

中国太平洋保险（集团）股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

2022 Annual Report

(Trading Symbol: CPIC)

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Financial Reports

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

II. The Company's 2022 Annual Report was considered and approved at the 23rd session of the 9th board of directors on 24 March 2023, which 14 directors were required to attend and all of them attended in person. For the purposes of the United Kingdom's Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.1.12(3), each of the directors of the Company named in the section "Directors, supervisors and senior management" of this report, to the best of his or her knowledge, confirm that: (1) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and (2) the annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

III. Ernst & Young Hua Ming LLP audited the 2022 financial statements of the Company and issued the standard unqualified auditor's report.

IV. Mr. KONG Qingwei (person in charge of the Company), Mr. ZHANG Yuanhan (principal in charge of accounting and chief actuary) and Ms. XU Zhen (head of the Accounting Department) warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.

V. The profit distribution for 2022 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.02 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of

dividend in aggregate will be RMB9,812,748,284.10. The remaining retained profits will be carried forward to 2023. No capital reserve was transferred to the share capital during the year. The above-said profit distribution plan is to be approved at the shareholders' general meeting.

VI. The Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and other Group specific risks. For more detail, please refer to the section "Corporate governance" of this report.

VII. There were no funds misappropriated by major shareholders or related parties of the Company.

VIII. The Company did not provide external guarantees in violation of the prescribed decision-making procedures.

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

Corporate information and definitions

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

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

Registered Office: 1 South Zhongshan Road, Huangpu, Shanghai, PR China

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

Postal Code: 200010

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

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):

China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at: <http://www.sse.com.cn>

Announcements for H Share Published at: <http://www.hkexnews.hk>

Announcements for GDR Published at: <http://www.londonstockexchange.com>

Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 中国太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited

Stock Name for H Share: 中國太保

Stock Code for H Share: 02601

Stock Exchange for GDR Listing: London Stock Exchange

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

Trading symbol for GDR: CPIC

Accountant (A Share): Ernst & Young Hua Ming LLP

Office address: Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave.

Dongcheng District, Beijing, PR China

Signing Certified Public Accountants: GUO Hangxiang, WANG Ziqing

Accountant (H Share): Ernst & Young Hua Ming LLP (Recognised PIE Auditor)

Office address: Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave.

Dongcheng District, Beijing, PR China

Accountant (GDR): Ernst & Young Hua Ming LLP

Office address: Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave.

Dongcheng District, Beijing, PR China

Signing Certified Public Accountants: GUO Hangxiang

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. (former CPIC Allianz Health Insurance Co., Ltd., renamed in March 2021), a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Capital”	CPIC Capital Company Limited, a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Technology”	Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
“C-ROSS II”	China Risk Oriented Solvency System Phase II
“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

Business overview

Group Operating Results

Unit: RMB million

	Between January and December in 2020 /as at 31 December 2020	Between January and December in 2021 /as at 31 December 2021	Between January and December in 2022 /as at 31 December 2022	2021vs 2020 (%)	2022vs2021 (%)
Group operating income	422,182	440,643	455,372	4.4	3.3
Group OPAT ^{notes 1,2}	31,140	35,346	40,115	13.5	13.5
Group EV	459,320	498,309	519,621	8.5	4.3
Group AuM	2,436,080	2,601,537	2,724,230	6.8	4.7
Total investment yield (%)	5.9	5.7	4.2	(0.2pt)	(1.5pt)
Dividend per share (RMB yuan) ^{note 3}	1.30	1.00	1.02	(23.1)	2.0
Net assets per share (RMB yuan) ^{note 1}	22.37	23.57	23.75	5.4	0.8
Group number of customers ('000) ^{notes 4,5}	148,938	168,393	170,527	13.1	1.3

Notes:

1. Attributable to shareholders of the parent.
2. OPAT is based on net profit on the financial statements, while excluding certain P/L items with short-term volatility and material one-off items which management does not consider to be part of the Company's day-to-day business operation.
3. Subject to SGM approval. Dividends for 2020 included an annual dividend of RMB1.2 per share and a 30th Anniversary special dividend of RMB0.1 per share.
4. 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.
5. Figures as of the end of 2020 have been restated.

Key indicators

Unit: RMB million

GWPs – CPIC Life 225,343 +6.5% GWPs – CPIC P/C 170,377 +11.6% Group operating income 455,372 +3.3%	Group embedded value 519,621 +4.3%
NBV margin of life business 11.6% -11.9pt NBV of life business 9,205 -31.4%	Combined ratio of P/C business^{note 1} 97.3% -1.8pt
Group total investment yield 4.2% -1.5pt Group net investment yield 4.3% -0.2pt Growth rate of Group investments' net asset value 2.3% -3.1pt	Group OPAT attributable to shareholders of the parent 40,115 +13.5%
Group net profit attributable to shareholders of the parent 24,609 -8.3%	CPIC Life ^{note 2} 218% CPIC P/C ^{note 2} 202% Group comprehensive solvency margin ratio^{note 2} 256% -10pt
Group number of customers ('000) 170,527 +2,134	Annual cash dividend^{note 3} RMB1.02 per share (tax included)

Notes:

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

2. On 30 December 2021, CBIRC promulgated Solvency Regulatory Standards (II) of Insurance Companies, which entered into force on Jan. 1, 2022. Figures as of 31 December 2022 were based on new capital rules, while those as at the end of 2021 were based on previous solvency standards.

3. Subject to SGM approval.

Core Competitiveness

We are a leading integrated insurance group in China, ranking 182nd among Fortune Global 500 released in 2022. We are committed to long-term value growth, stay focused on the core business of insurance, pursue reform and transformation in key areas and levers, and strive for continued progress in high-quality development. We have achieved steady growth of business results, secure market standings, sustained improvement of overall strength, and made increased contribution to China's social and economic development and people's well-being.

Focus

We persist in the focus on insurance, and have obtained a full range of insurance-related licenses 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 re-engineer the insurance value chain of “products + services”, with enhanced capabilities in specialised insurance business operation. Our life/health insurance business deepens the Changhang Transformation to drive the shift of development model, with steady progress of the new Basic Law (i.e., Rules on Management and Compensation of Life Insurance Agents), and roll-out of Career-based Agency Force and Value-oriented Bancassurance in an orderly manner. The property and casualty insurance serves the New Development Pattern, enhances risk selection, deepens management of individual customer resources, and improves the business model for government/corporate clients, with steady improvement in customer resources management (CRM). As for investment, we adhere to value, long-term, prudent and responsible investing, optimise asset liability management (ALM), strengthen investment research capabilities, with industry-leading capabilities in liability-driven strategic asset allocation (SAA) and professional investment expertise.

Prudence

We are committed to prudent business operation, upholding the philosophy of “increasing protection, reducing and mitigating risks and doing insurance for people”. We boast a highly competent board of directors, an experienced management team, with modernised corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. As per latest regulatory requirements, we further enhance the primary responsibility of legal entities in corporate governance, upgrade enterprise risk management (ERM) and compliance and internal control systems, improve the Group-

centralised governance structure, put in place a new C-ROSS II risk management system, vigorously conduct risk reduction programmes to ensure sustained and healthy development of the Company.

Innovation

We persist in customer orientation and forge ahead with transformation in a bid to foster new drivers for high-quality development. Deployment in the health care and elderly care ecosystem gains momentum. With the launch of CPIC Home, CPIC Family Doctor and Yuanshen Rehabilitation, an all-scenario service system is initially in place, covering elderly people, healthy people, people with illnesses and those in need of rehabilitation, with rapid improvement in relevant capabilities. We accelerate the building of the big data system, with the new CPIC Cloud going operational. We step up digital transformation of business management, with continued enhancement of data management capabilities. 78 patents and 61 software copyrights applications were accepted, pointing to enhanced capability for independent R&D. We deepen the Integrated Regional Development Strategy, optimise mechanisms of collaboration in key regions, which in turn will serve as an important driver of high-quality development. We formulate ESG management framework, putting in place ESG management systems and mechanisms to boost sustainable development, building sustainable ALM and investment management systems, while strengthening sustainable operation.

Responsibility

Committed to our responsibility to employees, customers, shareholders and society, we vigorously participate in national initiatives, serve the needs of the real economy and people's aspirations for a better life. We build on proven poverty reduction mechanisms such as Fang Pin Bao to support Rural Invigoration. We vigorously expand inclusive insurance and long-term care to contribute to China's social security system. We improve consumer protection system, build closed-loop mechanisms for customer experience management, with increasing visibility of the brand of "Responsible, Smart and Caring" CPIC Service. We push for innovation in insurance products and services such as those for new energy vehicles, step up investment in clean energy projects, playing our part in green, low-carbon transitioning. We conduct charitable activities as part of our branding, showing care for the vulnerable and underprivileged communities. At the same time, we strive to generate sound returns to our shareholders so that they can benefit from the growth of the Company.

Honours and awards

- CPIC Group was listed among Fortune Global 500 for the 12th consecutive year, ranking 182nd.
- CPIC Group ranked 5th among the World's 100 Most Valuable Insurance Brands in 2022 released by Brand Finance, with a brand value of USD15.77 billion, and its brand strength index moved from AA+ to AAA-.
- CPIC Group was listed among 2022 China ESG 50 released by Forbes China.
- CPIC Group won the Excellence Award for H Share and Red Chip Entries and the Excellence Award in design in the 2022 Best Annual Reports Awards hosted by Hong Kong Management Association.
- Mr. KONG Qingwei, Chairman of CPIC, won the title of “2021-2022 Outstanding Entrepreneur of China” granted by China Enterprise Confederation and China Enterprise Directors Association.
- CPIC P/C won the “2022 China Insurance Ark Award for Value Transformation” and the “2022 China Insurance Ark Award for Service Gold Medal” sponsored by the Securities Times.
- CPIC Life won the “2022 China Insurance Ark Award for Health and Elderly Care” granted by the Securities Times.
- In the “2nd China Insurance Investment Golden Bull Awards” hosted by China Securities Journal, CPIC AMC won the “Golden Bull Award for Insurance Asset Management Companies”. Its CPIC Excellence Fortune Product No.1 (corporate/enterprise bond) and CPIC Excellence Fortune Product No.117 both won the “Golden Bull Award for Portfolio Insurance Asset Management Products (fixed income)”, and CPIC Excellence Fortune Product No.83 won the “Golden Bull Award for Portfolio Insurance Asset Management Products (equity)”.
- CPIC Health won the “2022 China Insurance Ark Award for Innovation” granted by the Securities Times.
- Changjiang Pension won the “Pension Administration Institution of the Year Award” in the 2022 China Financial Value Ranking held by China Business News.
- CPIC Anxin Agricultural won the “2022 China Insurance Ark Award for Rural Invigoration” granted by the Securities Times.

Chairman's statement

Dear shareholders,

Swift fly the years. The past year was fraught with uncertainties. CPIC did not shy away from difficulties, did everything in its power to deliver a solid set of business results, which was particularly valuable given the formidable challenges we faced. GWPs amounted to RMB398.818 billion, a year-on-year growth of 8.7%; Group OPAT attributable to the parent reached RMB40.115 billion, up by 13.5% compared with 2021; as of the end of 2022, Group consolidated total assets stood at RMB2,176.299 billion, an increase of 11.8% from the end of the preceding year, with continued enhancement of overall business operation.

Looking back, we have consistently maintained solid business performance and secure market standings in spite of market conditions, thanks to the hard work, pioneering spirit, and the determination of reform of all my colleagues, which passes on from generation to generation. Our ascendancy to industry leadership epitomises the core values of CPIC: Honesty, Prudence, Pursuit of Excellence, Innovation and winning for all. Today, CPIC has become a leading composite insurance group in China, which not only controls insurance subsidiaries along the entire insurance value chain, but also has deployed in related sectors upstream and downstream, such as health care and elderly care. Over the decades, we have undergone profound transformation, but our core values remain unchanged. We take matters into our own stride, and do what we believe are the right things. Given our commitment to the long-termism, we have made steady progress in establishing the “benchmark” for high-quality development.

We stay focused on value and high-quality development. We adapted to market conditions at different stages, made well-thought-out planning, and identified the best path of sustained value growth across economic cycles. For P/C insurance, we pursued rapid business development on the basis of business quality improvement and sound underwriting profitability, and this business philosophy helped us meet challenges of the auto insurance comprehensive reform, and seize opportunities of new energy vehicles and emerging business areas; on the life insurance front, in the face of slow-down of NBV growth, we strived to diversify distribution channels with the agency channel at the core, which enabled us to capture opportunities of bancassurance; in the face of capital market volatility and deterioration of credit risk, we

adhered to asset allocation based on profiles of liabilities and across macro-economic cycles, with sound and resilient investment performance. At the same time, we continuously optimised the KPI system, giving even more priority to value growth, with steady EV growth and sound return on assets.

We believe in the long-termism, base our business philosophies on fortitude and altruism. We think about the long term and the future when making choices. We respect the inherent development patterns of insurance, make sound strategic planning, explore new development drivers and prepare us strategically for the future. We launched the Changhang Transformation of life insurance business, rolled out the Amended Basic Law. Such measures were intended to resolve precisely the kind of short-termism in agency force management, drive for paradigm shift of the agency force development mode, and promote long-term cooperation, common development of the Company and agents. Since the inception of the transformation, the agency channel has shown encouraging signs, with steady improvement in core manpower productivity and income, and broad-based support for the direction of the reform, namely, career-based development, professionalism and digital empowerment. We uphold sustainable development, implemented corporate social responsibility, pushed for integration of ESG philosophy into corporate values, and for integration of green insurance, green investment and green operation into business practices. In particular, we built the social responsibility “spectrum” of CPIC Blue, CPIC Red, and CPIC Green, doing our part in promoting public welfare of the society.

We persisted in prudent business operation, always bearing in mind risks when doing business. We balanced development and safety, ensuring a “secure footing” of the Company on the right path of development. We paid particular attention to leverage the board in strategic decision-making, continuously enhanced corporate governance in response to the call of the government to promote China’s reform and development. We entrenched “the first line of defense”, pushing for closer integration of risk management and business activity, established Group-wide unified risk control policies and standards, with CPIC P/C, CPIC Life and CPIC Health maintaining leadership in overall risk control capabilities.

We will always move in step with the priorities of the nation, the trends of the time and needs of the people. On the one hand, we will stay committed to our original aspiration and core values, and on the other hand, we will deepen reform and upgrade transformation, continue to enhance presence in core insurance business, deploy to capture emerging business opportunities with a pioneering spirit and targeted measures.

Changing with the advancement of times, we will continue to implement the Health Care Strategy. In particular, on the basis of CPIC Home, CPIC Blue Passport, CPIC Family Doctor, and Yuanshen Rehabilitation, we will continue to diversify deployment in the health value chain so as to build an ecosystem for health management covering the entire life cycle of our customers with industry-leading customer experience. Based on insights into changing customer behaviours, we will make further progress in online customer resources management (CRM), innovation of managed care products and health promotion service. Furthermore, we will focus on talent-pool building in health management, medical care and elderly care, fostering competitiveness based on specialised expertise. Besides, we will expand deployment in the health care value chain, step up empowerment of the insurance business via investment in and establishment of health care industrial equity funds, in a bid to identify and cultivate new growth drivers.

Changing with dynamics of development, we will forge ahead with the Regional Integrated Development Strategy. We will firmly seize opportunities arising from China's regional development policies, improve supportive mechanisms, actively build clusters of partners along the industry value chain in the regions, in order to build a new engine for high-quality development. As for Regional Integrated Development, we will further improve the management system for intra-Group collaboration, and corresponding capacity-building, optimise resources allocation in key regions, deepen the model of headquarters economy, explore integrated product/service system based on customer segmentation, and continue to consolidate our strengths as an insurer with full insurance-related licenses and deployment along the entire value chain.

Changing with trends of the industry, we will push forward the Big Data Strategy. To promote targeted application, we plan to accelerate data concentration and sharing in the

process of investment, production and use of data centres, and the building of data governance mechanisms. This seeks to enhance data-driven customer insights to facilitate smart business decision-making. To boost digital empowerment, we will step up digital transformation of business management based on big data technology, particularly the application of frontier innovation in AI such as ChatGPT, so that technology and innovation can become a sustained driver of our long-term development.

Looking forward, CPIC will firmly adhere to the vision of “industry leadership in healthy and steady development”, respect the inherent development patterns of insurance, pursue progress and excellence while maintaining stability, enhance our insurance service proposition and open a new chapter in our high-quality development.

KONG Qingwei
Chairman of the Board of Directors
CPIC Group

Operating results

Highlights of accounting and operation data

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

Unit: RMB million

Key accounting data	2022	2021	Changes (%)	2020
Operating income ^{note 1}	455,372	440,643	3.3	422,182
Profit before tax	25,176	30,796	(18.2)	29,238
Net profit ^{note 2}	24,609	26,834	(8.3)	24,584
Net profit net of non-recurring profit or loss ^{note 2}	24,505	26,699	(8.2)	24,569
Net cash flows from operating activities	147,911	108,407	36.4	108,063
	31 December 2022	31 December 2021	Changes (%)	31 December 2020
Total assets	2,176,299	1,946,164	11.8	1,771,004
Equity ^{note 2}	228,446	226,741	0.8	215,224

Notes:

1.The operating income in the consolidated financial statements prepared in accordance with the Accounting Standard for Business Enterprises (“CAS”) for 2022 and 2021 is RMB 455,372 million and RMB 440,643 million respectively. Had the consolidated financial statements been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), the total income for 2022 and 2021 would be RMB 448,852 million and RMB 436,331 million respectively. The differences arise because the scope of operating income for presentation in the consolidated financial statements prepared by the Group in accordance with the CAS differ from that of the total income presented in the consolidated financial statements in accordance with HKFRS.

2.Attributable to shareholders of the parent.

Unit: RMB

Key accounting indicators	2022	2021	Changes (%)	2020
Basic earnings per share ^{note 1}	2.56	2.79	(8.3)	2.63
Basic earnings per share net of non-recurring profit or loss ^{note 1}	2.55	2.78	(8.2)	2.63
Diluted earnings per share ^{note 1}	2.56	2.79	(8.3)	2.63
Weighted average return on equity (%) ^{note 1}	10.8	12.2	(1.4pt)	12.6
Weighted average return on equity net of non-recurring profit or loss (%) ^{note 1}	10.8	12.1	(1.3pt)	12.5
Net cash flows per share from operating activities ^{note 2}	15.38	11.27	36.4	11.55
	31 December 2022	31 December 2021	Changes (%)	31 December 2020
Net assets per share ^{note 1}	23.75	23.57	0.8	22.37

Notes:

1.Attributable to shareholders of the parent.

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

Unit: RMB million

Key accounting data by quarter	For the three months from 1 January to 31 March 2022	For the three months from 1 April to 30 June 2022	For the three months from 1 July to 30 September 2022	For the three months from 1 October to 31 December 2022
Operating income	146,554	108,560	105,306	94,952
Net profit ^{note}	5,437	7,864	6,971	4,337

Net profit net of non-recurring profit or loss ^{note}	5,396	7,864	6,957	4,288
Net cash flows from operating activities	52,389	36,466	21,449	37,607

Note: Attributable to shareholders of the parent.

II. Non-recurring items

Unit: RMB million

Non-recurring items	2022
Gains on disposal of non-current assets	24
Government grants recognised in current profit or loss	196
Custody fees of entrusted operation	55
Other net non-operating income and expenses other than aforesaid items	(125)
Effect of income tax relating to non-recurring profit or loss	(45)
Net non-recurring profit or loss attributable to non-controlling interests	(1)
Total	104

Note: As an integrated insurance group, investment is one of the major businesses of the Group. Therefore, the non-recurring items do not include fair value gains/(losses) from financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, etc., as well as investment income from the disposal of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss and available-for-sale financial assets, etc.

III. Other key financial and regulatory indicators

Unit: RMB million

Indicators	31 December 2022/ 2022	31 December 2021/ 2021
The Group		
Investment assets ^{note 1}	2,026,283	1,812,069
Investment yield (%) ^{note 2}	4.2	5.7
CPIC Life		
Net premiums earned	217,808	203,447
Growth rate of net premiums earned (%)	7.1	(0.2)
Net claims	41,683	49,413
Surrender rate (%) ^{note 3}	1.5	1.7
CPIC P/C		
Net premiums earned	143,863	128,803
Growth rate of net premiums earned (%)	11.7	5.7
Net claims	89,281	81,959
Unearned premium reserves	73,134	67,328
Claim reserves	62,276	50,724
Combined ratio (%) ^{note 4}	97.3	99.0
Loss ratio (%) ^{note 5}	68.5	69.6

Notes:

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

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

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

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

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

Review and analysis of operating results

Business overview

I. Key businesses

We are a leading integrated insurance group in China, providing, 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, carry out private equity fund management through CPIC Capital, and also engage in mutual fund management business through CPIC Fund. We provide market-oriented technological empowerment service via CPIC Technology.

In 2022, China's insurance market realised a primary premium income of RMB4.70 trillion, up by 4.6% from 2021. Of this, premiums from life/health insurance companies amounted to RMB3.21 trillion, a growth of 2.8%, and that from property and casualty insurance companies RMB1.49 trillion, up by 8.7%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

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

Unit: RMB million

Balance sheet items	31 December 2022	31 December 2021	Changes (%)	Main reason for the changes
Financial assets at fair value through profit or loss	26,560	12,353	115.0	Increase in the investment
Securities purchased under agreements to resell	21,124	13,432	57.3	Timing difference
Investment properties	11,202	7,514	49.1	Increase in the investment
Construction in progress	2,291	1,714	33.7	Increase in construction development
Deferred income tax assets	8,903	1,998	345.6	Increase in deductible temporary differences
Securities sold under agreements to repurchase	119,665	73,441	62.9	Timing difference
Insurance premium reserves	316	207	52.7	Growth in insurance business

Deferred income tax liabilities	832	3,601	(76.9)	Decrease in taxable temporary differences
Other comprehensive income	6,368	19,655	(67.6)	Fair value changes of AFS financial assets
Income statement items	2022	2021	Changes (%)	Main reason for the changes
Premiums from reinsurance assumed	4,491	3,398	32.2	Change in insurance business
Net change in unearned premium reserves	(4,856)	(2,313)	109.9	Change in insurance business
Share of profits of associates and joint ventures	401	799	(49.8)	Decrease in the investment income
(Losses)/gains arising from changes in fair value	(61)	1,163	(105.2)	Change in market value of financial assets held for trading
Exchange gains/(losses)	1,240	(417)	(397.4)	Fluctuation of exchange rate
Income tax	64	(3,178)	(102.0)	Decrease in taxable income
Other comprehensive income/(loss)	(13,557)	(2,727)	397.1	Fair value changes of AFS financial assets due to capital market fluctuation

Performance overview

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

I. Market environment and steps taken

In 2022, China's economic and social development faced formidable challenges such as profound changes in the international landscape and the downward pressure on China's economy. The insurance market underwent profound transformation. New growth drivers underpinning a new development model are yet to be fully established. On the other hand, industry regulation has been tightening, which requires continued improvement in business management of insurance companies.

In the face of a difficult and complicated market environment, we persisted in high-quality development, took the initiative to business development. On the one hand, we proactively took measures in response to changing environment to ensure safe and stable operation of our core corporate functions. On the other hand, we took matters into our own stride, strengthened the core insurance business to further consolidate our strengths as an insurance group with balanced development of P/C and life insurance business. In particular, CPIC P/C delivered high-quality development at a time when CPIC Life was facing an arduous task in structural reform,

which helped with stable net profit performance on a Group consolidated basis. CPIC Life initiated the Changhang Transformation in an all-around way to drive shift of the development model; CPIC P/C focused on enhancing CRM capabilities, made a great effort to foster new development drivers; asset management continuously optimised ALM mechanisms across economic cycles, and improved capabilities for professional investment. At the same time, we stepped up investments in health care and elderly care, promoted transformation and innovation in key regional development initiatives such as the Greater Bay Area; accelerated the building of the big data system to enhance CPIC Service capabilities.

II. Performance highlights

During the reporting period, Group operating income amounted to RMB455.372 billion, of which, gross written premiums (GWPs) reached RMB398.818 billion, a growth of 8.7% compared with that of 2021. Group net profit^{note 1} reached RMB24.609 billion, down by 8.3%, with Group OPAT^{notes 1,2} of RMB40.115 billion, a growth of 13.5%. Group EV amounted to RMB519.621 billion, an increase of 4.3% from the end of 2021. Of this, value of in-force business^{note 3} reached RMB221.479 billion, up by 4.9%. Life insurance business delivered RMB9.205 billion in new business value (NBV), down by 31.4% compared with that of 2021, with an NBV margin of 11.6%, down by 11.9pt. Property and casualty insurance business^{note 4} recorded a combined ratio of 97.3%, down by 1.8pt. Growth rate of Group investments' net asset value went down by 3.1pt to 2.3%. As of the end of the reporting period, Group total number of customers amounted to 170.53 million, an increase of 2.13 million from the end of 2021.

CPIC Life reported fast growth of new business premiums, with NBV growth improving quarter by quarter

- GWPs of CPIC Life amounted to RMB225.343 billion, up by 6.5%. Of this, new business premiums grew by 35.8%.
- CPIC Life realised RMB9.205 billion in NBV, down by 31.4%. Of this, NBV for the second half of the year grew by 13.5% from the same period of 2021. NBV margin stood at 11.6%, down by 11.9pt.
- OPAT of life insurance reached RMB30.835 billion, up by 9.1%; the residual margin of life insurance amounted to RMB340.162 billion, down by 2.3% from the end of 2021.

Combined ratio of property and casualty business^{note 4} improved considerably, with rapid top-line growth

- The combined ratio was 97.3%, down by 1.8pt. Of this, expense ratio stood at 28.9%, down by 0.4pt, and loss ratio 68.4%, down by 1.4pt.

- GWPs amounted to RMB172.583 billion, an increase of 11.6%. Of this, non-auto business grew by 18.8% and accounted for 43.2% of total property and casualty insurance GWPs, up by 2.6pt.
- Automobile insurance enhanced CRM capabilities, with improved customer retention; non-auto business achieved improvement in business quality, with emerging business lines such as liability insurance, health insurance and agricultural insurance maintaining rapid development.

Persisted in asset allocation based on profiles of liabilities, with resilient investment results in the face of great market volatility

- The share of fixed income investments stood at 73.9%, down by 1.8pt from the end of 2021; that of equity investments 22.0%, up by 0.8pt, and of this, core equity investments^{note 5} accounted for 11.5% of total investment assets, an increase of 0.4pt from the end of 2021.
- Growth rate of Group investments' net asset value reached 2.3%, down by 3.1pt from 2021. Total investment yield was 4.2%, down by 1.5pt, with net investment yield of 4.3%, down by 0.2pt.
- Group AuM amounted to RMB2,724.230 billion, an increase of 4.7% from the end of 2021. Of this, third-party AuM amounted to RMB697.947 billion, a decrease of 11.6%.

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. Stocks and equity funds included.

III. Key performance indicators

Indicators	Unit: RMB million		
	As at 31 December 2022 /for the period between January and December in 2022	As at 31 December 2021 /for the period between January and December in 2021	Changes (%)
Key value indicators			
Group embedded value	519,621	498,309	4.3
Value of in-force business ^{note 1}	221,479	211,096	4.9
Group net assets ^{note 2}	228,446	226,741	0.8
NBV of CPIC Life	9,205	13,412	(31.4)
NBV margin of CPIC Life (%)	11.6	23.5	(11.9pt)
Combined ratio of CPIC P/C (%)	97.3	99.0	(1.7pt)
Growth rate of Group investments' net asset value (%)	2.3	5.4	(3.1pt)
Key operating indicators			
GWPs	398,818	366,782	8.7
CPIC Life	225,343	211,685	6.5

CPIC P/C	170,377	152,643	11.6
Group number of customers ('000)^{notes 3}	170,527	168,393	1.3
Average number of insurance policies per customer	2.29	2.28	0.4
Monthly average agent number ('000)	279	525	(46.9)
Surrender rate of CPIC Life (%)	1.5	1.7	(0.2pt)
Total investment yield (%)	4.2	5.7	(1.5pt)
Net investment yield (%)	4.3	4.5	(0.2pt)
Third-party AuM	697,947	789,468	(11.6)
CPIC AMC	272,412	267,120	2.0
Changjiang Pension	354,349	452,191	(21.6)
Key financial indicators			
Net profit attributable to shareholders of the parent	24,609	26,834	(8.3)
CPIC Life	16,479	18,905	(12.8)
CPIC P/C	8,285	6,352	30.4
Basic earnings per share (RMB yuan)^{note 2}	2.56	2.79	(8.3)
Net assets per share (RMB yuan)^{note 2}	23.75	23.57	0.8
Comprehensive solvency margin ratio (%)^{note 4}			
CPIC Group	256	266	(10pt)
CPIC Life	218	218	-
CPIC P/C	202	288	(86pt)

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. 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. On 30 December 2021, CBIRC promulgated Solvency Regulatory Standards (II) of Insurance Companies, which entered into force on 1 January 2022. Figures as of 31 December 2022 were based on C-ROSS II, while those as at the end of 2021 were based on previous solvency standards.

Life/health insurance business

CPIC Life delivered steady total premium growth, with NBV growth improving quarter by quarter. It pushed forward the Changhang Transformation to drive shift of development model, and has delivered initial success. CPIC Health accelerated the roll-out of a new business model underpinned by “new products, new distribution channels, new technology”, and enhanced capability of as a specialised health insurance provider.

I. CPIC Life

(I) Business analysis

In 2022, in the face of challenging market environment, CPIC Life stayed confident, adhered to high-quality development, focused on the long term, stepped up supply-side reform, and deepened the Changhang Transformation, with resilience in its development and continued

improvement in its business quality. During the reporting period, it reported RMB225.343 billion in GWPs, an increase of 6.5% compared with that of 2021. Of this, new business premiums grew by 35.8%, with growth momentum picking up quarter by quarter; OPAT amounted to RMB30.835 billion, a growth of 9.1%. 13-month policy persistency for individual customers improved by 7.7pt year-on-year, and the surrender ratio down by 0.2pt.

Based on its insights into the life insurance business, the subsidiary firmly implemented the Changhang Transformation, fostered a more “normalised” work mode in sales and recruitment in a bid to achieve more balanced business growth and steady value growth, with EV amounting to RMB398.191 billion as of the end of 2022, rising 5.7% from the end of 2021. During the reporting period, NBV fell by 31.4% to RMB9.205 billion; of this, NBV for the second half of the year grew by 13.5%. NBV margin was 11.6%, down by 11.9pt from 2021, due to channel mix and business mix shifts.

CPIC Life persist in customer-oriented strategies, and strive for a paradigm shift in development through transformation and reform. During the reporting period, we implemented projects such as Career Agency Force, Value-oriented Bancassurance, and Products + Services Systems, with initial success in transformation: first, built a new model for the agency channel, with improvement in business quality and agency force development, as well as core manpower productivity and income; second, effectively implemented the strategy of diversified distribution channels, with exponential growth of bancassurance new business premiums, increase in the proportion of regular pay premiums and increased effort to explore cross-sell and up-sell between channels; third, upgraded the “Golden Triangle” product system centering on customer needs in health protection, wealth management and retirement provision, and enhanced capability for supply of “products and services”.

Going forward, the subsidiary will reform the organisational structure and operational mode of internal staff, namely, headquarters will focus on empowerment, while branch offices on business operation. This is intended to stimulate organisational vitality of the entire company at all levels, so as to be compatible with the career-based, professional and digital transformation of the agency force and make further progress in the Changhang Transformation.

1. Analysis by channels

CPIC Life seeks to build a more diversified channel mix with the agency force at the core, in order to expand the avenues of value growth.

