charge of accounting

XU Zhen
Head of accounting department

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | Note VII | For the six months ended 30 June | |
|--|----------|----------------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Operating income | | 252,512 | 235,481 |
| Net premiums earned | | 200,071 | 192,770 |
| Gross written premiums | 40 | 224,518 | 216,597 |
| Including: Premiums from reinsurance assumed | | 909 | 937 |
| Less: Premiums ceded to reinsurers | | (13,717) | (13,822) |
| Net change in unearned premium reserves | 41 | (10,730) | (10,005) |
| Other income | | 121 | 128 |
| Investment income | 42 | 50,453 | 40,943 |
| Including: Share of profits of associates and joint ventures | | 178 | 279 |
| Losses arising from changes in fair value | 43 | (277) | (414) |
| Exchange (losses)/gains | | (197) | 25 |
| Other operating income | 44 | 2,340 | 2,028 |
| Gains on disposal of assets | 45 | 1 | 1 |
| Operating expenses | | (231,154) | (217,831) |
| Surrenders | 46 | (11,684) | (5,354) |
| Claims | 47 | (73,415) | (65,812) |
| Less: Claim recoveries from reinsurers | | 6,103 | 5,232 |
| Changes in insurance contract reserves | 48 | (101,689) | (95,841) |
| Less: Insurance contract reserves recovered from reinsurers | 49 | 1,569 | 1,402 |
| Changes in insurance premium reserves | | (265) | (169) |
| Policyholder dividends | | (6,664) | (6,322) |
| Expenses for reinsurance assumed | | (138) | (432) |
| Taxes and surcharges | 50 | (516) | (510) |
| Commission and brokerage expenses | 51 | (18,673) | (22,619) |
| Operating and administrative expenses | 52 | (23,792) | (23,981) |
| Less: Expense recoveries from reinsurers | | 4,552 | 3,585 |
| Interest expenses | 53 | (1,634) | (1,531) |
| Other operating expenses | 54 | (3,183) | (2,641) |
| Asset impairment losses | 55 | (1,725) | (2,838) |
| Operating profit | | 21,358 | 17,650 |
| Add: Non-operating income | 56 | 104 | 19 |
| Less: Non-operating expenses | 57 | (62) | (39) |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | Note VII | For the six months ended 30 June | |
|--|----------|----------------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Profit before tax | | 21,400 | 17,630 |
| Less: Income tax | 58 | (3,605) | (3,039) |
| Net profit | | 17,795 | 14,591 |
| Classified by continuity of operations | | | |
| Net profit from continuing operations | | 17,795 | 14,591 |
| Net profit from discontinued operations | | - | - |
| Classified by ownership of the equity | | | |
| Attributable to shareholders of the parent | | 17,304 | 14,239 |
| Non-controlling interests | | 491 | 352 |
| Earnings per share (RMB Yuan) | 59 | | |
| Basic earnings per share | | 1.80 | 1.57 |
| Diluted earnings per share | | 1.80 | 1.57 |
| Other comprehensive income/(loss) | | | |
| Other comprehensive income to be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (6) | 11 |
| Changes of fair value of available-for-sale financial assets and related impact to insurance liabilities | | (1,843) | 3,417 |
| Income tax relating to these items | | 465 | (894) |
| Other comprehensive income/(loss) | 60 | (1,384) | 2,534 |
| Total comprehensive income | | 16,411 | 17,125 |
| Attributable to shareholders of the parent | | 15,947 | 16,706 |
| Attributable to non-controlling interests | | 464 | 419 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | For the six months ended 30 June 2021 (Unaudited) | | | | | | | | | |
|--|---|------------------|----------------------------|------------------|------------------|------------------|-----------|---------------------------|--------------|--|
| | Attributable to shareholders of the parent | | | | | | | Non-controlling interests | Total equity | |
| | Issued capital | Capital reserves | Other comprehensive income | Surplus reserves | General reserves | Retained profits | Sub-total | | | |
| Balance at the beginning of the period | 9,620 | 79,788 | 22,340 | 5,114 | 16,829 | 81,533 | 215,224 | 5,611 | 220,835 | |
| Movements in the current period | - | (131) | (1,357) | - | 75 | 4,723 | 3,310 | (276) | 3,034 | |
| Net profit | - | - | - | - | - | 17,304 | 17,304 | 491 | 17,795 | |
| Other comprehensive income/(loss) (Note VII 60) | - | - | (1,357) | - | - | - | (1,357) | (27) | (1,384) | |
| Total comprehensive income | - | - | (1,357) | - | - | 17,304 | 15,947 | 464 | 16,411 | |
| Equity transactions with non-controlling interests | - | (131) | - | - | - | - | (131) | (315) | (446) | |
| Profit distribution | - | - | - | - | 75 | (12,581) | (12,506) | (425) | (12,931) | |
| Appropriations to general reserves | - | - | - | - | 75 | (75) | - | - | - | |
| Profit distribution to shareholders | - | - | - | - | - | (12,506) | (12,506) | (425) | (12,931) | |
| Balance at the end of the period | 9,620 | 79,657 | 20,983 | 5,114 | 16,904 | 86,256 | 218,534 | 5,335 | 223,869 | |

| | For the six months ended 30 June 2020 (Unaudited) | | | | | | | | | |
|---|---|------------------|----------------------------|------------------|------------------|------------------|-----------|---------------------------|--------------|--|
| | Attributable to shareholders of the parent | | | | | | | Non-controlling interests | Total equity | |
| | Issued capital | Capital reserves | Other comprehensive income | Surplus reserves | General reserves | Retained profits | Sub-total | | | |
| Balance at the beginning of the period | 9,062 | 66,650 | 12,949 | 4,835 | 14,329 | 70,602 | 178,427 | 4,893 | 183,320 | |
| Movements in the current period | 514 | 12,025 | 2,467 | - | 36 | 3,329 | 18,371 | (1) | 18,370 | |
| Net profit | - | - | - | - | - | 14,239 | 14,239 | 352 | 14,591 | |
| Other comprehensive income/(loss) (Note VII 60) | - | - | 2,467 | - | - | - | 2,467 | 67 | 2,534 | |
| Total comprehensive income | - | - | 2,467 | - | - | 14,239 | 16,706 | 419 | 17,125 | |
| De-registration of subsidiaries | - | (15) | - | - | - | - | (15) | - | (15) | |
| Capital contribution and withdrawal by shareholders | 514 | 12,040 | - | - | - | - | 12,554 | - | 12,554 | |
| Capital contribution by shareholders (Note I) | 514 | 12,040 | - | - | - | - | 12,554 | - | 12,554 | |
| Profit distribution | - | - | - | - | 36 | (10,910) | (10,874) | (420) | (11,294) | |
| Appropriations to general reserves | - | - | - | - | 36 | (36) | - | - | - | |
| Profit distribution to shareholders | - | - | - | - | - | (10,874) | (10,874) | (420) | (11,294) | |
| Balance at the end of the period | 9,576 | 78,675 | 15,416 | 4,835 | 14,365 | 73,931 | 196,798 | 4,892 | 201,690 | |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | Note VII | For the six months ended 30 June | |
|---|----------|----------------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash received from premium income from direct insurance contracts | | 188,500 | 189,182 |
| Net increase in policyholders' deposits and investments contract liabilities | | 9,232 | 6,058 |
| Refund of taxes and surcharges | | 15 | 9 |
| Cash received relating to other operating activities | | 2,999 | 2,472 |
| Sub-total of cash inflows | | 200,746 | 197,721 |
| Cash paid for claims under direct insurance contracts | | (72,933) | (63,341) |
| Net cash paid under reinsurance contracts | | (329) | (1,483) |
| Cash paid for commission and brokerage expenses | | (18,389) | (21,998) |
| Cash paid for policyholder dividends | | (5,919) | (5,395) |
| Cash paid to and on behalf of employees | | (14,192) | (12,506) |
| Payments of taxes and surcharges | | (5,066) | (5,201) |
| Cash paid relating to other operating activities | 61 | (24,814) | (20,512) |
| Sub-total of cash outflows | | (141,642) | (130,436) |
| Net cash flows from operating activities | 63 | 59,104 | 67,285 |
| Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 182,582 | 202,770 |
| Cash received from returns on investments | | 37,302 | 34,667 |
| Net cash received from disposal of subsidiaries and other business entities | | 3,635 | 318 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 8 | 6 |
| Sub-total of cash inflows | | 223,527 | 237,761 |
| Cash paid to acquire investments | | (266,282) | (302,844) |
| Net increase in policy loans | | (2,621) | (2,133) |
| Net cash paid to acquire subsidiaries and other business entities | | (2,505) | (9) |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (1,211) | (1,045) |
| Cash paid relating to other investing activities | | (27) | (9) |
| Sub-total of cash outflows | | (272,646) | (306,040) |
| Net cash flows used in investing activities | | (49,119) | (68,279) |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | Note VII | For the six months ended 30 June | |
|---|----------|----------------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Cash flows from financing activities | | | |
| Cash received from capital contributions | | - | 12,831 |
| Increase in securities sold under agreements to repurchase, net | | 12,669 | 22,020 |
| Cash received relating to other financing activities | | 2,362 | 4,290 |
| Sub-total of cash inflows | | 15,031 | 39,141 |
| Cash repayments of borrowings | | (4,050) | (2,290) |
| Cash payments for distribution of dividends, profits or interest expenses | | (14,084) | (12,485) |
| Cash paid relating to other financing activities | | (1,347) | (910) |
| Sub-total of cash outflows | | (19,481) | (15,685) |
| Net cash flows (used in)/from financing activities | | (4,450) | 23,456 |
| Effects of exchange rate changes on cash and cash equivalents | | (28) | 12 |
| Net increase in cash and cash equivalents | 63 | 5,507 | 22,474 |
| Add: Cash and cash equivalents at the beginning of the period | 62,63 | 34,767 | 42,546 |
| Cash and cash equivalents at the end of the period | 62,63 | 40,274 | 65,020 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

COMPANY BALANCE SHEET

AS AT 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| ASSETS | Note IX | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|---------|-----------------------------|-------------------------------|
| Cash at bank and on hand | 1 | 1,513 | 271 |
| Financial assets at fair value through profit or loss | 2 | 17 | 11 |
| Securities purchased under agreements to resell | 3 | 177 | 110 |
| Interest receivables | | 771 | 648 |
| Term deposits | 4 | 19,772 | 21,190 |
| Available-for-sale financial assets | 5 | 31,049 | 32,369 |
| Investments classified as loans and receivables | 6 | 17,273 | 12,971 |
| Long-term equity investments | 7 | 64,985 | 65,072 |
| Investment properties | 8 | 3,042 | 3,289 |
| Fixed assets | | 1,364 | 1,310 |
| Construction in progress | | 84 | 59 |
| Right-of-use assets | | 310 | 317 |
| Intangible assets | | 274 | 330 |
| Other assets | 9 | 838 | 487 |
| Total assets | | 141,469 | 138,434 |
| LIABILITIES AND EQUITY | | | |
| Securities sold under agreements to repurchase | 10 | 3,557 | 1,272 |
| Commission and brokerage payable | | - | 1 |
| Employee benefits payable | | 206 | 245 |
| Taxes payable | | 188 | 11 |
| Interest payable | | 1 | - |
| Lease liabilities | | 303 | 330 |
| Deferred income tax liabilities | | 356 | 432 |
| Other liabilities | 11 | 532 | 530 |
| Total liabilities | | 5,143 | 2,821 |
| Issued capital | | 9,620 | 9,620 |
| Capital reserves | 12 | 79,312 | 79,312 |
| Other comprehensive income | 14 | 1,379 | 1,548 |
| Surplus reserves | | 4,810 | 4,810 |
| Retained profits | | 41,205 | 40,323 |
| Total equity | | 136,326 | 135,613 |
| TOTAL LIABILITIES AND EQUITY | | 141,469 | 138,434 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

COMPANY INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | Note IX | For the six months ended 30 June | |
|---|---------|----------------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Operating income | | 14,801 | 20,338 |
| Other income | | 3 | 2 |
| Investment income | 13 | 14,430 | 19,907 |
| Exchange losses | | (144) | (22) |
| Other operating income | | 512 | 451 |
| Operating expenses | | (1,216) | (1,063) |
| Taxes and surcharges | | (42) | (41) |
| Operating and administrative expenses | | (1,003) | (782) |
| Interest expenses | | (25) | (37) |
| Other operating expenses | | (70) | (70) |
| Assets impairment losses | | (76) | (133) |
| Operating profit | | 13,585 | 19,275 |
| Add: Non-operating income | | 52 | - |
| Less: Non-operating expenses | | (18) | (15) |
| Profit before tax | | 13,619 | 19,260 |
| Less: Income tax | | (231) | (120) |
| Net profit | | 13,388 | 19,140 |
| Classified by continuity of operations | | | |
| Net profit from continuing operations | | 13,388 | 19,140 |
| Net profit from discontinued operations | | - | - |
| Other comprehensive income/(loss) | 14 | | |
| Other comprehensive income to be reclassified to profit or loss | | | |
| Changes in fair value of available-for-sale financial assets | | (226) | 286 |
| Income tax relating to available-for-sale financial assets | | 57 | (72) |
| Other comprehensive income/(loss) | | (169) | 214 |
| Total comprehensive income | | 13,219 | 19,354 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | For the six months ended 30 June 2021 (Unaudited) | | | | | |
|--|---|------------------|----------------------------|------------------|------------------|--------------|
| | Issued capital | Capital reserves | Other comprehensive income | Surplus reserves | Retained profits | Total equity |
| Balance at the beginning of the period | 9,620 | 79,312 | 1,548 | 4,810 | 40,323 | 135,613 |
| Movements in the current period | - | - | (169) | - | 882 | 713 |
| Net profit | - | - | - | - | 13,388 | 13,388 |
| Other comprehensive income/(loss) (Note IX 14) | - | - | (169) | - | - | (169) |
| Total comprehensive income | - | - | (169) | - | 13,388 | 13,219 |
| Profit distribution | - | - | - | - | (12,506) | (12,506) |
| Profit distribution to shareholders | - | - | - | - | (12,506) | (12,506) |
| Balance at the end of the period | 9,620 | 79,312 | 1,379 | 4,810 | 41,205 | 136,326 |

| | For the six months ended 30 June 2020 (Unaudited) | | | | | |
|---|---|------------------|----------------------------|------------------|------------------|--------------|
| | Issued capital | Capital reserves | Other comprehensive income | Surplus reserves | Retained profits | Total equity |
| Balance at the beginning of the period | 9,062 | 66,164 | 867 | 4,531 | 32,666 | 113,290 |
| Movements in the current period | 514 | 12,040 | 214 | - | 8,266 | 21,034 |
| Net profit | - | - | - | - | 19,140 | 19,140 |
| Other comprehensive income/(loss) (Note IX 14) | - | - | 214 | - | - | 214 |
| Total comprehensive income | - | - | 214 | - | 19,140 | 19,354 |
| Capital contribution and withdrawal by shareholders | 514 | 12,040 | - | - | - | 12,554 |
| Capital contribution by shareholders (Note I) | 514 | 12,040 | - | - | - | 12,554 |
| Profit distribution | - | - | - | - | (10,874) | (10,874) |
| Profit distribution to shareholders | - | - | - | - | (10,874) | (10,874) |
| Balance at the end of the period | 9,576 | 78,204 | 1,081 | 4,531 | 40,932 | 134,324 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

| | Note IX | For the six months ended 30 June | |
|---|---------|----------------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash received relating to other operating activities | | 303 | 376 |
| Sub-total of cash inflows | | 303 | 376 |
| Cash paid to and on behalf of employees | | (558) | (461) |
| Payments of taxes and surcharges | | (181) | (184) |
| Cash paid relating to other operating activities | | (275) | (342) |
| Sub-total of cash outflows | | (1,014) | (987) |
| Net cash flows used in operating activities | 15 | (711) | (611) |
| Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 7,157 | 5,286 |
| Cash received from returns on investments | | 13,518 | 19,558 |
| Net cash received from disposal of subsidiaries and other business entities | | 43 | - |
| Sub-total of cash inflows | | 20,718 | 24,844 |
| Cash paid to acquire investments | | (8,292) | (11,533) |
| Net cash paid to acquire subsidiaries and other business entities | | (155) | - |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (50) | (52) |
| Sub-total of cash outflows | | (8,497) | (11,585) |
| Net cash flows from investing activities | | 12,221 | 13,259 |
| Cash flows from financing activities | | | |
| Cash received from capital contributions | | - | 12,831 |
| Increase in securities sold under agreements to repurchase, net | | 2,286 | 164 |
| Cash received relating to other financing activities | | 52 | - |
| Sub-total of cash inflows | | 2,338 | 12,995 |
| Cash payments for distribution of dividends, profits or interest expenses | | (12,525) | (10,903) |
| Cash paid relating to other financing activities | | (10) | (18) |
| Sub-total of cash outflows | | (12,535) | (10,921) |
| Net cash flows (used in)/from financing activities | | (10,197) | 2,074 |
| Effect of exchange rate changes on cash and cash equivalents | | (4) | (13) |
| Net increase in cash and cash equivalents | 15 | 1,309 | 14,709 |
| Add: Cash and cash equivalents at the beginning of the period | 15 | 381 | 191 |
| Cash and cash equivalents at the end of the period | 15 | 1,690 | 14,900 |

The accompanying notes from Page 13 to Page 131 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

I. GENERAL INFORMATION

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

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

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

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

In June 2020, the Company issued 102,873,300 Global Depositary Receipts ("GDRs") on the London Stock Exchange (the "LSE") and listed on the LSE. In July 2020, the Company further issued 8,794,991 GDRs. Each GDR represents five A shares of the Company. After GDR issuance, the issued capital of the Company was increased to approximately RMB 9,620 million. The capital change registration is still in process.

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

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

II. BASIS OF PREPARATION

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

II. BASIS OF PREPARATION (continued)

Standards effective but not yet adopted for the current period

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting (collectively hereinafter referred to as the "new financial instruments standards") and the Circular on the Transitional Measures Related to the Implementation of the Accounting New Financial Instruments Standards (Cai Kuai [2017] No. 20) ("the Circular"). In 2020, the Ministry of Finance released the Circular on the Further Implementation of the New Financial Instruments Standards (Cai Kuai [2020] No. 22) ("the Supplementary Circular"). The new financial instruments standards came into effect on 1 January 2018. As an insurance company listed in A and H share markets, the Group's principal activities mainly relate to insurance business where:

- (1) the carrying amounts of liabilities arising from insurance contracts (including deposits of hybrid contracts and embedded derivatives) are significant compared to the total carrying amounts of all liabilities; and
- (2) the carrying amounts of insurance-related liabilities account for more than 90% of the total carrying amounts of all liabilities.

As it meets the "conditions for insurance companies to postpone the adoption of the new financial instruments standards" as stipulated in the second part of the Circular, the Group shall postpone its adoption of new financial instruments standards until 1 January 2023 according to the Supplementary Circular, and shall instead provide additional disclosures in accordance with the requirements set out in the third part of the Circular.

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

| | As at 30 June 2021 Fair value | For the six months ended 30 June 2021 Changes in fair value |
|---|----------------------------------|--|
| Financial assets held for trading (A) | 3,610 | 72 |
| Financial assets managed and assessed for performance on a fair value basis (B) | 8,643 | (385) |
| Financial assets other than A or B | | |
| - Financial assets that meet SPPI (C) | 1,077,620 | 4,398 |
| - Financial assets that do not meet SPPI | 344,892 | (3,903) |
| Total | 1,434,765 | 182 |

| Credit risk rating grades of financial assets that meet SPPI (C) | As at 30 June 2021 Carrying amount |
|--|---------------------------------------|
| Domestic | |
| Exempt from rating ^{Note} | 284,738 |
| AAA | 721,956 |
| A-1 | 41 |
| AA+ | 31,782 |
| AA (inclusive) or below | 4,730 |
| Overseas | |
| A- (inclusive) or above | 377 |
| BBB+ | 141 |
| BBB | 112 |
| BBB- | 14 |
| BB+ (inclusive) or below | 83 |
| Total | 1,043,974 |

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

II. BASIS OF PREPARATION (continued)

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

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

| Financial assets not having low credit risks | As at 30 June 2021 | |
|--|--------------------|------------|
| | Carrying amount | Fair value |
| Domestic | 4,730 | 4,730 |
| Overseas | 83 | 84 |
| Total | 4,813 | 4,814 |

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

The financial statements are prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as at 30 June 2021 and their financial performance, cash flows and other information for the six months then ended.

Financial information in the financial statements of the Company and the Group for the six months ended 30 June 2021 are prepared in accordance with the following significant accounting policies and accounting estimates as determined under the Accounting Standards for Business Enterprises.

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

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

1. Accounting year

The Group adopts the calendar year as its accounting year, i.e. from 1 January to 31 December. The actual period of the financial statements is from 1 January 2021 to 30 June 2021.

2. Reporting currency

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

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

3. Basis of accounting and measurement bases

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

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

3. Basis of accounting and measurement bases (continued)

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

4. Business combinations

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control

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

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

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

4. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

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

- (1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment.
- (2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

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

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

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

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

4. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

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

5. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the six months ended 30 June 2021. A subsidiary is an entity (including structured entities) over which the Company has control. Structured entities are entities where voting rights or other similar rights are not used as factors to determine the controlling party, such as when voting rights only relate to administrative tasks while related operation activities are arranged according to contractual agreements.

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

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

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

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

5. Consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

5. Consolidated financial statements (continued)

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

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

- (1) In the separate financial statements, the remaining equity is recognised as long-term equity investments or other related financial assets at the carrying amount; if, after partial disposal of equity investment, the remaining equity interest enables the Group to exercise joint control or significant influence over the original subsidiary, the equity investment is accounted for using the equity method in accordance with the relevant requirements for change of the accounting method from the cost method;
- (2) In the consolidated financial statements, the remaining equity is remeasured at the fair value at the date when the control is lost; the difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the portion of net assets calculated continuously from the acquisition date of the original subsidiaries based on the original shareholding proportion is recognised as investment income for the current period in which the control is lost; and other comprehensive income related to the original subsidiaries' equity investment is transferred into investment income for the period in which the control is lost.

6. Cash equivalents

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

7. Foreign currency transactions

Foreign currency transactions are converted into the reporting currency.

