Summary of Q & A of 2019 Annual Results Announcement

(March 2020, Shanghai)

1.Q: Shanghai is pushing forward regional SOE reform, and given this policy support, what is your plan next step in promoting market-based reform of the company?

A: Shanghai is leading in China’ s SOE reform. Many of Shanghai’ s listed SOEs have adopted the professional manager system. The direction is to be more opened-up and market-oriented. As company ownership becomes more diversified, the board of directors will be more market-oriented, more professional and more international. This would underpin the long-term development of a company. With the support of government agencies and our major shareholders, we launched the GDR issuance, with SGM passing relevant resolutions. We will finish the issuance ASAP when conditions are suitable.

Apart from establishing the professional manager system, another priority is long-term incentives for core personnel, especially if you want to achieve further development. With the guidance of Shanghai State-asset Supervisory Commission, we have set up a special working group, headed by Group Senior VP to study and advance this agenda. We hope the innovation will provide a solution to the establishment of long-term incentive system.

2.Q: The Company’s 2019 net profits recorded high growth, while OPAT grew more steadily. Could you explain what are the determining factors of your dividend level?

A: First, since our IPO, DPS has been on steady increase, and in the past 3 years, it was RMB0.8, RMB1.0 and RMB1.2 respectively, showing our commitment to shareholder return. Besides, 1.2 yuan corresponds to an almost record level dividend yield.

Second, our dividend policy focuses on stability and sustainability. Accounting profits of life insurance business can be much impacted by interest rate movements and equity market performance, and therefore can be highly volatile. When we set the dividend level of 2019, we not only considered accounting profits for the period, but also stability and sustainability in the ensuring years.

Third, we started to disclose OPAT in 2019 Interim, which is a better measure of actual business performance. Going forward, we will take into consideration OPAT, accounting profits and solvency margin ratios when determining the dividend levels.

3.Q: About OPAT, could you elaborate on the amortization of residual margin, operating variance and its impact on OPAT and changes to assumptions ? What is you guidance for OPAT growth in 2020?

A: About the composition of OPAT, residual margin amortization and operating variance work on each other, and are usually bundled in analysis, and as such, the growth was double digits. In 2019, we did not change the comprehensive premium or tail premium. We adjusted the anti-cyclical premium. Previously we made changes to this using points, and for 2019 we used average of curves to be better aligned with profiles of liabilities. We expect a double digit OPAT growth for 2020.

4.Q: EV sensitivity is non-lineal. Under the scenario of 4% and 10% for long-term investment yield assumption and RDR respectively, what is the sensitivity of EV?

A: We have done some preliminary analysis, which shows that if investment return and RDR both fell by 100bp, on a static basis, Group EV would drop by about 12%.

5.Q: What progress did the Company make in 2019 in digital empowerment? In the face of the epidemic, what is your plan of on-line business operation? Size of investment? Any long-term plan in digital empowerment?

A：In 2019, our work on digital empowerment mainly centred on 6 areas: first is formulation of a new IT Strategic Plan, with blueprints of objectives; second is optimization of IT governance and moving downstream the development of business applications for subsidiaries; third is step-up of proprietary development of IT systems, and we became the first insurance company which passed the certification of CMMI5 and 7MMI5; fourth is upgrade of the distributional core business systems of CPIC Life and CPIC P/C, which supported response to hundreds of millions of customers within seconds; fifth is the construction of the third data center in Luojing, putting in place our own cloud underpinned by 3 centers in Shanghai and Chengdu; sixth is continuing to integrate customer interfaces and improve CPIC App.

In the face of the epidemic, we conducted on-line operation systematically, making full use of technology to provide the entire business processes on-line, covering product sales, claims settlement, premium payment, insurance policy loans and health checks. As of March 10, we cumulatively issued 25.17 million polices, conducted post-sales service involving 5.72 million insurance policies, handled on-line self-service claims of 104 thousand cases for automobile insurance, and our Group-level AI platform provided 32.69 million smart responses, mainly to assist life insurance agents, insurance applicants and the insured in long-distance ID verification, and support long-distance underwriting of P/C division in ID service.

The plan for the future mainly includes 3 aspects: first is going on-line for the entirety of business, including diversification of on-line applications to improve connectivity and making self-service more convenient; second is to deepen digitalization. Going forward, we will focus more on big data service capabilities, continue to strengthen data mining to support customer insights, and strive for breakthroughs in customer segmentation, product customization, targeted marketing, cross-sell and operational improvement of risk control; third is extension of customer service value-chain.

Based on the needs of our customers throughout their life cycles, we will build integrated virtual communities for car users, health care & retirement, and smart life, fostering smart operation capabilities centering on personalization.