For 12 months ended 31 December	Unit: RMB million		
	2022	2021	Changes (%)
Gross written premiums	225,343	211,685	6.5
Agency channel	176,524	188,629	(6.4)
New policies	22,943	29,227	(21.5)
Regular premium business	19,793	24,761	(20.1)
Renewed policies	153,581	159,402	(3.7)
Bancassurance channel	30,478	7,457	308.7
New policies	28,809	6,668	332.0
Renewed policies	1,669	789	111.5
Group channel	15,269	13,514	13.0
New policies	14,619	13,011	12.4
Renewed policies	650	503	29.2
Other channels^{note}	3,072	2,085	47.3

Note: Other channels include telemarketing & internet sales, and inward reinsurance business.

(1) Agency channel

CPIC Life accelerated the restructuring of the agency force centering on “3 Directions and 5 Mosts”. To promote career-based development, it persisted in stabilising productive agents, rolled out the amended Basic Law, with notable improvement in agent sales behaviours; focused on recruitment of high-quality agents, launched Changhang Partners, an agent recruitment system to establish a more normalised recruitment mode; enhanced empowerment, fully leveraging high-end customer resources to help more agents improve productivity; upgraded work-sites to enhance customer experience and empower sales force development. To promote professionalism, it launched “Tai Xing Fu”, a sales management system; built a personalised and results-driven training system, implemented “protection for whole family by product combinations”, and achieved upgrading of sales capabilities. In digitalisation, CPIC Life pushed forward digitalisation of business management covering all scenarios including CRM and sales, with continued improvement in digital empowerment.

The subsidiary focused on core manpower, further cemented the foundation of agency force to drive healthy agent development. During the reporting period, monthly average agent headcount reached 279,000, with year-end headcount of 241,000; monthly average FYP per agent reached RMB6,844, up by 47.6%. Core manpower started to stabilise, with monthly average FYP per core agent reaching RMB28,261, up by 31.7% and monthly average FYC per core agent RMB4,134, up by 10.3%.

For 12 months ended 31 December	2022	2021	Changes (%)
Monthly average agent number ('000)	279	525	(46.9)
Monthly average performing ratio of agents (%)	63.4	52.1	11.3pt

Monthly average FYP per agent (RMB)	6,844	4,638	47.6
Average number of new long-term life insurance policies per agent per month	1.26	1.38	(8.7)

(2) Bancassurance channel

CPIC Life made a great effort to diversify distribution channels. Given the value-oriented positioning of bancassurance, the subsidiary focused on key areas, promoted strategic co-operation with key partners in systematic way, built high-quality teams, optimised the product and service system, enhanced digital platforms, and reported rapid business development of the channel, with continued increase in value contribution. During the reporting period, the channel realised RMB30.478 billion in GWPs, a jump by 308.7%. Of this, new business premiums amounted to RMB28.809 billion, a growth of 332.0%, with regular-pay new business premiums of RMB3.342 billion, up by 224.5%. NBV from the channel grew by 174.9% year-on-year, with its share of total NBV increasing by 7.0pt.

(3) Group channel

In 2022, GWPs from the channel reached RMB15.269 billion, up by 13.0%.

CPIC Life vigorously supported China's national strategies and the real economy, participated in social governance, contributed to people's well-being, and played its part in the improvement of China's social security system. It conducts government-sponsored business such as long-term care, city-specific customised commercial insurance programmes. At the same time, it stepped up effort to explore new business models such as Work-site Marketing, so as to cultivate new growth drivers and explore new paths of sustainable development. As of the end of the reporting period, government-sponsored programmes in operation covered over 160 million people, which cumulatively responded to nearly 45 million service requests since its establishment, and paid out a total of RMB40 billion in claims.

2. Analysis by product types

CPIC Life is committed to build a Golden Triangle system of products and services centering on 3 core needs of customers: health protection, wealth management and retirement.

In health protection, we launched "Jinfu-Hejiahuan", an upgraded whole-life CI product with expanded cover for more competitive prices benefiting more than 330,000 customers; we innovated "Aixiang Jinsheng", a medical insurance product against cancer, helping our customers to mitigate financial risks associated with cancer and providing them with access to targeted treatment. In retirement and wealth inheritance, we promoted "Chang Xiang Ban", a product suite positioned to meet customers' diverse needs for risk protection, wealth inheritance, and

long-term savings, covering about 390,000 customers. In terms of wealth management, there were mid-term annuity and endowment products such as “Xin Cong Rong” to meet customer demand in mid and long-term wealth planning, such as the provision for education.

In the meantime, we re-aligned in-house and third-party resources, continued to deepen integration of products and services so as to match customers demand more effectively. In particular, based on needs of households, we built the insurance ecosystem underpinned by deployment in health management and elderly care, offering services “by your side”, “of high standards” and “across your entire life-cycle” via a number of programmes such as CPIC Home elderly care communities, CPIC Blue Passport, and CPIC Family Doctor.

For the reporting period, traditional business generated RMB121.727 billion in GWPs, up by 13.7%. Of this, long-term health insurance contributed RMB46.465 billion, down by 3.5%. Participating business delivered RMB85.799 billion in GWPs, down by 1.1%, due to lower guaranteed interest rates in the context of pricing liberalisation.

		Unit: RMB million		
For 12 months ended 31 December		2022	2021	Changes (%)
GWPs		225,343	211,685	6.5
Traditional		121,727	107,062	13.7
Long-term health		46,465	48,134	(3.5)
Participating		85,799	86,737	(1.1)
Universal		100	98	2.0
Tax-deferred pension		75	75	-
Short-term accident and health		17,642	17,713	(0.4)

Information of the top five products in 2022

					Unit: RMB million
For 12 months ended 31 December					
Ranking	Name	Type	GWPs	Main channel	
1	Xin Hong Li endowment 鑫红利两全保险（分红型）	Participating	23,862	Bancassurance	
2	Jin You Ren Sheng whole life A (2014) 金佑人生终身寿险（分红型）A款（2014版）	Participating	14,607	Agency channel	
3	Chang Xiang Ban (anniversary celebration) whole life 长相伴（庆典版）终身寿险	Traditional	11,677	Agency channel	
4	Xin Xiang Shi Cheng (anniversary celebration) Endowment 鑫享事成（庆典版）两全保险	Traditional	10,989	Agency channel	
5	Group medical insurance for major diseases of rural and urban residents (A) 城乡居民大病团体医疗保险（A型）	Short-term health	7,169	Group channel	

3. Policy persistency ratio

We intensified business quality control, and as a result, the 13-month policy persistency ratio of

individual customers improved by 7.7pt to 88.0%; while the 25-month policy persistency ratio declined, due to higher agent turnover from earlier.

For 12 months ended 31 December	2022	2021	Changes
Individual customers 13-month persistency ratio (%) ^{note 1}	88.0	80.3	7.7pt
Individual customers 25-month persistency ratio (%) ^{note 2}	73.4	78.7	(5.3pt)

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.

For 12 months ended 31 December	2022	2021	Changes (%)
GWPs	225,343	211,685	6.5
Jiangsu	23,803	21,795	9.2
Henan	21,642	22,332	(3.1)
Zhejiang	18,696	16,090	16.2
Shandong	18,371	17,746	3.5
Hebei	12,786	12,649	1.1
Guangdong	11,631	11,321	2.7
Shanghai	9,756	7,139	36.7
Hubei	9,514	8,759	8.6
Shanxi	8,993	8,165	10.1
Heilongjiang	8,992	9,144	(1.7)
Subtotal	144,184	135,140	6.7
Others	81,159	76,545	6.0

Unit: RMB million

(II) Financial analysis

For 12 months ended 31 December	2022	2021	Changes (%)
Net premiums earned	217,808	203,446	7.1
Investment income ^{note 1}	73,743	82,418	(10.5)
Exchange gains/(losses)	200	(50)	(500.0)
Other operating income	1,718	1,852	(7.2)
Gains on disposal of assets	2	9	(77.8)
Other income	39	25	56.0
Operating income	293,510	287,700	2.0
Surrenders	(21,433)	(22,330)	(4.0)
Claims	(46,255)	(54,190)	(14.6)
Less: claim recoveries from reinsurers	4,572	4,777	(4.3)
Net change in insurance contract reserves	(163,779)	(143,123)	14.4
Commission and brokerage expenses	(14,102)	(17,174)	(17.9)
Operating and administrative expenses	(14,524)	(14,780)	(1.7)

Unit: RMB million

Other expenses ^{note 2}	(24,284)	(21,586)	12.5
Operating expenses	(279,805)	(268,406)	4.2
Operating profit	13,705	19,294	(29.0)
Net of non-operating income and expenses	(49)	(34)	44.1
Income tax	2,823	(355)	(895.2)
Net profit	16,479	18,905	(12.8)

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, expense recoveries from reinsurers, interest expenses, other operating expenses, asset impairment losses and taxes and surcharges, etc.

Investment income for the reporting period was RMB73.743 billion, down by 10.5%, mainly because of decrease in gains from securities trading.

Claims amounted to RMB46.255 billion, down by 14.6%, mainly as a result of reduced maturity benefit payment.

For 12 months ended 31 December	2022	2021	Unit: RMB million
			Changes (%)
Claims	46,255	54,190	(14.6)
Traditional	18,625	18,359	1.4
Long-term health	10,314	10,363	(0.5)
Participating	15,128	23,675	(36.1)
Universal	72	71	1.4
Tax-deferred pension	-	-	/
Short-term accident and health	12,430	12,085	2.9
Claims	46,255	54,190	(14.6)
Indemnity	12,429	12,085	2.8
Payment upon maturity and survival	7,167	14,294	(49.9)
Payment of annuity	13,580	14,642	(7.3)
Payment upon death, injury or medical treatment	13,079	13,169	(0.7)

Commission and brokerage expenses for the reporting period amounted to RMB14.102 billion, down by 17.9%, mainly due to the change to new business mix.

For 12 months ended 31 December	2022	2021	Unit: RMB million
			Changes (%)
Commission and brokerage expenses	14,102	17,174	(17.9)
Traditional	10,818	13,346	(18.9)
Long-term health	4,397	6,941	(36.7)
Participating	1,283	1,916	(33.0)
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	2,001	1,912	4.7

Income tax for the reporting period was -RMB2.823 billion, down by 895.2%, mainly due to

increase in tax deductible income and decrease in pre-tax profits.

As a result, CPIC Life recorded a net profit of RMB16.479 billion, down by 12.8%.

II. CPIC Health

In 2022, CPIC Health focused on the health care strategy of the Group, accelerated the roll-out of the new model underpinned by “new channels, new products and new technology”, and maintained steady business performance for the whole year. For the reporting period, it realised RMB5.398 billion in GWPs and health management fee income, and net profit of RMB66 million. In May 2022, it completed a capital increase of RMB1.9 billion, which further boosted its capital position.

The subsidiary made a great effort to enhance capacity-building as a specialised health insurance operation. It made substantial progress in online CRM, put in place a closed-loop process for internet business, built new core business systems, expanded key partnerships for distribution, launched “Lan Yi Bao”, an internet product brand to facilitate the establishment of a proprietary internet portal. It deepened product innovation, stepped up cooperation with leading medical service suppliers, focused on key customer segments such as sub-standard risks, the elderly and children, launched a managed care product. It made a good start in health promotion service. In particular, it joined hands with Shanghai University of Sport and kicked off the construction of the Health Promotion Centre for Youth and Teenagers, part of the effort to build an integrated, smart, high-quality health service system and to explore effective ways to reach out to teenagers and their families.

Property and casualty insurance

CPIC P/C^{note} unswervingly adhered to high-quality development, adopted targeted approach in its business management and market strategies, and delivered on its high-quality development goals in a sustained manner. Automobile insurance seized opportunities of new energy vehicles (NEV), enhanced high-quality customer retention, strengthened proprietary distribution channels, with improved CRM capabilities; non-auto business continued to cement foundation of underwriting profitability, focused on national strategies, with sustained optimisation of business quality and business mix, and improvement in capability for high-quality development. The company made further progress in expanding the reach and penetration of centralised operation. Technology was closely intertwined with business management. Cost control and risk management were further enhanced.

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

I. CPIC P/C

(I) Business analysis

In the face of multiple challenges, CPIC P/C persisted in high-quality development, adopted a targeted approach in its strategies, pro-actively seized development opportunities, stepped up business quality control, and recorded solid business performance for the year, including rapid top-line growth and continued improvement in the combined ratio. During the reporting period, it posted GWPs of RMB170.377 billion, up by 11.6%, with a combined ratio of 97.3%, down by 1.7pt from 2021. Of this, loss ratio stood at 68.5%, down by 1.1pt, and expense ratio 28.8%, down by 0.6pt.

1. Analysis by lines of business

For 12 months ended 31 December	Unit: RMB million		
	2022	2021	Changes (%)
GWPs	170,377	152,643	11.6
Automobile insurance	97,992	91,799	6.7
Compulsory automobile insurance	26,153	25,268	3.5
Commercial automobile insurance	71,839	66,531	8.0
Non-automobile insurance	72,385	60,844	19.0
Liability insurance	15,007	10,948	37.1
Health insurance	14,641	12,198	20.0
Agricultural insurance	13,753	10,363	32.7
Guarantee insurance	7,692	7,253	6.1
Others	21,292	20,082	6.0

(1) Automobile insurance

CPIC P/C proactively seized opportunities of NEV, continuously enhanced targeted business management, deepened CRM to improve customer retention. In 2022, CPIC P/C reported GWPs of RMB97.992 billion from automobile business, a growth of 6.7%, with a combined ratio of 96.9%, down by 1.8pt from 2021. Of this, loss ratio stood at 69.5%, down by 1.6pt and expense ratio fell by 0.2pt to 27.4%. Premiums from NEV grew by over 90%, with business cost declining steadily. The subsidiary made further progress in customer penetration, renewal ratio and on-line ratio.

Going forward, it will continue to focus on CRM, further improve capability for risk control, enhance innovation, strengthen claims management and operational centralisation. At the same time, it will promote the new model for NEV business under the guideline of “stabilising growth

while improving quality”, so as to achieve high-quality development of the business.

(2) Non-automobile insurance

In 2022, CPIC P/C seized opportunities arising from national strategies and industrial policies, accelerated the pace of business transformation and innovation, continued to foster emerging business lines, and optimised business quality and mix. It recorded GWPs of RMB72.385 billion for the year, up by 19.0%, with a combined ratio of 98.1%, down by 1.4pt. Of the major business lines, emerging business such as liability insurance, health insurance and agricultural insurance maintained strong momentum of growth, with the combined ratios largely stable. Property insurance, accident insurance and construction & engineering insurance saw continued improvement in the combined ratio, due to improved business quality.

In the context of the New Development Pattern, liability insurance focused on needs of national strategies and social governance, deepened strategic cooperation with governments at various levels, captured opportunities of work-place safety, environmental protection and food safety, vigourously explored business potential in life sciences, relief assistance, fully leveraged the unique value proposition of insurance to provide specialised, personalised insurance products and services. The business line delivered RMB15.007 billion in GWPs for 2022, up by 37.1%, with a combined ratio of 99.8%, maintaining underwriting profitability.

Health insurance seized opportunities of the Healthy China Initiative, deepened business deployment, promoted differentiated product and service innovation, continuously enhanced platforms of cooperation for government-sponsored insurance, while promoting the development of existing business in medical insurance for major diseases, accident medical and poverty reduction. At the same time, it strived to tap the potential of emerging business such as chronic illness insurance, long-term care and Huiminbao, while stepping up development and supply of mid and high-end commercial health insurance. In 2022, health insurance reported RMB14.641 billion in GWPs, a growth of 20.0%, with a combined ratio of 101.6%, down by 0.3pt year-on-year.

Agricultural insurance stayed true to its mission of serving agriculture, rural areas and farmers, capitalised on its first-mover advantage in technology and product innovation, vigourously participated in the trials of full-cost indemnity insurance of the 3 staple food crops and sugar-canes and of the crop insurance for hybrid growing of corn and soy beans, promoted regional specific agricultural insurance, played its due role in supporting Rural Invigoration, in safeguarding national food safety, and in promoting agricultural production, continued to

increase the level of protection, and consolidated the foundation of its business operation. During the reporting period, the business line delivered RMB13.753 billion in GWPs, up by 32.7%, with a combined ratio of 97.7%, down by 1.9pt, pointing to continued improvement in profitability.

Guarantee insurance followed the guideline of “value-driven operation, integrated development, compliance and prudence”, continued to strengthen technological empowerment and digital, smart operation, upgraded Smart Risk Control 5.0 in an all-around way, and achieved steady development while ensuring effective risk control. In 2022, it reported GWPs of RMB7.692 billion, up by 6.1%, with a combined ratio of 95.5%, pointing to stable and decent underwriting profitability.

Going forward, CPIC P/C will deepen innovation in CRM, promote business development in green, low-carbon areas, enhance development momentum of high-quality business, fully tap the potential of emerging business opportunities of new urban residents and small and medium-sized enterprises, continue to innovate the supply of products and services, in a bid to improve its capability of specialised business operation; in the meantime, it will strengthen risk management and targeted business management in an all-around way, accelerate digital business quality control, promote the building of digital, smart CRM system to pursue high-quality development.

(3) Key financials of major business lines

Unit: RMB million

For 12 months ended 31 December 2022

Name of insurance	GWPs	Amounts insured	Claims	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	97,992	78,892,484	61,638	73,718	2,836	96.9
Liability insurance	15,007	170,627,892	6,586	12,060	15	99.8
Health insurance	14,641	139,944,114	10,264	8,786	(223)	101.6
Agricultural insurance	13,753	497,344	10,277	4,598	222	97.7
Guarantee insurance	7,692	203,171	3,061	13,320	286	95.5

2. Top 10 regions for GWPs

The top 10 regions contributed RMB110.820 billion in GWPs, accounting for 65% of total CPIC P/C premiums, a year-on-year growth of 12.1%.

Unit: RMB million

For 12 months ended 31 December

	2022	2021	Changes (%)
GWPs	170,377	152,643	11.6
Guangdong	21,611	19,110	13.1
Jiangsu	18,950	16,629	14.0

Zhejiang	16,901	14,507	16.5
Shanghai	11,995	11,754	2.1
Shandong	9,558	8,734	9.4
Hubei	6,614	5,771	14.6
Beijing	6,466	6,388	1.2
Hebei	6,301	5,415	16.4
Sichuan	6,290	5,219	20.5
Henan	6,134	5,306	15.6
Subtotal	110,820	98,833	12.1
Others	59,557	53,810	10.7

(II) Financial analysis

For 12 months ended 31 December	Unit: RMB million		
	2022	2021	Changes (%)
Net premiums earned	143,863	128,803	11.7
Investment income ^{note 1}	7,821	7,793	0.4
Exchange gains/(losses)	314	(54)	(681.5)
Other operating income	207	289	(28.4)
Gains on disposal of assets	2	2	-
Other income	39	45	(13.3)
Operating income	152,246	136,878	11.2
Claims	(100,220)	(92,721)	8.1
Less: claim recoveries from reinsurers	10,939	10,762	1.6
Net change in insurance contract reserves	(9,261)	(7,683)	20.5
Changes in insurance premium reserves	(74)	(18)	311.1
Commission and brokerage expenses	(14,687)	(13,509)	8.7
Operating and administrative expenses	(32,784)	(29,750)	10.2
Other expenses ^{note 2}	4,404	4,205	4.7
Operating expenses	(141,683)	(128,714)	10.1
Operating profit	10,563	8,164	29.4
Net of non-operating income and expenses	23	38	(39.5)
Income tax	(2,301)	(1,850)	24.4
Net profit	8,285	6,352	30.4

Notes:

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

Investment income for the reporting period amounted to RMB7.821 billion, up by 0.4%.

Claims reached RMB100.220 billion, up by 8.1%, lower than premium growth, mainly as a result of lower claims frequency and reduced flooding losses. Of this, claims pay-out from non-auto business grew slightly faster, due to change to business mix, i.e., increased share of business lines with relatively higher claims ratios such as government-sponsored health insurance, agricultural insurance and liability insurance.

For 12 months ended 31 December	Unit: RMB million		
	2022	2021	Changes (%)
Claims	100,220	92,721	8.1
Automobile insurance	61,638	61,406	0.4
Non-automobile insurance	38,582	31,315	23.2

Commission and brokerage expenses amounted to RMB14.687 billion, up by 8.7% and representing 8.6% of total GWPs, down by 0.3pt, largely due to enhanced resources allocation and more rational market competitions in the context of intensified regulation.

For 12 months ended 31 December	Unit: RMB million		
	2022	2021	Changes (%)
Commission and brokerage expenses	14,687	13,509	8.7
Automobile insurance	7,347	7,278	0.9
Non-automobile insurance	7,340	6,231	17.8

Operating and administrative expenses amounted to RMB32.784 billion, an increase of 10.2%, lower than premium growth and accounting for 19.2% of GWPs, down by 0.3pt from 2021. CPIC P/C tightened the belt and strived to cut management expenses.

As a result, the subsidiary posted a net profit of RMB8.285 billion in 2022, an increase of 30.4% from 2021.

II. CPIC Anxin Agricultural

In 2022, CPIC Anxin Agricultural stayed committed to high-quality development goals, focused on the core business of agricultural insurance, and continued to promote its brand as a leading agricultural insurance provider in China. It delivered RMB2.585 billion in GWPs, up by 56.6%. Of this, agricultural insurance reported GWPs of RMB1.192 billion, a growth of 10.2%. The combined ratio stood at 97.4%, down by 9.5pt, and net profit amounted to RMB213 million, up by 153.6%.

III. CPIC HK

We conduct overseas P/C business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2022, its total assets stood at RMB1.624 billion, with net assets of RMB340 million. GWPs for the reporting period amounted to RMB605 million, with a combined ratio of 99.6%, and a net loss of RMB69 million.

Asset management

We persisted in value, long-term, prudent and responsible investing and put in place a sustainable ALM system. Within the SAA framework, we conducted Tactical Asset Allocation (TAA) with flexibility, while pro-actively managing equity assets. While ensuing strict control

of credit risk, we continued to extend the duration of fixed income assets, so as to lower interest rate risk and reinvestment risk, delivering solid investment performance. At the same time, Group AuM maintained steady growth, with further enhancement of market competitiveness.

I. Group AuM

As of the end of 2022, Group AuM totalled RMB2,724.230 billion, rising 4.7% from the end of 2021. Of this, Group in-house investment assets amounted to RMB2,026.283 billion, a growth of 11.8%, and third-party AuM RMB697.947 billion, a decrease of 11.6%, with a management fee income of RMB2.187 billion, down by 18.2% from 2021.

	Unit: RMB million		
	31 December 2022	31 December 2021	Changes (%)
Group AuM	2,724,230	2,601,537	4.7
Group in-house investment assets	2,026,283	1,812,069	11.8
Third-party AuM	697,947	789,468	(11.6)
CPIC AMC	272,412	267,120	2.0
Changjiang Pension	354,349	452,191	(21.6)

II. Group in-house investment assets

In 2022, China's economy experienced profound shocks, both domestic and from abroad, with economic recovery back on track in the second half of the year. The stock market fell sharply in the year, with valuation at more reasonable levels; 10-year T-bond yield average declined considerably, with the bond market fluctuating within a narrow range, and the credit risk deteriorating.

In 2022, based on our outlook for long-term trends of macro-economic conditions, we completed the optimisation of SAA. We continued to fine-tune and implement the "dumb-bell shaped" asset allocation strategy, seizing opportunities of interest rate fluctuations and continuously increasing allocation into long-term T-bonds and local government bonds to extend asset duration, and on the other hand moderately increasing investments in alternative assets including private equity and investment properties to improve long-term returns. Under SAA guidance, we conducted TAA with flexibility, pro-actively responded to challenges of the decline of the market, and maintained investment returns which were higher than the cost of liabilities in the long term. We strengthened capacity-building in investment research, further improved the early-warning and mitigation system of credit risk, while proceeding with centralised management of unlisted equity and real estate.

In investment concentration, our investments are concentrated in financial services,

communications & transport, infrastructure, new energy sector, and consumption, 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 in addition to government bonds, our main counter-parties included China State Railway Group Co., Ltd., large state-owned commercial banks and government-sponsored banks.

In 2023, China's economy will return to growth. It's expected that governments will maintain an expansive fiscal policy and a prudent monetary policy to boost economic growth. As such, equity market will be more attractive, given likely recovery of its valuations and expected improvement in profitability of companies amid the economic recovery. As for fixed income assets, we will continue to enhance credit risk control, focusing on allocation in interest rate bonds and enterprise bonds with high credit ratings.

(I) Group consolidated investment portfolios

Unit: RMB million

	31 December 2022	Share (%)	Share change from the end of 2021 (pt)	Changes (%)
Group investment assets (total)	2,026,283	100.0	-	11.8
By investment category				
Fixed income investments	1,497,782	73.9	(1.8)	9.3
— Debt securities	815,892	40.3	2.1	18.0
— Term deposits	204,517	10.1	(0.7)	4.1
— Debt investment plans	241,026	11.9	(0.8)	4.4
— Wealth management products ^{note 1}	122,893	6.0	(1.9)	(13.6)
— Preferred shares	32,000	1.6	(0.2)	-
— Other fixed income investments ^{note 2}	81,454	4.0	(0.3)	4.7
Equity investments	445,088	22.0	0.8	15.8
— Equity funds	50,710	2.5	(0.1)	9.7
— Bond funds	18,222	0.9	(0.4)	(23.3)
— Stocks	182,182	9.0	0.5	18.0
— Wealth management products ^{note 1}	7,259	0.4	0.3	193.9
— Preferred shares	12,335	0.6	(0.1)	(1.5)
— Other equity investments ^{note 3}	174,380	8.6	0.6	20.1
Investment properties	11,202	0.5	0.1	49.1
Cash, cash equivalents and others	72,211	3.6	0.9	46.8
By investment purpose				
Financial assets at fair value through profit or loss ^{note 4}	26,757	1.3	0.6	112.2
Available-for-sale financial assets	715,085	35.3	(0.3)	10.8
Held-to-maturity financial assets	514,250	25.4	3.5	29.7
Long-term equity investments	25,829	1.3	(0.2)	(4.3)
Loans and other investments ^{note 5}	744,362	36.7	(3.6)	1.9

Notes:

1. Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust

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

1. By investment category

As of the end of the reporting period, the share of debt securities was 40.3%, an increase of 2.1pt from the end of 2021. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored banks made up 27.9% of total investment assets, up by 5.8pt from the end of 2021. With this, the average duration on fixed income assets reached 8.3 years, extended by 1.2 years versus the end of 2021. Moreover, 97.9% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA or above. Of this, the share of AAA reached 92.8%. We boasted a professional internal credit-rating team and sound credit risk management systems covering the entire debt securities investment process, namely, before, during and after the investment. We continued to improve the Group-wise integrated credit-rating management system, evaluated the credit-ratings of both the debt and debt issuers and identified the credit risk based on our internal credit-rating systems, while considering other factors such as macroeconomic conditions, and external credit-ratings in order to make well-informed investment decisions. At the same time, to pro-actively control 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; we set great store by credit risk management, strictly controlling the exposure to the real estate sector, and carefully select targets to ensure that the risk is manageable. Overall, the debt issuers of our investments all reported sound overall strength, with credit risk under control.

The share of equity investments stood at 22.0%, up by 0.8pt from the end of 2021. Of this, stocks and equity funds accounted for 11.5% of total investment assets, up by 0.4pt from the end of 2021. On the back of disciplined TAA processes and enhanced integrated investment research capabilities, we conducted pro-active management of equity assets, and realised solid investment performance amid equity market volatility.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB432.135 billion, accounting for 21.3% of total investment assets, down by 0.4pt from the

end of 2021. While ensuring full compliance with regulatory requirements and internal risk control standards, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects. The underlying projects spread across sectors like infrastructure, real estate, communications & transport and non-bank financial institutions, which were geographically concentrated in China's prosperous areas such as Beijing, Sichuan, Hubei, Shandong and Jiangsu.

Overall, the credit risk of our NPMI holdings is in the comfort zone. 99.4% of NPMIs had external credit-ratings, and of these, the share of AAA reached 96.8%, and that of AA+ and above 99.6%. 57.7% of NPMIs were exempt from debt issuer external credit-ratings, with the rest secured with credit-enhancing measures such as guarantee or pledge of collateral, with 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)
Infrastructure	40.4	4.8	7.8	5.5
Real estate	16.3	4.9	6.6	4.1
Communications & transport	16.2	4.7	9.0	6.2
Non-bank financial institutions	11.6	4.9	5.0	2.2
Energy and manufacturing	5.6	5.0	6.3	3.6
Others	9.9	4.3	7.1	4.9
Total	100.0	4.8	7.3	4.8

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 and loss grew by 112.2% from the end of the preceding year, mainly due to increased investments in wealth management products and bonds classified in this category; AFS financial assets increased by 10.8% from the end of 2021, mainly as a result of increased allocation in stocks and other equity investments; HTM financial assets grew by 29.7%, mainly due to increased investments in government bonds; long-term equity investments fell by 4.3% from the end of 2021, mainly due to decreased investments in associates; loans and other investments rose by 1.9%, largely attributable to increased allocation in debt investment plans and term deposits classified in this category.

(II) Group consolidated investment income

For the reporting period, net investment income totalled RMB79.180 billion, up by 8.4%. This stemmed mainly from increased dividend income on equity investments. Net investment yield reached 4.3%, down by 0.2pt compared with that of 2021.

Total investment income amounted to RMB76.537 billion, down by 17.9%, mainly attributable to lower gains from securities trading, with total investment yield at 4.2%, down by 1.5pt.

Growth rate of investments' net asset value fell by 3.1pt to 2.3%, largely due to decrease in net of fair value movement of AFS assets booked as other comprehensive income.

	Unit: RMB million		
For 12 months ended 31 December	2022	2021	Changes (%)
Interest income from fixed income investments	65,021	63,259	2.8
Dividend income from equity investments	13,456	9,060	48.5
Rental income from investment properties	703	742	(5.3)
Net investment income	79,180	73,061	8.4
Gains from securities trading	1,819	21,899	(91.7)
(Losses)/gains arising from changes in fair value	(61)	1,163	(105.2)
Charge of impairment losses on investment assets	(5,300)	(4,178)	26.9
Other income ^{note 1}	899	1,239	(27.4)
Total investment income	76,537	93,184	(17.9)
Net investment yield (%) ^{note 2}	4.3	4.5	(0.2pt)
Total investment yield (%) ^{note 2}	4.2	5.7	(1.5pt)
Growth rate of investments' net asset value (%) ^{notes 2,3}	2.3	5.4	(3.1pt)

Notes:

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

(III) Total investment yield on a consolidated basis

	Unit: %		
For 12 months ended 31 December	2022	2021	Changes
Total investment yield	4.2	5.7	(1.5pt)
Fixed income investments ^{note}	4.5	4.9	(0.4pt)
Equity investments ^{note}	2.7	8.6	(5.9pt)
Investment properties ^{note}	6.1	7.3	(1.2pt)
Cash, cash equivalents and others ^{note}	1.3	1.1	0.2pt

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

III. Third-party AuM

Group third-party AuM amounted to RMB697.947 billion, and of this, CPIC AMC contributed RMB272.412 billion, accounting for 39.0%, and Changjiang Pension RMB354.349 billion, representing 50.8%

(I) CPIC AMC

In 2022, in the face of unexpected pressures and challenges, CPIC AMC implemented CPIC Service in an all-around manner, stepped up strategy and product innovation, paid attention to investment risk control, steadily promoted market-oriented asset management business. As of the end of the reporting period, its third-party AuM amounted to RMB272.412 billion, an increase of 2.0% from the end of 2021; third-party management fee reached RMB811 million, up by 48.3% year-on-year.