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

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

7. Foreign currency transactions (continued)

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

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

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

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

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

9. Policy loans

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

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

10. Long-term equity investments

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

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

10. Long-term equity investments (continued)

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

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

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

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

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

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

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

11. Investment properties

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

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

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

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

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

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

12. Fixed assets

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

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

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

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

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

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

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

13. Construction in progress

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

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

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

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

The useful lives of major intangible assets are as follows:

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- Its intention to complete the intangible asset and use or sell it;
- 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;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

15. Debt assets

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

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

16. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

- (1) the contractual rights to receive the cash flows from the financial assets have expired;
- (2) the financial asset has been transferred and (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (b) the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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

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

Classification and measurement of financial assets

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

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

16. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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

16. Financial instruments (continued)

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivative financial instruments

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

Impairment of financial assets

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

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

16. Financial instruments (continued)

Impairment of financial assets (continued)

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

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

Financial assets at amortised cost

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

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

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

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

16. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

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

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

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

Transfer of financial assets

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

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

Offsetting of financial assets and financial liabilities

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

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

17. Asset impairment

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

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

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

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

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

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

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

18. Insurance security fund

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

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

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

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

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

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

18. Insurance security fund (continued)

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

19. Policyholders' deposits and investments

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

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

20. Definition of insurance contract

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

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

21. Significant insurance risk test

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

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

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

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

21. Significant insurance risk test (continued)

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

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

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

22. Insurance contract reserves

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

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

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

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

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

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

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

22. Insurance contract reserves (continued)

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

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

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

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

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

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

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

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

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

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

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

22. Insurance contract reserves (continued)

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

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

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

23. Reinsurance

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

Ceded reinsurance

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

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

Reinsurance assumed

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

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

24. Non-insurance contract

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

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

24. Non-insurance contract (continued)

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

25. Provisions

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

- (1) it is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

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

26. Dividend distribution

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

27. Revenue

Premium income

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

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

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

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

27. Revenue (continued)

Initial policy fee and account management fee

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

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

Interest income

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

Management fee income

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

28. Policy dividends expenditure

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

29. Leases

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

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

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

- (1) the amount of the initial measurement of the lease liability;
- (2) any lease payments made at or before the commencement date, less any lease incentives received;
- (3) any initial direct costs incurred by the lessee; and
- (4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

29. Leases (continued)

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

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

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

30. Government grants

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

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

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

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

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

31. Income tax

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

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

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

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

- (1) The taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable income or deductible expenses.
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

- (1) Where the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

32. Employee benefits

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

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

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

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

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

33. Measured at fair value

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

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

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

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

34. Contingent liabilities

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

35. Summary of significant accounting judgements and accounting estimates

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

Significant judgements

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

(1) Classification of financial assets

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

(2) Unbundling and classification of hybrid contracts

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

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

(3) Measurement unit for insurance contracts

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

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

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

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

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

Significant judgements (continued)

(5) Determination of control over structured entities

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

Estimation uncertainty

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

(1) Measurement of insurance contract reserves

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

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

Unearned premium reserves

The main assumptions used in measuring unearned premium reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense and 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 2020 were from 3.05% to 4.80% and as at 30 June 2021 were from 2.92% to 4.80%.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. Discount rates used as at 31 December 2020 and 30 June 2021 were both 5.00%.

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

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(b) Mortality and morbidity

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

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

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

(c) Loss ratios

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

(d) Surrender rates

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

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

(e) Expense

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

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

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

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Claim reserves

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

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

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

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

IV. CHANGE IN ACCOUNTING ESTIMATES

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

As at 30 June 2021, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 4,387 million as at 30 June 2021 and profit before tax decreased by approximately RMB 4,387 million for the six months ended 30 June 2021.

V. TAXES

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

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

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

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

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2021 are as follows:

| Name | Business scope and principal activities | Place of incorporation/registration | Place of operations | Registered capital (RMB thousand, unless otherwise specified) | Issued capital/ Paid-up capital (RMB thousand, unless otherwise specified) | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company (%) | Note |
|--|--|-------------------------------------|----------------------------|---|--|--|----------|---|------|
| | | | | | | Direct | Indirect | | |
| CPIC Property | Property and casualty insurance | Shanghai | The PRC | 19,470,000 | 19,470,000 | 98.50 | - | 98.50 | |
| CPIC Life | Life and health insurance | Shanghai | The PRC | 8,420,000 | 8,420,000 | 98.29 | - | 98.29 | |
| Pacific Asset Management Co., Ltd. ("CPIC Asset Management") | Investment management | Shanghai | Shanghai | 2,100,000 | 2,100,000 | 80.00 | 19.67 | 100.00 | |
| China Pacific Insurance Co., (H.K.) Ltd. ("CPIC H.K.") | Property and casualty insurance | Hong Kong | Hong Kong | HK\$ 250,000 thousand | HK\$ 250,000 thousand | 100.00 | - | 100.00 | |
| Shanghai Pacific Insurance Real Estate Co., Ltd. ("CPIC Real Estate") | Real estate | Shanghai | Shanghai | 115,000 | 115,000 | 100.00 | - | 100.00 | |
| Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension") | Pension business and investment management | Shanghai | Shanghai | 3,000,000 | 3,000,000 | - | 61.10 | 62.16 | |
| CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)") | Investment management | Hong Kong | Hong Kong | HK\$ 200,000 thousand | HK\$ 200,000 thousand | 12.25 | 87.46 | 100.00 | (1) |
| 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 | |

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2021 are as follows (continued):

| Name | Business scope and principal activities | Place of incorporation/ registration | Place of operations | Registered capital (RMB thousand, unless otherwise specified) | Issued capital/ Paid-up capital (RMB thousand, unless otherwise specified) | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company (%) | Note |
|---|--|--------------------------------------|----------------------------|---|--|--|----------|---|------|
| | | | | | | Direct | Indirect | | |
| Newscott Investments Limited * | Investment holding | The British Virgin Islands | The British Virgin Islands | US\$ 50,000 | US\$ 100 | - | 98.29 | 100.00 | |
| Newscott (Hong Kong) Investments Limited * | Investment holding | Hong Kong | Hong Kong | HK\$ 10,000 | HK\$ 1 | - | 98.29 | 100.00 | |
| Shanghai Xinhui Real Estate Development Co., Ltd. * ("Xinhui Real Estate") | Real estate | Shanghai | Shanghai | US\$ 15,600 thousand | US\$ 15,600 thousand | - | 98.29 | 100.00 | |
| Shanghai Hehui Real Estate Development Co., Ltd. * ("Hehui Real Estate") | Real estate | Shanghai | Shanghai | US\$ 46,330 thousand | US\$ 46,330 thousand | - | 98.29 | 100.00 | |
| Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services") | Consulting services, etc. | Shandong | The PRC | 200,000 | 200,000 | 100.00 | - | 100.00 | |
| Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy") | Real estate | Tianjin | Tianjin | 353,690 | 353,690 | - | 98.29 | 100.00 | |
| Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment") | Senior living property investment and management, etc. | Shanghai | Shanghai | 3,000,000 | 3,000,000 | - | 98.29 | 100.00 | |
| Pacific Health Insurance Co., Ltd. ("CPIC Health") | Health insurance | Shanghai | Shanghai | 1,700,000 | 1,700,000 | 85.05 | 14.69 | 100.00 | (2) |
| China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC") | Property and casualty insurance | Shanghai | Shanghai | 700,000 | 700,000 | - | 51.35 | 52.13 | |
| Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare") | Medical consulting services, etc. | Shanghai | Shanghai | 500,000 | 500,000 | - | 98.29 | 100.00 | |
| Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency") | Insurance agency | Shanghai | Shanghai | 50,000 | 50,000 | - | 100.00 | 100.00 | |
| CPIC Fund Management Co., Ltd. ("CPIC Funds") | Fund management | Shanghai | Shanghai | 150,000 | 150,000 | - | 50.83 | 51.00 | |
| CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company") | Senior living property investment and construction, etc. | Chengdu | Chengdu | 1,000,000 | 715,000 | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company") | Senior living property investment and construction, etc. | Hangzhou | Hangzhou | 1,200,000 | 650,000 | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company") | Senior living property investment and construction, etc. | Xiamen | Xiamen | 900,000 | 450,000 | - | 98.29 | 100.00 | |
| Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu") | Seniors and disabled care, etc. | Chengdu | Chengdu | 60,000 | 13,000 | - | 98.29 | 100.00 | |

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2021 are as follows (continued):

| Name | Business scope and principal activities | Place of incorporation/ registration | Place of operations | Registered capital (RMB thousand, unless otherwise specified) | Issued capital/ Paid-up capital (RMB thousand, unless otherwise specified) | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company (%) | Note |
|---|---|--------------------------------------|---------------------|---|--|--|----------|---|------|
| | | | | | | Direct | Indirect | | |
| CPIC Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company") | Senior living property investment and construction, etc. | Nanjing | Nanjing | 220,000 | 109,000 | - | 98.29 | 100.00 | |
| Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali") | "Migrant-style" senior living, etc. | Dali | Dali | 608,000 | 418,000 | - | 74.70 | 76.00 | |
| CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai Senior Care Project Company") | Senior living property investment and construction, etc. | Shanghai | Shanghai | 250,000 | 195,000 | - | 98.29 | 100.00 | |
| Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou") | Seniors and disabled care, etc. | Hangzhou | Hangzhou | 60,000 | - | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company") | Elderly service, real estate development and operation, etc. | Wuhan | Wuhan | 980,000 | 428,078 | - | 98.29 | 100.00 | (3) |
| CPIC Private Equity Fund Management Co., Ltd. ("CPIC Capital") | Private equity investment fund management services | Shanghai | Shanghai | 100,000 | 100,000 | - | 99.67 | 100.00 | (4) |
| Shanghai (Chongming) Real Estate Development Co., Ltd. ("Shanghai (Chongming) Project Company") | Real estate development and operation, own house rental service, etc. | Shanghai | Shanghai | 100,000 | 100,000 | - | 98.29 | 100.00 | (5) |

* Subsidiaries of City Island

(1) CPIC Investment (H.K.)

Pursuant to the resolution of the first extraordinary general meeting of shareholders of CPIC Asset Management held in 2020, CPIC Asset Management signed a contract to inject capital to CPIC Investment (H.K.) in the amount of HKD 150 million, and obtained the approval from CBIRC in January 2021. After this capital injection, the registered capital of CPIC Investment (H.K.) increased from HKD 50 million to HKD 200 million.

(2) CPIC Health

The Company and CPIC Life purchased 8% and 14.949% shares of the former CPIC Allianz Health Insurance Co., Ltd. ("CPIC Allianz Health") from Allianz SE respectively by entering into the "Agreement on Transfer of Shares in CPIC Allianz Health". After this transaction, the Company's and CPIC Life's shareholding in CPIC Allianz Health increased to 85.051% and 14.949% respectively. In January 2021, CPIC Allianz Health completed the relevant industrial and commercial registration of equity change. In March 2021, CPIC Allianz Health obtained the approval from CBIRC to change its name to Pacific Health Insurance Co., Ltd. and completed the relevant industrial and commercial registration.

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2021 are as follows (continued):

(3) Wuhan Project Company

Wuhan Project Company, a wholly-owned subsidiary set up by CPIC Life, obtained the business license of legal entity with the unified social credit code of 91420105MA49NYBP50 in February 2021. The registered capital is RMB 980 million. CPIC Life had injected capital of RMB 428 million as at 30 June 2021.

(4) CPIC Capital

CPIC Capital, a wholly-owned subsidiary set up by CPIC Asset Management, obtained the business license of legal entity with the unified social credit code of 91310000MA1H3LCJX9 on 12 March 2021. The registered capital is RMB 100 million. CPIC Asset Management had injected capital of RMB 100 million as at 30 June 2021.

(5) Shanghai (Chongming) Project Company

In April 2021, CPIC Senior Living Investment entered into an equity transaction contract with Shanghai Industrial Pension Development Co., Ltd. ("Shanghai Industrial Pension") to acquire 100% shares of Shanghai (Chongming) Project Company. Shanghai (Chongming) Project Company obtained its business license of legal entity with the unified social credit code of 91310230MA1JX45D53 and the registered capital is RMB 100 million.

2. As at 30 June 2021, consolidated structured entities material to the Group are as follows:

| Name | Collective Holding by the Group (%) | Product Scale (Units in RMB thousand) | Nature of business |
|--|-------------------------------------|---------------------------------------|---|
| CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund | 100.00 | 5,996,580 | Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC). |
| CPIC Zengfu Annually Open Pure Type Launching Securities Investment Fund | 100.00 | 5,009,999 | Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC). |
| Pacific-Jiangsu Communications Holdings Co., Ltd. Debt Investment Plan (Phase I) | 100.00 | 4,000,000 | Investing in Taizhou Yangtze River Highway Bridge Project operated by Jiangsu Communications Holdings Co., Ltd. through debt investment plan. |
| Changjiang Pension-China Aluminum Group Infrastructure Debt Investment Plan | 37.00 | 3,000,000 | Investing in Guangxi Hualei New Material Co., Ltd. Light Alloy Material Project operated by China Aluminum Group Co., Ltd. through debt investment plan. |
| Shanghai Genharmony Tongyi Science and Technology Innovation Industry Equity Investment Fund Partnership (Limited Partnership) | 99.97 | 2,979,000 | Equity investment, equity investment management. (Except for items subject to approval according to law, carry out business activities independently within business license approved scope) |

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

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

| | Currency | 30 June 2021 | | |
|---------------------|-----------|-------------------|---------------|--------|
| | | Original currency | Exchange rate | RMB |
| Bank deposits | RMB | 19,687 | 1.00000 | 19,687 |
| | USD | 429 | 6.46010 | 2,771 |
| | HKD | 1,271 | 0.83208 | 1,058 |
| | Sub-total | | | 23,516 |
| Other cash balances | RMB | 1,446 | 1.00000 | 1,446 |
| | USD | 4 | 6.46010 | 26 |
| | Sub-total | | | 1,472 |
| Total | | | | 24,988 |

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

As at 30 June 2021, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 1,817 million (31 December 2020: amounted equivalent to RMB 1,497 million).

As at 30 June 2021, RMB 537 million (31 December 2020: RMB 438 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

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Debt investments | | |
| Government bonds | 31 | 38 |
| Finance bonds | 266 | 342 |
| Corporate bonds | 2,467 | 2,718 |
| Wealth management products | 67 | 18 |
| Debt investment plans | 10 | 3 |
| Equity investments | | |
| Funds | 762 | 415 |
| Stocks | 33 | 70 |
| Wealth management products | 362 | 228 |
| Investments in other equity instruments | 8,255 | 8,641 |
| Total | 12,253 | 12,473 |

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 30 June 2021 amounted to RMB 8,643 million (31 December 2020: RMB 8,890 million). The rest are trading assets, with no material limitation in realisation.

3. Derivative financial assets

| | 30 June 2021 | 31 December 2020 |
|------------------------------------|--------------|------------------|
| Derivative financial assets | | |
| Foreign exchange forward contracts | 176 | 140 |

At 30 June 2021, the derivative financial assets were mainly foreign exchange forward contracts with a notional amount equivalent to RMB 3,624 million (31 December 2020: RMB 3,274 million).

4. Securities purchased under agreements to resell

| | 30 June 2021 | 31 December 2020 |
|--------------------|--------------|------------------|
| Securities - bonds | | |
| Inter-bank market | 12,992 | 9,886 |
| Stock exchange | 2,831 | 4,441 |
| Total | 15,823 | 14,327 |

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

5. Premium receivables

| | 30 June 2021 | 31 December 2020 |
|-------------------------------|--------------|------------------|
| Premium receivables | 42,607 | 22,347 |
| Less: Provision for bad debts | (1,145) | (655) |
| Net value | 41,462 | 21,692 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by category as follows:

| | 30 June 2021 | | | |
|--|----------------|--------------------|-------------------------|------------|
| | 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 | 42,599 | 100% | (1,137) | 3% |
| Amounts that are not individually significant but provisions for impairment considered on the individual basis | 8 | 0% | (8) | 100% |
| Total | 42,607 | 100% | (1,145) | 3% |

| | 31 December 2020 | | | |
|--|------------------|--------------------|-------------------------|------------|
| | Ending balance | % of total balance | Provision for bad debts | Percentage |
| Amounts that are not individually significant and provisions for impairment considered on the grouping basis | 22,339 | 100% | (647) | 3% |
| Amounts that are not individually significant but provisions for impairment considered on the individual basis | 8 | 0% | (8) | 100% |
| Total | 22,347 | 100% | (655) | 3% |

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

| Aging | 30 June 2021 | | | |
|--------------------------------|----------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Within 3 months (inclusive) | 20,310 | 48% | (58) | 20,252 |
| 3 months to 1 year (inclusive) | 15,784 | 37% | (116) | 15,668 |
| Over 1 year | 6,513 | 15% | (971) | 5,542 |
| Total | 42,607 | 100% | (1,145) | 41,462 |

| Aging | 31 December 2020 | | | |
|--------------------------------|------------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Within 3 months (inclusive) | 7,616 | 34% | (23) | 7,593 |
| 3 months to 1 year (inclusive) | 9,773 | 44% | (55) | 9,718 |
| Over 1 year | 4,958 | 22% | (577) | 4,381 |
| Total | 22,347 | 100% | (655) | 21,692 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by line of products as follows:

| Category | 30 June 2021 | | | |
|----------------------------------|----------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Property and casualty insurance: | | | | |
| Guarantee insurance | 10,772 | 26% | (349) | 10,423 |
| Agricultural insurance | 6,883 | 16% | (390) | 6,493 |
| Health insurance | 3,921 | 9% | (35) | 3,886 |
| Liability insurance | 2,552 | 6% | (112) | 2,440 |
| Engineering insurance | 2,183 | 5% | (56) | 2,127 |
| Commercial property insurance | 1,290 | 3% | (64) | 1,226 |
| Speciality insurance | 502 | 1% | (20) | 482 |
| Other insurances | 1,770 | 4% | (117) | 1,653 |
| Sub-total | 29,873 | 70% | (1,143) | 28,730 |
| Life and health insurance: | | | | |
| Long-term insurance | 7,393 | 17% | - | 7,393 |
| Short-term insurance | 5,341 | 13% | (2) | 5,339 |
| Sub-total | 12,734 | 30% | (2) | 12,732 |
| Total | 42,607 | 100% | (1,145) | 41,462 |

| Category | 31 December 2020 | | | |
|----------------------------------|------------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Property and casualty insurance: | | | | |
| Guarantee insurance | 9,750 | 44% | (270) | 9,480 |
| Agricultural insurance | 3,231 | 14% | (119) | 3,112 |
| Engineering insurance | 1,754 | 8% | (49) | 1,705 |
| Liability insurance | 1,173 | 5% | (50) | 1,123 |
| Commercial property insurance | 842 | 4% | (43) | 799 |
| Health insurance | 641 | 3% | (12) | 629 |
| Speciality insurance | 322 | 1% | (27) | 295 |
| Other insurances | 951 | 4% | (83) | 868 |
| Sub-total | 18,664 | 83% | (653) | 18,011 |
| Life and health insurance: | | | | |
| Long-term insurance | 2,586 | 12% | - | 2,586 |
| Short-term insurance | 1,097 | 5% | (2) | 1,095 |
| Sub-total | 3,683 | 17% | (2) | 3,681 |
| Total | 22,347 | 100% | (655) | 21,692 |

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

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Total amount of the top five premium receivables | 1,813 | 392 |
| Total provision for bad debts | - | (17) |
| % of total balance of premium receivables | 4% | 2% |

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables

| | 30 June 2021 | 31 December 2020 |
|-------------------------------|--------------|------------------|
| Reinsurance receivables | 7,946 | 8,345 |
| Less: Provision for bad debts | (175) | (165) |
| Net value | 7,771 | 8,180 |

Reinsurance receivables are analysed by category as follows:

| | 30 June 2021 | | | |
|--|----------------|--------------------|-------------------------|------------|
| | 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 | 7,907 | 100% | (136) | 2% |
| Amounts that are not individually significant but provisions for impairment considered on the individual basis | 39 | 0% | (39) | 100% |
| Total | 7,946 | 100% | (175) | 2% |

| | 31 December 2020 | | | |
|--|------------------|--------------------|-------------------------|------------|
| | Ending balance | % of total balance | Provision for bad debts | Percentage |
| Amounts that are not individually significant and provisions for impairment considered on the grouping basis | 8,105 | 97% | (120) | 1% |
| Amounts that are not individually significant but provisions for impairment considered on the individual basis | 240 | 3% | (45) | 19% |
| Total | 8,345 | 100% | (165) | 2% |

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

| Aging | 30 June 2021 | | | |
|--------------------------------|----------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Within 3 months (inclusive) | 6,653 | 84% | - | 6,653 |
| 3 months to 1 year (inclusive) | 950 | 12% | - | 950 |
| Over 1 year | 343 | 4% | (175) | 168 |
| Total | 7,946 | 100% | (175) | 7,771 |

| Aging | 31 December 2020 | | | |
|--------------------------------|------------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Within 3 months (inclusive) | 7,192 | 86% | - | 7,192 |
| 3 months to 1 year (inclusive) | 847 | 10% | - | 847 |
| Over 1 year | 306 | 4% | (165) | 141 |
| Total | 8,345 | 100% | (165) | 8,180 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

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

| Reinsurer/Broker | 30 June 2021 | | |
|--|---------------------------------------|--------------------|-------------------------|
| | Ending balance (including accrual) | % of total balance | Provision for bad debts |
| Munich Reinsurance Company | 1,215 | 15% | - |
| China Property & Casualty Reinsurance Company Ltd. | 1,107 | 14% | - |
| Swiss Reinsurance Company Ltd. | 991 | 12% | - |
| China Life Reinsurance Company Ltd. | 586 | 7% | - |
| Qianhai Reinsurance Co., Ltd. | 426 | 5% | - |

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

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

7. Interest receivables

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Interest receivables from debt investments | 12,987 | 13,604 |
| Interest receivables from deposits | 3,582 | 5,386 |
| Interest receivables from loans | 1,712 | 1,616 |
| Interest receivables from securities purchased under agreements to resell | 3 | 1 |
| Sub-total | 18,284 | 20,607 |
| Less: Provision for bad debts | (44) | (44) |
| Net value | 18,240 | 20,563 |

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

8. Term deposits

| Term to maturity | 30 June 2021 | 31 December 2020 |
|--------------------------------|--------------|------------------|
| Within 3 months (inclusive) | 5,809 | 3,426 |
| 3 months to 1 year (inclusive) | 18,468 | 26,965 |
| 1 to 2 years (inclusive) | 78,030 | 16,550 |
| 2 to 3 years (inclusive) | 57,408 | 75,520 |
| 3 to 4 years (inclusive) | 23,900 | 48,355 |
| 4 to 5 years (inclusive) | 12,950 | 22,000 |
| Over 5 years | - | 150 |
| Total | 196,565 | 192,966 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Available-for-sale financial assets

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

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Debt investments | | |
| Government bonds | 91,749 | 91,566 |
| Finance bonds | 37,876 | 37,606 |
| Corporate bonds | 171,105 | 184,846 |
| Wealth management products | 2,227 | 1,770 |
| Equity investments | | |
| Funds | 72,893 | 63,734 |
| Stocks | 126,359 | 127,216 |
| Wealth management products | 1,354 | 1,218 |
| Preferred shares | 12,565 | 13,131 |
| Investments in other equity instruments | 97,340 | 75,071 |
| Total | 613,468 | 596,158 |