6.Q: What is current status of the GDR issuance?

A: Basically it is proceeding in an orderly manner. First, the plan will go ahead. The 8th board of directors set the strategic vision of "industry leadership for healthy and steady development". Continuously improving governance is indispensable to fulfilling the vision, ensuring execution of company strategies and its healthy development. Second, related work is proceeding in an orderly way, including regulatory filing with domestic and overseas regulatory bodies like the FCA in the UK, and investor marketing. Third, company management is adapting to this challenging market environment and is confident of the company's ability to seize the opportunities of China's insurance market and create value for shareholders. Fourth, current market conditions and in particular the epidemic did have impact on the window of issuance. We believe that as the outbreak gets under control, and market confidence is restored, there will be an appropriate timing for us to finish the issuance.

7.Q: Your share price has been weak amid volatile market environment. What is management's view on this? Any steps to shore up share price performance?

A: The recent fall of the insurance sector including CPIC was the result of many factors, particularly wild swings of overseas stock markets and the spread of scare. Our stock prices deviated from company fundamentals. We believe that with the recovery of market confidence, the deviation will be gradually corrected.

We always put business quality first, and investing in CPIC is investing in a firm that focuses on quality. Our quality is manifest in good business mix and strong profitability. In recent years, our fundamentals remained stable. For example, life insurance residual margin, an indicator of the size of profits to be released, grew steadily, with a 3-year CAGR of 24.1%. The combined ratio of property and casualty business, a measure of the underwriting profitability continuously improved. Our investment yields covered cost of liabilities. China's insurance market boasts strong long-term growth potential, and as a market leading company, CPIC is well-positioned to benefit from this.

In terms of valuation, since our IPO, EV per share continued to increase, and reached RMB43.7 in 2019. We are committed to generating returns to our shareholders, with an average pay-out ratio of 47.3% since IPO. In 2019, the board recommended a DPS of 1.2 yuan, and this means a very attractive dividend yield.

8.Q: What is the guidance for the 2020 NBV growth? Does the management believe that through effort the Company can deliver a positive growth rate?

A: Admittedly, the epidemic did have a profound adverse impact on the traditional operational model of life insurance business. But in a way it also compels us to explore a new model integrating on-line and off-line. As a matter of fact, it proved to be a stimulus to the organization and the morale. We will try our best to deploy on-line operational procedures via technology. Now the agency force management, including on-line attendance rate and activity ratio, is at normal levels, and we are stepping up on-line recruitment. The pandemic is very good education of the public about insurance, and we think health insurance will have a particularly great opportunity. We will seize this opportunity to accelerate transformation and sales force upgrading.

In terms of current business status, with the outbreak under control, we are on track towards recovery, including some off-line management activities. Business development will eventually return to normal. In spite of challenges, we are still confident, and will do our best to minimize the impact on annual objectives.

9.Q: You put forward the long-term strategy to improve agency force quality at last year's Investor Day. What is the current status? Given the pandemic, how do you plan to go about this strategy?

A: We floated the strategy of building the 3 key segments of the agency force, i.e., the core manpower, ultra high-performing agents and new generation agents. Things are now well underway, and that is also a top priority Transformation project at Group level.

We have finished formulation of road-maps, and concrete implementation measures, and are pushing forward the project according to plan. The coronavirus outbreak has direct impact on life insurance companies, and in particular their traditional face-to-face sales model. Of course, it also compelled us to accelerate the pace of transformation. Going forward, we will continue to foster the integration of online and offline, in areas of agency force management and customer engagement. In the future, even when things return to normal, we believe this new model, where online and offline each utilizing its own strengths, will persist, meaning an all-around upgrading of the traditional life insurance operational mode.

10.Q: What is the impact of the coronavirus outbreak on your property and casualty insurance business?

A: The impact is both positive and negative. It is negative in three ways: first is on incremental growth, such as new sales and new construction; second is on traffic, like people traffic, with restrictions on flow of people having a profound impact on PA insurance, or goods traffic, with road lock-downs severely impacting cargo insurance; third is relating to disease control measures, which led to shut-down of businesses and less demand for insurance.

The impact can also be seen from industry premium growth for the first 2 months of this year, which was very weak.

We held up relatively well due to the following factors: first is previous effort in transformation. In response to changes of market conditions during the epidemic, we launched a series of on-line tools which were developed earlier on in transformation. Second is development of a series of risk solutions in response to needs of governments and firms to resume business, which were well received by many local governments and large companies. We seized business opportunities arising from the epidemic. I believe with the effective control of the outbreak, the property and casualty insurance market will also return to normal.