In alternative investments, it continued to support the real economy, actively participated in the implementation of Integrated Regional Development Strategy of CPIC Group, focusing on business development in the Yangtze River Delta, Greater Bay Area and Economic Circle of Chengdu and Chongqing. It contributed to economic recovery of Shanghai, with debt investment schemes raising RMB8.8 billion in the region. It implemented green investing, with 2 debt investment schemes in Henan Province, one for water pumping & storage and the other for environmental treatment, awarded the top-notch G-1 green certification by professional outfits. It paid close attention to management of credit risk, and all the debt investment schemes it registered in 2022 boasted a product debt rating of AAA. As of the end of 2022, it cumulatively raised a total of about RMB170 billion in debt investment schemes under its management, leading in the industry.

In 2022, the subsidiary focused on institutional clients, vigorously developed portfolio-based asset management business while solidifying existing product lines. Centering on strategies with CPIC characteristics, the subsidiary stepped up market development of “signature” products and core strategies which are based on its core investment capabilities, such as liquidity management, short-term notes, FOF, target yield “fixed income +”. It explored emerging business opportunities, such as companies with “specialties”, health care, domestic consumption, and specialty resources, etc, so as to diversify its product offering. Its equity product, known as Zhuoyue Caifu Share Dividend Value, after 10 years of operation, has been gradually recognised by third-party clients, thanks to its focus on value and long-term, stable performance, and high performance rankings among comparable products in 2022. As at the end of the year, the product had over RMB6.0 billion under its management. CPIC AMC explored deployment in ESG product suites, and issued a series of asset management products with mandates in low-carbon, carbon neutrality and ESG bonds. As of the end of the reporting period, CPIC AMC reported RMB221.162 billion in third-party asset management products and AuM combined, an increase of 5.5% from the end of 2021.

(II) Changjiang Pension

During the reporting period, Changjiang Pension stayed committed to serving China' national strategy for retirement provision, played its part in the building of "insurance + health + retirement" ecosystem of the Group, focused on pension asset management, while steadily conducting other related asset management business. As at 31 December 2022, its third-party assets under trustee management amounted to RMB349.725 billion, up by 13.7% from the end of 2021; third-party assets under investment management reached RMB354.349 billion, down by 21.6%, due to regulatory requirements to scale back on personal retirement business.

The subsidiary continued to deliver solid results in investment management of social security pension fund, maintaining leadership in AuM, incremental AuM and investment performance among comparable portfolio managers. It deepened presence in annuity business, and won the bids for a number of major annuity management programmes, with occupational annuity and enterprise annuity under trustee and investment management combined amounting to over RMB550 billion. It enhanced investment management in light of trustee service, pushed forward an analytical framework underpinned by investment managers, portfolio managers and pension products, so as to put in place a differentiated, diversified product line for corporate annuity collective schemes. It stepped up investment research capacity-building, adhered to investment philosophies specific to annuity investment, strengthened attribution analysis, and enhanced allocation capabilities in multiple asset classes, strategies and instruments.

Customer resource management

We persisted in customer-centric business philosophies, deepened CPIC Service, strengthened the consumer rights protection system, forged differentiating edge in service, fully leveraged our advantage as a composite insurance group, continued to enhance customer experience and strived for steady growth of customer value contribution with the vision of "integrated service to one customer via one interface".

I. Individual customer

We are customer-oriented, committed to provide convenient, efficient product/service solutions to our customers, with constant improvement in the scope and penetration of customer service in recent years. As of the end of 2022, number of individual customers of the Group amounted to 168 million, up by 1.2% from the end of 2021; the number of customers with 2 insurance policies and above stood at 37.05 million, up by 13.8%. We diversified

ecosystems for intra-Group collaboration to generate increased value per customer. In recent years, cross-sell across different business segments within the Group made continued progress, and as of the end of 2022, the number of individual customers holding insurance policies of multiple Group subsidiaries amounted to 10.61 million, up by 2.8% from the end of 2021; CPIC Life saw growing numbers of long-term life insurance customers with annualised premiums of over RMB15,000 and increased share of premiums from such customers; as for CPIC P/C, 94.0% of policy holders of compulsory automobile insurance for family private vehicles took out commercial insurance, with the average SA on Third-party Liability (TPL) reaching RMB2.194 million, and of this, the number of customers with SA of RMB1 million and above stood at 22.87 million, up by 4.0% from the end of 2021.

	2022	2021	Change (%)
Average number of insurance policies per individual customer	2.29	2.28	0.4
Number of individual customers holding 2 insurance policies and above ('0000)	3,705	3,257	13.8
Number of individual customers holding insurance policies of multiple Group subsidiaries ('0000)	1,061	1,032	2.8
Number of customers with annualised long-term insurance premiums of RMB15,000 and above of CPIC Life ('0000)	251	236	6.4
Number of customers with SA of a million yuan and above on TPL of automobile insurance of CPIC P/C ('0000)	2,287	2,199	4.0

Note: Number of customers was based on insurance applicants.

We closely follow changes to customers and strive to provide superb services. On the one hand, we continuously improved the ecosystem of “insurance + service”, offering personalised, high-quality comprehensive services to customers across their entire life cycle. With programmes such as CPIC Home, CPIC Blue Passport, CPIC Family Doctor, Yuanshen Rehabilitation, and Lan Yi Bao, we have initially put in place a health care and elderly care service system covering various scenarios from elderly care to rehabilitation care, from healthy people to substandard risks. CPIC Home focused on 3 product suites catering for different ages groups of the elderly people, with a total of over 13,000 beds under planning, and cumulatively nearly 20,000 elderly care community admission certificates issued. As of the end of 2022, a total of 3,052 beds for elderly care was in supply; CPIC Blue Passport cumulatively covered nearly 22 million customers, up by 22% year-on-year; CPIC Family Doctor had over 3 million registered users, with services spanning health management and online consulting, etc. In 2022, number of customers using health services of CPIC Group amounted to 2.583 million. On the other hand, based on profiles of customer segments, we diversified the offering of differentiated, scenario-based insurance products and services. CPIC P/C launched Jia An Xin, a specialised, innovative product

programme for NEV drivers; CPIC Health debuted CPIC Good Doctor, a high-end medical service programme, in addition to Guangci Ruiyuan and Hemu Xiaoyuanbao, tailor-made products for high-end customers and children respectively.

We pushed forward the branding campaign of CPIC Service, with more than 900 “Service Officers” visiting customers, the front-line and help them solve problems. We value feed-backs of customers, enhanced follow-up of NPS, an instrument for customer experience evaluation, and constantly optimised customer experience and service efficiency via digitalisation. For CPIC P/C, the on-line ratio of individual automobile insurance customers reached 94.4%, with continued improvement in claims process and service efficiency for automobile insurance; CPIC Life upgraded the platform for smart underwriting and claims management, increased the use of call centres and on-line smart applications, with over 90% of inquiries or requests handled one-off to customer satisfaction.

II. Group customer

We continuously pushed forward the collaborative mode of market development under “One CPIC” targeting strategic accounts and key accounts, with the network of strategic accounts covering 802 companies/institutions, an increase of 211 from the end of 2021. In line with national strategies such as Healthy China Initiative, Rural Invigoration, and Green Development, we heightened cooperation with governments at various levels, improving comprehensive supply capabilities in areas of terminal illness insurance, long-term care, supplementary medical insurance, rural comprehensive insurance, and green insurance; to support the real economy, we deepened strategic cooperation with firms under direct supervision of the central government and industry champions, while enhancing capability in providing insurance and funding solutions for emerging areas. As of the end of 2022, there were 124 partners under in-force strategic cooperation agreements with the Group, and of this, over 50% of them were in agreements with multiple CPIC subsidiaries, testifying to growing value from collaboration and sharing.

We visited 293 strategic accounts, as part of the campaign to “serve people, serve customers and serve the grass-root”. During the visits, we spread the message of CPIC Service, listened to customer voices, communicated on service plans, secured major underwriting projects and pension third-party administration projects, cemented the ecosystem for strategic cooperation, adding fuel to economic growth.

We continued to promote digital empowerment in the equation, abolished internal data barriers, and set up Tuan Ke Tong, a digital management platform for group customers based on system top-level design, shared application and risk prevention to boost joint efforts and sharing, which helped to improve the effectiveness of data-driven CRM.

ESG

I. ESG management

We continued to improve ESG governance, formulated ESG Programme (2023-2025) of China Pacific Insurance (Group) Co. Ltd., promoted the integration of ESG philosophies into corporate values and business practices to boost high-quality development.

(I) ESG vision

We are committed to leveraging our professional insurance and asset management expertise, building a green and low-carbon operational mode, enhancing capabilities for sustainable development, fostering a favourable culture for sustainable development, establishing a win-win development pattern between the Company and all stakeholders such as the environment, the society and economy, and improving sustained value-creation capabilities for customers, employees, shareholders and society.

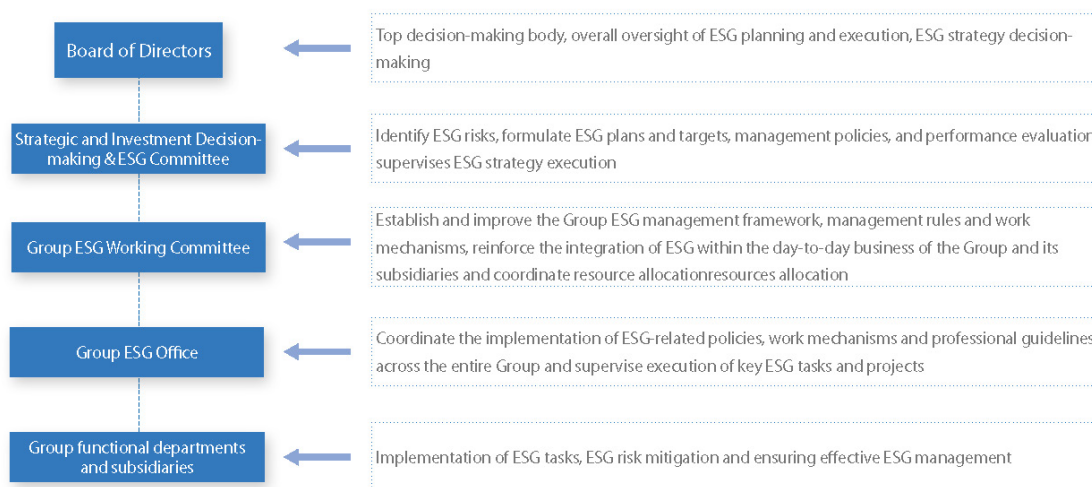
We persist in high-quality development, adopt a systematic approach, uphold opening-up and collaboration and set great store by the prevention of major risks. We establish and improve the ESG governance system and enhance capabilities to serve national initiatives, the real economy and people's aspiration for a better life.

(II) ESG objectives

Continue to improve ESG governance, promote the integration of ESG philosophies into corporate values and business practice. Put in place an industry leading system of sustainable financial products and services, committed to continuously enhancing supply-side capabilities which help to improve the environment, people's well-being and social governance. Establish a low-carbon, energy-saving operational mode, gradually reduce our own energy consumption, effectively lower carbon emissions of investment portfolios. Vigorously foster ESG culture, enhance ESG branding, and improve our capability to pursue sustainable development in an all-around manner

(III) ESG governance

We put in place a complete ESG governance structure incorporating the board, the management and the execution, with clear definition of their respective roles and responsibilities. Meanwhile, we stepped up formulation of work mechanisms, work processes and regulations to ensure implementation of ESG programmes in an orderly manner.



II. ESG practice

The Company signed into UN PRI, UN PSI and GIP for “Belt and Road” Initiative successively, and vigorously pushed for their integration into its business management. At the same time, guided by UN sustainable development goals (SDGs), it continuously rolled out actions along multiple dimensions such as society, economy and environment.

(I) Environmental

Green insurance



In 2022, the Company pushed forward innovation in insurance products and services to help with the country’s construction of a clean and efficient energy system, the reduction of pollution and energy consumption, and the mitigation of climate change risks. As of the end of 2022, we provided cover against environment pollution risks with total SA exceeding RMB11 billion to more than 7,000 companies across the country; provided cover for clean energy projects with total cumulative SA exceeding RMB1 trillion, for new energy vehicles with auto insurance SA totaling more than RMB3 trillion; underwrote catastrophe insurance with SA of about RMB700

billion; successively rolled out innovative carbon sink insurance products such as the grassland carbon sink remote sense index insurance, the wetland carbon sink ecological value insurance, and the single tree carbon sink insurance, all of which are first of their kind in the country; and underwrote wild life liability insurance in Yunnan Province with cumulative claims of RMB360 million, benefiting more than 162,000 rural households.

Green investment



We were directly involved in investments of green projects spanning clean transport, clean energy, energy conservation, recycling and pollution treatment, etc., via channels of stocks, bonds, mutual funds, industrial equity funds, as well as non-public financing instruments such as debt investment schemes, equity investment schemes, and asset-backed plans. As of the end of 2022, our cumulative green investments amounted to over RMB150 billion. Lushan Water Pumping & Storage Debt Investment Scheme and Zhongyuan Yuzi Environment Protection Debt Investment Scheme, which the Company registered, were granted the top-notch (G-1) green certification by professional rating agencies, becoming the first insurance-related debt investment schemes with green certificates in Henan Province.

Green operation



We fully implemented green operation and upgraded full-process on-line capabilities; promoted paperless operation to reduce resource consumption via electronic insurance policies, invoices, etc.; advocated green travelling and green office, and established the “Tan Xian Jia” platform to guide employees to practice green office; promoted green buildings, the Greater Bay Area headquarters building obtained the WELL HSR certification and LEED-CS Platinum certification, and the construction of CPIC Home elderly care communities followed green buildings standards; built green data centres to further enhance their energy efficiency.

(II) Social

Supporting national initiatives



We supported China International Import Expo (CIIE) for 5 years on end, and cumulatively provided comprehensive risk solutions covering P/C, life and health insurance with SA totalling RMB3.8 trillion, and in particular, contributed to a carbon-zero 5th CIIE; provided integrated risk solutions to China International Fair for Trade in Services (CIFTIS) for 3 years in a row, involving

SA of more than RMB460 billion; built a “Belt and Road” smart cloud platform incorporating “satellite+security” technologies, and providing risk cover with SA of more than a trillion RMB yuan to more than 100 Chinese firms in 120-plus countries across Asia, Africa and Latin America; supported projects in emerging fields, providing all-round, full-process insurance services as the lead underwriter to a number of leading domestic chip factories; and provided all-round risk protection to the KZ-1A Launch Vehicle Project as the exclusive underwriter, supporting the country’s aerospace industry.

Health and elderly care



We vigorously implemented the blueprint of the development of health business. In May 2022, we launched Jia An Xin, an innovative medical insurance product for sub-standard risks that can provide health protection for not only healthy populations but also people with certain chronic diseases; and in November 2022, we launched Yuanshen Rehabilitation, a rehabilitation programme, officially initiating the building of the rehab care system. As of the end of 2022, we were involved in various government-sponsored medical insurance projects covering more than 300 million participants across 31 provinces (or provincial-level cities and autonomous regions), with Huiminbao programmes covering more than 90 cities of 15 provinces. Our “CPIC Family Doctor” programme boasted a service team comprising up to 1,000 in-house doctors and outsourced specialists, providing on-line health management service to more than 3 million people; and “CPIC Blue Passport”, a health management programme, covered 2,800 public hospitals in nearly 400 cities.

In 2022, we proceeded with the construction of elderly care communities in an orderly manner. As of the end of 2022, 12 projects under CPIC Home were up and running in 11 cities, with those in Chengdu, Dali and Hangzhou already in operation.

Rural invigoration



In 2022, CPIC innovated insurance products and service to support the country’s rural invigoration strategy. As of the end of 2022, we built 3,806 “san nong” (meaning agriculture, rural areas and farmers)-related service stations across the country; provided agricultural insurance in more than 8.62 million insurance policies to rural households in 380-plus major grain-producing counties, safeguarding the country’s food security; cumulatively developed more than 3,500 agricultural insurance products; carried out 400-plus “insurance+futures” pilot

projects, serving more than 1.5 million rural household times; "Fang Pin Bao", an anti-poverty insurance programme, covered 1,175 counties and prefectures across the country, with cumulative SA exceeding RMB36.5 trillion, and cumulative pay-out of more than RMB2 billion.

Donations



We established a charity platform to mobilise charitable activities by employees, customers, and other stakeholders. In 2022, we donated a total of RMB50.08 million. Established CPIC Blue, a charitable foundation, and launched the project of “protecting your memory”, which was granted the Award of Charity Project and Charity Trust in the first Shanghai Charity Awards; set up CPIC Blue Star, a special fund to help autistic children access quality rehabilitation care; held 2 PR live broadcast activities in the run-up to Asian Games Hangzhou for primary schools funded by Project Hope, donated teaching materials to the Hope Primary School in Gonghe County of Qinghai Province, lending help to 37 Project Hope-funded primary schools; and completed Phase III of the Sanjiangyuan Ecological Park, which in total covered about 130 hectares, initially forming a “protective shield” for the most important river origin of the country.

Consumer rights protection



We fully implemented regulations such as The Guiding Opinions on Enhancement of Consumer Rights Protection by Banking and Insurance Institutions and Administration Rules on Handling of Customer Complaints by Banking and Insurance Institutions issued by CBIRC, and improved our consumer rights protection system. We held the 2022 Consumer Rights Conference, established a consumer rights protection think tank, issued a declaration to the public, with commitments to honesty in business operation, professionalism in insurance expertise and openness & innovation in cooperation. We organized activities such as the March 15 Education Week, the July 8 Insurance Public Awareness Day, and the Financial Literacy Month in September, etc., to spread financial knowledge among consumers. This year, CPIC P/C and CPIC Life ranked high in the first evaluation by industry regulators on consumer rights protection, and maintained industry leadership in insurance service quality index.

(III) Governance

Corporate governance



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

We drafted policies on board diversity, and as of the end of 2022, the board consisted of 14 members, with the share of non-executive directors reaching 71% and that of women directors 21%. We offer effective protection to shareholders', and particularly minority shareholders' interests via institutionalised arrangements and procedures; fully comply with rules and regulations on information disclosure and steadily improve its quality.

For details please refer to the section "Corporate Governance" of this report.

Employee rights and development



We are committed to harmonious and stable labour relations. As per relevant Chinese laws and regulations such as The Labour Law, The Labour Contracts Law, The Workers' Unions Law and Rules on Collective Contracts, we enter into Collective Contracts and Collective Contracts on Special Protection of Female Workers on a regular basis based on consultation with the Workers' Union, covering 100% of our employees. We strictly follow national labour laws and regulations and pay monthly salaries in full; provide mandatory annual leave and voluntary leave for employees; oppose discrimination based on sex, and provide equal opportunities in recruitment, training, compensation, career development and promotion.

We give priority to career development of young talent, putting in place a talent pool of nearly 500 young professionals in technology, health care, elderly care, and investment, covering all levels of the organisation and a wide range of areas. We organised the 2nd training camp for top-notch young talent, continued to roll out talent development programmes for management

positions, and established long-term mechanism for learning and career development of young talent.

We strive to provide a comfortable work-place environment for employees. We conducted inspection of work-place safety and environment to identify and resolve safety hazards on a regular basis; regularly organised health checks, aerobic exercises, sports and fitness programmes, and psychological counselling for employees as well as lectures on prevention and treatment of common illnesses; provided insurance plans to employees. Employees and their family members may access “CPIC Family Doctor”, a health management platform, for family doctor service, live-stream medical consulting, health management and outpatient appointment booking.

ESG risk management



We identify, analyse and assess risks in climate change, population ageing, emerging health and urbanisation issues in light of ESG risk management requirements. Incorporated ESG risks into Regulations on Enterprise Risk Management, and rules on major risk categories, conducted assessment and monitoring of ESG risks such as the catastrophe risk. Proactively coped with physical risks and transitioning risk arising from climate change, integrated indicators such as Share of Sum Assured on Property and Casualty Insurance in Typhoon-prone Regions into Group Risk Limit Indicator System, monitored relevant data in climate change vulnerable areas, so as to prevent concentrated claims payments due to natural catastrophes like typhoons.

Anti-corruption



We faithfully implement the guidelines of the central government on the fight against corruption in SOEs, enhanced anti-corruption risk control, and made a great effort to safeguard the safety of state-owned assets. As per laws, regulations and regulatory requirements, we formulated Policies on Tolerance of Errors and Accountability, defining key areas, key steps in supervision of misconduct, and scope of responsibilities of competent authorities, as well as processes for whistle-blowing, investigation, handling, reporting and accountability assignment.

Data security



We attach great importance to data security, established the data security governance system, with the formation of Data Work Commission at the Group level, and the Data Security Working

Group under it to coordinate implementation of data security measures; drafted a series of policies on data security, including Rules on Differentiated Implementation of Data Security, Provisional Regulations on Data Security, Rules on Management of Customer Information, Negative List of Cyber-security, Negative List of Customer Data, Rules on Management of Data Leakage, and Operational Standards on Graded Protection of IT Systems, which set out explicit stipulations on confidentiality, completeness and usability of customer information. In 2022, we received no administrative penalty due to breaches of customer information policies.

Supply chain management



We conduct purchase and supplier management as per company rules and policies, with Provisions on Management of Suppliers; continued to improve work processes for procurement and supplier management, pushed for digitalisation, and put in place an integrated supplier management system covering access, evaluation and use. In supplier access, we collect candidates through advertisements, referrals or self-recommendation by suppliers, and all interested parties shall register information via the Procurement Department and sign the ESG Letter of Commitments. In selection, we strictly abide by national laws and regulations and our own policies, persist in principles of Openness, Fairness, Equity, Competition and Profitability, choosing appropriate selection mechanisms based on concrete circumstances of the project and in compliance with laws and regulations.

Analysis of specific items

I. Consolidated income statement

For 12 months ended 31 December	2022	2021	Main reasons for the changes
CPIC Life	16,479	18,905	Decrease in investment income
CPIC P/C	8,285	6,352	Decrease in combined ratio
CPIC Group and eliminations, etc.	(155)	1,577	Decrease in net profit of consolidated structured entities of the Group
Net profit attributable to shareholders of the parent	24,609	26,834	Decrease in investment income

Unit: RMB million

II. Liquidity analysis

(I) Cash flow statement

For 12 months ended 31 December	2022	2021	Unit: RMB million Changes (%)
Net cash flows from operating activities	147,911	108,407	36.4
Net cash flows used in investing activities	(168,983)	(66,094)	155.7
Net cash flows from/(used in) financing activities	28,481	(31,371)	(190.8)
Effects of exchange rate changes on cash and cash equivalents	773	(82)	(1,042.7)
Net increase in cash and cash equivalents	8,182	10,860	(24.7)

Net cash flows from operating activities increased by 36.4% for the year ended 31 December 2022, amounted to RMB147.911 billion, mainly attributable to rise in cash received from premium income from direct insurance contracts.

Net cash flows used in investing activities increased by 155.7% for the year ended 31 December 2022, amounted to RMB168.983 billion, mainly attributable to increase in cash paid to acquire investments.

Net cash flows of financing activities changed from outflows for the year ended 31 December 2021 to inflows during the same period of 2022, mainly attributable to rise in net increase in securities sold under agreements to repurchase.

(II) Gearing ratio

	31 December 2022	31 December 2021	Changes
Gearing ratio (%)	89.5	88.3	1.2pt

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

(III) Liquidity analysis

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

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

required for daily operation.

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

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

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

III. Items concerning fair value accounting

	31 December 2022	31 December 2021	Changes	Unit: RMB million Impact of fair value changes on profits ^{note}
Financial assets at fair value through profit or loss	26,560	12,353	14,207	8
Available-for-sale financial assets	715,085	645,381	69,704	(4,258)
Derivative financial assets	197	259	(62)	(62)
Sub-total of financial assets	741,842	657,993	83,849	(4,312)
Derivative financial liabilities	8	1	7	(7)
Sub-total of financial liabilities	8	1	7	(7)
Net value	741,834	657,992	83,842	(4,319)

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 statements.

IV. Structured entities controlled by the Group

The structured entities controlled by the Group are detailed in note VI-2 to the financial statements.

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

	31 December 2022/ 2022	31 December 2021/ 2021	Changes (%)	Unit: RMB million Main reasons
Total assets	2,176,299	1,946,164	11.8	Business expansion
Total liabilities	1,942,171	1,713,759	13.3	Business expansion
Total equity	234,128	232,405	0.7	Profit for the period and fair value changes of AFS financial assets
Operating profit	25,233	30,794	(18.1)	Decrease in investment income

Net profit attributable to shareholders of the parent	24,609	26,834	(8.3)	Decrease in investment income
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VI. Solvency

On December 30, 2021, CBIRC promulgated Solvency Regulatory Standards (II) of Insurance Companies, which entered into force on January 1, 2022. As per regulations of CBIRC, we calculate and disclose our core capital, available capital, minimum required capital and solvency margin ratios. As at December 31, 2022, the solvency margin ratios of CPIC Group, CPIC Life, CPIC P/C, CPIC Health, and CPIC Anxin Agricultural were all well above regulatory minimum levels.

Unit: RMB million

	31 December 2022	31 December 2021	Reasons for change
CPIC Group			
Core capital	332,414	496,620	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	479,073	506,620	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	187,333	190,794	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	177	260	
Comprehensive solvency margin ratio (%)	256	266	
CPIC Life			
Core capital	207,848	368,570	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	344,222	368,570	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	157,802	168,912	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	132	218	
Comprehensive solvency margin ratio (%)	218	218	
CPIC P/C			
Core capital	45,266	47,808	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	55,154	57,808	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	27,246	20,072	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	166	238	
Comprehensive solvency margin ratio (%)	202	288	
CPIC Health			
Core capital	3,089	1,286	Adoption of C-ROSS II, capital increase, profit for the period and change of fair value of investment assets

Actual capital	3,225	1,286	Adoption of C-ROSS II, capital increase, profit for the period and change of fair value of investment assets
Minimum required capital	1,216	934	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	254	138	
Comprehensive solvency margin ratio (%)	265	138	
CPIC Anxin Agricultural			
Core capital	2,759	2,863	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	3,020	2,863	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	818	673	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	337	425	
Comprehensive solvency margin ratio (%)	369	425	

Note: Solvency number as at December 31, 2022 were based on C-ROSS II, while those as at December 31, 2021 were still based on previous solvency regime.

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

VII. Sensitivity analysis

Sensitivity analysis of price risk

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

Unit: RMB million

2022 / 31 December 2022		
Market value	Impact on profit before tax	Impact on equity
+10%	1	15,512
-10%	(1)	(15,512)

Notes:

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

VIII. Insurance contract reserves

Insurance contract reserves include unearned premium reserves, claim reserves, life insurance

reserves and long-term health insurance reserves. All four are applicable in life insurance business, while only the first two are applicable in property and casualty insurance.

As at 31 December 2022, insurance contract reserves of CPIC Life amounted to RMB1,419.233 billion, representing an increase of 12.2% from the end of 2021. Those of CPIC P/C amounted to RMB135.410 billion, up by 14.7% from the end of 2021. The rise in insurance contract reserves was mainly caused by business growth and accumulation of insurance liabilities.

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

Unit: RMB million

	31 December 2021	Increase in the period	Decrease in the period			31 December 2022
			Claims	Early termination	Others	
CPIC Life						
Unearned premium reserves	3,175	17,642	-	-	(17,842)	2,975
Claim reserves	6,012	13,562	(12,430)	-	-	7,144
Life insurance reserves	1,129,622	171,783	(23,396)	(19,090)	-	1,258,919
Long-term health insurance reserves	125,788	37,179	(10,429)	(2,343)	-	150,195
CPIC P/C						
Unearned premium reserves	67,328	170,377	-	-	(164,571)	73,134
Claim reserves	50,724	111,772	(100,220)	-	-	62,276

IX. Reinsurance business

In 2022, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 12 months ended 31 December	2022	2021	Changes (%)
CPIC Life	7,568	8,822	(14.2)
Traditional	4,790	5,229	(8.4)
Long-term health	3,919	4,446	(11.9)
Participating	274	284	(3.5)
Universal	52	53	(1.9)
Tax-deferred pension	-	-	/
Short-term accident and health	2,452	3,256	(24.7)
CPIC P/C	22,069	20,347	8.5
Automobile	6,095	5,295	15.1
Non-automobile	15,974	15,052	6.1

In 2022, premiums from reinsurance assumed are set out below:

For 12 months ended 31 December	Unit: RMB million		
	2022	2021	Changes (%)
CPIC Life	3,001	2,076	44.6
Traditional	3,001	2,076	44.6
Long-term health	1	1	-
Participating	-	-	/
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	-	-	/
CPIC P/C	1,304	1,173	11.2
Automobile	-	-	/
Non-automobile	1,304	1,173	11.2

As at the end of 2022, reinsurers' share of insurance contract reserves are set out below:

	Unit: RMB million		
	31 December 2022	31 December 2021	Changes (%)
CPIC Life			
Reinsurers' share of unearned premium reserves	697	864	(19.3)
Reinsurers' share of claim reserves	564	495	13.9
Reinsurers' share of life insurance reserves	2,103	1,910	10.1
Reinsurers' share of long-term health insurance reserves	12,363	12,120	2.0
CPIC P/C			
Reinsurers' share of unearned premium reserves	9,182	7,821	17.4
Reinsurers' share of claim reserves	11,414	9,123	25.1

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 industry-leading 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 Property & Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd., Swiss Reinsurance Company Ltd and Munich Reinsurance Company.

X. Main subsidiaries & associates and equity participation

As of the end of 2022, the Company's main subsidiaries, associates and equity participation are

set out as below:

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding ^{note 2}	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd. ^{note 3}	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%	232,667	50,344	8,285
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.	8,628	98.3%	1,822,907	103,332	16,479
Changjiang Pension Insurance Co., Ltd. ^{note 4}	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management	3,000	61.1%	6,339	4,024	300

	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.					
Pacific Asset Management Co., Ltd. ^{note 4}	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%	5,075	4,279	665
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.	3,600	99.7%	10,039	3,305	66
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	1,080	66.8%	6,674	2,860	213

	relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.					
CPIC Fund Management Co., Ltd. ^{note 5}	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	834	644	83

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. CPIC P/C obtained approval of CBIRC (CBIRC Approval [2023] No. 87) in February 2023 for change of registered capital to RMB19,948,087,650, with CPIC Group holding 98.5% of its stake.
4. 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.
5. 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.

XI. Top five customers

During the reporting period, the top 5 customers accounted for approximately 0.5% of the Company's GWPs, and none of them constituted Related Parties of the Company.

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

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

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

Outlook

I. Market environment and business plan

China's economy boasts strong resilience, big potential and great dynamism. In the medium and long term, rising resident income and heightened consumer confidence will bring about more

demand for insurance; industrial upgrading, rural invigoration, green insurance, inclusive insurance, health and elderly care services, personal pension programme will lend sustainable impetus to the industry; insurance funds will seize investment opportunities in the building of a modern industrial system and major projects; the regulator sets great store by risk control, continues to enhance supervision of corporate governance and institutional conduct, which will facilitate with steady and healthy development of China's insurance market.

The Company will faithfully implement the New Development Philosophies, continue to uphold the vision of "leadership in healthy and steady development of the insurance industry", and the targets of "being the best in customer experience, business quality and risk control capabilities", pursue high-quality development, stay committed to value growth and long-termism, strengthen the core insurance business, and continue to improve the customer-oriented business management system; continuously implement the 3 Key Strategies, i.e., health care, regional integrated development, and big data, so as to enhance capabilities to drive breakthroughs in key areas and strategic synergy; promote the idea of green, sustainable and high-quality growth; ensure the prevention of major risks to safeguard long-term development.