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

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Debt investments | | |
| Fair value | 302,957 | 315,788 |
| Including: Amortised cost | 298,101 | 312,177 |
| Accumulated amount recognised in other comprehensive income | 7,003 | 5,506 |
| Total impairment provisions | (2,147) | (1,895) |
| Equity investments | | |
| Fair value | 310,511 | 280,370 |
| Including: Cost | 271,860 | 236,853 |
| Accumulated amount recognised in other comprehensive income | 42,514 | 46,756 |
| Total impairment provisions | (3,863) | (3,239) |
| Total | | |
| Fair value | 613,468 | 596,158 |
| Including: Amortised cost/Cost | 569,961 | 549,030 |
| Accumulated amount recognised in other comprehensive income | 49,517 | 52,262 |
| Total impairment provisions | (6,010) | (5,134) |

10. Held-to-maturity financial assets

| | 30 June 2021 | 31 December 2020 |
|--------------------------------|--------------|------------------|
| Debt investments | | |
| Government bonds | 227,753 | 160,482 |
| Finance bonds | 88,542 | 95,325 |
| Corporate bonds | 67,518 | 73,744 |
| Sub-total | 383,813 | 329,551 |
| Less: Provision for impairment | (261) | (191) |
| Net Value | 383,552 | 329,360 |

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investments classified as loans and receivables

| | 30 June 2021 | 31 December 2020 |
|--------------------------------|--------------|------------------|
| Debt investments | | |
| Finance bonds | 2,000 | 1,999 |
| Debt investment plans | 219,920 | 187,440 |
| Wealth management products | 146,702 | 156,286 |
| Preferred shares | 32,000 | 32,000 |
| Loans | 2,840 | 2,772 |
| Sub-total | 403,462 | 380,497 |
| Less: Provision for impairment | (392) | (323) |
| Net Value | 403,070 | 380,174 |

As at 30 June 2021, CPIC Asset Management, a subsidiary of the Company, had 105 existing debt investment plans issued by it with a total value of RMB 160.658 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 77.464 billion were recognised on the Group's consolidated financial statement (As at 31 December 2020, CPIC Asset Management, a subsidiary of the Company, had 91 existing debt investment plans issued by it with a total value of RMB 141.755 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 67.491 billion were recognised on the Group's consolidated financial statement). As at 30 June 2021, Changjiang Pension, a subsidiary of the Company, had 70 existing debt investment plans issued by it with a total value of RMB 116.081 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 46.884 billion were recognised on the Group's consolidated financial statement (As at 31 December 2020, Changjiang Pension, a subsidiary of the Company, had 64 existing debt investment plans issued by it with a total value of RMB 112.714 billion. Of these, the existing amounts of investments classified as loans and receivables with a book value of approximately RMB 40.520 billion were recognised on the Group's consolidated financial statement). Meanwhile, as at 30 June 2021, 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 95.572 billion (As at 31 December 2020: approximately RMB 79.429 billion). The amount of debt investment plans guaranteed by a third party or by pledge that invested by the Group is about RMB 148.640 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and other debt investment plan held by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure to loss in the debt investment plans is limited to their carrying amounts.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

| | 30 June 2021 | | | | | | | |
|--|-----------------|-----------------|--|--|---|----------------------------------|-----------------------|----------------|
| | Investment cost | Opening balance | Increase/ (Decrease) in the current period | Share of net profit/(loss) under equity method | Adjustment of other comprehensive income/(loss) | Share of other changes in equity | Dividend distribution | Ending balance |
| Equity method: | | | | | | | | |
| Joint venture | | | | | | | | |
| Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") | 11 | 12 | - | - | - | - | - | 12 |
| Taiyi (Shanghai) Information Technology Co., Ltd. ("Taiyi Information Technology") | 5 | 2 | - | - | - | - | - | 2 |
| Hangzhou Dayu Internet Technology Co., Ltd. ("Dayu Technology") | 3 | 8 | - | - | - | - | - | 8 |
| Aizhu (Shanghai) Information Technology Co., Ltd. ("Aizhu Information") | 1 | - | - | - | - | - | - | - |
| Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes") | 25 | 22 | - | - | - | - | - | 22 |
| Shanghai Dabaoguisheng Information Technology Co., Ltd. ("Dabaoguisheng") | 10 | 8 | - | (6) | - | - | - | 2 |
| Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea") | 6 | 4 | - | 1 | - | - | - | 5 |
| Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate") | 9,835 | 9,833 | - | (5) | - | - | - | 9,828 |
| Sub-total | 9,896 | 9,889 | - | (10) | - | - | - | 9,879 |

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

| | 30 June 2021 | | | | | | | |
|--|-----------------|-----------------|---|--|---|----------------------------------|-----------------------|----------------|
| | Investment cost | Opening balance | Increase/(Decrease) in the current period | Share of net profit/(loss) under equity method | Adjustment of other comprehensive income/(loss) | Share of other changes in equity | Dividend distribution | Ending balance |
| Equity method: | | | | | | | | |
| Associate | | | | | | | | |
| Shanghai Juche Information Technology Co., Ltd. ("Juche") | 3 | 11 | - | 1 | - | - | - | 12 |
| Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao") | 17 | 39 | - | 2 | - | - | - | 41 |
| Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital") | 100 | 70 | - | 7 | - | - | - | 77 |
| Shanghai Dedao Co., Ltd. ("Dedao") | 5 | 1 | - | (1) | - | - | - | - |
| Shanghai Better Sharing Technology Co., Ltd. ("Better Sharing") | 81 | 58 | - | (4) | - | - | - | 54 |
| Shanghai Heji Business Management LLP. ("Heji") | 200 | 173 | - | (2) | - | - | - | 171 |
| Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Plan ("CHEMCHINA Debt Investment Plan") | 2,160 | 2,164 | - | 57 | - | - | (58) | 2,163 |
| Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Plan ("Sichuan Railway Investment Plan") | 250 | 250 | - | 7 | - | - | (7) | 250 |
| Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Plan ("Yunnan Energy Investment Plan") | - | 3,617 | (3,610) | 19 | - | - | (26) | - |
| Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin") | 2,416 | 2,568 | - | 78 | - | - | (61) | 2,585 |
| Beijing More Health Technology Group Co., Ltd. ("Beijing Miaoyijia") | 413 | 350 | - | (25) | - | - | - | 325 |
| Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang") | 474 | 515 | - | 29 | - | - | - | 544 |
| Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health") | 500 | 442 | - | (35) | - | - | - | 407 |
| Zhejiang Xin'an Shuzhi Technology Co., Ltd. ("Xin'an Technology") | 9 | 10 | - | (1) | - | - | - | 9 |
| Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund") | 1,995 | 1,227 | 800 | 107 | - | - | - | 2,134 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

| | 30 June 2021 | | | | | | | |
|--|-----------------|-----------------|--|--|---|----------------------------------|-----------------------|----------------|
| | Investment cost | Opening balance | Increase/ (Decrease) in the current period | Share of net profit/(loss) under equity method | Adjustment of other comprehensive income/(loss) | Share of other changes in equity | Dividend distribution | Ending balance |
| Equity method: | | | | | | | | |
| Associate (continued) | | | | | | | | |
| Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP") | 1,057 | 1,057 | - | (4) | - | - | - | 1,053 |
| Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech") | 1,856 | 1,856 | - | 17 | - | - | - | 1,873 |
| Shanghai Lingang Yunhui Economic Development Co., Ltd. ("Lingang Yunhui") | 55 | 55 | - | - | - | - | - | 55 |
| Shanghai Guangci Memorial Hospital Co., Ltd. ("Guangci Hospital") | 91 | 91 | - | - | - | - | - | 91 |
| Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare") | 40 | - | 40 | (40) | - | - | - | - |
| Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan") | 1,050 | - | 1050 | (24) | - | - | - | 1,026 |
| Sub-total | 12,772 | 14,554 | (1,720) | 188 | - | - | (152) | 12,870 |
| Total | 22,668 | 24,443 | (1,720) | 178 | - | - | (152) | 22,749 |

CPIC Life entered into the agreement of Yangtze River Delta Fund with Shanghai Guofang FOF Equity Investment Management Co., Ltd. and some other investment companies. CPIC Life subscribed capital contribution of RMB 2,000 million, representing 27.75% of ownership interest of Yangtze River Delta Fund. In 2021, CPIC Life made an additional paid-in capital contribution of RMB 800 million. As at 30 June 2021, CPIC Life had paid RMB 1,995 million.

CPIC Life entered into the agreement of setting up Shantai Healthcare with Sequoia Yuanchen Equity Investment (Xiamen) LLP. and Chuangcheng Huilian Equity Investment (Xiamen) LLP. The approved operating period of Shantai Healthcare is 30 years with the registered capital of RMB 100 million. CPIC Life holds 40.00% of Shantai Healthcare's share with the subscribed capital of RMB 40 million. As at 30 June 2021, CPIC Life had paid up the subscribed capital.

CPIC Life entered into a partnership agreement of Taijiashan with Shenzhen Sequoia Antai Equity Investment LLP. CPIC Life holds 99.01% of Taijiashan's ownership interest with the subscribed capital of RMB 5,000 million. As at 30 June 2021, CPIC Life had paid RMB 1,050 million.

Yunnan Energy Investment Plan, invested by CPIC Life and Changjiang Pension, was terminated on 1 February 2021.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 30 June 2021, 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 unless otherwise) | Paid-up capital (RMB thousand unless otherwise) | Unified social credit code | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company (%) |
|----------------------------------|-----------------------------|---|----------------------|--|--|---|----------------------------|--|----------|---|
| | | | | | | | | Direct | Indirect | |
| Binjiang-Xiangrui | Limited liability company | Shanghai | Gu Jun | Real estate | 150,000 | 30,000 | 91310101062588014A | - | 35.16 | 35.70 |
| Taiyi Information Technology | Limited liability company | Shanghai | Yang Yong | Used car information service platform | 10,000 | 10,000 | 91310113342291872F | - | 48.00 | 48.00 |
| Dayu Technology | Limited liability company | Hangzhou | Ji Wei | Technical development, technical service and technical consulting | 14,979 | 13,333 | 913301083524659446 | - | 20.25 | 20.25 |
| Aizhu Information | Limited liability company | Shanghai | Qiao Yifeng | Network technology, technical consulting and technical service | 10,000 | 6,950 | 91310113MA1GKNGFXL | - | 35.00 | 35.00 |
| Euler Hermes | Limited liability company | Shanghai | Sun Haiyang | Insurance sales | 50,000 | 50,000 | 91310000MA1FL24D4M | - | 50.24 | 50.00 |
| Dabaoguisheng | Joint stock limited company | Shanghai | Wu Aijun | Third party operation services of insurance industry | 100,000 | 22,200 | 91310000MA1FL3QM0A | - | 33.42 | 34.00 |
| Ruiyongjing Real Estate (Note 1) | Limited liability company | Shanghai | Wei Lin | Real estate | 14,050,000 | 14,050,000 | 91310000MA1FL5MU6G | - | 68.80 | 57.14 |
| Pacific Orpea (Note 2) | Limited liability company | Shanghai | Wei Lin | Operation and management of pension industry, technical consulting | 10,000 | 10,000 | 91310115MA1K48AQ73 | - | 55.04 | 60.00 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 30 June 2021, details of associates of the Group are as follows:

| Name | Type of enterprise | Place of registration/ Major business location | Legal representative | Nature of business | Registered capital (RMB thousand unless otherwise) | Paid-up capital (RMB thousand unless otherwise) | Unified social credit code | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company (%) |
|----------------------------|-----------------------------|---|----------------------|---|--|---|----------------------------|--|----------|---|
| | | | | | | | | Direct | Indirect | |
| Juche | Limited liability company | Shanghai | Dai Yang | Internet | 5,882 | 5,882 | 91310113350805140T | - | 37.42 | 37.80 |
| Zhongdao | Limited liability company | Shanghai | Liu Yi | Road rescue | 63,000 | 63,000 | 91310113069319140A | - | 26.37 | 26.67 |
| Zhizhong Hospital | Limited liability company | Shanghai | Chen Jianping | Oncology, medical laboratory, clinical fluid, etc. | 500,000 | 500,000 | 91310115080068637C | - | 19.95 | 20.00 |
| Dedao | Limited liability company | Shanghai | Qiu Jianmin | Computer information technology, technical development in the field of automotive software technology, etc. | 20,000 | 20,000 | 91310104MA1FR16T89 | - | 25.00 | 25.00 |
| Better Sharing (Note 3) | Joint stock limited company | Shanghai | Zhang Wenjian | Technical development in the field of computer information technology, technical consulting, etc. | 60,000 | 60,000 | 91310104087809549Q | - | 6.73 | 6.82 |
| Beijing Miaoyijia | Limited liability company | Beijing | Bu Jiang-yong | Information transmission, software and information technology services | 77,489 | 71,670 | 91110105MA0029NRX0 | - | 19.66 | 20.00 |
| Lianren Digital Health | Joint stock limited company | Shanghai | Dai Zhong | Information technology services | 2,000,000 | 2,000,000 | 91310000MA1FL70Y4L | - | 24.57 | 25.00 |
| Xin'an Technology (Note 4) | Limited liability company | Quzhou | Li Xin | Network technology development services | 13,354 | 13,354 | 91330800798592681F | - | 8.85 | 9.00 |
| Lingang GLP | Limited liability company | Shanghai | Zhao Mingqi | Real estate | US\$ 119,990 thousand | US\$ 119,990 thousand | 913100007709009105 | - | 19.65 | 20.00 |
| Hi-Tech | Limited liability company | Shanghai | Gu Lun | Business services | 453,250 | 453,250 | 913100006072011086 | - | 19.65 | 20.00 |
| Lingang Yunhui | Limited liability company | Shanghai | Chen Jiong | Real estate | 275,000 | 275,000 | 91310115MA1HB4MF8F | - | 19.65 | 20.00 |
| Guangci Hospital | Limited liability company | Shanghai | Yu Yuping | Health care services: internal medicine, surgery, obstetrics and Gynecology, pediatrics, etc. | 26,433 | 26,433 | 91310000607213328R | - | 40.00 | 40.00 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 30 June 2021, details of associates of the Group are as follows (continued):

| Name | Type of enterprise | Place of registration/ Major business location | Legal representative | Nature of business | Registered capital (RMB thousand unless otherwise) | Paid-up capital (RMB thousand unless otherwise) | Unified social credit code | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company (%) |
|--|---------------------------|---|----------------------|--|--|---|----------------------------|--|----------|---|
| | | | | | | | | Direct | Indirect | |
| Shantai Healthcare | Limited liability company | Shanghai | Ma Xin | Health technology related industries | 100,000 | 70,000 | 91310000MA1H3A1C2Q | - | 39.32 | 40.00 |
| Heji (Note 5) | LLP | Shanghai | Not applicable | Enterprise management, industrial investment, investment management, asset management and consulting, etc. | Not applicable | 202,000 | 91310109MA1G58GG51 | - | 97.53 | |
| CHEMCHINA Debt Investment Plan (Note 6) | Debt investment plan | Not applicable | Not applicable | Debt investment plan | Not applicable | 3,000,000 | Not applicable | - | 70.55 | |
| Sichuan Railway Investment Plan (Note 7) | Debt investment plan | Not applicable | Not applicable | Debt investment plan | Not applicable | 600,000 | Not applicable | - | 38.17 | |
| Ningbo Zhilin (Note 8) | LLP | Ningbo | Not applicable | Investment management and asset management | Not applicable | 2,684,798 | 91330206MA290G5B4K | - | 88.46 | |
| Jiaxing Yishang (Note 9) | LLP | Jiaxing | Not applicable | Equity investment | Not applicable | 500,501 | 91330402MA2BCWUX4C | - | 93.10 | |
| Yangtze River Delta Fund | LLP | Shanghai | Not applicable | Equity investment | Not applicable | 7,077,439 | 91310000MA1FL62E0U | - | 27.28 | |
| Taijiashan (Note 10) | LLP | Shanghai | Not applicable | Equity investment | Not applicable | 1,060,500 | 91310000MA1FL7MH5H | - | 97.32 | |

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

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

Note 3: CPIC Property has significant influence over Better Sharing by accrediting a director to the company. Therefore, Better Sharing is accounted under equity method.

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

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

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

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

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

Note 9: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot direct the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method.

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Summarised financial information for joint ventures:

| | 30 June 2021 | | | 31 December 2020 | | |
|------------------------------|--------------|-------------------|------------|------------------|-------------------|------------|
| | Total assets | Total liabilities | Net assets | Total assets | Total liabilities | Net assets |
| Binjiang-Xiangrui | 2,098 | 1,892 | 206 | 2,060 | 1,867 | 193 |
| Taiyi Information Technology | 4 | 1 | 3 | 4 | - | 4 |
| Dayu Technology | 86 | 42 | 44 | 61 | 17 | 44 |
| Aizhu Information | 10 | 12 | (2) | 10 | 12 | (2) |
| Euler Hermes | 48 | 6 | 42 | 50 | 7 | 43 |
| Dabaoguisheng | 21 | 23 | (2) | 39 | 23 | 16 |
| Ruiyongjing Real Estate | 17,005 | 2,965 | 14,040 | 16,801 | 2,755 | 14,046 |
| Pacific Orpea | 8 | - | 8 | 8 | - | 8 |

As at 30 June 2021, there was no impairment in the Group's long-term equity investments.

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

Summarised financial information for significant associates:

| | As at 30 June 2021/ For the six months ended 30 June 2021 | | | |
|--------------------------------|---|---------------------------------|--------------------------------------|-----------------------------------|
| | Total assets as at 30 June | Total liabilities as at 30 June | Total revenue for the current period | Net profit for the current period |
| Ningbo Zhilin | 2,954 | 38 | 62 | 55 |
| CHEMCHINA Debt Investment Plan | 3,007 | 2 | 88 | 80 |
| Yangtze River Delta Fund | 7,722 | 12 | 162 | 134 |

Summarised financial information for other associates:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|---------------------------------------|---------------------------------------|
| Net loss | (352) | (158) |
| Other comprehensive income/(loss) | - | - |
| Total comprehensive loss | (352) | (158) |
| Total comprehensive loss attributable to the Group | (54) | (18) |
| Total carrying amount of the Group's investment | 5,988 | 1,947 |

13. Restricted statutory deposits

| | 30 June 2021 | 31 December 2020 |
|----------------------------------|--------------|------------------|
| Opening balance | 6,858 | 6,658 |
| Movements for the current period | - | 200 |
| Ending balance | 6,858 | 6,858 |

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

| | 30 June 2021 | | |
|----------------------------------|--------------|---------------|---------------------|
| | Amount | Storage | Period |
| CPIC Property | | | |
| China Minsheng Bank | 1,162 | Term deposits | 5 years |
| China Zheshang Bank | 600 | Term deposits | 5 years |
| Agricultural Bank of China | 500 | Term deposits | 3 years |
| Industrial Bank | 440 | Term deposits | 5 years and 1 month |
| Bank of Communications | 368 | Term deposits | 5 years |
| China Minsheng Bank | 274 | Term deposits | 5 years and 1 month |
| Bank of Communications | 250 | Term deposits | 5 years and 1 month |
| Bank of Shanghai | 200 | Term deposits | 5 years |
| China CITIC Bank | 100 | Term deposits | 5 years |
| Sub-total | 3,894 | | |
| CPIC Life | | | |
| China Guangfa Bank | 500 | Term deposits | 5 years |
| China Construction Bank | 364 | Term deposits | 3 years |
| Agricultural Bank of China | 320 | Term deposits | 3 years |
| Bank of Nanjing | 260 | Term deposits | 5 years and 1 month |
| China Minsheng Bank | 240 | Term deposits | 5 years and 1 month |
| Sub-total | 1,684 | | |
| Changjiang Pension | | | |
| Bank of Hangzhou | 300 | Term deposits | 5 years and 1 month |
| Bank of Communications | 200 | Term deposits | 5 years and 1 month |
| Bank of Nanjing | 200 | Term deposits | 5 years and 1 month |
| China CITIC Bank | 100 | Term deposits | 5 years and 1 month |
| Sub-total | 800 | | |
| CPIC Health | | | |
| China Zheshang Bank | 200 | Term deposits | 5 years |
| Bank of Communications | 140 | Term deposits | 5 years |
| Sub-total | 340 | | |
| PAAIC | | | |
| Agricultural Bank of China | 60 | Term deposits | 3 years |
| Shanghai Pudong Development Bank | 50 | Term deposits | 3 years |
| China CITIC Bank | 20 | Term deposits | 3 years |
| Bank of Communications | 10 | Term deposits | 3 years |
| Sub-total | 140 | | |
| Total | 6,858 | | |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

| | 31 December 2020 | | |
|----------------------------------|------------------|---------------|---------------------|
| | Amount | Storage | Period |
| CPIC Property | | | |
| China Minsheng Bank | 1,162 | Term deposits | 5 years |
| China Zheshang Bank | 1,100 | Term deposits | 5 years |
| Industrial Bank | 440 | Term deposits | 5 years and 1 month |
| Bank of Communications | 368 | Term deposits | 5 years |
| China Minsheng Bank | 274 | Term deposits | 5 years and 1 month |
| Bank of Communications | 250 | Term deposits | 5 years and 1 month |
| Bank of Shanghai | 200 | Term deposits | 5 years |
| China CITIC Bank | 100 | Term deposits | 5 years |
| Sub-total | 3,894 | | |
| CPIC Life | | | |
| China Guangfa Bank | 500 | Term deposits | 5 years |
| China Construction Bank | 364 | Term deposits | 3 years |
| Agricultural Bank of China | 320 | Term deposits | 3 years |
| Bank of Nanjing | 260 | Term deposits | 5 years and 1 month |
| China Minsheng Bank | 240 | Term deposits | 5 years and 1 month |
| Sub-total | 1,684 | | |
| Changjiang Pension | | | |
| Bank of Hangzhou | 300 | Term deposits | 5 years and 1 month |
| Bank of Communications | 200 | Term deposits | 5 years and 1 month |
| Bank of Nanjing | 200 | Term deposits | 5 years and 1 month |
| China CITIC Bank | 100 | Term deposits | 5 years and 1 month |
| Sub-total | 800 | | |
| CPIC Health | | | |
| China Zheshang Bank | 200 | Term deposits | 5 years |
| Bank of Communications | 140 | Term deposits | 5 years |
| Sub-total | 340 | | |
| PAAIC | | | |
| China CITIC Bank | 60 | Term deposits | 3 years |
| Agricultural Bank of China | 60 | Term deposits | 3 years |
| Shanghai Pudong Development Bank | 10 | Term deposits | 3 years |
| Bank of Communications | 10 | Term deposits | 3 years |
| Sub-total | 140 | | |
| Total | 6,858 | | |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investment properties

| | Buildings |
|---------------------------------|-----------|
| Cost: | |
| 1 January 2020 | 10,638 |
| Additions | 22 |
| Transfer to fixed assets, net | (102) |
| 31 December 2020 | 10,558 |
| Additions | 4 |
| Transfer to fixed assets, net | (34) |
| 30 June 2021 | 10,528 |
| Accumulated depreciation: | |
| 1 January 2020 | (2,355) |
| Charge for the year | (335) |
| Transfer from fixed assets, net | (2) |
| 31 December 2020 | (2,692) |
| Charge for the period | (164) |
| Transfer to fixed assets, net | 1 |
| 30 June 2021 | (2,855) |
| Carrying amount: | |
| 30 June 2021 | 7,673 |
| 31 December 2020 | 7,866 |

The fair values of investment properties of the Group as at 30 June 2021 amounted to RMB 11,522 million, which were estimated by the Group based on the independent appraisers' valuations (31 December 2020: RMB 11,470 million).