11.Q: It has been over a year since the third round of commercial auto insurance reform was launched. In your opinion, how will the reform evolve going forward and how will this impact your auto insurance business?

A: CBIRC hosted a press conference last year on auto insurance reform. Because of the epidemic, the agenda may be postponed, but the overall direction for comprehensive reform will not change. At this moment it is difficult to assess the impact, as there is no official information about the particulars.

Earlier reform shows that in Guangxi, Shanxi and Qinghai, loss ratios went up a lot, as premiums came down, causing uncertainty. On the other hand, as the loss ratio goes up and regulation is intensified, industry players have been compelled to adapt and seek changes. We have done many preparations about the "basics" in the context of our transformation. First is accurate pricing, putting in place a comprehensive, scientific and systematic pricing model, which has been tested and greatly improved our risk selection capabilities. Second is optimization of resources allocation to improve input-and-output ratio. In recent years we have developed many new tools and systems which were used extensively and helped to boost efficiency in resource allocation. Third is the focus on customer acquisition and retention, evidenced by marked increase in renewal ratio.

In a nutshell, the introduction of comprehensive reform will have a major impact on the automobile insurance market, and given our past success and preparations, we are confident of our ability to adapt to it.

12.Q: The epidemic disrupted non-auto business. Considering the slow-down of China's economic activity in

the rest of the year, do you think you can still make up for the loss in the remaining months of the year?

A: On one hand, because of shut-downs, economic activity halted, reducing demand for insurance. On the other hand, with the situation getting under control, the need for business resumption increases, leading to new demand for insurance. This has been proved by the popularity of a series of risk solutions we developed to support society and firms in their effort to resume normal business. The demand is big and we are well prepared to seize this opportunity.

To be specific, transformation in non-auto business centers on breakthroughs in 3 new areas. First is agricultural insurance, which boasted the 3rd largest market share as of the end of 2019 after years of continuous effort. So far into this year, it has maintained the strong momentum of growth. The second area relates to social administration such as liability insurance for work-place safety and environmental pollution, with rapid growth and decent profitability. Third is personal lines business such as health and personal accident, which has been growing by leaps and bounds. With the end of the pandemic, I believe the non-auto market will return to normal, and given our success in transformation, we are confident of maintaining the strong momentum for high-quality development.

13.Q: How do you cope with lower long-term interest rates in investment?

A: The epidemic has had a profound impact on global economy, with steep decrease in long-term interest rates. In asset allocation, first of all, on the fixed income market, as more money is hedging risks, there is mounting pressure on bond yields in a context of monetary easing. For insurance money, safety and predictable yields are our top priority, so most of our assets will remain in fixed income. We will not lower credit-ratings to pursue high yields. Of course, we will step up allocation in long-duration Treasury bonds and products with high credit-ratings.

As for the equity securities, the A-share market fell sharply due to the impact of overseas markets. The US market experienced 4 circuit breaks recently, mainly because of 3 factors: correction of high valuation, reduction in high leverage and concussion of similar investment strategies. China’s stock market, by contrast, after de-leveraging and risk prevention in the past few years, is mostly healthy, measured by certain indicators like leverage ratios. This was echoed by CSRC chairman last Sunday. So we are confident of the A-share market. Besides, the fall of the market also brings many opportunities for us to invest in undervalued stocks. While persisting in SAA, we will increase the flexibility of TAA to seize these opportunities for long-term benefits.

Another way to improve investment yield is to increase alternative assets, via direct investments in health care and retirement, or indirect investment such as industry equity funds, which will support the insurance business and also deliver decent yields.

14.Q: What is the rationale behind the flurry of activities in Jupai the A-share market in 2019?

A: We persist in value, long-term and prudent investing, with asset allocation stretching across economic cycles. The recent volatility of equity markets actually presented a rare opportunity for long-term and value investors. Of course, our investment philosophy remains unchanged. We will focus on opportunities arising from national initiatives such as Integration of the Yangtze River Delta Region and New Areas of Shanghai Free Trade Zone, and may also do some relatively concentrated investments in key regions and sectors, with timely information disclosure as required by laws and regulations.

I would also like to take this opportunity to clarify one thing. The investment in Shanghai Lingang on the A-share market is Jupai in the true sense of the term, whilst the so-called Jupai on the H-share market is merely equity filing, due to differences in listing rules. Under H-share rules, the acquisition of 5% of a company’s H-shares in circulation alone, instead of total A+H shares, would trigger an equity declaration, and this is also referred to as Jupai. Our investments in H-share market so far represented only a small percentage of the stock’s total share capital, and it is not the same Jupai as that in the domestic market.