II. Major risks and mitigating measures

In 2023, the market environment will pose greater challenges for risk management of the Company. On the international front, with restructuring of the industrial value chain, high inflation which curbs economic growth and international trade, world economic recovery will face greater uncertainties; on the domestic front, key risk factors, such as the real estate sector, will improve, but the foundation for economic recovery is yet to be consolidated, and credit risk may deteriorate. In terms of industry regulation, stringency will continue, particularly in areas of corporate governance, solvency, consumer rights protection and supervision of systemically important firms, not to mention the adoption of new accounting standards. As for trends of industry development, the supply-side structural reform and its supporting measures need further improving. Life insurance has entered the stage of profound transformation, with business development under pressure; P/C insurance still faces challenges in cost control and business mix optimisation; asset management also faces increasing challenges due to secular decline of interest rates complicated by rising credit risk. For an insurance holding group, the complexity of risk management increases as its business portfolio expands, which calls for enhanced capability for all-around risk management, in particular for emerging risks.

In face of such risks, we will stay prudent in our risk appetite, and better understand both

opportunities and challenges of the new development stage, and carefully handle the risks and uncertainties in our business operation. In 2023, risk management will continue to facilitate high-quality development. To this end, we will deepen implementation of regulatory requirements, upgrade risk management systems, continue to optimise mechanisms for management of Group-specific risks, step up analysis, early-warning and mitigation of major risks, promote integration of risk management and business operation, strengthen process management and closed-loop mechanisms, forestall major risks, continuously expand the reach and penetration of risk management, so as to substantially improve the soundness and effectiveness of the risk management system.

Embedded value

To: China Pacific Insurance (Group) Company Limited

Board of Directors

Independent Actuarial Review Opinion on Embedded Value

Towers Watson Management Consulting (Shenzhen) Co. Ltd Beijing Branch (“WTW” or “we”) has been engaged by China Pacific Insurance (Group) Company Limited (“CPIC Group”) to review the embedded value information of CPIC Group as of 31 December 2022.

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

Scope of work

WTW's scope of work comprised:

- a review of the methodology used to develop the embedded value of CPIC Group and the value of one year's sales of China Pacific Life Insurance Co. Ltd. (“CPIC Life”) as of 31 December 2022, in the light of the requirements of the “CAA Standards of Actuarial Practice: Appraisal of Embedded Value” issued by the China Association of Actuaries (“CAA”) in November 2016;
- a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of one year's sales of CPIC Life as of 31 December 2022;
- a review of the results of CPIC Group's calculation of the value of in-force business, the value of one year's sales of CPIC Life, the results of the analysis of movement of embedded value of CPIC Group, and the sensitivity results of the value of in-force business and value of one year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as of 31 December 2022 and the value of one year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

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

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of one year's sales of CPIC Life as of 31 December 2022, 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 2022 annual report and that the aggregate results are reasonable in this context.

WTW confirms that the results shown in the Embedded Value section of CPIC Group's 2022 annual report are consistent with those reviewed by WTW.

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

For and on behalf of WTW

Lingde Hong, FSA, CCA

March 9th, 2023

2022 Embedded Value Annual Report of CPIC Group

I Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 31 December 2022 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 2022 annual report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of one year’s sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable shareholder profits for existing business in force at the valuation date and for one year’s sales in the 12 months immediately preceding the valuation date, where distributable shareholder profits are determined based on policy liability, required capital in excess of policy liability and minimum capital requirement quantification standards prescribed by the CBIRC. Embedded value does not allow for any value attributable to future new business sales.

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

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

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

II Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2022, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2022 at a risk discount rate of 11%.

Unit: RMB million		
Valuation Date	31 December 2022	31 December 2021
Group Adjusted Net Worth	298,142	287,213
Adjusted Net Worth of CPIC Life	172,865	161,880
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	241,471	227,624
Cost of Required Capital Held for CPIC Life	(16,144)	(12,861)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	225,326	214,763

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	221,479	211,096
Group Embedded Value	519,621	498,309
CPIC Life Embedded Value	398,191	376,643

Valuation Date	31 December 2022	31 December 2021
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	11,380	15,518
Cost of Required Capital Held	(2,175)	(2,107)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	9,205	13,412

Notes:

1: Figures may not be additive due to rounding

2: Results in column "31 December 2021" are those reported in the 2021 annual report

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

III Key Valuation Assumptions

In determining the embedded value as at 31 December 2022, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses,

together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2022:

1. Risk Discount Rate

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

2. Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2022 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.

3. 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.

4. 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.

5. 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.

6. Expense

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

7. Policyholder Dividend

- Group participating annuity business: 80 % of interest surplus;
- Bancassurance participating business: No less than 70% of interest and mortality surplus;
- Other participating business: 70% of interest and mortality surplus.

8. 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 20% for all future years. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

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

IV New Business Volumes and Value of One Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of one year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2022.

Unit: RMB million

	First Year Annual Premium		Value of One Year's Sales After Cost of Required Capital Held	
	2022	2021	2022	2021
Total	79,136	57,119	9,205	13,412
Of which: Agency channel	26,458	30,657	8,338	13,074
Bancassurance channel	32,140	9,398	860	313

V Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2021 to 31 December 2022.

Unit: RMB million

No.	Item	Value	Comments
1	Embedded Value of the life business at 31 December 2021	376,643	
2	Expected Return on Embedded Value	32,261	Expected returns on the 2021 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2022
3	Value of One Year's Sales	9,205	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2022
4	Investment Experience Variance	(18,474)	Reflects the difference between actual and assumed investment return in 2022
5	Operating Experience Variance	(224)	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	807	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	1,214	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	1,250	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(6,989)	Shareholder dividends distributed to shareholders of CPIC Life
10	Capital Injection	2,506	Capital injection from shareholders to CPIC Life, etc
11	Others	(9)	
12	Embedded Value of the life business at 31 December 2022	398,191	
13	Adjusted net worth of businesses other than CPIC Life as at 31 December 2021	132,080	

14	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	9,126	
15	Shareholder dividends	(9,620)	Dividend distributed to shareholders of CPIC Group
16	Change in market value adjustment	635	Reflects the change in value of assets not valued on a market value basis
17	Adjusted net worth of businesses other than CPIC Life as at 31 December 2022	132,221	
18	Minority interests relating to equity and market value adjustments	(10,791)	Minority interests on Embedded Value as at 31 December 2022
19	Group Embedded Value as at 31 December 2022	519,621	
20	Embedded Value as at 31 December 2022 per share (RMB)	54.01	

Note: Figures may not be additive due to rounding

VI Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2022 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

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

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

Unit: RMB million

	Value of In Force Business After Cost of Required Capital Held	Value of One Year's Sales After Cost of Required Capital Held
Base	225,326	9,205
Risk discount rate "+50 basis points"	217,712	8,796
Risk discount rate "-50 basis points"	233,562	9,644
Investment return "+50 basis points"	263,943	11,272
Investment return "-50 basis points"	186,498	7,127
Mortality "+10%"	224,184	9,131
Mortality "-10%"	226,467	9,281
Morbidity "+10%"	218,074	8,788
Lapse and surrender rates "+10%"	226,983	9,029
Lapse and surrender rates "-10%"	223,565	9,389
Expenses "+10%"	222,215	8,721

Corporate governance

Report of the Board of Directors and significant events

I. Results and distributions

The net profit attributable to shareholders of the parent for the year 2022 included in the audited consolidated financial statements, prepared in accordance with the PRC GAAP, was RMB24.609 billion. The net profit for the year 2022 included in the audited financial statements of parent company, prepared in accordance with the PRC GAAP, was RMB13.020 billion. According to the Articles of Association and other applicable regulations, if the cumulative amount of statutory surplus reserves reaches 50% and above of the Company's registered capital, no net profit shall be set aside as surplus reserves for the following years. The retained profits at the end of 2022 included in the financial statements of the parent company, prepared in accordance with the PRC GAAP, were RMB44.796 billion.

Therefore, the profit distribution for 2022 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.02 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of

dividend in aggregate will be RMB9,812,748,284.10. The remaining retained profits will be carried forward to 2023. No capital reserve was transferred to the share capital during the year.

After cash dividend distribution, there will be no significant impact on the Group's solvency ratio, and still meeting the requirements under C-ROSS II.

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

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

Dividend distributions for the past three years are as follows:

Year of dividend distribution	Cash dividend (including tax) ^{note(1)}	Net profit attributable to the dividend distribution year ^{note(2)}	Unit: RMB million
			Payout ratio (%) (3) = (1)/(2)
2022	9,813	24,609	39.9
2021	9,620	26,834	35.9
2020	12,506	24,584	50.9

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

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

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

The Company may adjust its profit distribution policy. Any such adjustment shall be proposed as a resolution of the board of directors on the basis of prudent studies and deliberations, with the issuance of opinions by independent directors, before being submitted as a special resolution to the general meeting for approval. The board of directors and the general meeting should hear and give full consideration of the opinions of the Company's independent directors

and investors, ensuring diverse channels of communication with them and readily subject themselves to their oversight on this matter.

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

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

II. Fulfillment of the undertakings

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

III. Appointment of auditors

According to the requirement of the "Administrative Measures for State owned Financial Enterprises to Select and Appoint Accounting Firms" (《国有金融企业选聘会计师事务所管理办法》) (Cai Jin [2020] No.6) issued by the Ministry of Finance of the PRC in relation to the service term of auditors continuously engaged by a financial institution, after the completion of audit work for the year 2021, the service term of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (collectively "PwC") had reached the prescribed time limit of 8 consecutive years. PwC has retired as auditors of the Company. Pursuant to the resolution of the 2021 annual general meeting, Ernst & Young Hua Ming LLP was engaged by the Company as the auditor of the financial statements and the auditor for the internal control for 2022, whilst undertaking duties required of auditors in accordance with Hong Kong Listing Rules.

The financial statements prepared in accordance with PRC GAAP (A share and H share) have been audited by Ernst & Young Hua Ming LLP and the certified public accountants signing the report are Mr. GUO Hangxiang and Mr. WANG Ziqing.

The remuneration paid to the auditors for provision of annual financial statements auditing service and internal control auditing service for 2022 was RMB22.4685 million and RMB2.4300 million, respectively.

IV. Adoption of the CAS to prepare financial statements

The Company had been preparing financial statements in accordance with the China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards respectively and disclosing corresponding financial information since the listing of its H shares on the SEHK. In order to improve efficiency, save information disclosure costs and audit fees, as approved by the 2021 AGM, the Company has adopted the China Accounting Standards for Business Enterprises to prepare financial statements and disclose corresponding financial reports starting from 2022.

V. 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 31 December 2022, 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 RMB11,929 million as at 31 December 2022 and profit before tax decreased by approximately RMB11,929 million for 2022.

VI. 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.

VII. Penalties and subsequent rectification

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

VIII. 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.

IX. Capital occupation

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

X. 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.

XI. 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.

XII. Related party Transactions

Daily related party transactions

In the ordinary course of business, at fair market price, the Company and its holding subsidiaries conducted daily transactions related to the fund utilization and the sales of financial products such as bond trading, securities investment funds, bond pledge-type repurchase, trust products, asset management products with multiple counterparties as well as daily related party transactions related to reinsurance business with Swiss Reinsurance Company Ltd. ("Swiss Reinsurance Company"). The 14th meeting of the 9th board of directors approved daily related party transactions related to fund utilization, financial products sales business and reinsurance business under the 2022 annual estimated cap of the Company and its holding subsidiaries with the related parties, and each single transaction was not required to be submitted separately to the board of directors or the shareholders' general meeting for consideration and approval any more. The categorized summary of the daily related party transactions related to fund utilization, financial products sales business, and reinsurance business in 2022 was as follows:

Unit: RMB million

No.	Related Parties	Content of Transaction	Estimated Cap of Daily Related Party Transactions in 2022	Actual Amount as of 31 December 2022	Percentage (%) of the Amount of Transactions of the Same Type
1	Hwabao WP Fund Management Co., Ltd.	Fund subscription & redemption	1,800	366	0.09%
2	Baowu Group Finance Co., Ltd.	Sales of Financial products	2,500	1,030	0.10%
3	Hwabao Trust Co., Ltd.	Sales of Financial products	8,000	37	0.00%
4	Swiss Reinsurance Company	Reinsurance Business	9,600	3,372	13.44%

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 or the shareholders' general meeting, and were summarized in categories and disclosed in the annual report of the Company pursuant to the Listing Rules of the SSE and other regulatory provisions.

XIII. Material contracts

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

investment guidelines, dynamic tracking communication, performance evaluation and other measures, and take targeted risk management measures based on the profile of investment assets.

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

XIV. Performance of duties by the Board of Directors

Details of the performance of duties by the board of directors and its special committees during the reporting period are set out in the Section “Corporate governance” of this report.

XV. Principal business

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

XVI. Reserves

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

XVII. Property and equipment and investment properties

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

XVIII. Financial summary

Summary of financial information is shown in the section “Highlights of accounting and operation data” of this report.

XIX. Use of Proceeds Received from Issuance of GDRs

The GDRs issued by the Company were listed on the London Stock Exchange plc (the "Initial Offering") on 22 June 2020, and additional GDRs were issued due to the exercise of over-allotment option (the “Over-allotment”) on 9 July 2020. A total of 111,668,291 GDRs were issued through the Initial Offering and Over-allotment at USD17.60 per GDR, raising a total proceeds of USD1,965,361,921.60. The differences between the beginning and ending balance

of proceeds unused are mainly the proceeds used during the reporting period and the interest income generated by the raised funds. As of the end of the reporting period, the use of proceeds was as stated in the prospectus. 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 at the end of the reporting period	Plan for use of the unused funds
USD 1,965,361,921.60	USD 1,704,570,965.27	(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;	-	USD 1,013,761,418.89	(i) Less than USD150 million will be used to subscribe to the fund interests of HTCP CAPITAL LPF (泰保新经济有限合伙基金) ^{note} ;
		(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;	(i) Approximately USD50.4 million (about 2.6% of the total proceeds) has been used to invest in CICFH New Dynamics Investment SPC and further participate in the privatization of the New Frontier Health Corporation (新风医疗集团) on the New York Stock Exchange;		(ii) Approximately RMB0.7 billion will be used for the establishment of a new company (上海市健康养老发展(集团)有限公司) conducting health and retirement business ; (iii) Less than RMB 1.2 billion will be used to subscribe for shares in Nanjing CPIC Phase II Health Care Industry Fund Management Partnership (Limited Partnership) (南京太保二期大健康产业基金管理合伙企业(有限合伙))
			(ii) Approximately USD125 million (about 6.4% of the total proceeds) has been used to subscribe for the newly issued preferred A shares of New Frontier Vitality Limited (新风健		(iv) The remaining will be used in line with the Company's business development and market situation.

			康集团).		
		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.	(i) Approximately USD 110,204,547.60 (RMB 700 million, or 5.6% of the total proceeds) was injected as capital into CPIC Technology. (ii) Approximately USD 368,066,794.84 (RMB 2,457,783,255.34 , or 18.7% of the total proceeds) was injected as capital into CPIC Life. (iii) Approximately USD 42,548,676.88 (RMB 300 million, or 2.2% of the total proceeds) invested in establishment of a new company (上海市健康养老发展(集团)有限公司); (iv) Approximately USD 143,186.48 (RMB 1 million, or 0.0% of the total proceeds) has been used to subscribe for shares in Nanjing CPIC Phase II Health Care Industry Fund Management Partnership (Limited Partnership) (南京太保二期大健康产业基金管理合伙企业(有限合伙)).		

Notes: In August 2022, the Company signed agreements on the subscription of the fund interests of HTCP CAPITAL LPF (泰保新经济有限合伙基金).

XX. Events after the balance sheet date

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

XXI. Bank borrowings

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

XXII. Charitable and other donations

During the reporting period, the Company made charitable and other donations totalling approximately RMB50.4975 million.

XXIII. Share capital and sufficient public float

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

XXIV. Management contract

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

XXV. Directors, supervisors and senior management

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

XXVI. Directors' and supervisors' interests in competing business

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

XXVII. Directors' and supervisors' service contracts and remunerations

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

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

XXVIII. Special committees of the board of directors

The board of directors of the Company established five special committees, namely the Strategic and Investment Decision-Making & 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. See the Section "Corporate governance" of this report for details of the special committees of the board of directors.

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

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

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

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

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

So far as the directors of the Company are aware, as at 31 December 2022, the following directors, supervisors or senior management of the Company had an interest or short position in shares, underlying shares or debentures of the Company 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 SEHK pursuant to the Model Code for Securities Transactions.

Name	Position	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
KONG Qingwei	Chairman and an executive director	Beneficial owner	H shares	21,800 (L)	0.00 (L)	0.00 (L)
		Beneficial owner	A shares	28,800 (L)	0.00 (L)	0.00 (L)
FU Fan	Executive director and president	Beneficial owner	H shares	107,400 (L)	0.00 (L)	0.00 (L)

(L) denotes a long position

Save as disclosed in this report, as at 31 December 2022, the directors of the Company were not aware that there was any directors, supervisors or senior management of the Company who 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 SEHK pursuant to the Model Code for Securities Transactions. The detailed shareholdings of directors, supervisors and senior management are set out in the section “Directors, Supervisors and Senior Management” of this report.

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

So far as the directors of the Company are aware, as at 31 December 2022, 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 (%) ^{note 1}	Percentage of the total shares issued (%) ^{note 1}
Schroders Plc ^{note 2}	Investment manager	H shares	394,485,792 (L)	14.21 (L)	4.10 (L)
上海國際集團有限公司 ^{note 3}	Beneficial owner	H shares	192,068,400 (L)	6.92 (L)	2.00 (L)
	Interest of corporation	H shares	6,428,400 (L)	0.23 (L)	0.07(L)

	controlled by 上海国际集团有限公司				
BlackRock, Inc. note 4	Interest of corporation controlled by BlackRock, Inc.	H shares	192,080,951 (L) 334,600 (S)	6.92 (L) 0.01(S)	2.00 (L) 0.00(S)

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

Notes:

- As at 31 December, 2022, the Company issued a total of 9,620,341,455 shares, including 6,845,041,455 A shares and 2,775,300,000 H shares.
- Pursuant to Part XV of the SFO, as at 31 December 2022, Schroders Plc is deemed or taken to be interested in a total of 394,485,792 H shares (long position) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by Schroders Plc are set out below:

Name of controlled company	Number of shares
Schroder Administration Limited	394,485,792 (L)
Schroder International Holdings Limited	394,485,792 (L)
Schroder Investment Management (Hong Kong) Limited	147,870,018 (L)
Schroder Investment Management (Singapore) Ltd.	84,089,611 (L)
Schroder Investment Management Limited	111,307,600 (L)
Schroder Investment Management Limited	51,218,563 (L)
Schroder Investment Management North America Limited	51,218,563 (L)

(L) denotes a long position

- Pursuant to Part XV of the SFO, as at 31 December 2022, 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 company directly or indirectly controlled by 上海国际集团有限公司 are set out below:

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

(L) denotes a long position

- Pursuant to Part XV of the SFO, as at 31 December 2022, BlackRock, Inc. is deemed or taken to be interested in a total of 192,080,951 H shares (long position) and 334,600 H shares (short position) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by BlackRock, Inc. are set out below:

Name of controlled company	Number of shares
Trident Merger, LLC	3,366,200 (L)
BlackRock Investment Management, LLC	853,800 (L)
BlackRock Investment Management, LLC	2,512,400 (L)
BlackRock Holdco 2, Inc.	188,714,751 (L) 334,600 (S)
BlackRock Financial Management, Inc.	169,462,585 (L) 181,800 (S)
BlackRock Financial Management, Inc.	19,252,166 (L) 152,800 (S)

BlackRock Holdco 4, LLC	116,566,005 (L) 181,800 (S)
BlackRock Holdco 6, LLC	116,566,005 (L) 181,800 (S)
BlackRock Delaware Holdings Inc.	116,566,005 (L) 181,800 (S)
BlackRock Institutional Trust Company, National Association	53,074,405 (L) 181,800 (S)
BlackRock Fund Advisors	63,491,600 (L)
BlackRock Capital Holdings, Inc.	136,000 (L)
BlackRock Advisors, LLC	136,000 (L)
BlackRock International Holdings, Inc.	52,760,580 (L)
BR Jersey International Holdings L.P.	52,760,580 (L)
BlackRock Lux Finco S.à r.l.	6,892,555 (L)
BlackRock Japan Holdings GK	6,892,555 (L)
BlackRock Japan Co., Ltd.	6,892,555 (L)
BlackRock Holdco 3, LLC	40,351,872 (L)
BlackRock Canada Holdings LP	351,600 (L)
BlackRock Canada Holdings ULC	351,600 (L)
BlackRock Asset Management Canada Limited	351,600 (L)
BlackRock Australia Holdco Pty. Ltd.	1,862,400 (L)
BlackRock Investment Management (Australia) Limited	1,862,400 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	10,546,308 (L)
BlackRock HK Holdco Limited	9,178,908 (L)
BlackRock Asset Management North Asia Limited	2,286,353 (L)
BlackRock Cayman 1 LP	40,000,272 (L)
BlackRock Cayman West Bay Finco Limited	40,000,272 (L)
BlackRock Cayman West Bay IV Limited	40,000,272 (L)
BlackRock Group Limited	40,000,272 (L)
BlackRock Finance Europe Limited	19,876,413 (L)
BlackRock (Netherlands) B.V.	6,965,928 (L)

BlackRock Advisors (UK) Limited	2,159,480 (L)
BlackRock International Limited	153,200 (L)
BlackRock Group Limited-Luxembourg Branch	19,970,659 (L)
BlackRock Luxembourg Holdco S.à r.l.	19,970,659 (L)
BlackRock Investment Management Ireland Holdings Limited	19,649,259 (L)
BlackRock Asset Management Ireland Limited	19,649,259 (L)
BLACKROCK (Luxembourg) S.A.	302,800 (L)
BlackRock Investment Management (UK) Limited	6,991,982 (L)
BlackRock Investment Management (UK) Limited	3,759,023 (L)
BlackRock Fund Managers Limited	6,991,982 (L)
BlackRock Life Limited	153,200 (L)
BlackRock (Singapore) Limited	1,367,400 (L)
BlackRock UK Holdco Limited	18,600 (L)
BlackRock Asset Management Schweiz AG	18,600 (L)
EG Holdings Blocker, LLC	853,800 (L)
Amethyst Intermediate, LLC	853,800 (L)
Aperio Holdings, LLC	853,800 (L)
Aperio Holdings, LLC	853,800 (L)
Aperio Group, LLC	853,800 (L)

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

Save as disclosed above, as at 31 December 2022, 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.

XXXIII. 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.

XXXIV. Pre-emptive rights

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

XXXV. Permitted indemnity provisions

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

XXXVI. Business View

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

Changes in the share capital and shareholders' profile

I. 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	Percent age (%)	New shares issued	Bonus shares	Transfer from reserves	Others	Sub-total	Amount	Percent age (%)
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

II. 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: 136,953 (including 132,857 A shareholders and 4,096 H shareholders)

Total number of shareholders as at the end of Feb. 2023: 121,253 (including 117,178 A shareholders and 4,075 H shareholders)

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

Name of shareholders	Nature of shareholders	Percentage of the shareholding	Total number of shares held	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	Overseas legal entity	28.82%	2,772,530,227	-149,802	-	-	H Share
Shenergy (Group) Co., Ltd.	Domestic legal entity	14.05%	1,352,129,014	+25,352,232	-	-	A Share
Hwabao Investment Co., Ltd.	Domestic legal entity	13.35%	1,284,277,846	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	Domestic legal entity	6.34%	609,929,956	+25,817,617	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	Domestic legal entity	4.87%	468,828,104	-	-	-	A Share
China Securities Finance Co., Ltd.	Others	2.82%	271,089,843	-	-	-	A Share
HKSCC	Others	2.06%	198,109,633	+381,092	-	-	A Share
Shanghai International Group	Domestic legal entity	1.66%	160,000,000	-	-	-	A Share
Citibank, National Association	Others	1.55%	149,020,055	-1,020,850	-	-	A Share
China Structural Reform Fund Corporation Limited	Domestic legal entity	1.19%	114,881,140	-300,000	-	-	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 shareholder.
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 was 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 nature of A shareholders is the same as the nature of their accounts registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch.
- 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 was 29,804,011, representing 26.69% of the number of GDRs issued under approval by the CSRC.
- 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, Shanghai State-Owned Assets Operation Co., Ltd. increased its shares of the Company.

(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.

(III) Particulars of shareholders with a shareholding percentage higher than 5%

As at the end of the reporting period, the following are the shareholders with a shareholding percentage higher than 5%:

1. Shenergy (Group) Co., Ltd.

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

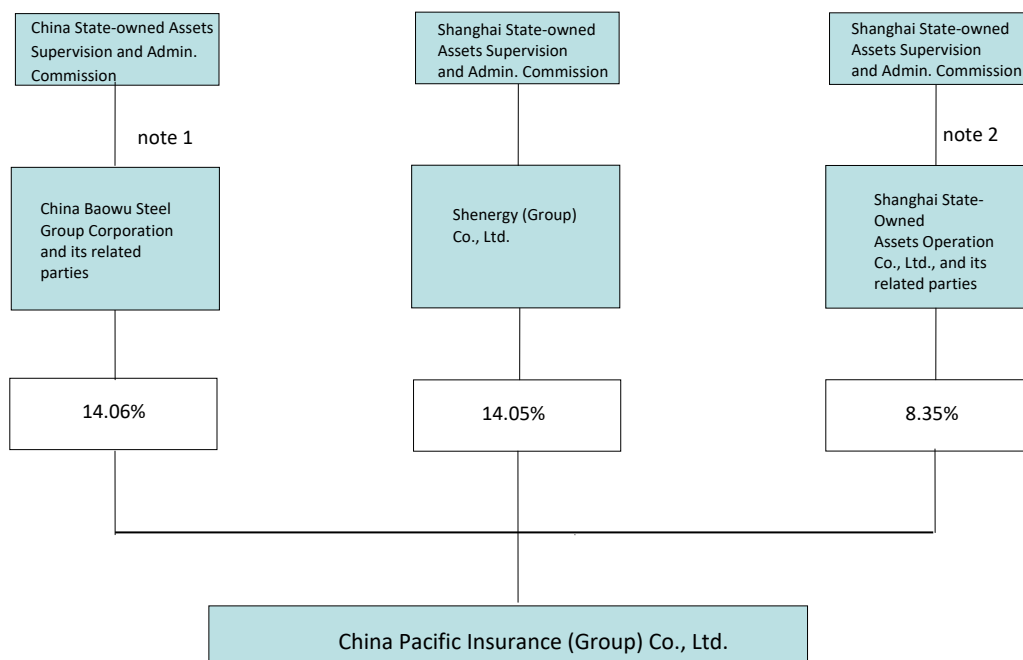
2. Hwabao Investment Co., Ltd.

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

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

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

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



Notes:

1. China Baowu Steel Group Corporation and its subsidiary, Hwabao Investment Co., Ltd., hold in aggregate 1,353,096,253 A Shares in the Company, representing 14.06% of the entire share capital of the Company.

2. Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary, Shanghai Guoxin Investment and Development Co., Ltd., both under control of Shanghai International Group Co., Ltd., hold in aggregate 802,954,107 A Shares in the Company, representing 8.35% of the entire share capital of the Company.

Directors, supervisors, senior management and employees

I. Directors, supervisors and senior management

(I) Summary

Unit: RMB 10,000

Name	Position	Gender	Date of birth	Term of office	Total Remuneration payable from the Company (before tax) during the reporting period
Incumbent Directors, Supervisors and Senior Management					
KONG Qingwei	Chairman and executive director	M	Jun. 1960	Since Jun. 2017	133.3
FU Fan	Executive director	M	Oct. 1964	Since Jun. 2020	148.9
	President			Since Mar. 2020	
HUANG Dinan	Non-executive director and vice chairman	M	Dec. 1966	Since Jun. 2019	Note 5
WANG Tayu	Non-executive director	M	Oct. 1970	Since Jun. 2017	30
WU Junhao	Non-executive director	M	Jun. 1965	Since Jul. 2012	Note 5
CHEN Ran	Non-executive director	M	Jan. 1984	Since Jan. 2021	30
ZHOU Donghui	Non-executive director	M	Apr. 1969	Since Jan. 2021	Note 5
LU Qiaoling	Non-executive director	F	Mar. 1966	Since Mar. 2021	30
John Robert Dacey	Non-executive director	M	May 1960	Since Mar. 2021	Note 5
LIU Xiaodan	Independent non-executive director	F	Jun. 1972	Since Jan. 2021	35
CHEN Jizhong	Independent non-executive director	M	Apr. 1956	Since Jul. 2019	Note 5
LAM Tyng Yih, Elizabeth	Independent non-executive director	F	Oct. 1964	Since Jul. 2019	35
WOO Ka Biu, Jackson	Independent non-executive Director	M	Sept.1962	Since Mar. 2021	30
JIANG Xuping	Independent non-executive director	M	May 1955	Since Aug. 2019	35
ZHU Yonghong	Chairman of board of supervisors and shareholder representative supervisor	M	Jan. 1969	Since Jul. 2018	Note 5
JI Zhengrong	Employee representative supervisor	M	Dec. 1963	Since Apr. 2019	123.9
	Vice chairman of board of supervisors			Since Aug. 2019	
LU Ning	Shareholder representative supervisor	M	Sept. 1968	Since Jul. 2018	Note 5
GU Qiang	Employee representative supervisor	M	Jan. 1967	Since Jan. 2021	232.2
YU Bin	Vice president	M	Aug. 1969	Since Oct. 2018	136.1
MA Xin	Vice president	M	Apr. 1973	Since Dec. 2018	137.3

SUN Peijian	Chief risk officer	M	Sept.1963	Since Mar.2021	358.2
ZHANG Yuanhan	Finance responsible person	M	Nov. 1967	Since Jun. 2019	537.4
	Chief actuary			Since Jan. 2013	
ZHANG Weidong	Chief compliance officer	M	Oct. 1970	Since Jun.2016	302.7
	General counsel			Since Oct. 2018	
SHENG Yafeng	Director of Greater Bay Area development	M	Jul. 1965	Since May 2021	Note 6
CHEN Wei	Chief administrative officer	M	Apr. 1967	Since Nov. 2021	315.4
SU Shaojun	Board secretary	M	Feb.1968	Since Mar.2021	307.0
SU Gang	Chief investment officer	M	Sept.1973	Since Jan. 2022	379.4
ZHOU Xiaonan	Chief internal auditor	M	Apr. 1966	Since Jul. 2022	139.4
	Internal auditing responsible person			Since Oct. 2022	
Departed Directors, Supervisors and Senior Management					
LIANG Hong	Non-executive director	F	Oct. 1968	Feb. 2021-Sept. 2022	Note 5
QIAN Zhonghua	Chief internal auditor and internal auditing responsible person	M	Jul. 1962	Oct. 2019-Jul. 2022	211.8
Total					3,688.0

Notes:

- Total remuneration payable (before tax) listed in this table includes basic salaries, bonuses, allowances, subsidies, employee welfare and various insurance premiums, provident funds, annuities, and other forms of remuneration received from the Company payable in 2022. According to *Provisional Guidelines on Compensation Management of Insurance Companies* (Bao Jian Fa (2012) No. 63) and relevant policies and rules of the Company, performance-related remuneration of the Company's senior management takes the form of deferred payment, which is included in total remuneration payable (before tax) listed in this table.
- Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
- According to relevant policies, the final amounts of remunerations of the chairman, president, vice chairman of the board of supervisors, and vice presidents are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
- The compensation for the Company's directors, supervisors and senior management was calculated based on their actual term of office during the reporting period.
- Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr. John Robert Dacey, Mr. ZHU Yonghong, and Mr. LU Ning do not take any allowances. Mr. CHEN Jizhong does not take any allowances temporarily.
- During the reporting period, Mr. SHENG Yafeng worked at the Administration Commission for Industry Risk Disposal, and his compensation was funded by the administration fees.
- During the reporting period, Mr. HUANG Dinan and Mr. WU Junhao received remuneration from Shenergy (Group) Co., Ltd.; Mr. WANG Tayu received remuneration from Shanghai International Group Co., Ltd.; Mr. CHEN Ran received remuneration from Hwabao Investment Co., Ltd.; Mr. ZHOU Donghui received remuneration from Shanghai Tobacco Group Company Limited; Ms. LU Qiaoling received remuneration from China Baowu Steel Group Corporation Limited; Mr. John Robert Dacey received remuneration from Swiss Reinsurance Company Ltd; Ms. LIU Xiaodan received remuneration from Chenyi Investment (Beijing) Co., Ltd.; Mr. WOO Ka Bui, Jackson received remuneration from Kailey Enterprises Limited; Mr. ZHU Yonghong received remuneration from China Baowu Steel Group Corporation Limited.
- The appointment qualification of Mr. ZHOU Xiaonan was approved by CBIRC in October 2022.
- In September 2022, due to work change, Ms. LIANG Hong ceased to serve as non-executive director of the Company; in July 2022, due to retirement, Mr. QIAN Zhonghua no longer served as chief internal auditor and internal auditing responsible person of the Company.
- On March 23, 2023, the board of the Company received a letter of resignation from independent director WOO Kai Bui, Jackson, who resigned as independent director and member of board Auditing Committee and Risk Management & Related Party Transaction Control Committee. Due to Mr. WOO's resignation, the number of independent directors of the Company will be lower than the minimum level prescribed by regulatory requirements and the Articles of Association of the Company. As such, Mr. WOO will continue to perform his duty until newly elected independent director obtains his/her appointment qualification from CBIRC.