15. Fixed assets

| | Buildings | Motor vehicles | Other equipment | Total |
|--|-----------|----------------|-----------------|---------|
| Cost: | | | | |
| 1 January 2020 | 18,143 | 1,147 | 5,632 | 24,922 |
| Procurement | 72 | 61 | 616 | 749 |
| Transfer from construction in progress | 863 | - | - | 863 |
| Transfer from investment properties, net | 102 | - | - | 102 |
| Decrease | (131) | (75) | (521) | (727) |
| 31 December 2020 | 19,049 | 1,133 | 5,727 | 25,909 |
| Procurement | 11 | 5 | 68 | 84 |
| Transfer from construction in progress | 1 | - | - | 1 |
| Transfer from investment properties, net | 34 | - | - | 34 |
| Decrease | - | (11) | (142) | (153) |
| 30 June 2021 | 19,095 | 1,127 | 5,653 | 25,875 |
| Accumulated depreciation: | | | | |
| 1 January 2020 | (4,148) | (810) | (3,577) | (8,535) |
| Depreciation charge | (589) | (97) | (734) | (1,420) |
| Transfer to investment properties, net | 2 | - | - | 2 |
| Decrease | 2 | 72 | 495 | 569 |
| 31 December 2020 | (4,733) | (835) | (3,816) | (9,384) |
| Depreciation charge | (310) | (47) | (384) | (741) |
| Transfer from investment properties, net | (1) | - | - | (1) |
| Decrease | - | 11 | 127 | 138 |
| 30 June 2021 | (5,044) | (871) | (4,073) | (9,988) |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

| | Buildings | Motor vehicles | Other equipment | Total |
|--|-----------|----------------|-----------------|--------|
| Provision for impairment loss: | | | | |
| 1 January 2020, 31 December 2020, and 30 June 2021 | (9) | - | - | (9) |
| Carrying amount: | | | | |
| 30 June 2021 | 14,042 | 256 | 1,580 | 15,878 |
| 31 December 2020 | 14,307 | 298 | 1,911 | 16,516 |

As at 30 June 2021, the Group's motor vehicles and other equipment with a cost of RMB 2,756 million (31 December 2020: RMB 2,771 million) are fully depreciated but still in use.

16. Construction in progress

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

| Item | 30 June 2021 | | | | | | | | |
|-----------|--------------|-----------------|--------------------------------|--|---|--|----------|----------------|-----------------------------------|
| | Budget | Opening balance | Increase in the current period | Transfer to fixed assets in the current period | Transfer to intangible assets in the current period | Transfer to long-term prepaid expenses in the current period | Disposal | Ending balance | % of project investment in budget |
| Guangdong | 944 | 868 | 32 | - | - | - | - | 900 | 95% |
| Sichuan | 587 | 353 | 4 | - | - | - | - | 357 | 61% |
| Shanghai | 458 | 35 | 206 | - | - | - | - | 241 | 53% |
| Zhejiang | 637 | 223 | 8 | (1) | - | - | - | 230 | 36% |
| Liaoning | 167 | 158 | - | - | - | - | - | 158 | 95% |
| Yunnan | 461 | 83 | 47 | - | - | - | - | 130 | 28% |
| Jiangsu | 75 | 25 | 22 | - | - | - | - | 47 | 63% |
| Chengdu | 57 | 27 | 8 | - | - | - | - | 35 | 61% |
| Hunan | 25 | - | 22 | - | - | - | - | 22 | 88% |
| Guizhou | 35 | 10 | 3 | - | - | - | - | 13 | 37% |
| Others | 2,194 | 40 | 93 | - | (9) | - | - | 124 | 6% |
| | | 1,822 | 445 | (1) | (9) | - | - | 2,257 | |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

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

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

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Right-of-use assets

| | Buildings | Motor vehicles | Other equipment | Total |
|---------------------------|-----------|----------------|-----------------|---------|
| Cost: | | | | |
| 1 January 2020 | 5,386 | 4 | 17 | 5,407 |
| Increase | 1,295 | 3 | 2 | 1,300 |
| Decrease | (582) | (1) | (2) | (585) |
| 31 December 2020 | 6,099 | 6 | 17 | 6,122 |
| Increase | 587 | - | 8 | 595 |
| Decrease | (357) | (2) | (5) | (364) |
| 30 June 2021 | 6,329 | 4 | 20 | 6,353 |
| Accumulated depreciation: | | | | |
| 1 January 2020 | (1,273) | (1) | (3) | (1,277) |
| Depreciation charge | (1,504) | (2) | (3) | (1,509) |
| Decrease | 460 | - | 2 | 462 |
| 31 December 2020 | (2,317) | (3) | (4) | (2,324) |
| Depreciation charge | (740) | (1) | (2) | (743) |
| Decrease | 305 | 2 | - | 307 |
| 30 June 2021 | (2,752) | (2) | (6) | (2,760) |
| Carrying amount: | | | | |
| 30 June 2021 | 3,577 | 2 | 14 | 3,593 |
| 31 December 2020 | 3,782 | 3 | 13 | 3,798 |

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

18. Intangible assets

| | Land use rights | Software use rights | License | Total |
|---|-----------------|---------------------|---------|---------|
| Cost: | | | | |
| 1 January 2020 | 705 | 6,254 | 646 | 7,605 |
| Increase | 715 | 1,046 | - | 1,761 |
| Transfers from construction in progress | - | 34 | - | 34 |
| Decrease | - | (5) | - | (5) |
| 31 December 2020 | 1,420 | 7,329 | 646 | 9,395 |
| Increase | 699 | 113 | - | 812 |
| Transfers from construction in progress | - | 9 | - | 9 |
| 30 June 2021 | 2,119 | 7,451 | 646 | 10,216 |
| Accumulated Amortisation: | | | | |
| 1 January 2020 | (25) | (3,928) | - | (3,953) |
| Amortisation | (25) | (725) | - | (750) |
| Decrease | - | 1 | - | 1 |
| 31 December 2020 | (50) | (4,652) | - | (4,702) |
| Amortisation | (21) | (393) | - | (414) |
| 30 June 2021 | (71) | (5,045) | - | (5,116) |
| Carrying amount: | | | | |
| 30 June 2021 | 2,048 | 2,406 | 646 | 5,100 |
| 31 December 2020 | 1,370 | 2,677 | 646 | 4,693 |

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Goodwill

| | 30 June 2021 | | | |
|--------------------------------|-----------------|----------|----------|----------------|
| | Opening balance | Increase | Decrease | Ending balance |
| Changjiang Pension | 149 | - | - | 149 |
| City Island | 813 | - | - | 813 |
| CPIC Funds | 395 | - | - | 395 |
| Sub-total | 1,357 | - | - | 1,357 |
| Less: Provision for impairment | - | - | - | - |
| Net value | 1,357 | - | - | 1,357 |

| | 31 December 2020 | | | |
|--------------------------------|------------------|----------|----------|----------------|
| | Opening balance | Increase | Decrease | Ending balance |
| Changjiang Pension | 149 | - | - | 149 |
| City Island | 813 | - | - | 813 |
| CPIC Funds | 395 | - | - | 395 |
| Sub-total | 1,357 | - | - | 1,357 |
| Less: Provision for impairment | - | - | - | - |
| Net value | 1,357 | - | - | 1,357 |

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 30 June 2021, there is no indication that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is less than its carrying amount, thus no impairment loss is recognised.

20. Deferred income tax assets and liabilities

| | 30 June 2021 | | 31 December 2020 | |
|---|---------------------|-----------------------|---------------------|-----------------------|
| | Deferred income tax | Temporary differences | Deferred income tax | Temporary differences |
| Deferred income tax assets | | | | |
| Insurance contract reserves | 2,115 | 8,460 | 418 | 1,672 |
| Changes in fair value of financial instruments | (1,033) | (4,132) | 14 | 56 |
| Provision for asset impairment | 218 | 872 | 14 | 56 |
| Others | 655 | 2,620 | 399 | 1,596 |
| Sub-total | 1,955 | 7,820 | 845 | 3,380 |
| Deferred income tax liabilities | | | | |
| Insurance contract reserves | 1,078 | 4,312 | 1,266 | 5,064 |
| Changes in fair value of financial instruments | (5,859) | (23,436) | (7,482) | (29,928) |
| Commission and brokerage expenses | 496 | 1,984 | 402 | 1,608 |
| Provision for asset impairment | 1,510 | 6,040 | 1,477 | 5,908 |
| Adjustment in fair value arising from acquisition of subsidiaries | (873) | (3,492) | (892) | (3,568) |
| Others | (325) | (1,300) | 174 | 696 |
| Sub-total | (3,973) | (15,892) | (5,055) | (20,220) |
| Net value | (2,018) | (8,072) | (4,210) | (16,840) |

Deferred income tax assets and liabilities of the Group presented above reflect the net amount after each taxpayer's offsetting within their entity level.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Deferred income tax assets and liabilities (continued)

Details of movements in deferred income tax assets and liabilities are as follows:

| | Insurance contract reserves | Fair value | Commission and brokerage expenses | Provision for asset impairments | Deductible losses | Adjustment in fair value arising from acquisition of subsidiaries | Others | Total |
|------------------------------|-----------------------------|------------|-----------------------------------|---------------------------------|-------------------|---|--------|---------|
| 1 January 2020 | 1,267 | (4,216) | 473 | 787 | - | (921) | 559 | (2,051) |
| Recognised in profit or loss | 417 | 7 | (71) | 704 | - | 29 | 14 | 1,100 |
| Recognised in equity | - | (3,259) | - | - | - | - | - | (3,259) |
| 31 December 2020 | 1,684 | (7,468) | 402 | 1,491 | - | (892) | 573 | (4,210) |
| Recognised in profit or loss | 1,509 | 111 | 94 | 237 | - | 19 | (243) | 1,727 |
| Recognised in equity | - | 465 | - | - | - | - | - | 465 |
| 30 June 2021 | 3,193 | (6,892) | 496 | 1,728 | - | (873) | 330 | (2,018) |

As at 30 June 2021, there was no significant deductible temporary differences and deductible losses that were not recognised as deferred income tax assets.

21. Other assets

| | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Other receivables (1) | 13,120 | 13,411 |
| Improvements of right-of-use assets | 831 | 955 |
| Others | 2,328 | 1,446 |
| Total | 16,279 | 15,812 |

(1) Other receivables

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Receivable from securities sold but not settled | 4,423 | 5,133 |
| Due from related parties* | 1,774 | 1,614 |
| Due from external undertakings | 1,675 | 1,373 |
| Due from agents | 193 | 278 |
| Deposits | 177 | 173 |
| Co-insurance receivables | 91 | 101 |
| Prepaid tax | 1 | 1,292 |
| Others | 4,967 | 3,624 |
| Sub-total | 13,301 | 13,588 |
| Less: Provision for bad debts | (181) | (177) |
| Net value | 13,120 | 13,411 |

* As at 30 June 2021, 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 1,774 million (31 December 2020: RMB 1,614 million), which accounting for 13% (31 December 2020: 12%) of the total other receivables.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

| | 30 June 2021 | | | |
|--|----------------|--------------------|-------------------------|----------------------|
| | 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 | 5,202 | 39% | (171) | 3% |
| Amounts that are not individually significant but provisions for impairment considered on the individual basis | 8,099 | 61% | (10) | 0% |
| Total | 13,301 | 100% | (181) | 1% |

| | 31 December 2020 | | | |
|--|------------------|--------------------|-------------------------|----------------------|
| | Ending balance | % of total balance | Provision for bad debts | Provision Percentage |
| Amounts that are not individually significant and provisions for impairment considered on the grouping basis | 4,872 | 36% | (167) | 3% |
| Amounts that are not individually significant but provisions for impairment considered on the individual basis | 8,716 | 64% | (10) | 0% |
| Total | 13,588 | 100% | (177) | 1% |

The aging of other receivables and related provisions for bad debts are analysed as follows:

| Aging | 30 June 2021 | | | |
|--------------------------------|----------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Within 3 months (inclusive) | 9,682 | 73% | - | 9,682 |
| 3 months to 1 year (inclusive) | 1,291 | 10% | (12) | 1,279 |
| 1 to 3 years (inclusive) | 594 | 4% | (28) | 566 |
| Over 3 years | 1,734 | 13% | (141) | 1,593 |
| Total | 13,301 | 100% | (181) | 13,120 |

| Aging | 31 December 2020 | | | |
|--------------------------------|------------------|--------------------|-------------------------|-----------|
| | Ending balance | % of total balance | Provision for bad debts | Net value |
| Within 3 months (inclusive) | 10,782 | 79% | - | 10,782 |
| 3 months to 1 year (inclusive) | 681 | 5% | (7) | 674 |
| 1 to 3 years (inclusive) | 536 | 4% | (34) | 502 |
| Over 3 years | 1,589 | 12% | (136) | 1,453 |
| Total | 13,588 | 100% | (177) | 13,411 |

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

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Total amount of the top five other receivables | 2,135 | 1,868 |
| Total provision for bad debts | (3) | (3) |
| % of total other receivables | 16% | 14% |

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets

| | 30 June 2021 | | | | |
|---|-----------------|-----------------------|----------|------------------------|----------------|
| | Opening balance | Charge for the period | Reversal | Written-off and others | Ending balance |
| Provision for bad debts | 1,041 | 506 | - | (2) | 1,545 |
| - Premium receivables | 655 | 492 | - | (2) | 1,145 |
| - Reinsurance receivables | 165 | 10 | - | - | 175 |
| - Interest receivables | 44 | - | - | - | 44 |
| - Other receivables | 177 | 4 | - | - | 181 |
| Provision for impairment of available-for-sale financial assets | 5,134 | 1,080 | - | (204) | 6,010 |
| - Debt instruments | 1,895 | 223 | - | 29 | 2,147 |
| - Equity instruments | 3,239 | 857 | - | (233) | 3,863 |
| Provision for impairment of held-to-maturity financial assets | 191 | 70 | - | - | 261 |
| Provision for impairment of investments classified as loans and receivables | 323 | 69 | - | - | 392 |
| Provision for losses on loans | 5 | - | - | - | 5 |
| Provision for impairment of fixed assets | 9 | - | - | - | 9 |
| Provision for impairment of debt assets | 20 | - | - | - | 20 |
| Provision for impairment of other long-term assets | 41 | - | - | - | 41 |
| Total | 6,764 | 1,725 | - | (206) | 8,283 |

| | 31 December 2020 | | | | |
|---|------------------|---------------------|----------|------------------------|----------------|
| | Opening balance | Charge for the year | Reversal | Written-off and others | Ending balance |
| Provision for bad debts | 931 | 212 | (60) | (42) | 1,041 |
| - Premium receivables | 523 | 202 | (29) | (41) | 655 |
| - Reinsurance receivables | 167 | - | (2) | - | 165 |
| - Interest receivables | 39 | 5 | - | - | 44 |
| - Other receivables | 202 | 5 | (29) | (1) | 177 |
| Provision for impairment of available-for-sale financial assets | 2,669 | 3,942 | (17) | (1,460) | 5,134 |
| - Debt instruments | 621 | 1,244 | (17) | 47 | 1,895 |
| - Equity instruments | 2,048 | 2,698 | - | (1,507) | 3,239 |
| Provision for impairment of held-to-maturity financial assets | 47 | 191 | - | (47) | 191 |
| Provision for impairment of investments classified as loans and receivables | 197 | 126 | - | - | 323 |
| Provision for losses on loans | 7 | - | - | (2) | 5 |
| Provision for impairment of fixed assets | 9 | - | - | - | 9 |
| Provision for impairment of debt assets | 20 | - | - | - | 20 |
| Provision for impairment of other long-term assets | 41 | - | - | - | 41 |
| Total | 3,921 | 4,471 | (77) | (1,551) | 6,764 |

For the six months ended 30 June 2021, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 233 million (in 2020: RMB 1,507 million). The ending balance of the provision for impairment of available-for-sale financial assets has been included in the carrying amount of available-for-sale financial assets.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Securities sold under agreements to repurchase

| | 30 June 2021 | 31 December 2020 |
|--------------------|--------------|------------------|
| Securities - bonds | | |
| Inter-bank market | 86,299 | 77,797 |
| Stock exchange | 16,647 | 13,028 |
| Total | 102,946 | 90,825 |

As at 30 June 2021, the Group's bonds with par value of approximately RMB 91,119 million (31 December 2020: RMB 84,037 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 30 June 2021 the Group's exchange-traded standardised bonds of approximately RMB 16,647 million (31 December 2020: RMB 13,028 million) were pledged for the securities sold at Shanghai and Shenzhen stock exchange under agreements to repurchase.

24. Reinsurance payables

| | 30 June 2021 | 31 December 2020 |
|---------------------------|--------------|------------------|
| Within 1 year (inclusive) | 9,175 | 5,200 |
| Over 1 year | 436 | 301 |
| Total | 9,611 | 5,501 |

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

| Reinsurer/Broker | 30 June 2021 | |
|--|------------------------------------|--------------------|
| | Ending balance (including accrual) | % of total balance |
| China Agricultural Reinsurance Co., Ltd. | 1,143 | 12% |
| Munich Reinsurance Company | 1,142 | 12% |
| Swiss Reinsurance Company Ltd. | 1,111 | 12% |
| China Property & Casualty Reinsurance Company Ltd. | 801 | 8% |
| Qianhai Reinsurance Co., Ltd. | 576 | 6% |

| Reinsurer/Broker | 31 December 2020 | |
|-------------------------------------|------------------------------------|--------------------|
| | Ending balance (including accrual) | % of total balance |
| Munich Reinsurance Company | 841 | 15% |
| China Life Reinsurance Company Ltd. | 531 | 10% |
| Swiss Reinsurance Company Ltd. | 507 | 9% |
| Qianhai Reinsurance Co., Ltd. | 468 | 9% |
| SCOR | 231 | 4% |

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

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Employee benefits payable

| | 1 January 2021 | Increase | Decrease | 30 June 2021 |
|---|----------------|----------|----------|--------------|
| Wages and salaries, bonus, allowances and subsidies | 5,446 | 9,141 | (11,170) | 3,417 |
| Staff welfare | 7 | 388 | (389) | 6 |
| Social security contributions | 77 | 1,729 | (1,739) | 67 |
| Housing funds | 9 | 589 | (589) | 9 |
| Labour union funds | 61 | 194 | (158) | 97 |
| Employee education funds | 614 | 115 | (22) | 707 |
| Deferred bonus to management | 67 | - | (14) | 53 |
| Early retirement benefits | 430 | 286 | (120) | 596 |
| Total | 6,711 | 12,442 | (14,201) | 4,952 |

| | 1 January 2020 | Increase | Decrease | 31 December 2020 |
|---|----------------|----------|----------|------------------|
| Wages and salaries, bonus, allowances and subsidies | 4,560 | 19,357 | (18,471) | 5,446 |
| Staff welfare | 8 | 960 | (961) | 7 |
| Social security contributions | 69 | 2,122 | (2,114) | 77 |
| Housing funds | 8 | 1,155 | (1,154) | 9 |
| Labour union funds | 55 | 347 | (341) | 61 |
| Employee education funds | 478 | 205 | (69) | 614 |
| Deferred bonus to management | 72 | - | (5) | 67 |
| Early retirement benefits | 323 | 242 | (135) | 430 |
| Total | 5,573 | 24,388 | (23,250) | 6,711 |

The Group had no significant non-monetary benefits and compensation for termination of employment.

26. Taxes payable

| | 30 June 2021 | 31 December 2020 |
|-----------------------------------|--------------|------------------|
| Corporate income tax | 3,860 | 1,396 |
| Unpaid VAT | 401 | 539 |
| Withholding individual income tax | 189 | 121 |
| Others | 906 | 1,155 |
| Total | 5,356 | 3,211 |

27. Policyholders' deposits and investment contract liabilities

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Opening balance | 87,126 | 75,576 |
| Deposits received | 14,965 | 14,994 |
| Interest credited | 2,185 | 3,344 |
| Deposits withdrawn | (5,788) | (8,220) |
| Fees deducted for initial policy charge and account management | (222) | (262) |
| Others | 699 | 1,694 |
| Ending balance | 98,965 | 87,126 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Policyholders' deposits and investment contract liabilities (continued)

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Expire within 1 year (inclusive) | 2,359 | 1,454 |
| Expire within 1 to 3 years (inclusive) | 1,835 | 2,110 |
| Expire within 3 to 5 years (inclusive) | 4,176 | 3,019 |
| Expire within more than 5 years | 90,595 | 80,543 |
| Total | 98,965 | 87,126 |

The above policyholders' deposits and investment contract liabilities included the investment part unbundled from universal insurance contracts and significant contracts that had not been determined as insurance contracts as per insurance risk testing, and the majority of them had a maturity of more than five years and involved insignificant insurance liabilities.

28. Unearned premium reserves

| | Direct insurance contracts | Assumed reinsurance contracts | Total |
|------------------|----------------------------|-------------------------------|-----------|
| 1 January 2020 | 61,642 | 333 | 61,975 |
| Increase | 167,306 | 1,397 | 168,703 |
| Decrease | (160,646) | (1,232) | (161,878) |
| 31 December 2020 | 68,302 | 498 | 68,800 |
| Increase | 95,338 | 838 | 96,176 |
| Decrease | (83,151) | (712) | (83,863) |
| 30 June 2021 | 80,489 | 624 | 81,113 |

The Group's unearned premium reserves split by term to maturity are listed below:

| Term to maturity | 30 June 2021 | | |
|---------------------------|----------------------------|-------------------------------|--------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 65,134 | 232 | 65,366 |
| Over 1 year | 15,355 | 392 | 15,747 |
| Total | 80,489 | 624 | 81,113 |

| Term to maturity | 31 December 2020 | | |
|---------------------------|----------------------------|-------------------------------|--------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 54,891 | 147 | 55,038 |
| Over 1 year | 13,411 | 351 | 13,762 |
| Total | 68,302 | 498 | 68,800 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Claim reserves

| | Direct insurance contracts | Assumed reinsurance contracts | Total |
|-------------------|----------------------------|-------------------------------|----------|
| 1 January 2020 | 41,826 | 678 | 42,504 |
| Increase | 97,328 | 647 | 97,975 |
| Decrease - claims | (92,712) | (381) | (93,093) |
| 31 December 2020 | 46,442 | 944 | 47,386 |
| Increase | 56,296 | 327 | 56,623 |
| Decrease - claims | (48,231) | (313) | (48,544) |
| 30 June 2021 | 54,507 | 958 | 55,465 |

The Group's claim reserves split by term to maturity are listed below:

| Term to maturity | 30 June 2021 | | |
|---------------------------|----------------------------|-------------------------------|--------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 41,251 | 581 | 41,832 |
| Over 1 year | 13,256 | 377 | 13,633 |
| Total | 54,507 | 958 | 55,465 |

| Term to maturity | 31 December 2020 | | |
|---------------------------|----------------------------|-------------------------------|--------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 35,020 | 623 | 35,643 |
| Over 1 year | 11,422 | 321 | 11,743 |
| Total | 46,442 | 944 | 47,386 |

The claim reserves under direct insurance contracts are as follows:

| | 30 June 2021 | 31 December 2020 |
|--------------------------------------|--------------|------------------|
| Incurred and reported claim reserves | 33,805 | 34,012 |
| IBNR reserves | 18,758 | 10,872 |
| Claim expense reserves | 1,944 | 1,558 |
| Total | 54,507 | 46,442 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Life insurance reserves

| | Direct insurance contracts | Assumed reinsurance contracts | Total |
|---------------------|----------------------------|-------------------------------|-----------|
| 1 January 2020 | 891,136 | 59 | 891,195 |
| Increase | 170,868 | 3,367 | 174,235 |
| Decrease | | | |
| - Claims | (41,733) | (2) | (41,735) |
| - Early termination | (12,017) | (1,484) | (13,501) |
| 31 December 2020 | 1,008,254 | 1,940 | 1,010,194 |
| Increase | 108,880 | - | 108,880 |
| Decrease | | | |
| - Claims | (19,855) | - | (19,855) |
| - Early termination | (8,813) | (1,940) | (10,753) |
| 30 June 2021 | 1,088,466 | - | 1,088,466 |

The Group's life insurance reserves split by term to maturity are as follows:

| Term to maturity | 30 June 2021 | | |
|---------------------------|----------------------------|-------------------------------|-----------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 33,875 | - | 33,875 |
| 1 to 5 years (inclusive) | 25,738 | - | 25,738 |
| Over 5 years | 1,028,853 | - | 1,028,853 |
| Total | 1,088,466 | - | 1,088,466 |

| Term to maturity | 31 December 2020 | | |
|---------------------------|----------------------------|-------------------------------|-----------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 40,385 | - | 40,385 |
| 1 to 5 years (inclusive) | 28,253 | - | 28,253 |
| Over 5 years | 939,616 | 1,940 | 941,556 |
| Total | 1,008,254 | 1,940 | 1,010,194 |

31. Long-term health insurance reserves

| | Direct insurance contracts | Assumed reinsurance contracts | Total |
|---------------------|----------------------------|-------------------------------|---------|
| 1 January 2020 | 72,347 | - | 72,347 |
| Increase | 35,392 | - | 35,392 |
| Decrease | | | |
| - Claims | (8,023) | - | (8,023) |
| - Early termination | (920) | - | (920) |
| 31 December 2020 | 98,796 | - | 98,796 |
| Increase | 22,627 | - | 22,627 |
| Decrease | | | |
| - Claims | (5,016) | - | (5,016) |
| - Early termination | (931) | - | (931) |
| 30 June 2021 | 115,476 | - | 115,476 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Long-term health insurance reserves (continued)

The Group's long-term health insurance reserves split by term to maturity are as follows:

| Term to maturity | 30 June 2021 | | |
|---------------------------|----------------------------|-------------------------------|---------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 491 | - | 491 |
| 1 to 5 years (inclusive) | 443 | - | 443 |
| Over 5 years | 114,542 | - | 114,542 |
| Total | 115,476 | - | 115,476 |

| Term to maturity | 31 December 2020 | | |
|---------------------------|----------------------------|-------------------------------|--------|
| | Direct insurance contracts | Assumed reinsurance contracts | Total |
| Within 1 year (inclusive) | 524 | - | 524 |
| 1 to 5 years (inclusive) | 416 | - | 416 |
| Over 5 years | 97,856 | - | 97,856 |
| Total | 98,796 | - | 98,796 |

32. Bonds payable

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 5.10% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%.

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 4.99% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%.

| Issuer | 31 December 2020 | Issuance | Amortisation of bond premium or discount | Redemption in current period | 30 June 2021 |
|---------------|------------------|----------|--|------------------------------|--------------|
| CPIC Property | 9,991 | - | 2 | - | 9,993 |

33. Other liabilities

| | | 30 June 2021 | 31 December 2020 |
|-------------------------|-----|--------------|------------------|
| Other payables | (1) | 30,706 | 29,374 |
| Accrued expenses | | 2,484 | 2,839 |
| Insurance security fund | | 826 | 632 |
| Others | | 1,151 | 1,335 |
| Total | | 35,167 | 34,180 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Other liabilities (continued)

(1) Other payables

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Payables related to asset-backed securities | 11,378 | 13,140 |
| Payables to third-party investors of consolidated structured entities | 5,723 | 4,411 |
| Payables for securities purchased but not settled | 4,227 | 4,182 |
| Payables to be claimed by customers | 2,140 | 1,652 |
| Deposits | 966 | 1,021 |
| Payables for purchases | 710 | 1,281 |
| Co-insurance payable | 634 | 520 |
| Reimbursement payables | 478 | 785 |
| Compulsory automobile insurance rescue fund | 345 | 304 |
| Payables for construction and purchasing office building | 12 | 36 |
| Others | 4,093 | 2,042 |
| Total | 30,706 | 29,374 |

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

34. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

| | 1 January 2021 | | Increase of number of shares | | 30 June 2021 | |
|---|------------------|----------------------------|------------------------------|--------|------------------|----------------------------|
| | 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 | 6,844 | 71% | - | - | 6,844 | 71% |
| Foreign shares listed overseas | 2,776 | 29% | - | - | 2,776 | 29% |
| Sub-total | 9,620 | 100% | - | - | 9,620 | 100% |
| III. Total | 9,620 | 100% | - | - | 9,620 | 100% |

35. Capital reserves

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Capital premium | 79,008 | 79,008 |
| Impact of capital injection to subsidiaries, etc. | 2,127 | 2,127 |
| Impact of equity transactions with non-controlling interests | (131) | - |
| Impact of other changes in the equity of investees accounted for using the equity method | 36 | 36 |
| Transaction with non-controlling interests | (1,413) | (1,413) |
| Impact of phased business combinations | 28 | 28 |
| Others | 2 | 2 |
| Total | 79,657 | 79,788 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Surplus reserves

| | Statutory surplus reserve (the "SSR") |
|-----------------------------------|---------------------------------------|
| 1 January 2020 | 4,835 |
| Appropriations | 279 |
| 31 December 2020 and 30 June 2021 | 5,114 |

37. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group's subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

| | General reserves |
|------------------|------------------|
| 1 January 2020 | 14,329 |
| Appropriations | 2,500 |
| 31 December 2020 | 16,829 |
| Appropriations | 75 |
| 30 June 2021 | 16,904 |

38. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under CASs and the amount determined under Hong Kong Financial Reporting Standards, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

- (1) Making up for losses brought forward from prior years;
- (2) Appropriating to SSR at 10% of the net profit;
- (3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
- (4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

38. Profit distribution and retained profits (continued)

Pursuant to the resolution of the 9th meeting of the 9th Board of Directors of the Company held on 26 March 2021, a final dividend of approximately RMB 12,506 million (equivalent to annual cash dividend of RMB 1.2 per share (including tax) and the 30th Anniversary Special Dividend of RMB 0.1 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan was approved by the general meeting of shareholders of the Company on 28 May 2021.

Of the Group's retained profits in the consolidated financial statements, RMB 15,647 million as at 30 June 2021 (31 December 2020: RMB 15,647 million) represents the Company's share of its subsidiaries' surplus reserve fund.

39. Non-controlling interests

| | 30 June 2021 | 31 December 2020 |
|---------------------------|--------------|------------------|
| CPIC Property | 696 | 681 |
| CPIC Life | 1,649 | 1,608 |
| Changjiang Pension | 1,434 | 1,459 |
| CPIC Funds | 523 | 523 |
| CPIC Health | - | 322 |
| PAAIC | 888 | 873 |
| Pacific Care Home at Dali | 145 | 145 |
| Total | 5,335 | 5,611 |

40. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|---------------------------------------|---------------------------------------|
| Property and casualty insurance: | | |
| Automobile insurance | 44,633 | 48,038 |
| Health insurance | 8,230 | 4,833 |
| Agricultural insurance | 7,430 | 6,319 |
| Liability insurance | 6,860 | 4,953 |
| Commercial property insurance | 3,998 | 3,671 |
| Other insurances | 11,610 | 9,934 |
| Sub-total | 82,761 | 77,748 |
| Life insurance: | | |
| Individual insurance | | |
| - Life insurance | 67,310 | 55,138 |
| - Participating insurance | 60,623 | 70,234 |
| - Universal insurance | 48 | 49 |
| - Short-term accident and health insurance | 3,504 | 5,288 |
| Group insurance | | |
| - Life insurance | 361 | 271 |
| - Short-term accident and health insurance | 9,911 | 7,869 |
| Sub-total | 141,757 | 138,849 |
| Total | 224,518 | 216,597 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Gross written premiums (continued)

(2) The Group's gross written premiums with the top five customers is listed below:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Gross written premiums of the top five customers | 1,937 | 1,473 |
| % of gross written premiums | 0.9% | 0.7% |

41. Net change in unearned premium reserves

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Unearned premium reserves | | |
| - Direct insurance contracts | 12,184 | 11,686 |
| - Assumed reinsurance contracts | 126 | 177 |
| Sub-total | 12,310 | 11,863 |
| Unearned premium reserves recovered from reinsurers | | |
| - Direct insurance contracts | (1,633) | (1,738) |
| - Assumed reinsurance contracts | 53 | (120) |
| Sub-total | (1,580) | (1,858) |
| Net | 10,730 | 10,005 |

42. Investment income

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Net gains on disposal of stock investments | 12,753 | 6,597 |
| Net gains on disposal of fund investments | 2,111 | 719 |
| Net gains on disposal of bond investments | 127 | 404 |
| Interest on securities purchased under agreements to resell | 105 | 139 |
| Interest income from debt investments | 24,793 | 23,329 |
| Interest income from other fixed-interest investments | 6,250 | 5,857 |
| Fund dividend income | 515 | 613 |
| Stock dividend income | 1,797 | 1,510 |
| Income from other equity investments | 1,806 | 1,480 |
| Share of profits of associates and joint ventures | 178 | 279 |
| Others | 18 | 16 |
| Total | 50,453 | 40,943 |

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

43. Losses arising from changes in fair value

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Bond investments | 70 | (126) |
| Fund investments | - | 12 |
| Derivatives | 36 | - |
| Stock investments | 3 | (22) |
| Wealth management products and other equity instruments | (386) | (278) |
| Total | (277) | (414) |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

44. Other operating income

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Income from assets management fee | 1,320 | 1,059 |
| Rental income from investment properties | 364 | 384 |
| Amortisation of initial policy fee and account management fee | 222 | 80 |
| Others | 434 | 505 |
| Total | 2,340 | 2,028 |

45. Gains on disposal of assets

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|-----------------------------------|--|--|
| Gains on disposal of fixed assets | 1 | 1 |

46. Surrenders

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|------------------------------|--|--|
| Individual life insurance | | |
| - Direct insurance contracts | 9,727 | 5,332 |
| - Reinsurance contracts | 1,940 | 8 |
| Group life insurance | | |
| - Direct insurance contracts | 17 | 14 |
| Total | 11,684 | 5,354 |

47. Claims

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Indemnity | | |
| - Direct insurance contracts | 48,231 | 38,942 |
| - Assumed reinsurance contracts | 313 | 148 |
| Sub-total | 48,544 | 39,090 |
| Payment upon maturity - direct insurance contracts | 9,854 | 13,986 |
| Payment upon maturity - reinsurance contracts | 3 | - |
| Payment of annuity - direct insurance contracts | 8,683 | 8,128 |
| Payment upon death, injury or medical treatment - direct insurance contracts | 6,329 | 4,607 |
| Payment upon death, injury or medical treatment - reinsurance contracts | 2 | 1 |
| Total | 73,415 | 65,812 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Claims (continued)

The breakdown of the Group's claims by types of insurance is as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Property and casualty insurance: | | |
| Automobile insurance | 29,146 | 24,977 |
| Health insurance | 3,095 | 1,829 |
| Agricultural insurance | 2,718 | 2,465 |
| Liability insurance | 2,368 | 1,410 |
| Commercial property insurance | 1,798 | 1,351 |
| Other insurances | 4,085 | 3,125 |
| Sub-total | 43,210 | 35,157 |
| Life insurance: | | |
| Individual insurance | | |
| - Life insurance | 9,495 | 7,116 |
| - Participating insurance | 15,027 | 19,292 |
| - Universal insurance | 33 | 25 |
| - Short-term accident and health insurance | 1,514 | 1,121 |
| Group insurance | | |
| - Life insurance | 273 | 248 |
| - Participating insurance | 42 | 39 |
| - Universal insurance | 1 | 2 |
| - Short-term accident and health insurance | 3,820 | 2,812 |
| Sub-total | 30,205 | 30,655 |
| Total | 73,415 | 65,812 |

48. Changes in insurance contract reserves

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Changes in claim reserves | | |
| - Direct insurance contracts | 8,065 | 6,220 |
| - Assumed reinsurance contracts | 29 | 181 |
| Sub-total | 8,094 | 6,401 |
| Changes in life insurance reserves | | |
| - Direct insurance contracts | 78,855 | 73,034 |
| - Assumed reinsurance contracts | (1,940) | 272 |
| Sub-total | 76,915 | 73,306 |
| Changes in long-term health insurance reserves | | |
| - Direct insurance contracts | 16,680 | 16,134 |
| Total | 101,689 | 95,841 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Changes in insurance contract reserves (continued)

The particulars of changes in claim reserves under direct insurance contracts are as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--------------------------------------|--|--|
| Incurred and reported claim reserves | (207) | 3,720 |
| IBNR reserves | 7,886 | 1,605 |
| Claim expense reserves | 386 | 895 |
| Total | 8,065 | 6,220 |

49. Insurance contract reserves recovered from reinsurers

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Recovery of claim reserves | | |
| - Direct insurance contracts | 837 | 644 |
| - Assumed reinsurance contracts | (1) | 229 |
| Recovery of life insurance reserves | | |
| - Direct insurance contracts | 161 | (39) |
| Recovery of long-term health insurance reserves | | |
| - Direct insurance contracts | 572 | 568 |
| Total | 1,569 | 1,402 |

50. Taxes and surcharges

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---------------------------------------|--|--|
| City maintenance and construction tax | 188 | 185 |
| Educational surcharge | 137 | 135 |
| Others | 191 | 190 |
| Total | 516 | 510 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

51. Commission and brokerage expenses

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Fee | | |
| Property and casualty insurance | | |
| Automobile insurance | 3,508 | 6,858 |
| Liability insurance | 927 | 721 |
| Accident insurance | 837 | 627 |
| Commercial property insurance | 563 | 518 |
| Health insurance | 450 | 303 |
| Other insurances | 623 | 541 |
| Sub-total | 6,908 | 9,568 |
| Life insurance | 582 | 588 |
| Total | 7,490 | 10,156 |
| Commission | | |
| Commission expenses for single premium policy | 487 | 707 |
| First-year commission expenses for regular premium policy | 7,022 | 7,030 |
| Renewal commission expenses for regular premium policy | 3,674 | 4,726 |
| Total | 11,183 | 12,463 |
| Total of fee and commission expenses | 18,673 | 22,619 |

52. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Payroll and welfare benefits | 11,056 | 9,807 |
| Advertising expenses (including business publicity expenses) | 2,222 | 3,079 |
| Professional service fees | 1,454 | 2,018 |
| General office expenses | 1,274 | 1,251 |
| Outsourcing service fees | 813 | 141 |
| Insurance guaranty fund | 749 | 769 |
| Depreciation of right-of-use assets | 725 | 723 |
| Depreciation of fixed assets | 708 | 683 |
| Prevention expenses | 596 | 795 |
| Amortisation of intangible assets | 414 | 388 |
| Labour costs | 372 | 340 |
| Property management fees | 327 | 289 |
| Consulting fees | 304 | 206 |
| Amortisation of other long-term assets | 189 | 188 |
| Compulsory automobile rescue fund | 154 | 143 |
| Entrusted management fees | 127 | 395 |
| Travel expenses | 79 | 57 |
| Rent for short-term and low-value asset leases | 41 | 76 |
| Transportation expenses | 33 | 70 |
| Audit fee | 16 | 16 |
| Others | 2,139 | 2,547 |
| Total | 23,792 | 23,981 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

53. Interest expenses

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Securities sold under agreements to repurchase | 805 | 775 |
| Unclaimed policy dividend | 324 | 355 |
| Debts | 254 | 254 |
| Interest on lease liabilities | 64 | 68 |
| Others | 187 | 79 |
| Total | 1,634 | 1,531 |

54. Other operating expenses

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Interest expenses for policyholders' investment contract liabilities | 2,185 | 1,902 |
| Depreciation of investment properties | 164 | 164 |
| Amortisation of fee and commission for acquiring policyholders' investment contract | 40 | 3 |
| Others | 794 | 572 |
| Total | 3,183 | 2,641 |

55. Asset impairment losses

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Provision for available-for-sale financial assets impairment, net | 1,080 | 2,220 |
| Provision for held-to-maturity financial assets impairment, net | 70 | 138 |
| Provision for investments classified as loans and receivables impairment, net | 69 | 126 |
| Provision for bad debts, net | 506 | 354 |
| Total | 1,725 | 2,838 |

56. Non-operating income

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Custody fees of entrusted operation | 21 | - |
| Government subsidies unrelated to ordinary activities | 7 | 5 |
| Others | 76 | 14 |
| Total | 104 | 19 |

57. Non-operating expenses

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Charitable donations and commercial sponsorship | 20 | 26 |
| Government fines & confiscations and liquidated damages | 6 | 6 |
| Overdue tax payment and fines | 3 | 1 |
| Others | 33 | 6 |
| Total | 62 | 39 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

58. Income tax

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---------------------|--|--|
| Current income tax | 5,332 | 3,942 |
| Deferred income tax | (1,727) | (903) |
| Total | 3,605 | 3,039 |

The relationship between income tax expenses and total profit is shown below:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Total profit | 21,400 | 17,630 |
| Taxes calculated at the statutory tax rate of 25% | 5,350 | 4,408 |
| Income tax adjustment for prior years | (74) | (124) |
| Non-taxable income | (2,056) | (1,594) |
| Non-deductible expenses | 115 | 167 |
| Others | 270 | 182 |
| Income tax calculated at applicable tax rates | 3,605 | 3,039 |

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

59. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to shareholders of the parent by the weighted average number of ordinary shares in issue during the six-month period ended 30 June 2021.

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Consolidated net profit for the period attributable to shareholders of the parent | 17,304 | 14,239 |
| Weighted average number of ordinary shares in issue (million) | 9,620 | 9,085 |
| Basic earnings per share (RMB Yuan) | 1.80 | 1.57 |

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares during the six-month period ended 30 June 2021.

During the six-month period ended 30 June 2020, the diluted earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the adjusted weighted average number of ordinary shares based on assuming full exercise of the over-allotment option as below.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. Earnings per share (continued)

(2) Diluted earnings per share (continued)

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|---------------------------------------|---------------------------------------|
| Consolidated net profit for the period attributable to shareholders of the parent | 17,304 | 14,239 |
| Weighted average number of ordinary shares in issue (million) | 9,620 | 9,085 |
| Adjustment for: | | |
| Assumed vesting of the over-allotment option | - | - |
| Weighted average number of ordinary shares for diluted earnings per share | 9,620 | 9,085 |
| Diluted earnings per share (RMB Yuan) | 1.80 | 1.57 |

60. Other comprehensive income/(loss)

| | Other comprehensive income/(loss) in balance sheet | | | Other comprehensive income/(loss) in income statement | | | | | | |
|---|--|--|--------------|---|---|---|--|---------------------------|--|--|
| | 1 January 2021 | Attributable to the Company - net of tax | 30 June 2021 | Amount incurred before income tax | Less: Transfer out of other comprehensive income/(loss) in current period | Amount recognised in impairment loss of available-for-sale financial assets in current period | Changes in fair value of available-for-sale financial assets attributable to policyholders | Less: Income tax expenses | Attributable to the Company - net of tax | Attributable to Non-controlling interests - net of tax |
| Other comprehensive income/(loss) to be reclassified to profit or loss | | | | | | | | | | |
| Gains or losses arising from changes in fair value of available-for-sale financial assets | 22,377 | (1,351) | 21,026 | 10,666 | (14,954) | 1,080 | 1,365 | 465 | (1,351) | (27) |
| Exchange differences on translation of foreign operations | (37) | (6) | (43) | (6) | - | - | - | - | (6) | - |
| Total | 22,340 | (1,357) | 20,983 | 10,660 | (14,954) | 1,080 | 1,365 | 465 | (1,357) | (27) |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. Other comprehensive income/(loss) (continued)

| | Other comprehensive income/(loss) in balance sheet | | | Other comprehensive income/(loss) in income statement | | | | | | |
|--|---|---|-----------------|---|--|--|---|------------------------------------|---|---|
| | 1 January 2020 | Attributable to the Company - net of tax | 30 June 2020 | Amount incurred before income tax | Less: Transfer out of other comprehensive income/(loss) in current period | Amount recognised in impairment loss of available-for-sale financial assets in current period | Changes in fair value of available- for-sale financial assets attributable to policyholders | Less: Income tax expenses | Attributable to the Company - net of tax | Attributable to Non- controlling interests - net of tax |
| Other comprehensive income/ (loss) to be reclassified to profit or loss | | | | | | | | | | |
| Gains or losses arising from changes in fair value of available-for- sale financial assets | 12,952 | 2,456 | 15,408 | 11,987 | (8,019) | 2,220 | (2,771) | (894) | 2,456 | 67 |
| Exchange differences on translation of foreign operations | (3) | 11 | 8 | 11 | - | - | - | - | 11 | - |
| Total | 12,949 | 2,467 | 15,416 | 11,998 | (8,019) | 2,220 | (2,771) | (894) | 2,467 | 67 |

61. Cash paid relating to other operating activities

Significant payments related to other operating activities are listed below:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Surrenders | 9,744 | 5,346 |
| Advertising expenses (including business publicity expenses) | 2,222 | 3,079 |
| Professional service fees | 1,454 | 2,018 |
| General office expenses | 1,274 | 1,251 |
| Outsourcing service fees | 813 | 141 |
| Prevention expenses | 596 | 795 |
| Labour costs | 372 | 340 |
| Property management fees | 327 | 289 |
| Consulting fees | 304 | 206 |

62. Cash and cash equivalents

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Cash: | | |
| Cash at bank readily available for payments | 22,979 | 19,335 |
| Other cash balances readily available for payments | 1,472 | 1,105 |
| Cash equivalents: | | |
| Investments with an initial term within 3 months | 15,823 | 14,327 |
| Total | 40,274 | 34,767 |

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

63. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Net profit | 17,795 | 14,591 |
| Add: Asset impairment losses | 1,725 | 2,838 |
| Changes in insurance contract reserves, net | 100,120 | 94,439 |
| Net change in unearned premium reserves | 10,730 | 10,005 |
| Changes in insurance premium reserves | 265 | 169 |
| Depreciation of fixed assets and investment properties | 905 | 882 |
| Depreciation of right-of-use assets | 743 | 745 |
| Amortisation of intangible assets | 414 | 388 |
| Amortisation of other long-term assets | 189 | 190 |
| Net gains on disposal of fixed assets, intangible assets and other long-term assets | (1) | (1) |
| Investment income | (50,453) | (40,943) |
| Losses arising from changes in fair value | 277 | 414 |
| Interest expenses | 1,123 | 1,176 |
| Exchange losses/(gains) | 197 | (25) |
| Deferred income tax | (1,727) | (903) |
| Increase in operating receivables | (20,284) | (19,542) |
| (Decrease)/Increase in operating payables | (2,914) | 2,862 |
| Net cash flows from operating activities | 59,104 | 67,285 |

(2) Net increase in cash and cash equivalents:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Cash at the end of the period | 24,451 | 36,412 |
| Less: Cash at the beginning of the period | (20,440) | (14,501) |
| Cash equivalents at the end of the period | 15,823 | 28,608 |
| Less: Cash equivalents at the beginning of the period | (14,327) | (28,045) |
| Net increase in cash and cash equivalents | 5,507 | 22,474 |

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 Health) offers a wide range of RMB life and health insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment mainly provides corporation management and assets management services, etc.