(II) Shareholdings

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
KONG Qingwei	Chairman, executive director	A share	0	28,800	-	28,800	Secondary market transaction
		H share	0	21,800	-	21,800	Secondary market transaction
FU Fan	President, executive director	H share	0	107,400	-	107,400	Secondary market transaction
YU Bin	Vice President	A share	5,900	-	-	5,900	-
		H share	26,600	88,600	-	115,200	Secondary market transaction
MA Xin	Vice President	A share	4,300	10,700	-	15,000	Secondary market transaction
		H share	58,400	36,600	-	95,000	Secondary market transaction
SUN Peijian	Chief Risk Officer	A share	20,125	-	-	20,125	-
SHENG Yafeng	Director of Greater Bay Area Development	A share	10,800	-	-	10,800	-

(III) Professional background and biographies**1. Directors**

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

Mr. KONG Qingwei currently serves as chairman and an executive director of the Company. Previously, Mr. KONG served as deputy general manager of Shanghai Bund House Exchange Co., Ltd., general manager of the Housing Exchange Headquarter of Shanghai Jiushi Corporation, executive deputy director of Shanghai Provident Fund Management Centre, deputy general manager of Shanghai Urban Construction Investment Development Corporation, vice chairman of Shanghai Minhong (Group) Co., Ltd., director of Shanghai World Expo Land Reserve Centre, president of Shanghai World Expo Land Holding Co., Ltd., general manager of Shanghai Urban Construction Investment and Development Corporation, Party secretary of the Financial Working Committee of the CPC of the city of Shanghai, chairman of Shanghai Guosheng (Group) Co., Ltd and CPIC Life. Mr. KONG holds a master's degree.

Mr. FU Fan currently serves as executive director and president of the Company, director of CPIC AMC. Previously, Mr. FU served as deputy general manager of Shanghai Investment Corporation, deputy general manager of China International Fund Management Co., Ltd., general manager and vice chairman of Shanghai International Trust Co., Ltd., chairman of Shanghai State-owned Assets Operation Co., Ltd., and director and general manager of Shanghai International Group Co., Ltd. Mr. FU holds a master's degree.

Mr. HUANG Dinan currently serves as vice chairman and non-executive director of the Company, and chairman of Shenergy Group Co., Ltd. Previously, Mr. HUANG was consecutively research fellow, deputy head of the No.3 Research Team, assistant director and vice director of the Research Institute of Shanghai Turbine Plant; assistant general manager, deputy general manager and general manager of Shanghai Turbine Plant; Assistant president, head of the President's Office, vice chairman and chairman of Shanghai Turbine Company Limited; vice president, president, and vice chairman of Shanghai Electric (Group) Corporation; president, vice chairman and chairman of Shanghai Electric Group Company Limited, a company listed on SSE and SEHK (SSE stock code: 601727, SEHK stock code: 02727), president of China Society of Power Engineering, and president of Shanghai Society for Electrical Engineering. Mr. HUANG holds a master's degree and a title of Senior Engineer (professor level).

Mr. WANG Tayu currently serves as non-executive director of the Company, investment director of Shanghai International Group Co., Ltd., secretary of the Party Committee and chairman of Shanghai International Group Asset Management Co., Ltd., chairman of GP Capital, chairman of Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd., chairman of Shanghai Guofang Private Equity Fund Management Co., Ltd., director and general manager of Shanghai Xieyi Asset Management Co., Ltd., director of AVIC Investment Holdings Co., Ltd, director of Shanghai Fintech Co., Ltd., director of Shanghai Data Exchange Co., Ltd., and director of Anxin Trust Co., Ltd. Previously, Mr. WANG served as assistant president and vice president of Shanghai State-owned Assets Operation Co., Ltd., chairman of Shanghai Guoxin Investment and Development Co., Ltd., vice chairman of Shanghai Guotai Junan Investment Management Co., Ltd. and director of Shanghai Rural Commercial Bank Co., Ltd. Mr. WANG has a master's degree.

Mr. WU Junhao currently serves as non-executive director of the Company, directors of CPIC Life and CPIC P/C, and general manager of the Financial Management Department of Shenergy (Group) Co., Ltd. Mr. WU is also a director of Shanghai Chengyi New Energy Venture Capital Co.,

Ltd., supervisor of Orient Securities Company Limited, a company listed on SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958), supervisor of Everbright Banking Co., Ltd., a company listed on both SSE and SEHK (SSE stock code: 601818, SEHK stock code: 06818), chairman of the Supervisory Board of Shanghai ICY Capital Co., Ltd., and chairman of the Supervisory Board of Shanghai Shenergy Chengyi Equity Investment Co., Ltd. Mr. WU formerly worked as head of the Teaching Research Department of the School of Business Management of Changzhou University, executive deputy general manager of Shanghai New Resources Investment Consulting Company, deputy general manager of Shanghai Bailitong Investment Company, deputy chief of Shanghai Shenergy Assets Management Co., Ltd., deputy chief, chief and senior chief of the Assets Management Department, deputy manager, manager of the Financial Management Department of Shenergy (Group) Co., Ltd., director of Shanghai Jiulian Group Co., Ltd., and director of Chengdu Xinshen Venture Capital Co., Ltd. Mr. WU was also supervisor of Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on SSE and SEHK (SSE stock code: 601607, SEHK stock code: 02607), and director of Orient Securities Company Limited (SSE stock code:600958, SEHK stock code: 03958). Mr. WU has a master's degree.

Mr. CHEN Ran currently serves as non-executive director of the Company, deputy general manager of Hwabao Investment Co., Ltd., and chairman of Shanghai Ouyeel Financial Information Service Co., Ltd. Mr. CHEN also serves as executive director of Easternpay Information & Technology Co., Ltd. and director of China United SME Guarantee Corporation. Previously, Mr. CHEN served as chairman of Shanghai Ouyeel Pawn Co., Ltd., president of Shanghai Ouyeel Financial Information Service Co., Ltd., sales representative and marketing director of No. 1 Division of Marketing Department of Shanghai Baosteel Steel Products Trading Co., Ltd., leadership development manager of the Human Resources Department and senior secretary of the Administration Office of China Baowu Steel Group Corporation Ltd., and deputy general manager of Shanghai Ouyeel Financial Information Service Co., Ltd. Mr. CHEN holds a bachelor's degree.

Mr. ZHOU Donghui currently serves as non-executive director of the Company, director of the Division of Internal Monopoly Management and Supervision of Shanghai Tobacco Monopoly Administration, non-executive director of Orient Securities Company Limited listed on both SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958), non-executive director of Haitong Securities Co., Ltd. listed on both SSE and SEHK (SSE stock code: 600837, SEHK stock code:06837), and vice chairman and director of Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd., vice chairman and director of Shanghai Deqiang Industrial Co., Ltd., and supervisor of China

Aviation Development Commercial Aviation Engine Co., Ltd. Previously, Mr. ZHOU was deputy manager and manager of the Financial Department of Shanghai Import and Export of China Tobacco Co., Ltd., deputy director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., deputy director of the Financial Department, deputy head of the Fund Management Centre, deputy director and director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., and deputy general manager, executive deputy general manager and general manager of Shanghai Haiyan Investment Management Co., Ltd. Mr. ZHOU holds a bachelor's degree and the title of Senior Accountant.

Ms. LU Qiaoling currently serves as non-executive director of the Company, general manager of the Industry and Finance Development Centre and the Capital Operation Department of China Baowu Steel Group Corporation Limited, director of Hwabao Trust Co., Ltd., and director of Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd. Previously, Ms. LU was chief accountant of Hebei Petrochemical Supply and Marketing Corporation, deputy director of the Industry Guidance Department and deputy director of the Administration Office of the Audit Bureau of the Ministry of Chemical Industry, assistant inspector of the State Council's Audit Commissioner, and full-time supervisor for state-owned medium and large-sized enterprises under the CPC Central Enterprise Working Committee, deputy director and director of the Internal Audit Department of Baosteel Group Co., Ltd., director of the Internal Audit Department of Baoshan Iron and Steel Co., Ltd., deputy general manager of Baosteel Engineering Technology Group Co., Ltd, director of Baosteel Group Finance Co., Ltd., general manager of the Financial Department of China Baowu Steel Group Corporation Limited, and director of Baowu Group Zhongnan Iron and Steel Co., Ltd. Ms. LU holds a master's degree, and has the title of senior accountant, certified public accountant, and auditor.

Mr. John Robert DACEY, American, currently serves as non-executive director of the Company, and chief financial officer, a member of the Executive Committee of Swiss Re, director of FWD Group Holdings Ltd, FWD Group Ltd, and FWD Ltd respectively. Mr. DACEY was a consulting partner of McKinsey & Company, chief strategy officer and a member of the Executive Committee of Winterthur Insurance as well as vice chairman and a member of the Executive Committee of the Asia-Pacific Regional Office of AXA and chief executive officer of AXA Japan and Asia-Pacific Regional Headquarters. Mr. DACEY also served as a non-executive director of New China Life Insurance Company Limited (SSE stock code: 601336, SEHK stock code:01336). Mr. DACEY holds a master's degree.

Ms. LIU Xiaodan currently serves as independent non-executive director of the Company, general manager of Chenyi Investment (Beijing) Co., Ltd. and chairman of Chenyi Fund Management (Beijing) Co., Ltd. Previously, Ms. LIU was president and chairman of Huatai United Securities Co., Ltd. and chairman of Asset Mark Financial Holdings, Inc., a company listed on the New York Stock Exchange (stock code: AMK). Previously, Ms. LIU worked at Peking University. She also served as a member of the 4th and 5th Committees for Mergers, Acquisitions, and Restructuring of China Securities Regulatory Commission. Ms. LIU holds a master's degree.

Mr. CHEN Jizhong currently serves as independent non-executive director of the Company. Previously, Mr. CHEN served as head of the Personnel Department for Entities under Direct Administration of the Personnel Division of the State Planning Commission, deputy director of the Human Resources Department of China Development Bank, director of the Executive Office of China Development Bank, successively general manager of Xi'an Branch, Shaanxi Branch, and Shanghai Branch of China Development Bank, and chief internal auditor of China Development Bank. Mr. CHEN holds a master's degree.

Ms. LAM Tyng Yih, Elizabeth, currently serves as independent non-executive director of the Company, independent non-executive director of Fobon Bank (Hong Kong), and director and honorary treasurer of HK Agency for Volunteer Service. Previously, Ms. LAM served as consultant and partner of Ernst & Young. Ms. LAM holds a bachelor's degree in business administration and a master's degree in accounting and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. WOO Ka Biu, Jackson, currently serves as independent non-executive director of the Company, CEO of Challenge Capital Management Limited, consultant of Guantao & Chow Solicitors and Notaries, director of Kailey Enterprises Limited and Fong Fun Company Limited, steward of the Hong Kong Jockey Club, independent non-executive director of Henderson Land Development Company Limited listed on the SEHK (stock code: 00012), honorary director of Tsinghua University, China-Appointed Attesting Officer appointed by the Ministry of Justice of People's Republic of China, Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region, member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission of Hong Kong, member of the Main Board and GEM Listing Review Committee of The Stock Exchange of Hong Kong Limited, member of the Honorary Advisory Panel and the Policy, Registration and Oversight Committee (formerly known as Oversight, Policy and

Governance Committee) of the Accounting and Financial Reporting Council (formerly known as Financial Reporting Council) of Hong Kong and Panel Member of the Resolution Compensation Tribunal under the Financial Institutions (Resolution) Ordinance (Cap. 628). Mr. WOO was a member of the Public Shareholders Group of the Securities and Futures Commission of Hong Kong, member of the Investigation and Compliance Committee of the Financial Reporting Council, chairman (International) of Guantao Law Firm Beijing, partner of Ashurst Hong Kong, founding partner of Jackson Woo & Associates, director and co-head of Investment Banking of Great China of N M Rothschild & Sons (Hong Kong) Limited, partner of Messrs. Woo, Kwan, Lee & Lo of Hong Kong, independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., a company listed on both SSE and SEHK (SSE stock code: 601318, SEHK stock code: 02318), non-executive director of Sun Hung Kai Properties Limited (stock code: 00016) and Henderson Investment Limited listed on SEHK (stock code: 00097) served as an alternative director of Sir Po-shing Woo. Mr. WOO holds a MA degree, and is a qualified solicitor in Hong Kong Special Administrative Region, England and Wales and Australian, and a licensee of the Securities and Futures Commission of Hong Kong.

Mr. JIANG Xuping currently serves as independent non-executive director of the Company, professor with the Department of Marketing of the School of Economics and Management, Tsinghua University, research fellow at the Research Centre for Contemporary Management, Tsinghua University, and research fellow at the Centre for Corporate Governance of Tsinghua University. Mr. JIANG also serves pro bono as dean of the School of Internet Marketing and Management of Guizhou Forerunner College. Previously, Mr. JIANG served as lecturer, associate professor, professor of School of Economics and Management of Tsinghua University. Mr. JIANG holds a master's degree and the title of professor.

2. Supervisors

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

Mr. ZHU Yonghong currently serves as chairman of the board of supervisors of the Company and chief accountant and board secretary of China Baowu Steel Group Corporation Limited. Mr. ZHU also is chairman of Baowu Group Finance Co., Ltd., and chairman of the Board of Supervisors of Baoshan Iron and Steel Co., Ltd., a company listed on SSE (stock code: 600019). Mr. ZHU previously worked as chairman of Wuhan Iron and Steel (Group) Finance Co., Ltd., CFO and head of the Planning and Finance Department, deputy chief accountant and chief accountant of Wuhan Iron and Steel (Group) Company, director of Wuhan Iron and Steel

Company Limited, a company listed on SSE (stock code: 600005), vice chairman of Hebi Fuyuan Refined Coal Co., Ltd., director of Hankou Banking Co., Ltd., director of Beibu Gulf Property & Casualty Insurance Co., Ltd., chairman of the Board of Supervisors of Changjiang Property & Casualty Insurance Co., Ltd., director of Hubei United Development & Investment Co., Ltd., chairman of Hwabao Trust Co., Ltd., chairman of Hwabao Investment Co., Ltd., chairman of Wuhan Iron and Steel (Group) Kunming Iron and Steel Co., Ltd., chairman of Hwabao WP Fund Management Co., Ltd., and director of Hwabao Trust Co., Ltd. Mr. ZHU holds a doctor's degree and the title of senior accountant.

Mr. JI Zhengrong currently serves as vice chairman of the board of supervisors, employee representative supervisor, and chairman of the Trade Union of the Company. Previously, Mr. JI served as vice chairman of the Board of Supervisors and chairman of the Trade Union of Shanghai New Union Textra Import and Export Co., Ltd., vice chairman of the Board of Supervisors of Shanghai New Union Textra Joint Company, and vice chairman of the Board of Supervisors of Shanghai Textile (Group) Co., Ltd. Mr. JI received university education.

Mr. LU Ning currently serves as shareholder representative supervisor of the Company, and chairman of Jiangsu Tobacco Jinsili Leasehold Co., Ltd. Mr. LU previously worked as chairman of Shanghai Hongta Hotel Co., Ltd., chairman of Yunnan Hongta Hotel Co., Ltd., chairman of Yunnan Honghe Investment Co., Ltd., chairman of Kunming Hongta Building Co., Ltd., chairman of Kunming Hongta Building Property Management Co., Ltd., and director of Yunnan Hongta Sports Centre Co., Ltd., director of Yunnan Zhongwei Hotel Management Co., Ltd., director of Kunming Wanxing Real Estate Development Co., Ltd., deputy general manager of Yunnan Tobacco Group Xingyun Co., Ltd., general manager of Kunming Wanxing Real Estate Development Co., Ltd., head of the Hotel Property Department of Yunnan Hehe (Group) Co., Ltd., director of Yunnan Tobacco Xingyun Investment Co., Ltd., chairman of Yunnan Hongta Real Estate Development Company, chairman of Zhongshan Hongta Property Development Co., Ltd., director of Hongta Innovation Investment Co., Ltd., head of the Financial Assets Department of Yunnan Hehe (Group) Co., Ltd., director of Yunnan Horticulture Industrial Investment Management Co., Ltd., and director of Yunnan Tourism Co., Ltd.. Mr. LU holds a bachelor's degree.

Mr. GU Qiang currently serves as employee representative supervisor and deputy chief internal auditor of the Company, chairman of the board of supervisors of CPIC AMC, chairman of the board of supervisors of CPIC Health, and chairman of the board of supervisors of Changjiang

Pension. Mr. GU formerly served as deputy chief accountant, CFO, finance responsible person and deputy general manager of CPIC P/C, director of CPIC AMC, director of China Pacific Insurance Co., (H.K.) Limited, director, vice president and CFO of CPIC Anxin Agricultural. Prior to joining the Company, Mr. GU was a lecturer at the Department of Finance and Insurance of Shanghai University of Finance and Economics, senior auditor of Pricewaterhouse Da Hua Certified Public Accountants, deputy manager of Integrated Planning Department and manager of the International Business Department of Wanguo Securities Co., Ltd., vice president and CFO of Shanghai Branch of American International Underwriters. Mr. GU holds a master's degree and the title of Senior Accountant.

3. Senior management

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

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

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

Mr. YU Bin currently serves as vice president of the Company, chairman of CPIC Technology and a director of CPIC P/C. Mr. YU previously served consecutively as deputy general managers of the Non-marine Insurance Department and Underwriting & Claims Department of CPIC P/C, general managers of the Market R&D Centre and the Market Department of CPIC P/C, chief marketing officer and deputy general manager of CPIC P/C, and assistant president of the Company. Mr. YU has a master's degree.

Mr. MA Xin currently serves as vice president of the Company, chairman of CPIC Health, and directors of CPIC Life and Changjiang Pension respectively. Mr. MA previously worked as general manager of CPIC Life Shaanxi Branch, director of the Strategic Transformation Office, general manager of Strategic Planning Department, the director on transformation matters and board secretary of the Company. Mr. MA has a master's degree.

Mr. SUN Peijian currently serves as chief risk officer of the Company, chairmen of board of supervisors of CPIC Life and CPIC P/C. Previously, he served as assistant general manager, deputy general manager, general manager of Reinsurance Department of the Company,

assistant general manager, deputy general manager, compliance responsible person, chief compliance officer and vice president of the Company, and directors of CPIC P/C, CPIC Life and CPIC AMC, general manager and chairman of CPIC Health. Mr. SUN has a master's degree.

Mr. ZHANG Yuanhan is chief actuary and CFO of the Company, and director of CPIC P/C, CPIC Life and CPIC Health respectively. Mr. ZHANG previously served as the chief actuary, deputy general manager and vice president of MetLife Insurance Company Limited, chief actuary of Sino Life Insurance Co., Ltd., deputy general manager, CFO and chief actuary of Sun Life Everbright Life Insurance Co., Ltd., director of Sun Life Everbright Asset Management Co., Ltd., director of CPIC AMC, and chief actuary of CPIC Health. Mr. ZHANG has a master's degree and is a director of China Association of Actuaries and a member of The Society of Actuaries and American Academy of Actuaries.

Mr. ZHANG Weidong currently serves as compliance responsible person and chief legal councilor of the Company and director of CPIC P/C, CPIC Life, CPIC AMC, CPIC Health and Changjiang Pension. Mr. ZHANG previously served as general manager of the Legal & Compliance Department, head of the Board Office of the Company, concurrently board secretaries of CPIC P/C, CPIC Life and CPIC AMC, risk & compliance officer, general manager of the Risk Management Department and chief risk officer of the Company. Mr. ZHANG holds a bachelor's degree.

Mr. SHENG Yafeng currently serves as director of Greater Bay Area development of the Company. Previously, Mr. SHENG served as deputy general manager of the Auto Insurance Department of the Company, deputy general manager of CPIC P/C Chengdu Branch, deputy general manager, general manager of the Market Department, general manager of the Sales Management Department of CPIC P/C, general manager of the Product Business Centre and general manager of the Accident and Health Insurance Department of CPIC P/C, head of claims, and deputy general manager, executive deputy general manager, director and general manager of CPIC P/C. Mr. SHENG holds a PhD degree.

Mr. CHEN Wei currently serves as chief administrative officer of the Company. Previously, Mr. CHEN served as chief representative of the Company's London Representative Office, director and general manager of CPIC HK, board secretary and general manager of the Strategic Planning Department of the Company, head of auditing, internal auditing responsible person, chief internal auditor, board secretary of CPIC Life, chairman of the board of supervisors of CPIC AMC,

and general manager and director of CPIC Health. Mr. CHEN holds a master's degree and the title of senior engineer, and is a member of the ACII.

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

Mr. SU Gang currently serves as chief investment officer of the Company and director of CPIC AMC. Previously, Mr. SU served as head of the Investor Relations Department of the Company, head of project investment, deputy general manager and general manager of the Alternative Investment Management Centre of CPIC AMC, deputy general manager of CPIC Life, general manager and chairman of Changjiang Pension. Before joining the Company, Mr. SU served as general manager of the Fixed Income Department and deputy general manager of the Investment Banking Headquarters of Shenyin Wanguo Securities Company. Mr. SU holds a PhD degree.

Mr. ZHOU Xiaonan currently serves as chief internal auditor and internal audit responsible person of the Company. Previously, Mr. ZHOU served as assistant general manager, deputy general manager, deputy general manager (in charge of work), and general manager of CPIC Life Henan Branch, general manager of CPIC Life Guangdong Branch, and deputy general manager, chief digital officer, compliance responsible person, and chief risk officer of CPIC Life. Mr. ZHOU holds a master's degree.

(IV) Positions in corporate shareholders

Name	Shareholder	Position held	Term
HUANG Dinan	Shenergy (Group) Co., Ltd.	Chairman	Since 2018
WU Junhao	Shenergy (Group) Co., Ltd.	General manager of the Financial Management Department	Since 2020
CHEN Ran	Hwabao Investment Co., Ltd.	Vice president	Since 2021
ZHOU Donghui	Shanghai Haiyan Investment Management Co., Ltd.	General manager	2015-2022
LU Qiaoling	China Baowu Steel Group Corporation	General manager of the Industry and Finance Development Centre, General manager of the Capital Operation Department	Since 2021

ZHU Yonghong	China Baowu Steel Group Corporation	Chief accountant	Since 2016
	China Baowu Steel Group Corporation	Board secretary	Since 2018

(V) Positions in other entities

Name	Other entities	Position held	Term
HUANG Dinan	Shanghai Society for Electric Engineering	Chairman	2004-2022
WANG Tayu	Shanghai International Group Co., Ltd.	Investment director	Since 2021
	Shanghai International Group Asset Management Co., Ltd.	Chairman	Since 2021
	Shanghai Xieyi Asset Management Co., Ltd.	Director, general manager	Since 2017
	GP Capital	Chairman	Since 2021
	Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd	Chairman	Since 2021
	Shanghai Guofang Private Equity Fund Management Co., Ltd.,	Chairman	Since 2021
	AVIC Capital Co., Ltd.	Director	Since 2019
	Shanghai Fintech Co., Ltd.	Director	Since 2021
	Shanghai Data Exchange Co., Ltd.	Director	Since 2021
WU Junhao	Anxin Trust Co. Ltd.	Director	Since 2022
	China Everbright Bank Co., Ltd.	Supervisor	Since 2009
	Shanghai ICY Capital Co., Ltd.	Chairman of the board of supervisors	Since 2021
	Shanghai Chenyi New Energy Venture Capital Co., Ltd.	Director	Since 2011
	Orient Securities Company Limited	Supervisor	Since 2021
	Chengdu Xinshen Venture Company	Director	2011-2022
CHEN Ran	Shanghai Shenyi Chengyi Equity Investment Co., Ltd.	Chairman of the board of supervisors	Since 2016
	Shanghai Ouyeel Financial Information Service Co., Ltd.	Chairman	Since 2021
	Shanghai Ouyeel Financial Information Service Co., Ltd.	Director	Since 2018
	Shanghai Ouyeel Pawn Co., Ltd.	Chairman	2019-2022
	Easternpay Information & Technology Co., Ltd.	Executive Director	Since 2019
ZHOU Donghui	China United SME Guarantee Corporation	Director	Since 2018
	Shanghai Tobacco Monopoly Bureau	Director of Internal Monopoly Supervision Department	Since 2022
	Orient Securities Company Limited	Non-executive Director	Since 2020
	Haitong Securities Co., Ltd.	Non-executive Director	Since 2020
	Shanghai Tobacco Machinery Co., Ltd.	Vice Chairman, Director	Since 2015
	Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd.	Vice Chairman, Director	Since 2015
	Shanghai Deqiang Industrial Co., Ltd.	Vice Chairman, Director	Since 2015
China Aviation Development Commercial Aviation Engine Co., Ltd.	Supervisor	Since 2015	
LU Qiaoling	Hwabao Trust Co., Ltd.	Director	Since 2021
	Baowu Group Zhongnan Iron and Steel Co., Ltd.	Director	2021-2022
	Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd.	Director	Since 2021

John Robert Dacey	Swiss Reinsurance Company Ltd	Chief financial officer	Since 2018	
	Swiss Reinsurance Company Ltd	Member of the Executive Committee	Since 2012	
	FWD Group Holdings Ltd	Director	Since 2022	
	FWD Group Ltd	Director	Since 2022	
	FWD Ltd	Director	Since 2022	
LIU Xiaodan	Chenyi Investment (Beijing) Co., Ltd.	General manager	Since 2019	
	Chenyi Fund Management (Beijing) Co., Ltd.	Chairman	Since 2019	
LAM Tyng Yih, Elizabeth	HK Agency for Volunteer Service	Director, Honorary Treasurer	Since 2012	
	Fobon Bank (Hong Kong)	Independent non-executive director	Since 2021	
WOO Ka Biu, Jackson	Challenge Capital Management Limited	CEO	Since 2015	
	Guantao Law Firm (Hong Kong)	Consultant	Since 2014	
	Kailey Enterprises Limited	Director	Since 1992	
	Fong Fun Company Limited	Director	Since 1991	
	Henderson Land Development Company Limited	Independent Non-executive Director	Since 2012	
	Po Leung Kuk Hong Kong	Member of the Selection Committee	Since 2004	
	Shun Tak Fraternal Association	Director	Since 2013	
	Shun Tak Fraternal Association Seaward Woo College	Member of the board of trustees	Since 2000	
	The Hong Kong Jockey Club	Member of the Selection Committee	Since 2004	
	The Hong Kong Jockey Club	Steward	Since 2022	
	Lok Sin Tong Hong Kong	Committee member	Since 2007	
	Riding for the Disabled Association Ltd.	Chairman of the Rehabilitation Committee	2015-2022	
	Riding for the Disabled Association Ltd.	Member of the Selection Committee	2015-Nov. 2022, and since Jan. 2023	
	RDA Academy Limited	Vice chairman and director	Since 2014	
	UNICEF Hong Kong	Member of the audit committee	2018-2022	
	HKJC Racing Club Limited	Chairman of the Horse Management Board	Since 2019	
	The Racing Club Horse Management Co., Ltd.	Director	Since 2019	
	Tsinghua University	Honorary member of the board of trustees	Since 2012	
	Ministry of Justice of the People's Republic of China	Entrusted Notary Public	Since 2012	
	Panel of the Solicitors' Disciplinary Tribunal in the Hong Kong Special Administrative Region	Member (Practising Solicitor)	Since 2011	
	Securities and Futures Commission of Hong Kong	Member of the Takeovers and Mergers Committee and Takeover Appeals Committee	Since 2019	
	The Stock Exchange of Hong Kong Limited	Member of the Main Board and GEM Listing Review Committee	Since 2019	
	Hong Kong Accounting and Financial Reporting Council (previously Hong Kong Financial Reporting Council)	Honorary advisor	Since 2019	
	Hong Kong Accounting and Financial Reporting Council (previously Hong Kong Financial Reporting Council)	Member of the Policy, Registration and Oversight Committee	Since 2020	
	Resolution Compensation Tribunal as commissioned by administration officer under Cap. 628 Financial Institutions (Resolution) Ordinance	Member of committee	Since 2022	
	JIANG Xuping	Tsinghua University	Professor, Department of Marketing, School of Economics and management	Since 2002

		Researcher at the Research Centre for Contemporary Management	Since 2003
		Researcher at the Centre for Corporate Governance	Since 2007
	Guizhou Forerunner College	Dean of the School of Internet Marketing and Management (volunteer)	Since 2012
ZHU Yonghong	Hwabao WP Fund Management Co., Ltd.	Chairman	2020-2022
	Baowu Group Finance Co., Ltd.	Chairman	Since 2018
	Baoshan Iron and Steel Co., Ltd.	Chairman of the board of supervisors	Since 2017
LU Ning	Jiangsu Tobacco Jinsili Leasehold Co., Ltd.	Chairman	Since 2021
	Hongta Innovation Investment Co., Ltd.	Director	2018-2022
	Yunnan Horticulture Industrial Investment Management Co., Ltd.	Director	2018-2022
	Yunnan Tourism Co., Ltd.	Director	2019-2023

(VI) Determination and basis for determination of remuneration

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

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

II. Employees

As at the end of the reporting period, the basic information on the employees of the Company and its major subsidiaries is summarized as below:

Headcount of employees of the Company	1,032
Headcount of employees of its major subsidiaries	103,470
Total number of employees	104,502
Headcount of retirees for whom the Company or its major subsidiaries bear expenses	9,849

Their expertise and educational background are set out below:

(I) Expertise

Expertise	Head count	Percentage
Management	8,099	7.75%
Professional	37,242	35.64%
Marketing	59,161	56.61%
Total	104,502	100.00%

(II) Education background

Education background	Head count	Percentage
Master's degree	5,747	5.50%
Bachelor's degree	63,492	60.76%
Bachelor's degree or under	35,263	33.74%
Total	104,502	100.00%

(III) Gender distribution

Gender	Head count	Percentage
Female	54,426	52.08%
Male	50,076	47.92%
Total	104,502	100.00%

(IV) Remuneration policies and training programs for employees

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

The Company focused on the front-line business and strived to empower it through learning. Given the positioning of “platform-based, online and smart learning”, and the mission of “Turn learning into productivity”, it vigorously stepped up the operation of “CPIC Learning” online platform, which has so far formed a line-up of 88 institutes spanning the Group, its subsidiaries and their branch offices at various levels, with an average of 90,000 visits per day. The Company continued with innovation in learning so as to serve the needs of grass-root branches in sales and market development, and overall business management, playing its due role in driving high-quality development.

Corporate governance

I. Corporate governance

In 2022, in strict compliance with Company Law of the PRC, Securities Law of the PRC, Insurance Law of the PRC and other applicable laws of the PRC, relevant government ordinances and regulations, and drawing on international best practices, the Company continued to improve the centralised management structure based on realignment of resources and enhanced interaction with the capital market, and strengthen internal and external supervision to improve the soundness, effectiveness and transparency of management, putting in place a sound corporate governance with effective coordination and a sound system of checks and balances.

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

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

Company's situation.

During the reporting period, the Company has fully complied with CSRC Code of Governance for Listed Companies (<http://www.csrc.gov.cn/csrc/c101864/c1024585/content.shtml>), CBIRC Code of Corporate Governance for Banking and Insurance Institutions (<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=989061&itemId=928>) and all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (https://en-rules.hkex.com.hk/sites/default/files/net_file_store/HKEX4476_3828_VER10.pdf) (and substantially all of the recommended governance best practices applied over and above that code).

(I) Shareholders and the SGM

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

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

The Articles of Association and the Procedural Rules for the SGM also contain detailed rules for convening extraordinary sessions and specific procedures for putting forward proposals at such meetings. Under Article 98(1) of the Articles of Association and Article 6(3) and Article 7 of the Procedural Rules for SGM, shareholders holding 10% or above of total voting shares issued by the Company individually or jointly may sign and submit a request in writing to the Board of

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

In 2022, the Company held 1 shareholders' general meeting:

On 8 June 2022, the Company held the 2021 annual general meeting online, at which resolutions including The Resolution in Relation to the Report of the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2021 were considered and approved (for details please refer to the announcements published on the websites of SSE, SEHK, LSE and the Company). The shareholders attending the meeting held a total of 5,796,913,895 voting shares, accounting for 60.26% of the Company's total voting shares. All the resolutions of this meeting were passed.

The attendance of directors in 2022 was as follows:

Names of directors	No. of general meetings convened	Attendance in person	Percentage of attendance (%)	Remarks
Executive Directors				
KONG Qingwei	1	1	100	
FU Fan	1	1	100	
Non-executive Directors				
HUANG Dinan	1	0	0	Unable to attend the 2021 SGM for work reasons.
WANG Tayu	1	1	100	
WU Junhao	1	1	100	
CHEN Ran	1	1	100	
ZHOU Donghui	1	0	0	Unable to attend the 2021 SGM for work reasons.
LU Qiaoling	1	1	100	

John Robert Dacey	1	1	100	
Independent Non-executive Directors				
LIU Xiaodan	1	1	100	
CHEN Jizhong	1	1	100	
LAM Tyng Yih, Elizabeth	1	1	100	
WOO Ka Biu, Jackson	1	1	100	
JIANG Xuping	1	1	100	
Departing Directors				
LIANG Hong	1	1	100	

Note: On 7 September 2022, Ms. LIANG Hong resigned as Non-executive Director of the Company, Member of the Board's Strategic and Investment Decision-Making & ESG Committee, and Member of the Board's Technological Innovation and Consumer Rights Protection Committee.

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

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

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

(II) Directors, board of directors and committees of the board of directors

At present, the Board consists of 14 directors. Among them, there are 2 executive directors: Mr. KONG Qingwei and Mr. FU Fan; 7 non-executive directors: Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LU Qiaoling, and Mr. John Robert DACEY (On 7 September 2022, Ms. LIANG Hong resigned as Non-executive Director of the Company, Member of the Board's Strategic and Investment Decision-Making & ESG Committee, and Member of the Board's Technological Innovation and Consumer Rights Protection Committee.);

5 independent non-executive directors: Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping. The number of independent non-executive directors on the Board exceeds one-third of the number of all directors. The number of directors and composition of the Board comply with applicable regulatory requirements as well as requirements of the Articles of Association of the Company.

Under the Articles of Association, the board of directors shall be accountable to the SGM and exercise, among others, the following powers: to convene SGMs, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or decreases in the registered share capital and issue and listing of other securities of the Company, appointment or dismissal of president, appointment or dismissal of board secretary based on chairman's nomination, appointment or dismissal of chief internal auditor and head of audit based on chairman or Audit Committee's nomination, appointment, dismissal and remuneration of vice president, chief actuary, chief legal councillor, chief risk officer, chief technology officer, chief investment officer, CFO, chief compliance officer and other senior executives based on president's nomination and develop the basic policies and systems of the Company.

So far as the Company is aware, no financial, business, family or other material/relevant relationship exists among its board members. In particular, there are none between chairman and president. Currently, Mr. KONG Qingwei serves as chairman of the Board, and Mr. FU Fan serves as president of the Company. The chairman is responsible for presiding over the general meeting of shareholders and the board of directors and performing other duties as delegated by the board of directors, while the president is responsible to the board of directors, and preside over the management of the company. The division of responsibilities between the chairman and president of the Company is stated in the Articles of Association.

1. Attendance of board meetings

In 2022, the Board held 7 meetings. All directors duly performed their duties and attended the meetings in person or by proxy. They made informed decisions to safeguard the interests of the Company and their shareholders as a whole. The attendance of directors is as follows:

Names of directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
Executive Directors					
KONG Qingwei	7	7	0	0	
Fu Fan	7	7	0	0	
Non-executive Directors					
HUANG Dinan	7	7	0	0	
WANG Tayu	7	7	0	0	
WU Junhao	7	7	0	0	
CHEN Ran	7	7	0	0	
ZHOU Donghui	7	7	0	0	
LU Qiaoling	7	7	0	0	
John Robert Dacey	7	7	0	0	
Independent Non-executive Directors					
LIU Xiaodan	7	7	0	0	
CHEN Jizhong	7	7	0	0	
LAM Tyng Yih, Elizabeth	7	7	0	0	
WOO Ka Biu, Jackson	7	7	0	0	
JIANG Xuping	7	7	0	0	
Departing Directors					
LIANG Hong	5	5	0	0	

Note: On 7 September 2022, Ms. LIANG Hong resigned as Non-executive Director of the Company, Member of the Board's Strategic and Investment Decision-Making & ESG Committee, and Member of the Board's Technological Innovation and Consumer Rights Protection Committee.

2. Board meetings and resolutions

The Board held 7 meetings in 2022:

(1) On 25 March 2022, the Company held the 15th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution in Relation to the Report of the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2021 were considered and approved.

(2) On 11 April 2022, the Company held the 16th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the 2022-2024 Capital Plan of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 28 April 2022, the Company held the 17th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the First Quarter Report for 2022 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 19 July 2022, the Company held the 18th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution of China Pacific Insurance (Group) Co., Ltd. on the Appointment of Mr. ZHOU Xiaonan as the Company's Chief Internal Auditor and Internal Audit Responsible Person were considered and approved.

(5) On 26 August 2022, the Company held the 19th session of the 9th Board of Directors in Hangzhou, at which resolutions including The Resolution on the 2022 Interim Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(6) On 28 October 2022, the Company held the 20th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the Third Quarter Report for 2022 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(7) On 23 December 2022, the Company held the 21st session of the 9th Board of Directors by circulation, at which resolutions including The Resolution of China Pacific Insurance (Group) Co., Ltd. on Daily Related Party Transactions were considered and approved.

3. Implementation of the resolutions of the SGM by the board of directors

In 2022, all the Company's board members fully implemented the resolutions passed by the SGM including those on profit distribution plan for 2021, and the engagement of external auditors for 2022, performed duties delegated and accomplished tasks assigned by the SGM with due diligence and in compliance with relevant laws and regulations and the provisions under the Articles of Association.

The Company distributed a cash dividend of RMB 1.00 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2021 approved at the 2021 SGM. The implementation of this distribution plan was completed in July 2022.

4. Corporate governance functions of the board of directors

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

- (1) To develop and review the Company's policies and practices on corporate governance and make recommendations;
- (2) To review and monitor the training and continuous professional development of directors and senior management;
- (3) To review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;
- (4) To develop, review and monitor the code of conduct applicable to the employees and directors of the Company;
- (5) To review the Company's compliance with Corporate Governance Code and disclosure requirements in the Corporate Governance Report; and
- (6) To review and monitor the Company's risk management and internal control systems.

During the reporting period, the Board fulfilled the above corporate governance functions. In accordance with regulations issued by the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission such as the Code of Corporate Governance for Banking and Insurance Institutions, the Rules on Insurance Group Companies, the Provisional Rules on Major Shareholders' Conduct of Banking and Insurance Institutions, the Rules on Related-Party Transactions of Banking and Insurance Institutions, the Solvency Regulatory Rules II for Insurance Companies, the Guidelines for the Articles of Association of Listed Companies, the Rules for General Meetings of Shareholders of Listed Companies, and the Rules for Independent Directors of Listed Companies and taking into consideration its actual situation, the Company revised relevant documents including the Articles of Association, the Rules of Procedures for Shareholders' Meeting, the Rules of Procedures for Board Meetings and the Rules of Procedures for Board of Supervisors Meetings. It also revised the Measures for the Performance Evaluation and Accountability of Directors and Supervisors as per the Code of Ethics for Directors, Supervisors, and Senior Management of Insurance Institutions issued by the Insurance Association of China, and formulated the Interim Measures for Management of Undertakings of Major Shareholders as per the Notice by the General Office of the China

Banking and Insurance Regulatory Commission of Issues Concerning Further Enhancing the Management of Undertakings of Shareholders of Banking and Insurance Institutions.

The Company took the initiative to step up communication with directors and supervisors, including information filing on a regularly basis or whenever circumstances require, so that they can have a full, timely understanding of the business management status of the Company. It also drafted Provisions on Performance Evaluation and Accountability of Directors and Supervisors, which requires directors and supervisors to maintain independence necessary for performance of duties and abide by high ethical standards irrespective of control or interference of substantial shareholders, promote fair treatment of all shareholders by the Company, protection of legitimate rights of all stakeholders, and fulfillment of its corporate social responsibility. The Company reviews the effectiveness and implementation of the aforementioned system annually. During the reporting period, all directors and supervisors of the Company can express their opinions independently based on sufficient knowledge of the business operation of the Company when performing their duties.

The Board has completed the annual review of the effectiveness of the Company's risk management and internal control systems for the year ended 31 December 2022 (including those of the Company's key subsidiaries), and continuously oversees the issuers' risk management and internal control systems, including financial monitoring, operational monitoring and compliance monitoring. In this regard, the board of directors has obtained confirmation from the management on the effectiveness and completeness of the Company's risk management and internal control systems and procedures. (For details of the risk management & internal control and inside information control of the Company, please refer to the corresponding sections of this chapter.)

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

5. Performance of duties by the special committees under the board of directors

At the end of the reporting period, the Board had 5 special committees, 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, each of which conducts in-depth studies on specific issues and submit their recommendations to the Board for consideration.

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

The primary duties of the Strategic and Investment Decision-Making & ESG Committee are, among others, to study and advise on the long-term development strategies of the Company and its subsidiaries; review the investment decision-making procedures and delegation mechanism as well as the management of insurance funds; study and advise on material investments decisions or proposals, material capital management projects and asset management projects; identify the Company's ESG risks, study and plan the Company's ESG strategy, set out the Company's ESG goals, plans, management policies, performance appraisals, etc., and supervise their implementation.

In 2022, the Strategic and Investment Decision-Making & ESG Committee held 5 meetings, with details as follows:

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
24 March 2022	The 1st meeting of the Strategic and Investment Decision-Making Committee of the 9th Board of Directors in 2022	Heard reports including the Report on the 2022 Annual Financial Budget Plan (Draft) of China Pacific Insurance (Group) Co., Ltd.
11 April 2022	The 2nd meeting of the Strategic and Investment Decision-Making Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the 2022-2024 Capital Plan of China Pacific Insurance (Group) Co., Ltd.
27 April 2022	The 3rd meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2022	Heard reports including the Report on the 2022 Annual Financial Budget Plan of China Pacific Insurance (Group) Co., Ltd.
27 October 2022	The 4th meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Investment in CPIC Nanjing Health Care Industrial Fund Phase II by China Pacific Insurance (Group) Co., Ltd.
22 December 2022	The 5th meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on The 3-year ESG Plan (2023-2025) of China Pacific Insurance (Group) Co., Ltd.

The composition and attendance of the members of the Strategic and Investment Decision-Making & ESG Committee are as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
KONG Qingwei (chairman)	Chairman and executive director	5	5	0	0
HUANG Dinan	Non-executive director	5	5	0	0
LU Qiaoling	Non-executive director	5	5	0	0
LIU Xiaodan	Independent non-executive director	5	5	0	0

Departing members					
LIANG Hong	Non-executive director	3	3	0	0

Note: On 7 September 2022, Ms. LIANG Hong resigned as Non-executive Director of the Company, Member of the Board's Strategic and Investment Decision-Making & ESG Committee, and Member of the Boards Technological Innovation and Consumer Rights Protection Committee

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

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

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

In 2022, the Audit Committee held 8 meetings, with details as follows:

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
18 February 2022	The 1st meeting of the Audit Committee of the 9th Board of Directors and Independent Directors on the Preparation of the 2021 Annual Report	Made a preliminary review of the Company's unaudited 2021 Financial Statements
4 March 2022	The 2nd meeting of the Audit Committee of the 9th Board of Directors and Independent Directors on the Preparation of the 2021 Annual Report	Communicated with the external auditors of the Company on the preliminary audit opinions of the annual audit
4 March 2022	The 1st meeting of the Audit Committee of the 9th Board of Directors in 2022	Heard Report on Assessment of Service Quality of 2021 Annual External Auditors
25 March 2022	The 2nd meeting of the Audit Committee of the 9th Board of Directors in 2022	Reviewed The Resolution on 2021 Annual Report of China Pacific Insurance (Group) Co., Ltd.

27 April 2022	The 3rd meeting of the Audit Committee of the 9th Board of Directors in 2022	Reviewed The Resolution on the 2022 First Quarter Report of China Pacific Insurance (Group) Co., Ltd.
25 August 2022	The 4th meeting of the Audit Committee of the 9th Board of Directors in 2022	Reviewed The Resolution on 2022 Interim Report of China Pacific Insurance (Group) Co., Ltd.
27 October 2022	The 5th meeting of the Audit Committee of the 9th Board of Directors in 2022	Reviewed The Resolution on the 2022 Third Quarter Report of China Pacific Insurance (Group) Co., Ltd.
22 December 2022	The 6th meeting of the Audit Committee of the 9th Board of Directors in 2022	Reviewed The Resolution on the 3-Year (2023-2025) Action Programme of High-quality Development of Internal Audits of China Pacific Insurance (Group) Co., Ltd.

The composition and the attendance of the members of the Audit Committee are as follows:

Name of members	Position	No. of Committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
LAM Tyng Yih, Elizabeth (Chairman)	Independent Non-executive Director	8	8	0	0
WU Junhao	Non-executive Director	8	8	0	0
JIANG Xuping	Independent Non-executive Director	8	8	0	0
ZHOU Donghui	Non-executive Director	8	8	0	0
WOO Ka Biu, Jackson	Independent Non-executive Director	8	8	0	0

The Audit Committee reviewed the quarterly, interim and annual financial reports and business performance announcements of the Company to ensure the completeness, transparency and consistency of financial disclosure. Given requirements for preparation of annual reports, it discussed with the external auditors and the management, and agreed on the schedule, guiding principle and methodology for the auditing of the Company's financial statements, and paid particular attention to key items in the report. The Audit Committee discussed with the external auditors and agreed on the schedule for the auditing of the Company's financial statements based on the plan for the preparation of the Company's annual report. It held a meeting to review the financial statements prepared by the Company and issued its opinions in writing prior to the commencement of the audit by the external auditors, and maintained adequate and timely communication with the auditors during the process. The committee also convened to review the financial statements of the Company after the external auditors issued their preliminary opinions, and issued its opinions in writing. At its 2nd meeting of 2022, it formed a resolution on the submission of the Company's annual report to the board of directors for approval.

In 2022, the Audit Committee submitted a report on the overview of auditing by external auditors for the year 2021 to the Board of Directors. In this report, it expressed satisfaction with

the overall performance of the auditors, PricewaterhouseCoopers. According to the requirements on engaging accounting firms issued by the Ministry of Finance, the Company appointed Ernst & Young Hua Ming LLP as the auditors for the Company's financial statements and internal control audit of 2022, and made necessary arrangements for a smooth transition. The Audit Committee reviewed and examined the relationship between the Company and the external auditors, including the engagement process, independence, compensation, term of service and rotation arrangements of the external auditors.

The committee pays close attention to the internal control of the Company, confirms the annual internal control assessment plan of the Company, reviews amendments to relevant IA policies and other material matters, and objectively assesses the Company's financial position and internal control procedures through two independent communications with external auditors each year. It also provides guidance in relation to the Company's internal audit and takes part in the appraisal and evaluation of the annual performance of the internal audit department.

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

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

In the Articles of Association, the Company has clarified the nomination policy for board directors: the Nomination and Remuneration Committee of the Board of Directors and the shareholders who hold more than 3% of the Company's shares individually or collectively are entitled to nominating candidates for non-independent directors. The independent directors may be nominated by the Nomination and Remuneration Committee, the board of supervisors, and shareholders who hold more than 1% of the Company's shares individually or collectively, or by other means as determined by CBIRC. According to the Work Rules of the Nomination and Remuneration Committee, the procedures for nominating board directors mainly include: the Nomination and Remuneration Committee consolidates a list of candidates for directors,

collects detailed information including their occupation, education, title, work experience and part-time jobs and creates written documents based on that; the committee solicits the nominee's consent to the nomination, convenes a committee meeting, and conducts qualification review of relevant candidates based on director's appointment requirements; the committee submits its appointment recommendations and other relevant materials to the Board of Directors, and follows up on it as per the Board's resolutions and feedback. The Company has complied with the above policy during the nomination process for directors.

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

The Company has complied with requirement set out in the Corporate Governance Code regarding the diversity of board members and is focused on building a professional, diversified and balanced high-quality board to further improve its decision-making capabilities in different professional fields. At present, the Company's board of directors is diversified in terms of gender, region, and professional background: there are 11 male directors and 3 female directors; there are 11 directors from mainland China and 3 from Hong Kong or overseas; there are 3 directors with accounting background, 1 with legal background, and 10 with professional backgrounds in finance, management, and new technologies, etc.

In 2022, the Nomination and Remuneration Committee held 5 meetings as follows:

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
24 March 2022	The 1st meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the 2021 Annual Performance Appraisal Results of China Pacific Insurance (Group) Co., Ltd.
27 April 2022	The 2nd meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2022	Heard reports including The Report on the 2022 Performance Appraisal Form of China Pacific Insurance (Group) Co., Ltd.

16 May 2022	The 3rd meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on Pre-payment of Term Incentives and Long-term Incentives for Company Share Purchase to Certain Senior Executives of China Pacific Insurance (Group) Co., Ltd.
19 July 2022	The 4th meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Appointment of Mr. ZHOU Xiaonan as Chief Internal Auditor and Internal Audit Responsible Person of China Pacific Insurance (Group) Co., Ltd.
16 November 2022	The 5th meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Interim Measures on Claw-back of Performance-based Compensation of China Pacific Insurance (Group) Co., Ltd.

The composition and attendance of the members of the Nomination and Remuneration Committee are as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
LIU Xiaodan (Chairman)	Independent non-executive director	5	5	0	0
JIANG Xuping	Independent non-executive director	5	5	0	0
CHEN Jizhong	Independent non-executive director	5	5	0	0
John Robert Dacey	Non-executive Director	5	5	0	0

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

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

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

In 2022, the Risk Management and Related Party Transactions Control Committee held 6 meetings as follows:

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
18 March 2022	The 1st Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Related Party Transaction of Investment in Changhang Equity Fund for Allocation Purpose of China Pacific Life Insurance Co., Ltd.
24 March 2022	The 2nd Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the 2021 Solvency Report of China Pacific Insurance (Group) Co., Ltd.
25 April 2022	The 3rd Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the 2021 Risk Appetite System Assessment and 2022 Update Report of China Pacific Insurance (Group) Co., Ltd.
25 August 2022	The 4th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Solvency Report for the First Half of 2022 of China Pacific Insurance (Group) Co., Ltd.
27 October 2022	The 5th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Risk Assessment Report for the Third Quarter of 2022 of China Pacific Insurance (Group) Co., Ltd.
22 December 2022	The 6th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the 2022 Fraud Risk Management Work Report of China Pacific Insurance (Group) Co., Ltd.

The composition of the Risk Management and Related Party Transactions Control Committee and attendance of its members are as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
CHEN Jizhong (chairman)	Independent Non-executive Director	6	6	0	0
FU Fan	Executive Director	6	6	0	0

WANG Tayu	Non-executive Director	6	6	0	0
LAM Tyng Yih, Elizabeth	Independent Non-executive Director	6	6	0	0
WOO Ka Biu, Jackson	Independent Non-executive Director	6	6	0	0

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

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

In 2022, the Technological Innovation and Consumer Rights Protection Committee held 3 meetings, with details as follows:

Time of the meeting	Name of the meeting	Reports heard or resolutions reviewed
24 March 2022	The 1st meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9th Board of Directors in 2022	Heard reports including The Report on the Annual Recap of Implementation of Technology Plan of China Pacific Insurance (Group) Co., Ltd.
25 August 2022	The 2nd meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Insurance Consumer Rights Protection Work Report for the First Half of 2022 of China Pacific Insurance (Group) Co., Ltd.
27 October 2022	The 3rd meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9th Board of Directors in 2022	Reviewed resolutions including The Resolution on the Report of Status of Remedial Actions as per Findings of Regulatory Evaluation of Consumer Rights Protection for 2021 of China Pacific Insurance (Group) Co., Ltd.

The composition of the Technological Innovation and Consumer Rights Protection Committee and attendance of its members are as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
JIANG Xuping (chairman)	Independent Non-executive Director	3	3	0	0
FU Fan	Executive Director	3	3	0	0
WU Junhao	Non-executive Director	3	3	0	0
CHEN Ran	Non-executive Director	3	3	0	0
Departing members					
LIANG Hong	Non-executive Director	2	2	0	0

Note: On 7 September 2022, Ms. LIANG Hong resigned as Non-executive Director of the Company, Member of the Board's Strategic and Investment Decision-Making & ESG Committee, and Member of the Board's Technological Innovation and Consumer Rights Protection Committee.

(III) Supervisors and the Board of Supervisors

Currently, the Company has 4 supervisors, including 2 shareholder representative supervisors (Mr. ZHU Yonghong and Mr. LU Ning) and 2 employee representative supervisors (Mr. JI Zhengrong and Mr. GU Qiang). Their biographies are set out in the section "Directors, supervisors, senior management and employees" of this report. Mr. ZHU Yonghong and Mr. JI Zhengrong serve as chairman and vice chairman of the 9th Board of Supervisors.

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

1. Attendance of supervisors

In 2022, the board of supervisors held 5 meetings. Their attendance is as follows:

Supervisors	No. of meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
ZHU Yonghong	5	5	0	0	
JI Zhengrong	5	5	0	0	
GU Qiang	5	5	0	0	
LU Ning	5	5	0	0	

During the reporting period, the Board of Supervisors did not find any risks in the Company, and raised no issues with matters under its supervision.

2. Meetings of the Board of Supervisors and resolutions

The Board of Supervisors held 5 meetings in 2022.

(1) On 25 March 2022, the Company held the 10th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Report of the Board

of Supervisors for 2021 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(2) On 28 April 2022, the Company held the 11th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the First Quarter Report for 2022 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 26 August 2022, the Company held the 12th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution on the 2022 Interim Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 28 October 2022, the Company held the 13th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Third Quarter Report for 2022 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 23 December 2022, the Company held the 14th session of the 9th Board of Supervisors by circulation, at which resolutions including The Resolution in Relation to the Measures on the Performance Evaluation and Accountability of Directors and Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(IV) Discussions held and research made by directors and supervisors

In 2022, given changes in the business environment, regulatory policies, customer behaviours and technology advancement, the Board of Directors and Board of Supervisors continued to focus on the insurance business and pursue high-quality development of the Company. They stayed committed to value growth, striving to build up the strength and quality of CPIC as an SOE; persisted in customer-orientation, strengthening “CPIC Service” capabilities; focused on the long term, building competitiveness of the Company across economic cycles; deepened technological empowerment, promoting data-driven growth; improved synergy, enhancing the model for integrated development; forestalled major risks, advancing an integrated risk control system. Giving full play to their strategic decision-making and supervisory roles, the two boards reviewed and discussed the Company’s operating performance and key issues by convening board meetings, listening to special reports and holding seminars, so as to strengthen the role of transformation in improving business operation, accelerate the shift of growth drivers and boost service capabilities.

In 2022, the Board of Directors continued to strengthen its strategic guidance for high-quality development of the Company. On the one hand, it stabilised growth, prevented risks, making great efforts to ensure stability in the business performance and market standings of the Company. On the other hand, it pro-actively pursued change and progress, focusing on fostering new drivers of value growth, promoting implementation of major business decisions including strategies relating to health care, key regional integrated development, and technological innovation, which have seen initial success.

In 2022, the directors and supervisors heard reports on a wide range of subjects, including measures to enhance underwriting profitability of P/C insurance, business strategy for new energy vehicles, implementation of new Basic Law for life insurance, initiatives to deepen Changhang Transformation, progress in health-related business, formulation of the 3-year ESG strategic planning, and the summary of Transformation 2.0, etc., and discussed solutions to key issues in the Company's business operation based on its current situation and future plans. The directors and supervisors recognised the Company's continuous progress in institutional reform, product and service innovation, adaptation to new regulatory policies, fulfilling social responsibilities, and serving national strategies.

(V) Training for directors and supervisor

To improve their performance of duties, professional skills and knowledge of insurance policies and regulations, the directors and supervisors of the Company participated in various online training sessions held by the regulators as well as ones by the Company. Most of the external training sessions this year were held online.

Among them, Mr. WOO Ka Biu, Jackson, an independent director of the Company, attended the follow-up training of the second training session for independent directors of listed companies organized by the SSE in 2022; and Ms. LIU Xiaodan, an independent director of the Company, attended the follow-up training of the fifth training session for independent directors of companies listed on the main board.

Ms. LAM Tyng Yih, Elizabeth, Mr. CHEN Jizhong and Mr. JIANG Xuping, all independent directors of the Company, and Mr. HUANG Dinan, Ms. LU Qiaoling and Mr. John Robert Dacey, all non-executive directors of the Company, attended the first training session on C-ROSS II organized by the China Association of Actuaries.

Mr. KONG Qingwei and Mr. FU Fan, executive directors of the Company, Ms. LAM Tyng Yih, Elizabeth, an independent director of the Company, and Mr. WANG Tayu and Mr. John Robert Dacey, non-executive directors of the Company, attended the 2022 annual training for directors of state-owned enterprises of Shanghai held by Shanghai State-owned Assets Supervision and Administration Commission.

All directors and supervisors attended the 2021 online training for directors and supervisors of listed companies in Shanghai held by the Listed Companies Association of Shanghai on subjects such as the regulation of operations of listed companies, the revision of the Securities Law, the interpretation of the Administrative Measures for the Disclosure of Information of listed Companies, the latest regulatory policies for information disclosure of listed companies, the governance of listed companies and the performance of duties by directors, supervisors and senior management of listed companies, as well as courses on internal control to promote healthy development of business enterprises.

Moreover, the Company held special training for all its directors and supervisors in response to new regulations issued by the CSRC, CBIRC, SSE, and SEHK.

Directors and supervisors also carefully studied the latest laws, regulations and regulatory rules released from time to time by the regulators through other means. All of that helped with their performance of duties.

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

(VI) Auditors' remuneration

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

(VII) Investor relations

In 2022, the Company revised the Investor Relations Management Measures and its implementation rules as per latest regulatory requirements. Based on the Shareholder Communication Regulations, it continuously enhanced its investor-oriented platform with diversified channels of communication to improve the reach and effectiveness of two-way investor interaction. After reviewing the implementation of the above rules and regulations,

and in view of measures taken to optimise channels of investor communication and their feedback, the Company concluded that its policies on shareholder communication have been effectively enforced during the reporting period.

The Company carried out IR activities in an orderly manner by means of live video streaming, telephone conference, etc. To respond to investors' inquiries in a timely manner and help them better understand its value, the Company proactively managed market expectations and improved communication with the capital market based on the latest developments in regulatory requirements, the industry and the Company's business operation. During the reporting period, it held the 2021 Annual/2022 Interim Results Announcements, 2022 Q3 Results Release, and C-ROSS II telephone conference, etc.; conducted a management non-deal roadshow post the annual and interim results announcements; and hosted nearly a hundred IR events such as reception day, strategy meetings, investor communication meetings, and visits from investors.

The Company adheres to fair treatment of all types of investors and the protection of retail investors, and constantly uses technology to diversify its communication channels. In compliance with regulatory requirements, it publicly solicited questions from investors before holding results announcements, which were answered by management during the events. Meanwhile, retail investors can access such events via video links. They may also raise questions by posting messages online and receive a reply within the same day. Moreover, to better meet investors' needs and enhance two-way communication with investors, the Company assigned personnel for IR hotline, fax, email box, and the IR column on its official website to handle investors' questions, suggestions and comments, etc. In 2022, it continued to produce monthly Investor Newsletters in both Chinese and English with a total of 13 issues published, and responded to 94 investor questions on the E-communication platform of the SSE.

Moreover, to fully leverage IR programme as a channel of two-way communication, the Company actively relays the voice of the capital market to management by means of capital market updates and special reports to help with decision-making and continuously improve stock value management.

(VIII) Information disclosure and inside information management

The Company attaches great importance to listing rules of the stock exchanges where its securities are traded, and continuously improves transparency through efficient, compliant and orderly disclosure of information. During the reporting period, it strictly abided by the principle

of “truthfulness, accuracy, completeness, timeliness and fairness”, and released regular reports and provisional announcements in strict accordance with regulatory requirements; as an insurance company simultaneously listed in Shanghai, Hong Kong and London, the Company focused on investor’s needs, emulated industry best practices, continued to expand the scope of voluntary information disclosure, innovated ways of non-financial information disclosure and dissemination to fully, concisely, and effectively communicate its business results and corporate social responsibility efforts to investors and other stakeholders, greatly improving the relevance and effectiveness of information disclosure. During the reporting period, it continued to enhance compliance responsibility by all employees to ensure efficiency and compliance in inside information management. The Company has established and has been continuously reviewing an inside information management system. Measures including promoting, risk warning, special training were taken to ensure the effective implementation of external regulatory policies and internal rules for inside information management. It also paid close attention to new industry policies and regulatory developments, and based on the latest corporate governance and information disclosure requirements for insurance groups, enriched the information disclosure content. During the reporting period, the Company effectively performed its information disclosure obligations with zero penalties from the regulators and zero major errors or omissions in information disclosure. It was rated A by SSE for information disclosure for 9 consecutive years.

II. Performance of duties by independent non-executive directors

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

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

In 2022, all the independent non-executive directors attended meetings of the Board as scheduled. They took the initiative to better understand the operating situation of the Company, doing research, making inquiries, and obtaining necessary materials and information for decision-making. They provided independent and unqualified opinions on matters of the Company such as changes of significant accounting estimates, election of board members, appointment of senior management members, related party transactions, and remuneration policy for and the performance appraisal of senior management.