VIII. SEGMENT INFORMATION (continued)

Intersegment sales and transfers are measured based on the actual transaction price.

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

For the six months ended 30 June 2021, gross written premiums from transactions with the top five external customers amounted to 0.9% (for the six months ended 30 June 2020: 0.7%) of the Group's total gross written premiums (Note VII 40).

| | For the six months ended 30 June 2021 | | | | | | | |
|---|---------------------------------------|---------------------------------|-----------|--------------|-----------|----------------------|--------------|-----------|
| Item | Life and health insurance | Property and casualty insurance | | | | Corporate and others | Eliminations | Total |
| | | Mainland China | Hong Kong | Eliminations | Sub-total | | | |
| Net premiums earned | 135,873 | 63,902 | 169 | (8) | 64,063 | - | 135 | 200,071 |
| Including: Net premiums earned from third parties | 135,136 | 64,838 | 97 | - | 64,935 | - | - | 200,071 |
| Net premiums earned within the Group | 737 | (936) | 72 | (8) | (872) | - | 135 | - |
| Other income | 17 | 31 | - | - | 31 | 73 | - | 121 |
| Investment income | 42,798 | 4,530 | 4 | - | 4,534 | 17,089 | (13,968) | 50,453 |
| (Losses)/Gains arising from changes in fair value | (288) | (1) | - | - | (1) | 12 | - | (277) |
| Exchange losses | (18) | (32) | (4) | - | (36) | (143) | - | (197) |
| Other operating income | 983 | 103 | 2 | - | 105 | 3,379 | (2,127) | 2,340 |
| Gains on disposal of assets | - | 1 | - | - | 1 | - | - | 1 |
| Operating income | 179,365 | 68,534 | 171 | (8) | 68,697 | 20,410 | (15,960) | 252,512 |
| Surrenders | (11,684) | - | - | - | - | - | - | (11,684) |
| Claims | (30,678) | (43,044) | (166) | - | (43,210) | - | 473 | (73,415) |
| Less: Claims recoveries from reinsurers | 1,691 | 4,817 | 108 | - | 4,925 | - | (513) | 6,103 |
| Changes in insurance contract reserves | (94,003) | (7,320) | (39) | 2 | (7,357) | - | (329) | (101,689) |
| Less: Insurance contract reserves recovered from reinsurers | 752 | 999 | (18) | (2) | 979 | - | (162) | 1,569 |
| Others | (30,655) | (19,303) | (49) | - | (19,352) | (3,586) | 1,555 | (52,038) |
| Operating expenses | (164,577) | (63,851) | (164) | - | (64,015) | (3,586) | 1,024 | (231,154) |
| Operating profit | 14,788 | 4,683 | 7 | (8) | 4,682 | 16,824 | (14,936) | 21,358 |
| Add: Non-operating income | 15 | 38 | - | - | 38 | 51 | - | 104 |
| Less: Non-operating expenses | (14) | (30) | - | - | (30) | (18) | - | (62) |
| Profit before tax | 14,789 | 4,691 | 7 | (8) | 4,690 | 16,857 | (14,936) | 21,400 |
| Less: Income tax | (1,900) | (1,128) | (1) | - | (1,129) | (537) | (39) | (3,605) |
| Net profit for the period | 12,889 | 3,563 | 6 | (8) | 3,561 | 16,320 | (14,975) | 17,795 |
| Supplementary information: | | | | | | | | |
| Capital expenditure | 123 | 185 | - | - | 185 | 746 | - | 1,054 |
| Depreciation and amortisation | 604 | 489 | - | - | 489 | 1,158 | - | 2,251 |
| Provision for asset impairment | 1,090 | 518 | - | - | 518 | 117 | - | 1,725 |
| 30 June 2021 | | | | | | | | |
| Segment assets | 1,544,680 | 210,854 | 1,621 | (227) | 212,248 | 180,594 | (40,653) | 1,896,869 |
| Segment liabilities | 1,493,567 | 163,623 | 1,089 | (178) | 164,534 | 29,265 | (14,366) | 1,673,000 |

VIII. SEGMENT INFORMATION (continued)

| Item | For the six months ended 30 June 2020 | | | | | | | |
|---|---------------------------------------|---------------------------------|-----------|--------------|-----------|----------------------|--------------|-----------|
| | Life and health insurance | Property and casualty insurance | | | | Corporate and others | Eliminations | Total |
| | | Mainland China | Hong Kong | Eliminations | Sub-total | | | |
| Net premiums earned | 132,699 | 59,827 | 135 | 17 | 59,979 | - | 92 | 192,770 |
| Including: Net premiums earned from third parties | 132,278 | 60,425 | 67 | - | 60,492 | - | - | 192,770 |
| Net premiums earned within the Group | 421 | (598) | 68 | 17 | (513) | - | 92 | - |
| Other income | 46 | 23 | - | - | 23 | 59 | - | 128 |
| Investment income | 35,548 | 3,660 | 17 | - | 3,677 | 21,039 | (19,321) | 40,943 |
| Losses arising from changes in fair value | (126) | (2) | - | - | (2) | (286) | - | (414) |
| Exchange gains/(losses) | 6 | 42 | (1) | - | 41 | (22) | - | 25 |
| Other operating income | 1,215 | 140 | 1 | - | 141 | 2,695 | (2,023) | 2,028 |
| Gains on disposal of assets | - | 1 | - | - | 1 | - | - | 1 |
| Operating income | 169,388 | 63,691 | 152 | 17 | 63,860 | 23,485 | (21,252) | 235,481 |
| Surrenders | (5,354) | - | - | - | - | - | - | (5,354) |
| Claims | (30,824) | (35,095) | (104) | 42 | (35,157) | - | 169 | (65,812) |
| Less: Claims recoveries from reinsurers | 1,231 | 4,159 | 51 | (42) | 4,168 | - | (167) | 5,232 |
| Changes in insurance contract reserves | (90,282) | (5,668) | (12) | (11) | (5,691) | - | 132 | (95,841) |
| Less: Insurance contract reserves recovered from reinsurers | 730 | 907 | (4) | 11 | 914 | - | (242) | 1,402 |
| Others | (32,693) | (23,750) | (62) | - | (23,812) | (2,900) | 1,947 | (57,458) |
| Operating expenses | (157,192) | (59,447) | (131) | - | (59,578) | (2,900) | 1,839 | (217,831) |
| Operating profit | 12,196 | 4,244 | 21 | 17 | 4,282 | 20,585 | (19,413) | 17,650 |
| Add: Non-operating income | 6 | 12 | - | - | 12 | 1 | - | 19 |
| Less: Non-operating expenses | (7) | (16) | - | - | (16) | (16) | - | (39) |
| Profit before tax | 12,195 | 4,240 | 21 | 17 | 4,278 | 20,570 | (19,413) | 17,630 |
| Less: Income tax | (1,477) | (1,059) | (9) | - | (1,068) | (256) | (238) | (3,039) |
| Net profit for the period | 10,718 | 3,181 | 12 | 17 | 3,210 | 20,314 | (19,651) | 14,591 |
| Supplementary information: | | | | | | | | |
| Capital expenditure | 183 | 143 | - | - | 143 | 958 | - | 1,284 |
| Depreciation and amortisation | 557 | 501 | - | - | 501 | 1,147 | - | 2,205 |
| Provision for asset impairment | 2,153 | 536 | - | - | 536 | 149 | - | 2,838 |
| 31 December 2020 | | | | | | | | |
| Segment assets | 1,452,600 | 187,383 | 1,545 | (134) | 188,794 | 161,388 | (31,778) | 1,771,004 |
| Segment liabilities | 1,394,452 | 141,076 | 1,031 | (124) | 141,983 | 27,193 | (13,459) | 1,550,169 |

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

| | Currency | 30 June 2021 | | |
|---------------------|-----------|-------------------|---------------|-------|
| | | Original currency | Exchange rate | RMB |
| Bank deposits | RMB | 146 | 1.00000 | 146 |
| | USD | 208 | 6.46010 | 1,344 |
| | HKD | 9 | 0.83208 | 7 |
| | Sub-total | | | 1,497 |
| Other cash balances | RMB | 16 | 1.00000 | 16 |
| Total | | | | 1,513 |

| | Currency | 31 December 2020 | | |
|---------------------|-----------|-------------------|---------------|-----|
| | | Original currency | Exchange rate | RMB |
| Bank deposits | RMB | 246 | 1.00000 | 246 |
| | HKD | 9 | 0.84164 | 8 |
| | Sub-total | | | 254 |
| Other cash balances | RMB | 17 | 1.00000 | 17 |
| Total | | | | 271 |

As at 30 June 2021, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 7 million (31 December 2020: amounted equivalent to RMB 8 million).

2. Financial assets at fair value through profit or loss

| | 30 June 2021 | 31 December 2020 |
|------------------|--------------|------------------|
| Debt investments | | |
| Corporate bonds | 12 | 11 |
| Finance bonds | 5 | - |
| Total | 17 | 11 |

Financial assets at fair value through profit or loss are all financial assets held for trading, and there is no significant restriction on the realisation of investments.

3. Securities purchased under agreements to resell

| | 30 June 2021 | 31 December 2020 |
|--------------------|--------------|------------------|
| Securities - bonds | | |
| Inter-bank market | 177 | 100 |
| Stock exchange | - | 10 |
| Total | 177 | 110 |

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

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Term deposits

| Term to maturity | 30 June 2021 | 31 December 2020 |
|---------------------------|--------------|------------------|
| Within 1 year (inclusive) | 11,272 | 12,690 |
| 1 to 2 years (inclusive) | 4,200 | 500 |
| 2 to 3 years (inclusive) | 1,500 | 3,700 |
| 3 to 4 years (inclusive) | 2,800 | 1,500 |
| 4 to 5 years (inclusive) | - | 2,800 |
| Total | 19,772 | 21,190 |

5. Available-for-sale financial assets

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

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Debt investments | | |
| Government bonds | 4,059 | 4,054 |
| Finance bonds | 1,331 | 1,632 |
| Corporate bonds | 17,058 | 18,156 |
| Equity investments | | |
| Funds | 6,884 | 5,686 |
| Stocks | 1,191 | 2,019 |
| Investments in other equity instruments | 526 | 822 |
| Total | 31,049 | 32,369 |

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

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Debt investments | | |
| Fair value | 22,448 | 23,842 |
| Including: Amortised cost | 22,101 | 23,531 |
| Accumulated amount recognised in other comprehensive income | 526 | 467 |
| Total impairment provisions | (179) | (156) |
| Equity investments | | |
| Fair value | 8,601 | 8,527 |
| Including: Cost | 7,427 | 7,044 |
| Accumulated amount recognised in other comprehensive income | 1,313 | 1,598 |
| Total impairment provisions | (139) | (115) |
| Total | | |
| Fair value | 31,049 | 32,369 |
| Including: Amortised cost/Cost | 29,528 | 30,575 |
| Accumulated amount recognised in other comprehensive income | 1,839 | 2,065 |
| Total impairment provisions | (318) | (271) |

6. Investments classified as loans and receivables

| | 30 June 2021 | 31 December 2020 |
|----------------------------|--------------|------------------|
| Debt investments | | |
| Wealth management products | 5,084 | 4,754 |
| Debt investment plans | 12,189 | 8,217 |
| Total | 17,273 | 12,971 |

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Long-term equity investments

| | 30 June 2021 | 31 December 2020 |
|----------------------------------|--------------|------------------|
| Subsidiaries | | |
| CPIC Property | 20,424 | 20,424 |
| CPIC Life | 39,908 | 39,908 |
| CPIC Asset Management | 1,360 | 1,360 |
| CPIC H.K. | 240 | 240 |
| CPIC Real Estate | 115 | 115 |
| CPIC Investment (H.K.) | 21 | 21 |
| CPIC Online Services | 200 | 200 |
| CPIC Health | 1,465 | 1,310 |
| Consolidated structured entities | 1,252 | 1,494 |
| Total | 64,985 | 65,072 |

The Company does not have any other items that substantially constitute net investment in subsidiaries.

8. Investment properties

| | Buildings |
|---------------------------------|-----------|
| Cost: | |
| 1 January 2020 | 4,333 |
| Transfer from fixed assets, net | 305 |
| 31 December 2020 | 4,638 |
| Transfer to fixed assets, net | (203) |
| 30 June 2021 | 4,435 |
| Accumulated depreciation: | |
| 1 January 2020 | (1,002) |
| Provision | (143) |
| Transfer from fixed assets, net | (204) |
| 31 December 2020 | (1,349) |
| Provision | (71) |
| Transfer to fixed assets, net | 27 |
| 30 June 2021 | (1,393) |
| Carrying amount: | |
| 30 June 2021 | 3,042 |
| 31 December 2020 | 3,289 |

The fair values of investment properties of the Company as at 30 June 2021 amounted to RMB 6,167 million (31 December 2020: RMB 6,326 million), which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health and Pacific Insurance Agency, and charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

9. Other assets

| | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Receivables from subsidiaries | 428 | 227 |
| Dividends receivable | 247 | 44 |
| Prepayments for construction | 32 | 12 |
| Improvements of right-of-use assets | 15 | 18 |
| Prepaid tax | - | 85 |
| Others | 116 | 101 |
| Total | 838 | 487 |

10. Securities sold under agreements to repurchase

| | 30 June 2021 | 31 December 2020 |
|--------------------|--------------|------------------|
| Securities - bonds | | |
| Inter-bank market | 1,523 | 1,272 |
| Stock exchange | 2,034 | - |
| Total | 3,557 | 1,272 |

As at 30 June 2021, the Company's bond investments of approximately RMB 1,624 million (31 December 2020: RMB 1,410 million) were pledged for inter-bank securities sold under agreements to repurchase.

As at 30 June 2021, the Company's standardised bonds of approximately RMB 2,034 million (31 December 2020: none) were pledged for securities sold at stock exchange under agreements to repurchase.

11. Other liabilities

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| Payables for purchasing office buildings | 3 | 3 |
| Payables to subsidiaries | 18 | 29 |
| Others | 511 | 498 |
| Total | 532 | 530 |

12. Capital reserves

| | 30 June 2021 | 31 December 2020 |
|-------------------------------|--------------|------------------|
| Capital premium | 79,008 | 79,008 |
| Asset evaluation appreciation | 301 | 301 |
| Others | 3 | 3 |
| Total | 79,312 | 79,312 |

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

13. Investment income

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|---------------------------------------|---------------------------------------|
| Net gains on sales of stock investments | 326 | 145 |
| Net gains on sales of bond investments | 5 | 2 |
| Net gains on sales of fund investments | 267 | 44 |
| Interest income from securities purchased under agreements to resell | 2 | 3 |
| Interest income from debt investments | 899 | 853 |
| Interest income from other fixed-interest investments | 241 | 105 |
| Stock dividend income | 14 | 38 |
| Fund dividend income | 14 | 11 |
| Income from other equity investments | 37 | 23 |
| Dividend income from subsidiaries | 12,625 | 18,683 |
| Total | 14,430 | 19,907 |

14. Other comprehensive income/(loss)

| | Other comprehensive income/(loss) in balance sheet | | | Other comprehensive income/(loss) in income statement | | | | |
|---|--|--|--------------|---|---|---|---------------------------|--|
| | 1 January 2021 | Attributable to the Company-net of tax | 30 June 2021 | Amount incurred before income tax | Less: Transfer from other comprehensive income/(loss) in current period | Amount recognised in impairment loss of available-for-sale financial assets in current period | Less: Income tax expenses | Attributable to the Company-net of tax |
| Other comprehensive income/(loss) to be reclassified to profit or loss | | | | | | | | |
| Gains or losses arising from changes in fair value of available-for-sale financial assets | 1,548 | (169) | 1,379 | 302 | (604) | 76 | 57 | (169) |

| | Other comprehensive income/(loss) in balance sheet | | | Other comprehensive income/(loss) in income statement | | | | |
|---|--|--|--------------|---|---|---|---------------------------|--|
| | 1 January 2020 | Attributable to the Company-net of tax | 30 June 2020 | Amount incurred before income tax | Less: Transfer from other comprehensive income/(loss) in current period | Amount recognised in impairment loss of available-for-sale financial assets in current period | Less: Income tax expenses | Attributable to the Company-net of tax |
| Other comprehensive income/(loss) to be reclassified to profit or loss | | | | | | | | |
| Gains or losses arising from changes in fair value of available-for-sale financial assets | 867 | 214 | 1,081 | 346 | (192) | 132 | (72) | 214 |

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:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Net profit | 13,388 | 19,140 |
| Add: Asset impairment losses | 76 | 133 |
| Depreciation of fixed assets and investment properties | 196 | 208 |
| Depreciation of right-of-use assets | 29 | 30 |
| Amortisation of intangible assets | 64 | 58 |
| Amortisation of other long-term assets | 6 | 6 |
| Investment income | (14,430) | (19,907) |
| Interest expenses | 25 | 37 |
| Exchange losses | 144 | 22 |
| Deferred income tax | (19) | 15 |
| Increase in operating receivables | (156) | (99) |
| Decrease in operating payables | (34) | (254) |
| Net cash flows used in operating activities | (711) | (611) |

(2) Net increase in cash and cash equivalents:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Cash at the end of the period | 1,513 | 13,380 |
| Less: Cash at the beginning of the period | (271) | (83) |
| Cash equivalents at the end of the period | 177 | 1,520 |
| Less: Cash equivalents at the beginning of the period | (110) | (108) |
| Net increase in cash and cash equivalents | 1,309 | 14,709 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

During the reporting period, the Company's major related parties comprise:

- (1) Subsidiaries of the Company;
- (2) Investors who exerts significant influence on the Company;
- (3) Joint ventures and associates of the Company;
- (4) Key management personnel of the Company and close family members of such individuals;
- (5) Enterprise annuity fund established by the Group; and
- (6) A legal entity or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company, is not a related party to the Company.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company

| Name of investee | Registered capital | | | Shares or equities held | | |
|--|---------------------|----------------------------------|---------------------|-------------------------|----------------------------------|--------------|
| | 1 January 2021 | Movements for the current period | 30 June 2021 | 1 January 2021 | Movements for the current period | 30 June 2021 |
| 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 150 million | HKD 200 million | 99.83% | (0.12%) | 99.71% |
| 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 Health | 1,700 | - | 1,700 | 77.05% | 22.69% | 99.74% |
| PAAIC | 700 | - | 700 | 51.35% | - | 51.35% |
| Pacific Medical & Healthcare | 500 | - | 500 | 98.29% | - | 98.29% |
| CPIC Funds | 150 | - | 150 | 50.83% | - | 50.83% |
| Pacific Insurance Agency | 50 | - | 50 | 100.00% | - | 100.00% |
| Chengdu Project Company | 1,000 | - | 1,000 | 98.29% | - | 98.29% |
| Hangzhou Project Company | 1,200 | - | 1,200 | 98.29% | - | 98.29% |
| Xiamen Project Company | 900 | - | 900 | 98.29% | - | 98.29% |
| Pacific Care Home at Chengdu | 60 | - | 60 | 98.29% | - | 98.29% |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) Registered capital, equity shares and changes in equity shares held by related parties controlled by the Company (continued)

| Name of investee | Registered capital | | | Shares or equities held | | |
|--------------------------------------|--------------------|----------------------------------|--------------|-------------------------|----------------------------------|--------------|
| | 1 January 2021 | Movements for the current period | 30 June 2021 | 1 January 2021 | Movements for the current period | 30 June 2021 |
| Nanjing Project Company | 220 | - | 220 | 98.29% | - | 98.29% |
| Pacific Care Home at Dali | 608 | - | 608 | 74.70% | - | 74.70% |
| Shanghai Senior Care Project Company | 250 | - | 250 | 98.29% | - | 98.29% |
| Pacific Care Home at Hangzhou | 60 | - | 60 | 98.29% | - | 98.29% |
| Wuhan Project Company | - | 980 | 980 | - | 98.29% | 98.29% |
| CPIC Capital | - | 100 | 100 | - | 99.67% | 99.67% |
| Shanghai (Chongming) Project Company | - | 100 | 100 | - | 98.29% | 98.29% |

(3) Other major related parties

| Name of entity | Relationship with the Company |
|---|---|
| Hwabao Investments Co., Ltd. | Shareholder with over 5% voting rights of the Company |
| Shenergy (Group) Company Limited | Shareholder with over 5% voting rights of the Company |
| Shanghai State-Owned Assets Operation Co., Ltd. | Shareholder with over 5% voting rights of the Company |
| China Baowu Steel Group Corporation Limited | Parent company of shareholders holding over 5% voting rights of the Company |
| Shanghai International Group Co., Ltd. | Parent company of shareholders holding over 5% voting rights of the Company |
| Binjiang-Xiangrui | Joint venture of the Company |
| Taiyi Information Technology | Joint venture of the Company |
| Dayu Technology | Joint venture of the Company |
| Aizhu Information | Joint venture of the Company |
| Euler Hermes | Joint venture of the Company |
| Dabaoguisheng | Joint venture of the Company |
| Ruiyongjing Real Estate | Joint venture of the Company |
| Pacific Orpea | Joint venture of the Company |
| Juche | Associate of the Company |
| Zhongdao | Associate of the Company |
| Zhizhong Hospital | Associate of the Company |
| Dedao | Associate of the Company |
| Better Sharing | Associate of the Company |
| Heji | Associate of the Company |
| Ningbo Zhilin | Associate of the Company |
| Beijing Miaoyijia | Associate of the Company |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

| Name of entity | Relationship with the Company |
|---|--|
| Jiaxing Yishang | Associate of the Company |
| Lianren Digital Health | Associate of the Company |
| Xin'an Technology | Associate of the Company |
| Yangtze River Delta Fund | Associate of the Company |
| Lingang GLP | Associate of the Company |
| Hi-Tech | Associate of the Company |
| Lingang Yunhui | Associate of the Company |
| Guangci Hospital | Associate of the Company |
| Shantai Healthcare | Associate of the Company |
| Taijiashan | 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 Health's enterprise annuity plan | Enterprise annuity fund established by the Group |
| CPIC Senior Living Investment's enterprise annuity plan | Enterprise annuity fund established by the Group |
| PAAIC's enterprise annuity plan | Enterprise annuity fund established by the Group |
| CPIC Real Estate's enterprise annuity plan | Enterprise annuity fund established by the Group |
| Pacific Medical & Healthcare's enterprise annuity plan | Enterprise annuity fund established by the Group |
| CPIC Fund's enterprise annuity plan | Enterprise annuity fund established by the Group |
| Pacific Insurance Agency annuity plan | Enterprise annuity fund established by the Group |
| Hwabao WP Fund Management Co., Ltd. | Company of which the Group's related natural persons serve as directors or senior management personnel |
| Orient Securities Company Limited | Company of which the Group's related natural persons serve as directors or senior management personnel |
| Haitong Securities Co., Ltd. | Company of which the Group's related natural persons serve as directors or senior management personnel |
| Hwabao Trust Co., Ltd. | Company of which the Group's related natural persons serve as directors or senior management personnel |
| Shanghai Rural Commercial Bank Co., Ltd. | Company of which the Group's related natural persons serve as directors or senior management personnel |
| Shanghai Haiyan Investment Management Co., Ltd. | Company of which the Group's related natural persons serve as directors or senior management personnel |

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Shanghai Tobacco Group Co., Ltd. ^{Note} | 6 | - |
| Shanghai Rural Commercial Bank Co., Ltd. | 3 | 1 |
| Shanghai International Group Co., Ltd. | 2 | - |
| Shanghai State-Owned Assets Operation Co., Ltd. | 2 | 1 |
| Haitong Securities Co., Ltd. | 1 | 1 |
| Total | 14 | 3 |

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. For the six months ended 30 June 2021, premiums from related parties accounted for 0.006% (for the six months ended 30 June 2020: 0.001 %).