In 2022, all independent non-executive directors and the chairman held separate communication meetings in Hangzhou without the participation of other directors and senior managements, and conducted in-depth communication on the optimization of corporate governance, assessment of professional managers, innovation of products and services, deployment in health and elderly care business, risk and compliance management, and corporate culture development, etc.

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

In 2022, the Company's independent non-executive directors actively attended the SGM, details of which are as follows:

Names of independent non-executive directors	No. of SGMs convened	Attendance in person	Absence
LIU Xiaodan	1	1	0
CHEN Jizhong	1	1	0
LAM Tyng Yih, Elizabeth	1	1	0
WOO Ka Biu, Jackson	1	1	0
JIANG Xuping	1	1	0

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

In 2022, independent non-executive directors actively attended the meetings of the Board of Directors and the attendance of each of the independent non-executive directors is as follows:

Names of independent non-executive directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence
LIU Xiaodan	7	7	0	0
CHEN Jizhong	7	7	0	0
LAM Tyng Yih, Elizabeth	7	7	0	0
WOO Ka Biu, Jackson	7	7	0	0
JIANG Xuping	7	7	0	0

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

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

III. Independence of the Company from its controlling shareholders in asset, personnel, finance, organisation and business

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

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

IV. Appraisal and incentive programs for the senior management

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

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

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

V. Risk management

Risk management is a core element of the Company's operation and management. The aim of CPIC Group's risk management is to establish a risk management system aligned with its strategic goals and to ensure the adequacy and stability of its solvency in the process of achieving its strategic targets, reduce the uncertainty in achieving business objectives, and maximize the value with controllable risks.

(I) Risk governance structure

The Company established a holistic risk management organizational system with the Board shouldering the ultimate responsibility, the management responsible for direct stewardship, risk management departments providing coordination, the "3 lines of defense" working together and each player performing their respective duties. The boards of the Company and its subsidiaries are the top decision-making body in risk management, and bear the ultimate responsibility for their respective risk management systems and status of operation. The Board established the Risk Management & Related Party Transactions Committee, which is vested by the Board to perform risk management functions. In 2022, the Committee convened 6 sessions, reviewing relevant risk-related items and reports.

The Company Management Committee is responsible for organizing risk management implementation. It set up the position of Group Chief Risk Officer, which reports risk management status and risk profile to the Risk Management & Related Party Transactions Committee on a quarterly basis. Under the Management Committee there is Group Risk Management and Audit Work Commission, a cross-cutting professional decision-making body responsible for review of risk management programmes and policies, promotion and supervision of key tasks and general coordination.

The Risk Management Centre was set up at Group headquarters, consisting of the Department of Risk Management and the Department of Legal Affairs and Compliance, responsible for

coordinating daily work in risk management, legal and compliance, and internal control. All insurance and asset management member companies of the Group have set up independent risk management departments, charged with coordinating implementation of management decisions in risk management, including organizing, supervising, and guiding other departments in daily risk management as per decisions of the management. Other functional departments and branch offices have all designated Risk Responsible Person and Risk Management Personnel, performing their duties as within their scope of responsibilities and responsible for communications with risk management departments.

(II) Risk management strategy and procedure

1. Risk management strategy

The overall risk management strategy is: under the guidance of risk management objectives, support and promote fulfillment of business objectives and strategic planning of the Company via a sound risk management system, stringent risk management processes, and scientific risk management mechanisms and tools.

2. Risk appetite

The Company adopts a “prudent” risk appetite, and cautiously manages various risks in business operation. The Company and its insurance subsidiaries maintain a sufficient level of solvency, and pursue stable profitability and sustainable value growth while maintaining appropriate liquidity, maintain a sound risk management status and market image, and continuously upgrade its risk control system compatible with its listing in SSE, SEHK, and LSE, thus becoming a leader in healthy and stable development of the industry.

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

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

3. Risk management procedure

The Company's key risk management procedure includes: the setting of objectives, collection of information, risk identification & assessment, risk management control, risk reporting and supervision and rectification. The Company has established an early warning system to monitor the Group's major risks. The Company has also established a crisis management mechanism and contingency plans to enhance its capability to prevent and tackle emergencies, which were reviewed and drilled on a regular basis.

(III) Risk management performance

In 2022, the CBIRC issued and implemented C-ROSS II to upgrade the requirements for insurers' solvency risk management. The Company based its risk management on new requirements from C-ROSS II and SARMRA to further improve its risk management system. The risk management priorities in 2022 included: upgrading the Group's risk management system, and strengthening closed-loop risk management mechanism; further clarifying the responsibility of risk management, and promoting the integration of risk management and operation management; optimizing risk appetite and assessment focusing on three objectives: full coverage of risk management responsibilities, a closed-loop mechanism for risk appetite management, and effective constraints of risk appetite; focusing on key risk areas, improving risk management mechanisms, and strengthening the monitoring, early warning and response for key risks to improve risk management capabilities.

(IV) Key risks

In 2022, the Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and group specific risks. For details of the insurance risk, market risk, credit risk, liquidity risk, operational risk, and capital management risk, please refer to note XIII Risk management to the financial statements. Status of reputational risk, strategy risk, and group specific risks is as follows:

1. Reputational risk

Reputational risk is caused by actions of insurance institutions, practitioners, or external events, which may lead to adverse comments on insurance institutions by stakeholders, the public, the

media, etc., thereby damaging their brand value. It is detrimental to their operations, and can even affect market and social stability.

The Company has established an organizational structure and working procedure for its reputational risk management process, which includes pre-assessment, risk monitoring, risk rating, response and handling, information reporting, performance assessment and accountability, and full-process assessment. The Company conducts annual evaluation of the operation of its reputational risk management mechanism and situation, and submits regular reports to senior management and the board of directors. In 2022, the Company continued to optimize reputational risk management within the Group, improve reputational risk governance structure with sound organization and clearly-defined responsibility, strengthen Group-wide institutional mechanisms and systems building, promote relevant training, emergency drills, risk screening and team building, and enhance the reputational risk prevention and control system. In 2022, it maintained a stable status in reputational risk management with no major reputational risk incidents, or breaches of risk limits. In the same year, the Group won the “Reputation Management Annual Case Award” in the 4th China Financial Brand Annual Case Competition for its whole process closed-loop management of online publicity.

2. Strategy risk

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

The Company has established an organizational structure and working procedures for strategy risk management and formulates its strategic plans based on factors such as the Company’s market environment, risk appetite, and capital status. The strategy risk management process includes the identification, analysis, monitoring and reporting of strategy risks. The Company has set up an internal strategy risk management reporting mechanism, and submits reports on the evaluation and management of strategy risks to the senior management on a regular basis. In 2022, the Company improved its strategy risk management system as per regulatory requirements of C-ROSS II, and further clarified the relevant organizational structure and responsibilities; strengthened the Group’s overall planning for its strategy risk management; carried out implementation assessment for the development plans of the Group and its key member companies, and reviewed their revised development plans to ensure that the planning and implementation of its member companies are in line with the Group’s overall strategic goals

and implementation progress. In 2022, no major strategic risk incident occurred, nor were the risk limits exceeded.

3. Group specific risks

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

(1) Risk contagion

Risk contagion means the risk of one member company may extend to other member companies of the Group through internal transactions or other means, thus causing unexpected losses to the Group or its member companies. The Company strictly controls related party transactions with an effective management mechanism for risk quarantine to minimise risk contagion. In 2022, the following measures and arrangements were implemented:

In term of related party transaction management, as per relevant regulatory requirements, the Company has established and continues to improve its long-term mechanism for related party transaction management by strengthening internal control and risk management to curb intra-group risk contagion resulting from related party transactions. The Group's Risk Management and Related Party Transactions Control Committee is responsible for the identification of related parties, and the management, review, approval and risk control of related party transactions. During the reporting period, the Company revised the relevant regulations and rules for implementation, clarified the responsibilities of relevant positions for related party transactions management, standardized the pricing and identification, internal review, reporting and disclosure of related party transactions, and strictly enforced them.

As for risk quarantine, the Company sets up risk firewalls, identifies risk contagion routes, establishes and implements prudent risk quarantine management mechanisms and measures in areas such as corporate management, financial management, capital management, business operations, information management, personnel management, as well as brand publicity, information disclosure, related party transactions and guarantee management. During the reporting period, the Company sorted through and revised business regulations in risk

quarantine related areas, incorporating risk quarantine requirements into business management process to better achieve risk quarantine among the Group's member companies; refined the management mechanism for access, management, monitoring and reporting of information technology outsourcing, and carried out technology outsourcing activities in accordance with regulations.

(2) Risk of opaque organizational structure

It refers to the risk that an insurance group's shareholding structure, management structure, operation process, business type, etc. are excessively complex and opaque, which may cause losses to the Group. In strict compliance with regulatory requirements, the Company further clarified its management mechanism and regular assessment system for the risk of opaque organizational structure. The status of risk of opaque organizational structure in 2022 is as follows:

CPIC is a listed insurance holding group and maintains a clear shareholding structure, without any cross-shareholding or illegal subscription of capital instruments between its members and its associated companies, or between its member companies.

Based on their strategic planning and business development, each member company has established suitable organizational structure with clear organizational boundaries and well-defined responsibilities and authority to avoid either overlapping or gaps of functions, or over-centralisation of authority and responsibility, and thus formed a working mechanism with clear definition of roles and responsibilities, good coordination and checks and balances.

(3) Concentration risk

It refers to the risk that when individual risks or risk portfolios of member companies are concentrated at the group level, they may bring risks of unexpected losses for the Group. In accordance with relevant regulatory requirements, CPIC regularly identifies, evaluates, monitors and reports on different types of concentration risks of the Group and its member companies along 4 dimensions (the concentration risk of transaction counter-parties,

investment assets, customers and business) and their sub-dimensions, thus preventing or minimising the adverse effects of concentration risk on the solvency or liquidity of the Group.

CPIC has a risk limit indicators system for concentration risk, covering all the four dimensions and their sub-dimensions, and uses the system to regularly evaluate the concentration risk on each dimension. During the reporting period, there was no breaches of limits nor events which may trigger early warning on all dimensions, and the Company's overall concentration risk was under control.

Based on realities of its business operation, the Company focuses on the concentration risk relating to its investment counter-parties, and regularly assesses the concentration of investment assets with credit risk exposure, as well as the credit risk and financial situation of its major counter-parties. During the reporting period, the Company's major investment counter-parties maintained stable ratings, thus the related concentration risk was under control. During the reporting period, there was no concentration risk that posed a material threat to the Company's solvency or liquidity.

(4) Non-insurance risk

The Company's non-insurance business and investment serve the Group's strategic positioning as "a pure insurance player", which helps to contain the magnitude and impact of non-insurance risks. The Company strictly complies with relevant regulations, prudently manages the investment activities in non-insurance fields, and constantly prevents the adverse effects of operating activities of non-insurance member companies on the solvency of CPIC and its insurance member companies.

In terms of investment in non-insurance member companies, CPIC has established an equity investment management system for non-insurance areas based on equity shareholding and corporate governance system, while in full compliance with relevant CBIRC regulations. The Company has set up an investment decision-making committee under its Assets and Liabilities Management Committee to organize and coordinate major equity investments of its member companies, which helps to ensure that the Company's shareholding structure remains clear and that those investments are aligned with CPIC's risk appetite and limits. Non-insurance

investments shall follow equity investment approval process and seek approval from relevant authorities as per corporate governance structures.

In management of its non-insurance business, CPIC strictly complies with relevant CBIRC regulations, and designates a department to lead the management. The risk exposure of non-insurance investments is evaluated regularly, with results reported to the board. It also conducts effective equity management and risk monitoring of its member companies, as well as timely assessment and adjustment of the development strategies of its non-insurance business. The Company has also set up asset and liquidity quarantine mechanisms between its insurance and non-insurance member companies to ensure that investments in non-insurance member companies will not harm the interests of policyholders.

In 2022, in accordance with the new regulations, the Company refined existing management mechanism of its non-insurance member companies to optimize management. It also improved mechanisms for capital constraints, post-investment management, and digital capability building, and further upgraded the differentiated management system for non-insurance areas.

VI. Internal control

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

In 2022, the Company continued to optimize its internal control system by focusing on the key projects and key tasks of internal control building, promoted full integration of internal control into business management to ensure that the internal control system is complete, fully controlled, and implemented effectively. It also organized a company-wide annual risk and internal control self-assessment, focusing on identifying emerging risks in the management of organizations at all levels, and revised the Internal Control Manual at the same time. Given latest changes and trends in regulations on supervision of listed firms, financial markets and state-owned assets, the Company formed a differentiated internal control mechanism based on risk segmentation, so that all key risk areas are covered by internal control. The Company further clarified internal control boundaries and duties across the Group, implemented the Measures for Supervision and Administration of Insurance Groups, and organized relevant departments to further improve the Group's governance framework, systems, processes, standards and other internal control mechanisms. It also upgraded the Operational Risk Management Measures and other relevant regulations in light of C-ROSS II. In development of digital risk management systems, the Company pushed forward the application of smart risk control tools in front-line business such as smart contract verification, smart verification of promotional materials of personal insurance, etc.

In 2023, we will be guided by the spirit of the 20th Congress of CPC, promote the integration of internal control and business development, and integrate internal control management into various business sectors and functional areas, to better leverage internal control in high-quality development; tighten internal control in core insurance business and continue to crack down on violations and other persistent problems; optimise management systems to keep pace with changes and developments, expand internal control system to cover non-insurance areas, and advance the penetration of smart risk control to better empower high-quality development.

Pursuant to the Internal Audit Working Rules for Insurance Institutions (CIRC [2015] No. 113), the Regulations on Internal Audit of the National Audit Office of the Republic of China (CNAO [2018] No. 11), and the Articles of Association of the Company, the Company implements an internal audit system under the direct leadership of the Group's Party Committee and Board of Directors of and under the guidance and supervision of the Audit Committee of the Group's

Board of Directors. The Company adopts centralised management of internal audit and has set up an Internal Audit Centre at its headquarters with full-time personnel performing internal auditing of both the Group and subsidiaries. Therefore, subsidiaries no longer have needs for internal audit departments or positions. Secretary of the Group's CPC Party Committee and the Group's Chairman are in charge of internal audits; and Chief Internal Auditor of the Group is also the Group's Internal Auditing Responsible Person, responsible for organizing the internal audit work of the Group.

In 2022, the Group's Internal Audit Center studied and implemented the spirit of the 20th Congress of CPC, strictly followed the regulatory requirements of the CBIRC and the Group's strategic plan, overcame all kinds of difficulties, and strengthened technological empowerment. It completed all the audit plans of the year using a remote + on-site audit model. No significant systemic defects were detected that may affect the Company's operation. In light of Party-building activities under the theme of "serving people, serving customers, and serving grass-roots units", the Center enhanced coordination in the implementation of relevant working mechanisms, and carried out designated internal audits and special audit research to serve the Company's high-quality development. It also continued efforts in the development and transformation of internal audit and completed the 3-year Action Plan for the Development of Internal Audit of CPIC (2023-2025), which is the guideline for improving internal audit in the next 3 years.

In accordance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations, and the Company's internal control system and evaluation methods, and based on the daily supervision and special supervision of the Company's internal control, the Company's internal audit departments led the assessment of the effectiveness of the Company's internal control as at 31 December 2022 (the baseline date for internal control assessment report). Based on findings of the assessment, as of the baseline date there were no major deficiencies in the Company's internal control for financial reporting. The board of directors believes that the Company maintained effective internal control for financial reporting in all major aspects. Based on findings of the assessment, as of the baseline date there were no major deficiencies in the Company's internal control for

financial reporting for areas other than financial reporting. There were no factors which may affect these conclusions regarding the internal control effectiveness between the baseline date and the date of the issuance of the internal control assessment report.

The Company's auditors also issued an audit report on the Company's internal control, which is of the opinion that as of 31 December 2022 the Company has maintained effective internal control in all major aspects for financial reporting in compliance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations.

VII. Management and control of subsidiaries

Guided by the overall strategic goals of the Group, in 2022, we strengthened the strategic management and control of each subsidiary and established and kept improving relevant policies and working mechanisms.

In 2022, we further clarified the positioning and responsibilities of the Group and each subsidiary and enhanced the Group's coordination for those forward-looking, platform-based and shared functions to create a synergy-generating headquarters. Our insurance subsidiaries put more focus on insurance protection, risk management and capital utilisation to achieve business goals, enhance professional capabilities and competitiveness in the market while non-insurance subsidiaries gave more priority to optimising resource allocation of the Group, creating synergies and promoting the development of the Group's insurance business.

Adhering to the idea of "Group-coordinated development", the Company attaches great importance to overall strategic planning and development. We optimised strategic planning and management, and clarified the key tasks of and paths for realising the Group's strategic management and control; strengthened the cascading of Group strategies to subsidiaries by setting forth market strategies and key tasks and broke them down for each subsidiary with regular tracking and analysis of performance and progress by the Group. We established a strategic budget assessment system with properly balanced core indicators for current operation and long-term development to ensure the realisation of the Group's overall strategic goals and subsidiaries' targets.

Guided by regulatory policies, we continued to maintain the Group's substantial control over key areas and major issues, and stepped up efforts in building a closed-loop corporate governance management mechanism with clearly-defined rights and responsibilities, effective

checks and balances, coordinated operations, and process penetration. We also further regulated the equity management and improved the governance structure of subsidiaries, strengthened the implementation of the responsibilities of legal persons for governance, and optimised the decision-making process for board resolutions, following principles such as “synergy and efficiency”, “scientific and rational”, and “matching of powers and responsibilities”. The Company constantly improves its integrated risk management and control system to boost its risk management and control capabilities.

VIII. Changes to Articles of Association

In accordance with regulations issued by the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission such as the Code of Corporate Governance for Banking and Insurance Institutions, the Rules on Insurance Group Companies, the Provisional Rules on Major Shareholders' Conduct of Banking and Insurance Institutions, the Rules on Related-Party Transactions of Banking and Insurance Institutions, Solvency Regulatory Rules (II) for Insurance Companies, the Guidelines for the Articles of Association of Listed Companies, the Rules for General Meetings of Shareholders of Listed Companies, and the Rules for Independent Directors of Listed Companies and taking into consideration its actual situation, the Company revised relevant documents including the Articles of Association, the Rules of Procedures for Shareholders' Meeting, the Rules of Procedures for Board Meetings and the Rules of Procedures for Board of Supervisors Meetings. On 8 June 2022, the Company held the 2021 SGM, at which the afore-mentioned amendments were considered and approved. In July 2022, CBIRC approved those amendments respectively.

Environmental and social responsibility

To mitigate climate change risks and protect the environment for harmonious coexistence between humanity and nature, CPIC has been promoting green finance and low-carbon operation over the years.

I. Green insurance

In 2022, to promote green insurance, we focused on five areas including supporting clean energy, reducing pollution and energy consumption, tackling climate change, protecting the environment, and supporting green transportation, providing more than a total of RMB8 trillion in sum assured with more than 120 products, among which 45 were innovative ones. We

launched a number of new products, including the grassland carbon sink remote sense index insurance, the wetland carbon sink ecological value insurance, and the single tree carbon sink insurance, all being first of its kind in the country, providing about RMB220 billion in sum assured for about 23 million hectares of various types of forest land, contributing to forestry and ecological well-being.

Catastrophe insurance. As at the end of 2022, we offered cover against catastrophe risks about RMB700 billion in total in SA. We also launched a nation-wide county-level catastrophe index insurance product An Hui Bao, first of its kind in the industry.

Clean energy insurance. As at the end of 2022, we underwrote a total of over RMB1.2 trillion in SA for clean energy projects, and over RMB2 trillion for 2.8 million new energy vehicles. We also provided insurance for over 1/3 of the wind turbine installation vessels in China.

Environmental pollution liability insurance. We underwrote environmental pollution liability insurance with cumulatively a total of RMB11 billion in SA for about 7,000 business enterprises, engaging third-party environmental risk assessment agencies and environmental assessment techniques to analyse geographical information such as major hazard sources of the enterprise and nearby water sources, and to assess key triggers of environmental pollution incidents and provide accurate advice on risk control.

Ecological carbon sink insurance. We launched ecological carbon sink insurance in Inner Mongolia, Xiamen, Ningbo, Hainan and Zhejiang, covering forests, grassland, wetland and tea trees.

Wildlife liability insurance. To promote public liability insurance for damage caused by wild animals, we have been providing insurance services for more than 10 years in Xishuangbanna and Pu'er of Yunnan Province, where rampage of wild Asian elephants frequently occurs, and as at the end of 2022, we provided a total of RMB360 million in claims, benefiting more than 162,000 farming households.

In 2022, we established sustainable (Green) insurance standards and coding system, which include four major categories, namely, supporting the country's strategies for promoting green transformation, improving people's well-being, improving resilience of the real economy, and advancing high-level opening-up. The system covers 12 fields, 22 sub-fields and 47 business areas. We fully applied technologies like big data, AI, and cloud computing in the construction of green insurance digital platform and climate and environmental risk analysis and modeling.

We built an insurance technology platform for new energy risk management, the first of its kind in the industry, and established a risk reduction management platform for the energy sector.

II. Green investment

We were directly involved in investments of green projects spanning clean transport, clean energy, energy conservation, recycling and pollution treatment, ecology and environment, green upgrading of infrastructure, and green service, etc., via channels of debt investment schemes, equity investment schemes, asset-backed plans and industry equity funds. As of the end of 2022, our cumulative investments in green areas amounted to over RMB150 billion.

New energy. To support development of the new energy economy, we made green investments worth nearly RMB8.5 billion in fields like wind power, hydro-power and solar power via labeled green bonds, rural invigoration bonds, and carbon-neutral bonds in 2022.

Clean energy. We invested in various kinds of sustainability-linked bonds, blue bonds, green bonds, carbon-neutral bonds, which involved companies such as Fujian Huadian Furui Energy Development Co., Ltd., Guangdong Environmental Group Co., Ltd., State Grid, Huaneng Power International, etc.; invested in corporate bonds and medium-term notes issued by China Energy Conservation and Environmental Protection Group (CECEP), and issued CPIC-CECEP Wind Power Infrastructure Bonds Investment Scheme which raised RMB2.4 billion.

We completed the registration of the Lushan Yuneng Debt Investment Scheme, which has a total investment of RMB5 billion. The proceeds will be used for the Lushan Pumped Storage Power Station Project, which, when completed, will reduce the annual standard coal consumption of the power grid by 140,000 metric tons, the emission of carbon dioxide by 310,000 metric tons, sulphur dioxide by 4,004 metric tons, and nitrogen oxide by 648 metric tons.

Water resources conservation. We issued the RMB3 billion CPIC-Guizhou Shuitou Jiayan Debt Investment Scheme, aiming to resolve water shortages which impeded economic and social development of towns and rural areas in northwest Guizhou; the Han River Environmental Resources Infrastructure Debt Investment Scheme for the protection of Xiangyang City's water system; and the Henan Water Conservancy Investment Group's Luoyang Water Ecology Infrastructure Debt Investment Scheme for the protection of the Luo River's ecological system.

Living environment. We promoted inclusive finance in rural areas, continued to assist in

shantytowns renovation and infrastructure construction, and the outstanding amount of our bond investment scheme products in this field exceeded RMB10 billion.

Pollution prevention and control. We issued the RMB2.2 billion CPIC-Zhongyuan Yuzi Infrastructure Debt Investment Scheme for the PPP project relating to the environmental governance of the middle branch of the Shenshui River in Zhengyang County and the lower reaches of the Qingshuihe River, and the PPP project for the comprehensive improvement of the Sihui Leisure Area in Ningling County. The projects aim to help restore the self-purification capacity of water bodies, improve the ecological environment of the river system, and promote sustainable urban development.

Products with ESG mandates. We set up three ESG products, including CPIC Excellence Carbon-neutral Product, CPIC Excellence Low-carbon Product and CPIC Excellence ESG Bond Selected Asset Management Product, focusing on carbon-neutral themed assets, helping investors to implement the concept of carbon neutrality and share the fruits of carbon neutrality development. We completed the ESG strategy transformation for Changjiang Wenli No.3 Asset Management Product.

III. Green operation

Promoting Green Office. Saving power. The Company centralised control of and optimised lighting in public places including corridors, staircases and halls. It used LED lighting with a policy of "Lights out and power off when people exit the place", and sensor-activated lighting in less-used areas. It stipulates that in winter office air conditioning shall be capped at 20 degrees Centigrade, while in summer floored at 26 degrees Centigrade. It limits long-time stand-by of printers and fax machines. **Saving water.** Based on national standards, the Company checks and eliminates substandard taps and plumbing on a regular basis, installs switches with infra-red sensors, and steps up water conservation. **Efficient use of resources and energy.** It vigorously advocates the use of energy-efficient technologies and products, and phases out energy-intensive equipment or facilities. Keeps a standing book for office supplies to prevent wasteful behaviours; encourages employees not to use disposable tableware, and advocates "Clear your plate" campaign to save food. **Paperless operation.** Continued to expand and upgrade full-process on-line capabilities. CPIC Life promoted paperless operation via electronic amendments, electronic insurance policies, and e-mail, with 86.5% of customers subscribing to e-mail. **Digitalisation.** The Company vigorously increased use of digital systems for office work, procurement and business travel, which enabled full on-line processes in all these functions.

Reduction of GHG emissions. Group headquarters and subsidiaries are required to implement ESG philosophies in office work and daily operation, lower energy consumption, promote green actions, and reduce GHG emissions. For example, CPIC P/C launched CL-01 Low Carbon Operation Project, scaled up the design of and established an integrated model of “physical objects+finance+carbon emissions”, the first of its kind in the insurance industry, which helps to fulfill its low-carbon objectives.

Green buildings. Promoted construction of such buildings. The building for Headquarters of Greater Bay Area has obtained WELL-HSR and LEED-CS Platinum certification. The Company also put in place the ECO-Office property management system centering on “healthy and green”. Its data centre in Chengdu became the first LEED-certified data centre in China’s mainland; CPIC Home elderly care communities in Chengdu, Hangzhou and Chongming of Shanghai were awarded the design label for 3-star green buildings, and of these, the one in Chengdu was the first project with such labelling in the elderly care sector. Besides, 8 CPIC Home elderly care communities such as those in Putuo of Shanghai, Nanjing, Wuhan, Qingdao and Xiamen also won WELL interim certification of healthy buildings.

The Company is not a high-pollution enterprise. In 2022, it received neither penalties due to violations of environmental rules nor any environmental complaints.

IV. Green public goods

The Sanjiangyuan Ecological Park. CPIC has been implementing an ecological park project in Sanjiangyuan of Qinghai Province since 2020. The Company and its employees have donated a total of RMB33.3 million to afforest the Deji Beach in Gonghe County, Qinghai Province, the eastern gateway of Sanjiangyuan National Park. Three phases of the project have been completed, with more than 130 hectares of land afforested and nearly 120,000 trees planted. About 110,000 work shifts were involved in the construction of the park, and more than RMB11 million was spent on labor services, with all labourers coming from government documented impoverished households. Follow-up forest conservation will continue to create job opportunities.

V. Rural invigoration

CPIC continued to improve mechanisms with its own characteristics for rural invigoration in key areas such as rural development, rural construction and rural governance.

Rural assistance. As as the end of 2022, our "Fang Pin Bao" programme covered nearly 1,175 counties across China, providing more than RMB3.65 billion in total sum assured, with a total of more than RMB2.034 billion in anti-poverty relief payment. In 2022, we sent 275 employees to work in rural villages of key regions; actively provided insurance for rural infrastructure and public service facilities such as cold chain logistics facilities for the storage and preservation of farm produce, low-temperature distribution centers for direct sales of goods at place of production, rural roads and water conservancy facilities, etc., and underwrote IDI for high-standard farmland construction in 15 provinces and cities; donated RMB1 million in assistance fund to Qahar Right Wing Middle Banner, Inner Mongolia for the construction of the Mongolian Horses Cultural Park Project.

Service related to agriculture, farmers and rural areas. As at the end of 2022, CPIC provided various types of agricultural insurance coverage with total SA of RMB665.2 billion, with 30.32 million insurance claims payments involving nearly RMB9.8 billion; developed more than 3,500 agricultural insurance products, covering agriculture, forestry, animal husbandry and fishing; provided insurance for nearly 180 "insurance+futures" projects, covering 1.5 million farming households, promoting the upgrading of agricultural insurance from partial to full cost indemnity, from cover against loss of output to cover against loss of income. It applied the "insurance+futures" model to income insurance for corns in Wucheng County of Shangdong Province to empower local agriculture there, and this case was included in the Third Global Poverty Reduction Case Series. It developed a total of over 50 weather index insurance products with total SA of RMB3.1 billion; and vigorously conducted regional specific insurance with local characteristics, implemented the Reward as Subsidies policy of the Central Government in 15 provinces such as Inner Mongolia and Shandong. As at the end of 2022, it set up a grass roots-level service network with more than 3,800 CPIC "San Nong" (i.e., farmers, agriculture and rural areas) service stations and over 15,000 insurance assistants.

CPIC has not yet fully complied with the requirements of LR 14.3.27R as it has not included climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures within its annual report. However, similar to the approach taken last year, we will be publishing CPIC's Sustainability Report for 2022 by the end of April 2023 which will include CPIC's climate-related disclosures consistent with the TCFD recommendations, as well as a more comprehensive overview of its climate strategy and progress. This allows CPIC to provide more detailed information to its stakeholders in a more accessible format as well as

ensuring that its climate-related financial disclosures are as compliant and full as they can be, given that it is the first year that it is required to comply with the TCFD recommendations. The Sustainability Report will provide further information on CPIC's compliance with LR 14.3.27R and will be available at <https://www.cpic.com.cn/gdr/gdrggen/> by the end of April 2023.

Documents available for inspection

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

II. Original auditor's report signed by the auditors

III. Annual reports disclosed in other security markets.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent auditor’s report
To the shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People’s Republic of China with limited liability)

Opinion

We have audited the financial statements set out on pages 9 to 201, which comprises the consolidated and company balance sheets of China Pacific Insurance (Group) Co., Ltd. (hereinafter “CPIC”) as at 31 December 2022, consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and company’s financial position of CPIC as at 31 December 2022, and the consolidated and company’s financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (“CASs”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (the “IAASB”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report. We are independent of CPIC in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “IESBA Code”) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent auditor’s report (continued)
To the shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of life insurance contract reserves</i>	
<p>As at 31 December 2022, the carrying amount of CPIC’s long-term life insurance contract reserves was RMB 1,409.2 billion, representing 73% of the total liabilities. We identified the valuation of life insurance contract reserves as a key audit matter, as it requires significant estimates and judgements, and could be significantly impacted by the changes in actuarial assumptions.</p> <p>The valuation of long-term life insurance contract reserves involves complex models and a high degree of judgment by management in setting assumptions. Key assumptions used in measuring long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions, etc.</p>	<p>We performed relevant audit procedures which mainly included the following:</p> <ul style="list-style-type: none"> • Understanding, evaluating and testing management’s internal controls over the valuation of life insurance contract reserves, including management’s determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change, etc. • Assessing the appropriateness of the actuarial valuation methodologies adopted by CPIC, performing independent modelling checks on selected actuarial models by considering the mix of product types and distribution channels, and checking the related best estimate liabilities, risk margin and residual margin respectively.

Independent auditor’s report (continued)
To the shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of life insurance contract reserves (continued)</i>	
<p>Relevant disclosures are included in Note III.23, Note III.36, Note VII.30 and Note VII.31 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • Evaluating key actuarial assumptions such as discount rates, mortality, morbidity, surrender rates, expense assumptions and policy dividend assumptions, considering management’s rationale for the actuarial judgments applied along with comparison to the CPIC’s historical data and applicable industry experiences. • Evaluating the overall reasonableness of the long-term life insurance contract reserves by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results.