(2) Fund subscription and redemption transactions

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|-------------------------------------|--|--|
| Hwabao WP Fund Management Co., Ltd. | 373 | 1,030 |

(3) Pledged repo transactions

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Shanghai Rural Commercial Bank Co., Ltd. | - | 2,362 |

(4) Transaction of asset management products

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|-----------------------------------|--|--|
| Orient Securities Company Limited | - | 11 |

(5) Distribution of cash dividends

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Shenergy (Group) Company Limited | 1,792 | 1,693 |
| Hwabao Investments Co., Ltd. | 1,670 | 1,541 |
| Shanghai State-Owned Assets Operation Co., Ltd. | 699 | 703 |
| Shanghai Haiyan Investment Management Co., Ltd. | 659 | 634 |
| Total | 4,820 | 4,571 |

(6) Deposits

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Shanghai Rural Commercial Bank Co., Ltd. | - | 40 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(7) Remuneration of key management

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---------------------------|--|--|
| Salary and other benefits | 10 | 9 |

(8) The related transactions between the Group and the established enterprise annuity fund during the periods are as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Contribution to the enterprise annuity plan | 230 | 230 |

(9) The major related transactions between the Group and joint ventures during the periods are as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|--|--|--|
| Binjiang-Xiangrui | | |
| Rental fees for leasing office buildings of Binjiang-Xiangrui | 40 | 37 |
| Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes | 160 | - |
| Total | 200 | 37 |
| Ruiyongjing Real Estate | | |
| Grant loans | 223 | 534 |

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the periods are as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|------------------------------------|--|--|
| Purchase of insurance contracts | | |
| CPIC Property | 7 | 9 |
| Rental income from office building | | |
| CPIC Property | 16 | 21 |
| CPIC Life | 7 | 7 |
| Changjiang Pension | 2 | 2 |
| CPIC Senior Living Investment | 2 | 2 |
| CPIC Health | 1 | 1 |
| Pacific Insurance Agency | 1 | - |
| Total | 29 | 33 |
| Shared service centre fee | | |
| CPIC Life | 146 | 110 |
| CPIC Property | 129 | 108 |
| CPIC Asset Management | 10 | 5 |
| CPIC Health | 8 | 5 |
| Changjiang Pension | 2 | 1 |
| CPIC Senior Living Investment | 1 | 1 |
| CPIC Online Services | - | 1 |
| Total | 296 | 231 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the periods are as follows (continued):

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|-------------------------|--|--|
| Asset management fee | | |
| CPIC Asset Management | 13 | 14 |
| Medical examination fee | | |
| CPIC Health | 1 | - |
| Rental fee | | |
| CPIC Property | 1 | - |
| Cash dividends received | | |
| CPIC Life | 9,932 | 16,552 |
| CPIC Property | 2,493 | 1,918 |
| CPIC Asset Management | - | 213 |
| Total | 12,425 | 18,683 |

The rent of the office building charged by the Company from CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health and Pacific Insurance Agency 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 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 Property 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 Health is determined at the price negotiated by both parties.

(2) The major related transactions between the Company and other related parties of the Group during the periods are as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|--|--|
| Fund subscription and redemption transactions | | |
| Hwabao WP Fund Management Co., Ltd. | - | 10 |

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:

| | 30 June 2021 | 31 December 2020 |
|-------------------------------|--------------|------------------|
| Dividends receivable | | |
| CPIC Asset Management | 200 | - |
| CPIC H.K. | 42 | 42 |
| Total | 242 | 42 |
| Other receivables | | |
| CPIC Life | 234 | 82 |
| CPIC Property | 172 | 136 |
| CPIC Health | 10 | 3 |
| CPIC Asset Management | 7 | 4 |
| CPIC Senior Living Investment | 3 | 2 |
| Changjiang Pension | 2 | - |
| Total | 428 | 227 |
| Other payables | | |
| CPIC Asset Management | 12 | 28 |
| CPIC Life | 2 | - |
| CPIC Real Estate | 2 | - |
| CPIC Property | 1 | - |
| Changjiang Pension | 1 | 1 |
| Total | 18 | 29 |

(2) Receivables between the Group and its joint ventures are as follows:

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Other receivables | | |
| Binjiang-Xiangrui | 1,774 | 1,614 |
| Investments classified as loans and receivables | | |
| Ruiyongjing Real Estate | 2,840 | 2,617 |

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

XI. CONTINGENCIES

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

In addition to the legal proceedings of the above natures, as at 30 June 2021, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

XII. COMMITMENTS

| | | 30 June 2021 | 31 December 2020 |
|------------------------------------|--------------------|--------------|------------------|
| Capital commitments | | | |
| Contracted, but not provided for | (1)(2)(3)(4)(5)(6) | 11,676 | 9,508 |
| Authorised, but not contracted for | (1)(2)(3)(5) | 7,024 | 7,872 |
| | | 18,700 | 17,380 |

As at 30 June 2021, major projects with capital commitments are as follows:

- (1) The Company resolved to establish IT Backup Centre and Customer Support Centre in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB 2,000 million. As at 30 June 2021, the cumulative amount incurred by the Company amounted to RMB 1,720 million. Of the balance, RMB 2 million was disclosed as a capital commitment contracted but not provided for and RMB 278 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Property and a third party bade for the use right of the land located at Huangpu District, Shanghai. And in February 2013, two parties set up a project company named Binjiang-Xiangrui as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB 2,090 million. As at 30 June 2021, the cumulative amount incurred by CPIC Property amounted to RMB 1,774 million. Of the balance, RMB 17 million was disclosed as a capital commitment contracted but not provided for and RMB 299 million was disclosed as a capital commitment authorised but not contracted for.
- (3) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of the project is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of the joint venture is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to the joint venture, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 30 June 2021, the cumulative amount incurred by CPIC Life amounted to RMB 12,675 million. Of the balance, RMB 2,610 million was disclosed as a capital commitment contracted but not provided for and RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.
- (4) CPIC Life and a third party jointly established Jiaying Yishang. The total investment of this project approximated RMB 950 million. As at 30 June 2021, the cumulative amount incurred by the CPIC Life amounted to RMB 474 million. Of the balance, RMB 476 million was disclosed as a capital commitment contracted but not provided for.
- (5) CPIC Life and CPIC Senior Living Investment obtained the use rights of eight parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up eight project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to the parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the six projects is approximately RMB 9,617 million. As at 30 June 2021, the cumulative amount incurred amounted to RMB 2,753 million. Of the balance, RMB 2,657 million was disclosed as a capital commitment contracted but not provided for and RMB 4,207 million was disclosed as a capital commitment authorised but not contracted for.
- (6) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,000 million. As at 30 June 2021, the cumulative amount incurred amounted to RMB 1,050 million. Of the balance, RMB 3,950 million was disclosed as a capital commitment contracted but not provided for.

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risks

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected;

Severity risk - the possibility that the cost of the events will differ from those expected;

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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.

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Concentration of insurance risks

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note VII 40.

(3) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in determining insurance contract reserves and in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumptions and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group has measured the impact on insurance contract reserves of long-term life insurance contract reserves using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances.

| 30 June 2021 | | | | | |
|-----------------|------------------------|--|--|---|--|
| | Changes in assumptions | Impact on long-term life insurance reserves (Decrease)/ Increase | Impact on long-term life insurance reserves (percentage) | Impact on long-term health insurance reserves (Decrease)/Increase | Impact on long-term health insurance reserves (percentage) |
| Discount rates | +25 basis points | (17,018) | -1.59% | (8,514) | -7.37% |
| | -25 basis points | 18,385 | 1.72% | 9,199 | 7.97% |
| Mortality rate | +10% | 2,334 | 0.22% | (175) | -0.15% |
| | -10% | (2,340) | -0.22% | 192 | 0.17% |
| Morbidity rate | +10% | 580 | 0.05% | 18,986 | 16.44% |
| | -10% | (620) | -0.06% | (19,476) | -16.87% |
| Surrender rate | +10% | (3,008) | -0.28% | 703 | 0.61% |
| | -10% | 3,244 | 0.30% | (636) | -0.55% |
| Expenses | +10% | 6,022 | 0.56% | 1,271 | 1.10% |
| | -10% | (6,022) | -0.56% | (1,271) | -1.10% |
| Policy dividend | +5% | 17,909 | 1.68% | (127) | -0.11% |

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

| 31 December 2020 | | | | | |
|------------------|------------------------|--|--|--|--|
| | Changes in assumptions | Impact on long-term life insurance reserves (Decrease)/ Increase | Impact on long-term life insurance reserves (percentage) | Impact on long-term health insurance reserves (Decrease)/ Increase | Impact on long-term health insurance reserves (percentage) |
| Discount rates | +25 basis points | (15,939) | -1.61% | (7,962) | -8.06% |
| | -25 basis points | 17,240 | 1.75% | 8,604 | 8.71% |
| Mortality rate | +10% | 2,338 | 0.24% | (196) | -0.20% |
| | -10% | (2,342) | -0.24% | 212 | 0.21% |
| Morbidity rate | +10% | 608 | 0.06% | 17,894 | 18.11% |
| | -10% | (649) | -0.07% | (18,368) | -18.59% |
| Surrender rate | +10% | (2,731) | -0.28% | 701 | 0.71% |
| | -10% | 2,979 | 0.30% | (631) | -0.64% |
| Expenses | +10% | 6,074 | 0.62% | 1,102 | 1.12% |
| | -10% | (6,074) | -0.62% | (1,102) | -1.12% |
| Policy dividend | +5% | 17,733 | 1.80% | (116) | -0.12% |

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for claim reserves is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk margin, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the claim reserves for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

A respective percentage change in average claim costs or claim numbers alone results in a similar percentage change in claim reserves. When other assumptions remain unchanged, a 5% increase in average claim costs will result in an increase of approximately RMB 2,095 million and RMB 274 million in net outstanding claim reserves for property and casualty and short-term life insurance as at 30 June 2021 (31 December 2020: RMB 1,768 million and RMB 239 million).

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

The development table of gross claim reserves for the property and casualty insurance of the Group:

| | Property and casualty insurance (Accident year) | | | | | Total |
|---|---|----------|----------|----------|---------------------------------------|-----------|
| | 2017 | 2018 | 2019 | 2020 | For the six months ended 30 June 2021 | |
| Estimate of ultimate claim cost as of: | | | | | | |
| End of current year/period | 59,974 | 64,450 | 71,637 | 81,244 | 48,567 | |
| One year later | 57,147 | 64,051 | 71,010 | 81,062 | | |
| Two years later | 55,300 | 63,170 | 70,967 | | | |
| Three years later | 54,609 | 63,008 | | | | |
| Four years later | 54,583 | | | | | |
| Current estimate of cumulative claims | 54,583 | 63,008 | 70,967 | 81,062 | 48,567 | 318,187 |
| Cumulative payments to date | (53,440) | (61,043) | (66,687) | (66,870) | (24,504) | (272,544) |
| Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin | | | | | | 3,609 |
| Outstanding claim reserves | | | | | | 49,252 |

The development table of net claim reserves for the property and casualty insurance of the Group:

| | Property and casualty insurance (Accident year) | | | | | Total |
|---|---|----------|----------|----------|---------------------------------------|-----------|
| | 2017 | 2018 | 2019 | 2020 | For the six months ended 30 June 2021 | |
| Estimate of ultimate claim cost as of: | | | | | | |
| End of current year/period | 52,415 | 56,073 | 62,405 | 71,681 | 43,384 | |
| One year later | 50,539 | 55,809 | 61,783 | 71,606 | | |
| Two years later | 48,720 | 55,001 | 61,757 | | | |
| Three years later | 48,058 | 54,784 | | | | |
| Four years later | 47,932 | | | | | |
| Current estimate of cumulative claims | 47,932 | 54,784 | 61,757 | 71,606 | 43,384 | 279,463 |
| Cumulative payments to date | (47,205) | (53,539) | (58,358) | (59,050) | (22,619) | (240,771) |
| Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin | | | | | | 3,205 |
| Outstanding claim reserves | | | | | | 41,897 |

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

The development table of gross claim reserves for the short-term life insurance of the Group:

| | Short-term life insurance (Accident year) | | | | | Total |
|---|---|---------|---------|---------|---------------------------------------|----------|
| | 2017 | 2018 | 2019 | 2020 | For the six months ended 30 June 2021 | |
| Estimate of ultimate claim cost as of: | | | | | | |
| End of current year/period | 3,301 | 4,112 | 4,628 | 4,696 | 2,587 | |
| One year later | 3,189 | 3,796 | 4,307 | 4,439 | | |
| Two years later | 3,231 | 3,798 | 4,304 | | | |
| Three years later | 3,250 | 3,798 | | | | |
| Four years later | 3,243 | | | | | |
| Current estimate of cumulative claims | 3,243 | 3,798 | 4,304 | 4,439 | 2,587 | 18,371 |
| Cumulative payments to date | (3,243) | (3,788) | (4,192) | (3,865) | (1,275) | (16,363) |
| Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin | | | | | | 4,205 |
| Outstanding claim reserves | | | | | | 6,213 |

The development table of net claim reserves for the short-term life insurance of the Group:

| | Short-term life insurance (Accident year) | | | | | Total |
|---|---|---------|---------|---------|---------------------------------------|----------|
| | 2017 | 2018 | 2019 | 2020 | For the six months ended 30 June 2021 | |
| Estimate of ultimate claim cost as of: | | | | | | |
| End of current year/period | 3,068 | 3,355 | 3,058 | 3,440 | 2,096 | |
| One year later | 2,960 | 3,210 | 3,163 | 3,125 | | |
| Two years later | 2,993 | 3,216 | 3,159 | | | |
| Three years later | 2,999 | 3,215 | | | | |
| Four years later | 2,993 | | | | | |
| Current estimate of cumulative claims | 2,993 | 3,215 | 3,159 | 3,125 | 2,096 | 14,588 |
| Cumulative payments to date | (2,993) | (3,209) | (3,093) | (2,937) | (1,073) | (13,305) |
| Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin | | | | | | 4,203 |
| Outstanding claim reserves | | | | | | 5,486 |

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

(1) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the US Dollars or the HK Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities by major currency:

| | 30 June 2021 | | | | |
|---|--------------|--------------|--------------|------------------------------|-----------|
| | RMB | USD (in RMB) | HKD (in RMB) | Other Currencies (in RMB) | Total |
| Financial assets: | | | | | |
| Cash at bank and on hand | 21,133 | 2,797 | 1,058 | - | 24,988 |
| Financial assets at fair value through profit or loss | 11,655 | 598 | - | - | 12,253 |
| Derivative financial assets | - | 172 | - | 4 | 176 |
| Securities purchased under agreements to resell | 15,823 | - | - | - | 15,823 |
| Premium receivables | 40,760 | 668 | 34 | - | 41,462 |
| Reinsurance receivables | 6,472 | 1,001 | 298 | - | 7,771 |
| Interest receivables | 18,223 | 14 | 3 | - | 18,240 |
| Policy loans | 64,941 | - | - | - | 64,941 |
| Term deposits | 184,128 | 12,437 | - | - | 196,565 |
| Available-for-sale financial assets | 601,643 | 8,048 | 2,958 | 819 | 613,468 |
| Held-to-maturity financial assets | 383,351 | 201 | - | - | 383,552 |
| Investments classified as loans and receivables | 403,070 | - | - | - | 403,070 |
| Restricted statutory deposits | 6,858 | - | - | - | 6,858 |
| Others | 14,627 | 111 | 191 | - | 14,929 |
| Sub-total | 1,772,684 | 26,047 | 4,542 | 823 | 1,804,096 |
| Financial liabilities: | | | | | |
| Securities sold under agreements to repurchase | 102,946 | - | - | - | 102,946 |
| Commission and brokerage payable | 4,763 | - | - | - | 4,763 |
| Reinsurance payables | 8,833 | 423 | 355 | - | 9,611 |
| Interest payable | 564 | - | - | - | 564 |
| Claims payable | 21,619 | - | - | - | 21,619 |
| Policyholder dividend payable | 22,719 | - | - | - | 22,719 |
| Policyholders' deposits and investment contract liabilities | 98,965 | - | - | - | 98,965 |
| Bonds payable | 9,993 | - | - | - | 9,993 |
| Lease liabilities | 3,229 | - | 11 | - | 3,240 |
| Others | 30,542 | 237 | 42 | - | 30,821 |
| Sub-total | 304,173 | 660 | 408 | - | 305,241 |
| Net amount | 1,468,511 | 25,387 | 4,134 | 823 | 1,498,855 |

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

| | 31 December 2020 | | | | |
|---|------------------|--------------|--------------|---------------------------|-----------|
| | RMB | USD (in RMB) | HKD (in RMB) | Other currencies (in RMB) | Total |
| Financial assets: | | | | | |
| Cash at bank and on hand | 18,708 | 1,194 | 961 | 15 | 20,878 |
| Financial assets at fair value through profit or loss | 11,850 | 600 | 23 | - | 12,473 |
| Derivative financial assets | - | 140 | - | - | 140 |
| Securities purchased under agreements to resell | 14,327 | - | - | - | 14,327 |
| Premium receivables | 21,147 | 527 | 18 | - | 21,692 |
| Reinsurance receivables | 7,039 | 780 | 361 | - | 8,180 |
| Interest receivables | 20,542 | 16 | 5 | - | 20,563 |
| Policy loans | 62,364 | - | - | - | 62,364 |
| Term deposits | 179,295 | 13,671 | - | - | 192,966 |
| Available-for-sale financial assets | 585,627 | 7,032 | 2,638 | 861 | 596,158 |
| Held-to-maturity financial assets | 329,119 | 241 | - | - | 329,360 |
| Investments classified as loans and receivables | 380,174 | - | - | - | 380,174 |
| Restricted statutory deposits | 6,858 | - | - | - | 6,858 |
| Others | 14,073 | 116 | 87 | - | 14,276 |
| Sub-total | 1,651,123 | 24,317 | 4,093 | 876 | 1,680,409 |
| Financial liabilities: | | | | | |
| Securities sold under agreements to repurchase | 90,825 | - | - | - | 90,825 |
| Commission and brokerage payable | 4,003 | - | - | - | 4,003 |
| Reinsurance payables | 4,999 | 231 | 271 | - | 5,501 |
| Interest payable | 594 | - | - | - | 594 |
| Claims payable | 21,825 | - | - | - | 21,825 |
| Policyholder dividend payable | 24,351 | - | - | - | 24,351 |
| Policyholders' deposits and investment contract liabilities | 87,126 | - | - | - | 87,126 |
| Bonds payable | 9,991 | - | - | - | 9,991 |
| Lease liabilities | 3,420 | - | 10 | - | 3,430 |
| Others | 29,049 | 287 | 42 | - | 29,378 |
| Sub-total | 276,183 | 518 | 323 | - | 277,024 |
| Net amount | 1,374,940 | 23,799 | 3,770 | 876 | 1,403,385 |

Exchange rates used by the Group by major currencies:

| | 30 June 2021 | | 31 December 2020 | |
|---------------|--------------|---------|------------------|---------|
| | USD | HKD | USD | HKD |
| Exchange rate | 6.46010 | 0.83208 | 6.52490 | 0.84164 |

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in spot and forward exchange rates, and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency as at the dates indicated.

| USD, HKD and other currencies to RMB exchange rate | 30 June 2021 | |
|--|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity |
| +5% | 782 | 1,347 |
| - 5% | (782) | (1,347) |

| USD and HKD to RMB exchange rate | 31 December 2020 | |
|----------------------------------|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity |
| +5% | 774 | 1,270 |
| - 5% | (774) | (1,270) |

The impact on equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks arising from interest rate risk on interest-bearing financial instruments.

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

| | 30 June 2021 | | | | | |
|--|---------------|--------------|--------------|--------------|---------------|---------|
| | Within 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Floating rate | Total |
| Financial assets: | | | | | | |
| Deposits with original maturity of no more than three months | 2,372 | - | - | - | 22,616 | 24,988 |
| Debt investments at fair value through profit or loss | 1,560 | 1,235 | 34 | 12 | - | 2,841 |
| Securities purchased under agreements to resell | 15,823 | - | - | - | - | 15,823 |
| Policy loans | 64,941 | - | - | - | - | 64,941 |
| Term deposits | 24,277 | 135,438 | 36,850 | - | - | 196,565 |
| Available-for-sale debt investments | 67,719 | 52,279 | 40,304 | 142,655 | - | 302,957 |
| Held-to-maturity financial assets | 5,960 | 27,049 | 18,660 | 331,883 | - | 383,552 |
| Investments classified as loans and receivables | 29,892 | 74,264 | 123,073 | 175,841 | - | 403,070 |
| Restricted statutory deposits | 1,060 | 4,104 | 1,694 | - | - | 6,858 |
| Financial liabilities: | | | | | | |
| Securities sold under agreements to repurchase | 102,946 | - | - | - | - | 102,946 |
| Policyholders' deposits and investment contract liabilities | 2,359 | 1,835 | 4,176 | 90,595 | - | 98,965 |
| Bonds payable | - | - | - | 9,993 | - | 9,993 |

| | 31 December 2020 | | | | | |
|--|------------------|--------------|--------------|--------------|---------------|---------|
| | Within 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Floating rate | Total |
| Financial assets: | | | | | | |
| Deposits with original maturity of no more than three months | 1,132 | - | - | - | 19,746 | 20,878 |
| Debt investments at fair value through profit or loss | 1,930 | 1,026 | 159 | 4 | - | 3,119 |
| Securities purchased under agreements to resell | 14,327 | - | - | - | - | 14,327 |
| Policy loans | 62,364 | - | - | - | - | 62,364 |
| Term deposits | 30,391 | 92,070 | 70,355 | 150 | - | 192,966 |
| Available-for-sale debt investments | 68,626 | 57,600 | 38,438 | 151,124 | - | 315,788 |
| Held-to-maturity financial assets | 9,619 | 22,194 | 25,396 | 272,151 | - | 329,360 |
| Investments classified as loans and receivables | 27,238 | 55,098 | 135,163 | 162,675 | - | 380,174 |
| Restricted statutory deposits | 880 | 3,216 | 2,762 | - | - | 6,858 |
| Financial liabilities: | | | | | | |
| Securities sold under agreements to repurchase | 90,825 | - | - | - | - | 90,825 |
| Policyholders' deposits and investment contract liabilities | 1,454 | 2,110 | 3,019 | 80,543 | - | 87,126 |
| Bonds payable | - | - | - | 9,991 | - | 9,991 |

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

| Change in RMB interest rate | 30 June 2021 | |
|-----------------------------|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | (15) | (6,051) |
| -50 basis points | 15 | 6,718 |

| Change in RMB interest rate | 31 December 2020 | |
|-----------------------------|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | (18) | (6,273) |
| -50 basis points | 18 | 6,916 |

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet dates.

| Change in RMB interest rate | 30 June 2021 | |
|-----------------------------|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | 94 | 94 |
| -50 basis points | (94) | (94) |

| Change in RMB interest rate | 31 December 2020 | |
|-----------------------------|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | 88 | 88 |
| -50 basis points | (88) | (88) |

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 30 June 2021, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 4,908 million (31 December 2020: RMB 5,394 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, premium receivables, reinsurance arrangements with reinsurers, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 30 June 2021 and 31 December 2020. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

| | 30 June 2021 | | | | | | Total |
|---|--------------------------|---------------------------|---------------|-------------------|---------------------------------|---|-----------|
| | Not due and not impaired | Past due but not impaired | | | | Financial assets with impairment considered | |
| | | Less than 30 days | 31 to 90 days | More than 90 days | Total past due but not impaired | | |
| Cash at bank and on hand | 24,988 | - | - | - | - | - | 24,988 |
| Debt investments at fair value through profit or loss | 2,841 | - | - | - | - | - | 2,841 |
| Securities purchased under agreements to resell | 15,823 | - | - | - | - | - | 15,823 |
| Premium receivables | 37,019 | - | - | - | - | 4,443 | 41,462 |
| Reinsurance receivables | 7,639 | - | - | - | - | 132 | 7,771 |
| Interest receivables | 18,240 | - | - | - | - | - | 18,240 |
| Policy loans | 64,941 | - | - | - | - | - | 64,941 |
| Term deposits | 196,565 | - | - | - | - | - | 196,565 |
| Available-for-sale debt investments | 299,902 | - | - | - | - | 3,055 | 302,957 |
| Held-to-maturity financial assets | 383,357 | - | - | - | - | 195 | 383,552 |
| Investments classified as loans and receivables | 403,005 | - | - | - | - | 65 | 403,070 |
| Restricted statutory deposits | 6,858 | - | - | - | - | - | 6,858 |
| Others | 14,821 | - | - | - | - | 108 | 14,929 |
| Total | 1,475,999 | - | - | - | - | 7,998 | 1,483,997 |

| | 31 December 2020 | | | | | | |
|---|--------------------------|---------------------------|---------------|-------------------|---------------------------------|---|-----------|
| | Not due and not impaired | Past due but not impaired | | | Total past due but not impaired | Financial assets with impairment considered | Total |
| | | Less than 30 days | 31 to 90 days | More than 90 days | | | |
| Cash at bank and on hand | 20,878 | - | - | - | - | - | 20,878 |
| Debt investments at fair value through profit or loss | 3,119 | - | - | - | - | - | 3,119 |
| Securities purchased under agreements to resell | 14,327 | - | - | - | - | - | 14,327 |
| Premium receivables | 19,470 | - | - | - | - | 2,222 | 21,692 |
| Reinsurance receivables | 8,068 | - | - | - | - | 112 | 8,180 |
| Interest receivables | 20,563 | - | - | - | - | - | 20,563 |
| Policy loans | 62,364 | - | - | - | - | - | 62,364 |
| Term deposits | 192,966 | - | - | - | - | - | 192,966 |
| Available-for-sale debt investments | 312,546 | - | - | - | - | 3,242 | 315,788 |
| Held-to-maturity financial assets | 329,129 | - | - | - | - | 231 | 329,360 |
| Investments classified as loans and receivables | 380,033 | - | - | - | - | 141 | 380,174 |
| Restricted statutory deposits | 6,858 | - | - | - | - | - | 6,858 |
| Others | 14,011 | - | - | - | - | 265 | 14,276 |
| Total | 1,384,332 | - | - | - | - | 6,213 | 1,390,545 |

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

| | 30 June 2021 | | | | | |
|---|-----------------------|---------------|--------------|--------------|---------|-----------|
| | On demand/ Overdue | Within 1 year | 1 to 5 years | Over 5 years | Undated | Total |
| Financial assets: | | | | | | |
| Cash at bank and on hand | 22,607 | 2,384 | - | - | - | 24,991 |
| Financial assets at fair value through profit or loss | 61 | 616 | 2,033 | 1,717 | 8,010 | 12,437 |
| Derivative financial assets | - | 7 | 170 | - | - | 177 |
| Securities purchased under agreements to resell | - | 15,830 | - | - | - | 15,830 |
| Premium receivables | 10,573 | 19,678 | 11,337 | 1,019 | - | 42,607 |
| Reinsurance receivables | - | 7,907 | 34 | 5 | - | 7,946 |
| Policy loans | - | 66,653 | - | - | - | 66,653 |
| Term deposits | - | 24,988 | 176,740 | - | - | 201,728 |
| Available-for-sale financial assets | 291 | 46,363 | 159,075 | 279,684 | 283,970 | 769,383 |
| Held-to-maturity financial assets | - | 21,864 | 109,813 | 592,722 | - | 724,399 |
| Investments classified as loans and receivables | - | 41,995 | 263,951 | 212,727 | - | 518,673 |
| Restricted statutory deposits | - | 1,262 | 6,221 | - | - | 7,483 |
| Others | 1,997 | 11,403 | 1,779 | - | - | 15,179 |
| Sub-total | 35,529 | 260,950 | 731,153 | 1,087,874 | 291,980 | 2,407,486 |

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

| | 30 June 2021 | | | | | Total |
|---|--------------|---------------|--------------|--------------|---------|-----------|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | |
| Financial liabilities: | | | | | | |
| Securities sold under agreements to repurchase | - | 103,066 | - | - | - | 103,066 |
| Commission and brokerage payable | 1,039 | 2,522 | 1,102 | 100 | - | 4,763 |
| Reinsurance payables | - | 9,176 | 435 | - | - | 9,611 |
| Claims payable | 21,619 | - | - | - | - | 21,619 |
| Policyholder dividend payable | 22,719 | - | - | - | - | 22,719 |
| Policyholders' deposits and investment contract liabilities | - | 11,509 | 33,484 | 119,619 | - | 164,612 |
| Bonds payable | - | 505 | 2,326 | 11,158 | - | 13,989 |
| Lease liabilities | - | 1,286 | 1,990 | 224 | - | 3,500 |
| Others | 1,128 | 29,693 | - | - | - | 30,821 |
| Sub-total | 46,505 | 157,757 | 39,337 | 131,101 | - | 374,700 |
| Net amount | (10,976) | 103,193 | 691,816 | 956,773 | 291,980 | 2,032,786 |

| | 31 December 2020 | | | | | Total |
|---|-----------------------|---------------|--------------|--------------|---------|-----------|
| | On demand/ Overdue | Within 1 year | 1 to 5 years | Over 5 years | Undated | |
| Financial assets: | | | | | | |
| Cash at bank and on hand | 19,742 | 1,136 | - | - | - | 20,878 |
| Financial assets at fair value through profit or loss | 61 | 542 | 2,854 | 1,396 | 7,846 | 12,699 |
| Derivative financial assets | - | 4 | 136 | - | - | 140 |
| Securities purchased under agreements to resell | - | 14,334 | - | - | - | 14,334 |
| Premium receivables | 5,111 | 6,129 | 10,382 | 725 | - | 22,347 |
| Reinsurance receivables | - | 8,345 | - | - | - | 8,345 |
| Policy loans | - | 63,980 | - | - | - | 63,980 |
| Term deposits | - | 42,809 | 173,326 | 156 | - | 216,291 |
| Available-for-sale financial assets | 241 | 40,927 | 167,704 | 285,804 | 258,720 | 753,396 |
| Held-to-maturity financial assets | - | 23,717 | 104,517 | 483,906 | - | 612,140 |
| Investments classified as loans and receivables | - | 38,025 | 255,852 | 198,146 | - | 492,023 |
| Restricted statutory deposits | - | 1,201 | 6,525 | - | - | 7,726 |
| Others | 1,711 | 11,198 | 1,619 | - | - | 14,528 |
| Sub-total | 26,866 | 252,347 | 722,915 | 970,133 | 266,566 | 2,238,827 |

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

| | 31 December 2020 | | | | | Total |
|---|------------------|---------------|--------------|--------------|---------|-----------|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | |
| Financial liabilities: | | | | | | |
| Securities sold under agreements to repurchase | - | 91,024 | - | - | - | 91,024 |
| Commission and brokerage payable | 697 | 1,823 | 1,385 | 98 | - | 4,003 |
| Reinsurance payables | - | 5,201 | 300 | - | - | 5,501 |
| Claims payable | 21,825 | - | - | - | - | 21,825 |
| Policyholder dividend payable | 24,351 | - | - | - | - | 24,351 |
| Policyholders' deposits and investment contract liabilities | - | 10,116 | 29,173 | 107,421 | - | 146,710 |
| Bonds payable | - | 505 | 2,276 | 11,460 | - | 14,241 |
| Lease liabilities | - | 1,434 | 2,206 | 285 | - | 3,925 |
| Others | 1,348 | 28,030 | - | - | - | 29,378 |
| Sub-total | 48,221 | 138,133 | 35,340 | 119,264 | - | 340,958 |
| Net amount | (21,355) | 114,214 | 687,575 | 850,869 | 266,566 | 1,897,869 |

3. Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

XIII. RISK MANAGEMENT (continued)

4. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of assets and liabilities matching.

5. Capital management risk

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the "Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC".

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to the above solvency rules:

| Group | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Core capital | 502,945 | 500,766 |
| Actual capital | 512,945 | 510,766 |
| Minimum required capital | 183,533 | 177,288 |
| Core solvency margin ratio | 274% | 282% |
| Comprehensive solvency margin ratio | 279% | 288% |

| CPIC Property | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Core capital | 45,496 | 44,208 |
| Actual capital | 55,496 | 54,208 |
| Minimum required capital | 20,296 | 19,672 |
| Core solvency margin ratio | 224% | 225% |
| Comprehensive solvency margin ratio | 273% | 276% |

XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

| CPIC Life | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Core capital | 378,045 | 377,203 |
| Actual capital | 378,045 | 377,203 |
| Minimum required capital | 161,640 | 155,860 |
| Core solvency margin ratio | 234% | 242% |
| Comprehensive solvency margin ratio | 234% | 242% |

| CPIC Health | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Core capital | 1,358 | 1,294 |
| Actual capital | 1,358 | 1,294 |
| Minimum required capital | 823 | 949 |
| Core solvency margin ratio | 165% | 136% |
| Comprehensive solvency margin ratio | 165% | 136% |

| PAAIC | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| Core capital | 1,884 | 1,821 |
| Actual capital | 1,884 | 1,821 |
| Minimum required capital | 585 | 614 |
| Core solvency margin ratio | 322% | 297% |
| Comprehensive solvency margin ratio | 322% | 297% |

XIV. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 5 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

XIV. STRUCTURED ENTITIES (continued)

As at 30 June 2021, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

| | 30 June 2021 | | | | |
|--|--------------|-------------------------------|------------------------------|---|--------------------------------------|
| | Size | Funding provided by the Group | The Group's maximum exposure | Carrying amount of the Group's investment | Interest held by the Group |
| Pension funds and endowment insurance products managed by related parties | 350,936 | - | - | - | Management fee |
| Insurance asset management products managed by related parties | 378,715 | 140,054 | 140,809 | 140,150 | Investment income and management fee |
| Securities investment funds managed by related parties | 53,646 | 9,874 | 10,186 | 10,186 | Investment income and management fee |
| Insurance asset management products managed by third parties | Note 1 | 116,342 | 119,498 | 119,166 | Investment income |
| Trust products managed by third parties | Note 1 | 143,281 | 143,215 | 142,911 | Investment income |
| Bank wealth management products and asset management products managed by third parties | Note 1 | 3,336 | 3,490 | 3,490 | Investment income |
| Securities investment funds managed by third parties | Note 1 | 48,400 | 58,999 | 58,998 | Investment income |
| Total | | 461,287 | 476,197 | 474,901 | |

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are included in wealth management products, funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products, funds and other equity investments under available-for-sale financial assets, debt investment plans and wealth management products under investments classified as loans and receivables, and long-term equity investments.

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 33).

The Group's financial assets mainly include cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities and bonds payable, etc.

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

| | 30 June 2021 | | 31 December 2020 | |
|---|-----------------|------------|------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets: | | | | |
| Held-to-maturity financial assets | 383,552 | 405,924 | 329,360 | 348,481 |
| Investments classified as loans and receivables | 403,070 | 403,120 | 380,174 | 380,235 |
| Financial liabilities: | | | | |
| Bonds payable | 9,993 | 10,813 | 9,991 | 10,571 |

The Group has not disclosed fair values for certain policyholders' deposits and investment contract liabilities with discretionary participation features ("DPF") because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

XVI. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

| | 30 June 2021 | | | |
|---|--------------|---------|---------|------------------|
| | Level 1 | Level 2 | Level 3 | Total fair value |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Stocks | 33 | - | - | 33 |
| - Funds | 561 | 201 | - | 762 |
| - Bonds | 2,371 | 393 | - | 2,764 |
| - Others | - | 362 | 8,332 | 8,694 |
| | 2,965 | 956 | 8,332 | 12,253 |
| Available-for-sale financial assets | | | | |
| - Stocks | 124,121 | 2,238 | - | 126,359 |
| - Funds | 42,764 | 30,129 | - | 72,893 |
| - Bonds | 21,895 | 276,820 | 2,015 | 300,730 |
| - Others | - | 13,885 | 99,601 | 113,486 |
| | 188,780 | 323,072 | 101,616 | 613,468 |
| Derivative financial assets | - | 176 | - | 176 |
| Assets for which fair values are disclosed | | | | |
| Held-to-maturity financial assets (Note XV) | 7,819 | 398,105 | - | 405,924 |
| Investments classified as loans and receivables (Note XV) | - | 2,050 | 401,070 | 403,120 |
| Investment properties (Note VII 14) | - | - | 11,522 | 11,522 |
| Liabilities for which fair values are disclosed (Note XV) | | | | |
| Bonds payable | - | - | 10,813 | 10,813 |

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

| | 31 December 2020 | | | |
|---|------------------|---------|---------|------------------|
| | Level 1 | Level 2 | Level 3 | Total fair value |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Stocks | 70 | - | - | 70 |
| - Funds | 307 | 108 | - | 415 |
| - Bonds | 2,596 | 502 | - | 3,098 |
| - Others | - | 228 | 8,662 | 8,890 |
| | 2,973 | 838 | 8,662 | 12,473 |
| Available-for-sale financial assets | | | | |
| - Stocks | 120,263 | 6,953 | - | 127,216 |
| - Funds | 37,688 | 26,046 | - | 63,734 |
| - Bonds | 16,661 | 295,319 | 2,038 | 314,018 |
| - Others | - | 9,752 | 81,438 | 91,190 |
| | 174,612 | 338,070 | 83,476 | 596,158 |
| Derivative financial assets | - | 140 | - | 140 |
| Assets for which fair values are disclosed | | | | |
| Held-to-maturity financial assets (Note XV) | 6,452 | 342,029 | - | 348,481 |
| Investments classified as loans and receivables (Note XV) | - | 2,110 | 378,125 | 380,235 |
| Investment properties (Note VII 14) | - | - | 11,470 | 11,470 |
| Liabilities for which fair values are disclosed (Note XV) | | | | |
| Bonds payable | - | - | 10,571 | 10,571 |

For the six months ended 30 June 2021, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bond securities between Level 1 and Level 2. For the six months ended 30 June 2021, the Group transferred the bond securities with a carrying amount of RMB 4,682 million from Level 1 to Level 2 and RMB 12,254 million from Level 2 to Level 1. In 2020, the Group transferred the bond securities with a carrying amount of RMB 14,263 million from Level 1 to Level 2 and RMB 9,139 million from Level 2 to Level 1.

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

| | 30 June 2021 | | | | | | End of period |
|---|---------------------|----------|----------|--------------------------|--|--|---------------|
| | Beginning of period | Increase | Decrease | Transferred from Level 3 | Gains or losses recognised in profit or loss | Net unrealised gains /(losses) recognised in other comprehensive income/(loss) | |
| Financial assets at fair value through profit or loss | | | | | | | |
| - Wealth management products | 18 | 48 | - | - | 1 | - | 67 |
| - Debt investment plans | 3 | 7 | - | - | - | - | 10 |
| - Other equity investments | 8,641 | - | (374) | - | (12) | - | 8,255 |
| Available-for-sale financial assets | | | | | | | |
| - Preferred shares | 13,131 | - | (600) | - | - | 34 | 12,565 |
| - Other equity investments | 68,306 | 18,763 | (1,173) | (648) | 6 | 1,330 | 86,584 |
| - Finance bonds | 2,039 | 10 | - | - | (24) | (10) | 2,015 |
| - Wealth management products | - | 452 | - | - | - | - | 452 |

| | 31 December 2020 | | | | | | End of year |
|---|-------------------|----------|----------|------------------------|--|--|-------------|
| | Beginning of year | Increase | Decrease | Transferred to Level 3 | Gains or losses recognised in profit or loss | Net unrealised gains recognised in other comprehensive income/(loss) | |
| Financial assets at fair value through profit or loss | | | | | | | |
| - Wealth management products | 11 | 7 | - | - | - | - | 18 |
| - Debt investment plans | 3 | - | - | - | - | - | 3 |
| - Other equity investments | 595 | 8,034 | - | - | 12 | - | 8,641 |
| Available-for-sale financial assets | | | | | | | |
| - Preferred shares | 13,621 | - | (499) | - | - | 9 | 13,131 |
| - Other equity investments | 49,181 | 25,271 | (7,871) | - | (157) | 1,882 | 68,306 |
| - Finance bonds | 1,974 | 253 | - | - | (197) | 9 | 2,039 |

XVI. FAIR VALUE MEASUREMENT (continued)

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 3.35% to 7.80%, etc.

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

XVII. EVENTS AFTER THE BALANCE SHEET DATE

In July 2021, many parts of Henan were hit by flash flooding which caused major casualties and property losses, and the Group had kept close watch on it. As at the date of approval of these financial statements, the collection and collation of relevant information are still in progress. The Group will continue monitoring the development of the catastrophe and respond properly.

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

XVIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 27 August 2021.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

| | For the six months ended 30 June 2021 | | |
|--|--|-------------------------------|---------|
| | Weighted average return on net assets (%) | Earnings per share (RMB Yuan) | |
| | | Basic | Diluted |
| Net profit attributable to shareholders of the parent | 7.8% | 1.80 | 1.80 |
| Net profit attributable to shareholders of the parent net of non-recurring profit or loss | 7.8% | 1.79 | 1.79 |

The Company had no dilutive potential ordinary shares during the six-month period ended 30 June 2021.

| | For the six months ended 30 June 2020 | | |
|--|--|-------------------------------|---------|
| | Weighted average return on net assets (%) | Earnings per share (RMB Yuan) | |
| | | Basic | Diluted |
| Net profit attributable to shareholders of the parent | 7.7% | 1.57 | 1.57 |
| Net profit attributable to shareholders of the parent net of non-recurring profit or loss | 7.7% | 1.56 | 1.56 |

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

| | For the six months ended 30 June 2021 | For the six months ended 30 June 2020 |
|---|---------------------------------------|---------------------------------------|
| Net profit attributable to shareholders of the parent | 17,304 | 14,239 |
| Add/(Less): Non-recurring profit or loss items | | |
| Government grants recognised in current profit or loss | (128) | (133) |
| Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment | (1) | (1) |
| Custody fees of entrusted operation | (21) | - |
| Other net non-operating income and expenses other than aforesaid items | (14) | 25 |
| Effect of income tax relating to non-recurring profit or loss | 43 | 30 |
| Net profit less non-recurring gains | 17,183 | 14,160 |
| Less: Net non-recurring profit or loss attributable to non- controlling interests | 1 | 3 |
| Net profit attributable to shareholders of the parent net of non-recurring profit or loss | 17,184 | 14,163 |

II. DESCRIPTION OF THE DIFFERENCE BETWEEN PREPARATION OF THE FINANCIAL STATEMENTS UNDER PRC GAAP AND HKFRS

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

The Group has also prepared the interim condensed consolidated financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs").

The net profit for the six months ended 30 June 2021 and that for the six months ended 30 June 2020, and the shareholders' equity as at 30 June 2021 and that as at 31 December 2020 listed in the consolidated financial statements prepared by the Group in accordance with CASs and disclosure requirements are the same as those listed in the interim condensed consolidated financial information prepared by the Group in accordance with HKFRSs.



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