Independent auditor’s report (continued)
To the shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of non-life insurance contract reserves</i>	
<p>As at 31 December 2022, the carrying amount of CPIC’s claim reserves, which was included in non-life insurance contract reserves, was RMB 71.4 billion, representing 4% of the total liabilities.</p> <p>Since the valuation of claim reserves requires a high degree of judgment by management in selecting the models and setting the assumptions including the development factors of paid and incurred losses and ultimate loss ratios, and the inherent risk in relation to the valuation of non-life insurance contract reserves was considered significant, we identified it as a key audit matter.</p> <p>Relevant disclosures are included in Note III.23, Note III.36 and Note VII.29 to the consolidated financial statements.</p>	<p>We performed relevant audit procedures which mainly included the following:</p> <ul style="list-style-type: none"> • Understanding, evaluating and testing management’s internal controls over the valuation of non-life insurance contract reverses, including data collection and analysis, and management’s assumptions setting processes, etc. • Performing independent modelling analysis for claim reserves by performing below procedures: <ul style="list-style-type: none"> – For the underlying data used in actuarial models, we compared the data with source systems, such as earned premiums to accounting records and reported claims to the claims system. – We set up independent actuarial assumptions including claim development and loss ratios, etc., by considering both the CPIC’s historical data and applicable industry experiences. – We evaluated the overall reasonableness of the CPIC’s claim reserves by comparing management’s result to the results from our independent modelling analysis.

Independent auditor’s report (continued)
To the shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of level 3 investments measured at fair value</i>	
<p>As at 31 December 2022, the carrying amount of CPIC’s level 3 investments measured at fair value was RMB 142.7 billion, representing 7% of the total assets.</p> <p>We identified the valuation of level 3 investments measured at fair value as a key audit matter, as they were measured based on valuation models and inputs and assumptions that are not directly observable. The valuation involved significant management judgment and the inherent risk in relation to the valuation of level 3 investments measured at fair value was considered significant.</p> <p>Relevant disclosures are included in Note III.34, Note III.36 and Note XVI to the consolidated financial statements.</p>	<p>We performed relevant audit procedures which mainly included the following:</p> <ul style="list-style-type: none"> • Understanding, evaluating and testing the key controls over the investment valuation process including management’s determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management’s review of valuation inputs provided by data vendors. • The audit procedures related to the measurement of level 3 investments measured at fair value: <ul style="list-style-type: none"> – Assessing valuation model methodologies against industry practice and valuation guidelines; – Comparing assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields; – Performing independent check of the valuation results of selected illiquid investments by using inputs from external sources that were not directly observable.

Independent auditor's report (continued)

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

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

Other information included in the Annual Report

The management of CPIC is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of the management and those charged with governance for the financial statements

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

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

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

Independent auditor's report (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Independent auditor’s report (continued)

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

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

Auditor’s responsibilities for the audit of the financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CPIC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Guo Hangxiang.

Ernst & Young Hua Ming LLP
Certified Public Accountants
Beijing, the People’s Republic of China
24 March 2023

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

<u>ASSETS</u>	<u>Note VII</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash at bank and on hand	1	33,134	32,545
Financial assets at fair value through profit or loss	2	26,560	12,353
Derivative financial assets	3	197	259
Securities purchased under agreements to resell	4	21,124	13,432
Premium receivables	5	31,191	25,803
Reinsurance receivables	6	9,188	11,091
Interest receivables	7	21,715	20,427
Reinsurers' share of unearned premium reserves	28	8,814	7,914
Reinsurers' share of claim reserves	29	11,479	9,164
Reinsurers' share of life insurance reserves	30	2,019	1,910
Reinsurers' share of long-term health insurance reserves	31	12,084	11,884
Policy loans		69,825	66,950
Term deposits	8	204,517	196,519
Available-for-sale financial assets	9	715,085	645,381
Held-to-maturity financial assets	10	514,250	396,428
Investments classified as loans and receivables	11	397,270	406,276
Long-term equity investments	12	25,829	26,984
Restricted statutory deposits	13	7,290	7,428
Investment properties	14	11,202	7,514
Fixed assets	15	17,465	17,504
Construction in progress	16	2,291	1,714
Right-of-use assets	17	3,030	3,475
Intangible assets	18	6,666	5,509
Goodwill	19	1,372	1,372
Deferred income tax assets	20	8,903	1,998
Other assets	21	13,799	14,330
TOTAL ASSETS		2,176,299	1,946,164

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	31 December 2022	31 December 2021
Derivative financial liabilities	3	8	1
Securities sold under agreements to repurchase	23	119,665	73,441
Premium received in advance		22,520	25,154
Commission and brokerage payable		4,639	3,695
Reinsurance payables	24	8,450	7,638
Employee benefits payable	25	8,635	7,386
Taxes payable	26	5,166	4,138
Interest payable		469	517
Claims payable		22,075	21,526
Policyholder dividend payable		24,858	24,176
Policyholders' deposits and investment contract liabilities	27	120,029	102,843
Unearned premium reserves	28	77,250	71,493
Claim reserves	29	71,437	58,420
Life insurance reserves	30	1,258,941	1,129,622
Long-term health insurance reserves	31	150,290	125,798
Insurance premium reserves		316	207
Bonds payable	32	9,999	9,995
Lease liabilities		2,718	3,105
Deferred income tax liabilities	20	832	3,601
Other liabilities	33	33,874	41,003
Total liabilities		1,942,171	1,713,759
Issued capital	34	9,620	9,620
Capital reserves	35	79,665	79,662
Other comprehensive income	60	6,368	19,655
Surplus reserves	36	5,114	5,114
General reserves	37	22,474	19,521
Retained profits	38	105,205	93,169
Equity attributable to shareholders of the parent		228,446	226,741
Non-controlling interests	39	5,682	5,664
Total equity		234,128	232,405
TOTAL LIABILITIES AND EQUITY		2,176,299	1,946,164

The financial statements from Page 9 to Page 201 are signed by the persons below:

<u>KONG Qingwei</u>	<u>ZHANG Yuanhan</u>	<u>XU Zhen</u>
Legal representative	Principal in charge of accounting	Head of accounting department

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note VII</u>	<u>2022</u>	<u>2021</u>
Operating income		455,372	440,643
Net premiums earned		368,878	339,535
Gross written premiums	40	398,818	366,782
Including: Premiums from reinsurance assumed		4,491	3,398
Less: Premiums ceded to reinsurers	40	(25,084)	(24,934)
Net change in unearned premium reserves	41	(4,856)	(2,313)
Other income		183	181
Investment income	42	81,195	95,457
Including: Share of profits of associates and joint ventures		401	799
(Losses)/Gains arising from changes in fair value	43	(61)	1,163
Exchange gains/(losses)		1,240	(417)
Other operating income	44	3,913	4,714
Gains on disposal of assets	45	24	10
Operating expenses		(430,139)	(409,849)
Surrenders	46	(21,434)	(22,330)
Claims	47	(148,147)	(148,749)
Less: Claim recoveries from reinsurers		13,883	13,960
Changes in insurance contract reserves	48	(175,374)	(155,096)
Less: Insurance contract reserves recovered from reinsurers	49	2,600	2,737
Changes in insurance premium reserves		(109)	-
Policyholder dividends		(12,121)	(12,376)
Expenses for reinsurance assumed		(304)	(239)
Taxes and surcharges	50	(1,121)	(1,025)
Commission and brokerage expenses	51	(27,929)	(30,304)
Operating and administrative expenses	52	(52,774)	(50,240)
Less: Expense recoveries from reinsurers		7,185	8,141
Interest expenses	53	(3,322)	(3,441)
Other operating expenses	54	(5,532)	(6,446)
Asset impairment losses	55	(5,640)	(4,441)
Operating profit		25,233	30,794
Add: Non-operating income	56	147	248
Less: Non-operating expenses	57	(204)	(246)

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED INCOME STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note VII</u>	<u>2022</u>	<u>2021</u>
Profit before tax		25,176	30,796
Less: Income tax	58	<u>64</u>	<u>(3,178)</u>
Net profit		<u>25,240</u>	<u>27,618</u>
Classified by continuity of operations			
Net profit from continuing operations		25,240	27,618
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Attributable to shareholders of the parent		24,609	26,834
Non-controlling interests		631	784
Earnings per share (RMB Yuan)	59		
Basic earnings per share		<u>2.56</u>	<u>2.79</u>
Diluted earnings per share		<u>2.56</u>	<u>2.79</u>
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss			
Exchange differences on translation of foreign operations		99	(17)
Changes in fair value of available-for-sale financial assets and related impact on insurance liabilities		(18,170)	(3,600)
Income tax relating to these items		4,561	890
Share of other comprehensive income/(loss) to be reclassified to profit or loss of investees accounted for using the equity method		<u>(47)</u>	<u>-</u>
Other comprehensive income/(loss)	60	<u>(13,557)</u>	<u>(2,727)</u>
Total comprehensive income		<u>11,683</u>	<u>24,891</u>
Attributable to shareholders of the parent		11,322	24,149
Attributable to non-controlling interests		361	742

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

	2022								
	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Other	Surplus reserves	General reserves	Retained profits	Sub-total		
comprehensive income									
Balance at the beginning of year	9,620	79,662	19,655	5,114	19,521	93,169	226,741	5,664	232,405
Movements in the current year	-	3	(13,287)	-	2,953	12,036	1,705	18	1,723
Net profit	-	-	-	-	-	24,609	24,609	631	25,240
Other comprehensive income/(loss) (Note VII 60)	-	-	(13,287)	-	-	-	(13,287)	(270)	(13,557)
Total comprehensive income	-	-	(13,287)	-	-	24,609	11,322	361	11,683
Impact of capital injection to subsidiaries, etc.	-	(5)	-	-	-	-	(5)	48	43
Share of other changes in equity of investees accounted for using the equity method	-	8	-	-	-	-	8	-	8
Profit distribution	-	-	-	-	2,953	(12,573)	(9,620)	(391)	(10,011)
Appropriations to general reserves	-	-	-	-	2,953	(2,953)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,620)	(9,620)	(391)	(10,011)
Balance at the end of year	9,620	79,665	6,368	5,114	22,474	105,205	228,446	5,682	234,128

As at 31 December 2022, the balance of retained profits of the Group included RMB 4,178 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

	2021								
	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Other	Surplus	General reserves	Retained	Sub-total		
comprehensive income			reserves	profits					
Balance at the beginning of year	9,620	79,788	22,340	5,114	16,829	81,533	215,224	5,611	220,835
Movements in the current year	-	(126)	(2,685)	-	2,692	11,636	11,517	53	11,570
Net profit	-	-	-	-	-	26,834	26,834	784	27,618
Other comprehensive income/(loss) (Note VII 60)	-	-	(2,685)	-	-	-	(2,685)	(42)	(2,727)
Total comprehensive income	-	-	(2,685)	-	-	26,834	24,149	742	24,891
Equity transactions with non-controlling interests	-	(131)	-	-	-	-	(131)	(315)	(446)
Impact of capital injection to subsidiaries, etc.	-	(17)	-	-	-	-	(17)	51	34
Share of other changes in equity of investees accounted for using the equity method	-	22	-	-	-	-	22	-	22
Profit distribution	-	-	-	-	2,692	(15,198)	(12,506)	(425)	(12,931)
Appropriations to general reserves	-	-	-	-	2,692	(2,692)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(12,506)	(12,506)	(425)	(12,931)
Balance at the end of year	<u>9,620</u>	<u>79,662</u>	<u>19,655</u>	<u>5,114</u>	<u>19,521</u>	<u>93,169</u>	<u>226,741</u>	<u>5,664</u>	<u>232,405</u>

As at 31 December 2021, the balance of retained profits of the Group included RMB 741 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note VII</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Cash received from premium income from direct insurance contracts		394,391	364,782
Net cash received under reinsurance contracts		1,869	-
Net increase in policyholders' deposits and investments contract liabilities		12,669	10,881
Refund of taxes and surcharges		124	58
Cash received relating to other operating activities		8,867	6,903
Sub-total of cash inflows		<u>417,920</u>	<u>382,624</u>
Cash paid for claims under direct insurance contracts		(144,180)	(146,899)
Net cash paid under reinsurance contracts		-	(3,525)
Cash paid for commission and brokerage expenses		(27,566)	(31,656)
Cash paid for policyholder dividends		(8,241)	(9,141)
Cash paid to and on behalf of employees		(25,507)	(25,446)
Payments of taxes and surcharges		(11,560)	(9,845)
Cash paid relating to other operating activities	61	<u>(52,955)</u>	<u>(47,705)</u>
Sub-total of cash outflows		<u>(270,009)</u>	<u>(274,217)</u>
Net cash flows from operating activities	63	<u>147,911</u>	<u>108,407</u>
Cash flows from investing activities			
Cash received from disposal of investments		489,390	412,671
Cash received from returns on investments		78,540	73,326
Net cash received from disposal of subsidiaries and other business entities		2,424	3,646
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		109	26
Sub-total of cash inflows		<u>570,463</u>	<u>489,669</u>
Cash paid to acquire investments		(725,655)	(540,976)
Net increase in policy loans		(2,928)	(4,657)
Net cash paid to acquire subsidiaries and other business entities		(1,690)	(6,368)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(9,097)	(3,688)
Cash paid relating to other investing activities		(76)	(74)
Sub-total of cash outflows		<u>(739,446)</u>	<u>(555,763)</u>
Net cash flows used in investing activities		<u>(168,983)</u>	<u>(66,094)</u>

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note VII</u>	<u>2022</u>	<u>2021</u>
Cash flows from financing activities			
Cash received from capital contributions		43	34
Net increase in securities sold under agreements to repurchase		46,316	-
Cash received relating to other financing activities	61	<u>12,518</u>	<u>14,367</u>
Sub-total of cash inflows		<u>58,877</u>	<u>14,401</u>
Cash repayments of borrowings		(12,875)	(11,340)
Cash payments for distribution of dividends, profits or interest expenses		(15,835)	(15,710)
Net decrease in securities sold under agreements to repurchase		-	(16,876)
Cash paid relating to other financing activities	61	<u>(1,686)</u>	<u>(1,846)</u>
Sub-total of cash outflows		<u>(30,396)</u>	<u>(45,772)</u>
Net cash flows from/(used in) financing activities		<u>28,481</u>	<u>(31,371)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>773</u>	<u>(82)</u>
Net increase in cash and cash equivalents	63	8,182	10,860
Add: Cash and cash equivalents at the beginning of year	62,63	<u>45,627</u>	<u>34,767</u>
Cash and cash equivalents at the end of year	62,63	<u><u>53,809</u></u>	<u><u>45,627</u></u>

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

<u>ASSETS</u>	<u>Note IX</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash at bank and on hand	1	6,610	5,261
Financial assets at fair value through profit or loss	2	2	9
Securities purchased under agreements to resell		-	10
Interest receivables		562	631
Term deposits	3	8,999	14,278
Available-for-sale financial assets	4	37,692	29,442
Investments classified as loans and receivables	5	15,543	17,086
Long-term equity investments	6	69,900	64,985
Investment properties	7	3,274	2,992
Fixed assets		924	1,338
Construction in progress		3	3
Right-of-use assets		364	350
Intangible assets		233	236
Other assets	8	564	2,613
Total assets		144,670	139,234
<u>LIABILITIES AND EQUITY</u>			
Securities sold under agreements to repurchase	9	3,919	1,120
Commission and brokerage payable		-	1
Employee benefits payable		282	339
Taxes payable		34	8
Interest payable		2	-
Lease liabilities		404	362
Deferred income tax liabilities		59	356
Other liabilities	10	886	556
Total liabilities		5,586	2,742
Issued capital		9,620	9,620
Capital reserves	11	79,312	79,312
Other comprehensive income	13	546	1,354
Surplus reserves		4,810	4,810
Retained profits		44,796	41,396
Total equity		139,084	136,492
TOTAL LIABILITIES AND EQUITY		144,670	139,234

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note IX</u>	<u>2022</u>	<u>2021</u>
Operating income		15,662	16,530
Other income		5	8
Investment income	12	14,141	15,814
Exchange gains/(losses)		738	(310)
Other operating income		778	1,018
Operating expenses		(2,185)	(2,702)
Taxes and surcharges		(79)	(86)
Operating and administrative expenses		(1,858)	(2,265)
Interest expenses		(29)	(47)
Other operating expenses		(162)	(154)
Assets impairment losses		(57)	(150)
Operating profit		13,477	13,828
Add: Non-operating income		10	56
Less: Non-operating expenses		(34)	(60)
Profit before tax		13,453	13,824
Less: Income tax		(433)	(245)
Net profit		<u>13,020</u>	<u>13,579</u>
Classified by continuity of operations			
Net profit from continuing operations		13,020	13,579
Net profit from discontinued operations		-	-
Other comprehensive income/(loss)	13		
Other comprehensive income/(loss) to be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(1,077)	(260)
Income tax relating to available-for-sale financial assets		269	66
Other comprehensive income/(loss)		<u>(808)</u>	<u>(194)</u>
Total comprehensive income		<u>12,212</u>	<u>13,385</u>

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

	2022					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,620	79,312	1,354	4,810	41,396	136,492
Movements in the current year	-	-	(808)	-	3,400	2,592
Net profit	-	-	-	-	13,020	13,020
Other comprehensive income/(loss) (Note IX 13)	-	-	(808)	-	-	(808)
Total comprehensive income	-	-	(808)	-	13,020	12,212
Profit distribution	-	-	-	-	(9,620)	(9,620)
Profit distribution to shareholders	-	-	-	-	(9,620)	(9,620)
Balance at the end of year	9,620	79,312	546	4,810	44,796	139,084
	2021					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,620	79,312	1,548	4,810	40,323	135,613
Movements in the current year	-	-	(194)	-	1,073	879
Net profit	-	-	-	-	13,579	13,579
Other comprehensive income/(loss) (Note IX 13)	-	-	(194)	-	-	(194)
Total comprehensive income	-	-	(194)	-	13,579	13,385
Profit distribution	-	-	-	-	(12,506)	(12,506)
Profit distribution to shareholders	-	-	-	-	(12,506)	(12,506)
Balance at the end of year	9,620	79,312	1,354	4,810	41,396	136,492

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note IX</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Cash received relating to other operating activities		1,430	637
Sub-total of cash inflows		<u>1,430</u>	<u>637</u>
Cash paid to and on behalf of employees		(902)	(1,084)
Payments of taxes and surcharges		(576)	(334)
Cash paid relating to other operating activities		<u>(518)</u>	<u>(817)</u>
Sub-total of cash outflows		<u>(1,996)</u>	<u>(2,235)</u>
Net cash flows used in operating activities	14	<u>(566)</u>	<u>(1,598)</u>
Cash flows from investing activities			
Cash received from disposal of investments		22,899	26,307
Cash received from returns on investments		13,963	15,035
Net cash received from disposal of subsidiaries and other business entities		171	43
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<u>14</u>	<u>-</u>
Sub-total of cash inflows		<u>37,047</u>	<u>41,385</u>
Cash paid to acquire investments		(24,954)	(20,232)
Net cash paid to acquire subsidiaries and other business entities		(3,459)	(1,771)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<u>(328)</u>	<u>(208)</u>
Sub-total of cash outflows		<u>(28,741)</u>	<u>(22,211)</u>
Net cash flows from investing activities		<u>8,306</u>	<u>19,174</u>
Cash flows from financing activities			
Net increase in securities sold under agreements to repurchase		2,799	-
Cash received relating to other financing activities		<u>-</u>	<u>52</u>
Sub-total of cash inflows		<u>2,799</u>	<u>52</u>
Cash payments for distribution of dividends, profits or interest expenses		(9,647)	(12,542)
Net decrease in securities sold under agreements to repurchase		-	(152)
Cash paid relating to other financing activities		<u>(59)</u>	<u>(28)</u>
Sub-total of cash outflows		<u>(9,706)</u>	<u>(12,722)</u>
Net cash flows used in financing activities		<u>(6,907)</u>	<u>(12,670)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>506</u>	<u>(16)</u>
Net increase in cash and cash equivalents	14	1,339	4,890
Add: Cash and cash equivalents at the beginning of year	14	<u>5,271</u>	<u>381</u>
Cash and cash equivalents at the end of year	14	<u><u>6,610</u></u>	<u><u>5,271</u></u>

The accompanying notes from Page 21 to Page 201 form an integral part of these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 became 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 the GDR issuance, the issued capital of the Company was increased to approximately RMB 9,620 million.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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”), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention except for financial instruments that have been measured at fair values and insurance contract liabilities that have been measured primarily based on actuarial methods. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

Standards effective but not yet adopted for the current year

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

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

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

The associates and joint ventures of the Group have adopted the new financial instruments standards. The Group has elected not to make accounting adjustments for the consistency with accounting policies relating to financial instruments when using the equity method.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

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

	As at 31 December 2022 Fair value	2022 Changes in the fair value
Financial assets held for trading (A)	4,989	100
Financial assets managed and assessed for performance on a fair value basis (B)	21,571	(108)
Financial assets other than A or B		
- Financial assets that meet SPPI (C)	1,225,360	9,764
- Financial assets that do not meet SPPI	447,797	(34,407)
Total	1,699,717	(24,651)

Credit risk rating grades of financial assets that meet SPPI (C)

	As at 31 December 2022 Carrying Amount
Domestic	
Exempt from rating ^{Note}	563,591
AAA	588,263
AA+	22,708
AA (inclusive) or below	3,121
Overseas	
A- (inclusive) or above	723
BBB+	125
BBB	105
BBB-	198
BB+ (inclusive) or below	17
Total	1,178,851

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

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

	As at 31 December, 2022	
Financial assets not having low credit risks	Carrying amount	Fair value
Domestic	3,121	3,121
Overseas	17	17
Total	3,138	3,138

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

The new financial instruments standards introduce new requirements for classification and measurement, impairment, and hedge accounting.

Classification and measurement

The new financial instruments standards require that the Group classifies debt instruments based on the combined effect of application of business models (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss, based on their respective business models. Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale financial assets being recorded in profit or loss going forward.

Impairment

The new financial instruments standards replace the "incurred loss" model with the "expected credit loss" model, which applies to the financial assets measured at amortised cost, the debt instruments classified as FVOCI.

Hedge accounting

The Group does not apply the hedge accounting currently, so the Group expects that the new hedge accounting model under the new financial instruments standards will have no impact on the Group's consolidated financial statements.

The Group would apply the new financial instruments standards from annual periods beginning on or after 1 January 2023. Their impact on financial performance and financial position can refer to the corresponding contents in the Standards issued but not yet effective for the current period part.

Standards issued but not yet effective for the current period

In 2020, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 25 - Insurance Contracts (hereinafter referred to as the "new insurance standard"). It applies to insurance contracts issued (including reinsurance contracts assumed), reinsurance contracts held, and such insurance contracts acquired in a transfer of insurance contracts or in a business combination involving enterprises not under common control. It also applies to investment contracts with discretionary participation features, if they are issued by enterprises that also issue insurance contracts. It requires the measurement should be applied to groups of contracts, and the insurance contract liabilities should be measured at the total of fulfilment cash flows and contractual service margin ("CSM").

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

For certain short-term contracts, the enterprises are permitted to simplify their measurement by choosing the premium allocation approach. For insurance contracts with direct participation features issued by the enterprise, the “variable fee approach” is required to be used.

The Group should apply the new insurance standard from 1 January 2023.

Application of the new financial instruments standards and the new insurance standard may impact our financial performance and financial position in the following aspects:

- Revenue from long-term life insurance contracts will decrease significantly, because insurance revenue will be recognised over the coverage periods based on provision of services and non-distinct investment components (i.e. the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs) in insurance contracts will be excluded from profit or loss under the new insurance standard, i.e. the collection of an investment component is not revenue and its repayment is not an expense.
- While the implementation of the new insurance standard will not change the ultimate profitability of insurance contracts, it will have major impacts on how and when profit (or loss) of insurance contracts is recognised, as well as our total equity at the transition date. Such changes are mainly due to various changes introduced by the new insurance standard:
 - a) The effect of changes in fulfilment cash flows that relate to future services will be added to or deducted from the remaining CSM, while under our current accounting policies (Note III 23), the residual margin will be amortized over the insurance coverage period in a certain way, and it will not be adjusted for changes in assumptions;
 - b) Under the general model of the new insurance standard, the effect of changes in financial assumptions (i.e., discount rates) will be reported in either profit or loss or OCI, determined by the choice of accounting policies at the level of insurance contract portfolio made by the Group, while under our current accounting policies (Note III 23), changes in assumptions are recognised immediately in profit or loss;
 - c) Under the new insurance standard, the discount rate are determined based on observable current market prices (if any) and premiums reflecting the characteristics of the insurance contracts, while under our current accounting policies (Note III 36), for insurance contracts whose future insurance benefits will not be affected by the investment income of the corresponding asset portfolio, in the time value of money, the discount rates are determined by base rate curve with additional comprehensive premium;
 - d) The new insurance standard requires the full retrospective approach for estimating the CSM at the transition date. However, if the full retrospective approach is impracticable for a group of insurance contracts, we apply one of the two alternative approaches (modified retrospective approach or fair value approach) instead. The total equity and CSM at the transition date are impacted by the transition approach applied by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

- On the initial application date of the new financial instruments standards and the new insurance standard, we redetermine the classifications for our financial assets under the new financial instruments standards. Applying the new financial instruments standards and the new insurance standard at the same time may optimize the accounting match between insurance contract liabilities and related financial assets. In order to reduce the accounting mismatch between insurance contract liabilities and related financial assets in the comparative financial statements, according to the new insurance standard, on its initial application, the Group may choose to use the classification overlay method for one or more financial assets for the presentation of the comparative financial statements.
- Under the new financial instruments standards, a large portion of our equity investments currently classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss, unless we elect to designate as FVOCI (i.e., any gain/loss other than dividend would not be recognised in profit or loss). Certain debt investments will be reclassified to financial assets at fair value through profit or loss because their contractual cash flows are not solely payments of principal and interest on the principal amount. The more assets are classified at fair value through profit or loss, the more impact of the volatility of the capital market on the profit or loss. However, if such investments are held as underlying items for insurance contracts with direct participation features under the new insurance standard, the volatility of profit or loss resulting from the volatile investment income will be wholly or partially mitigated by the offsetting effect of insurance finance profit or loss recognised for such insurance contracts.
- Under the new financial instruments standards' impairment model, the debt investments measured at amortized cost and FVOCI recognise the impairment provisions based on expected credit losses rather than only incurred credit losses. This is likely to increase impairment provision and decrease total equity on the initial application date. However, considering the majority of our debt investments have high credit quality, we are expecting that the additional provision under the "expected credit loss" model will have limited impact on our financial position.
- The new insurance standard requires presentation of carrying amounts of portfolios of insurance contracts as insurance contract liabilities, insurance contract assets, reinsurance contract assets or reinsurance contract liabilities separately. Accounting items such as policy loans and premium receivables shall no longer be presented separately. Moreover, the new insurance standard requires the disaggregation of the amounts recognized in profit or loss into the insurance service result and the investment result according to profit drivers. This will reflect the sources of insurance companies' profits in a clearer and more transparent way.

No other Accounting Standard for Business Enterprises that is not yet effective is expected to have a material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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 of December 31, 2022, and their financial performance, cash flows and other information for the year then ended.

Financial information in the financial statements of the Company and the Group for the year ended 31 December 2022 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 17), testing of significant insurance risks (Note III 22), measurement of insurance contract reserves (Notes III 23), and recognition of revenue (Note III 28).

Details of the Group's critical judgements used in determining significant accounting policies are set forth in Note III 36.

1. Accounting year

The Group adopts the calendar year as its accounting year, i.e., from 1 January to 31 December.

2. Reporting currency

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

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

3. Basis of accounting and measurement bases

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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

4. Business combinations

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control

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

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

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

- (1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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

4. Business combinations(continued)

- (2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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

5. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. 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.

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. However, a liability is recognised to reflect the corresponding shares of net assets in the consolidated entity when non-controlling interests arise from the structured entities they have invested in. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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

5. Consolidated financial statements (continued)

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.

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.

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(All amounts expressed in RMB million unless otherwise specified)

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

6. Cash equivalents

Cash equivalents comprise short-term, highly liquid investments, which are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and have a short maturity of generally within three months from the date of purchase.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

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. The Group does not take physical possession of securities purchased under agreements to resell. In case of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

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. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be presented on the balance sheet.

9. Policy loans

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

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

10. Long-term equity investments

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

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

When the Company directly or indirectly holds half or less of the voting rights or similar rights of the investee, the Group comprehensively considers all relevant facts and circumstances to judge whether the investor has power over the investee, including:

- (1) Contractual arrangements with other holders of voting rights of the investee;
- (2) The power of other contractual arrangements; and
- (3) Voting rights and potential voting rights of the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

10. Long-term equity investments (continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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%	9.70% 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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 an 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:

<u>Category</u>	<u>Useful lives</u>
Land use rights	30-50 years
Software use rights	1-10 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Intangible assets (continued)

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

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (b) Its intention to complete the intangible asset and use or sell it;
- (c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or for the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

15. Long-term deferred expenses

Long-term deferred expenses are amortised by straight lines, with the amortisation period as follows:

<u>Category</u>	<u>Amortisation period</u>
Lease Improvement	Contracted lease term or 5 years (whichever is shorter)

16. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. 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.

If the Group has transferred the right to collect the cash flow of the financial assets or signed a "pass-through" arrangement, but has neither transferred or retained the majority of risks and returns of the asset, nor transferred the control of the asset, the asset will be recognised to the extent the Group is involved in the asset. In the above circumstances, the Group recognises the relevant liabilities accordingly. The assets and liabilities are measured based on the rights and obligations retained by the Group.

If the Group continues to be involved by providing a guarantee for the transferred assets, it is measured by the original book value or the cap of the consideration amount that might be repayable by the Group, whichever is less.

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 investments, 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 case of financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets, transaction costs are included in their initially recognised amounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. 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 profits or losses 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

17. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets at amortised cost

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

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

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

Available-for-sale financial assets

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

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

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(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

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.

18. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Asset impairment (continued)

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

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

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

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

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

19. Insurance security fund

The Group draws insurance security funds in accordance with the Administrative Measures for Insurance security funds.

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

20. 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.

21. Definition of insurance contract

Insurance contracts are those contracts under which the Group assumes significant insurance risk arising from the policyholders by compensating the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders' interests. Insurance contracts are classified as direct insurance contracts and reinsurance contracts.

Contracts under which the Group assumes the insurance risk after signing with the policyholders are treated as insurance contracts. If the contracts signed by the Group and the policyholders make the Group bears the insurance risks and also other risks, the treatments would depend on the following conditions:

- (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.

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

22. Significant insurance risk test

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. 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.; and (3) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

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

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

23. Insurance contract reserves (continued)

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.

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(All amounts expressed in RMB million unless otherwise specified)

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

23. Insurance contract reserves (continued)

Non-life unearned premium reserves are those provisions when insurance liabilities have not been terminated at the assessment date, including the unearned premium reserves and premium deficiency reserves.

Unearned premium reserves are measured based on reserves for undue premiums received minus relevant undue acquisition costs of the insurance policies. The Group makes assessment by using the 365ths method, risk distribution method, etc.

The Group performs liability adequacy tests during the assessment of unearned premium reserves, additional insurance premium reserves should be made as part of the unearned premium reserves according to the test results.

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

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

IBNR reserves represent insurance contract provisions for the claims incurred but not reported to the Group, claims reported but not recorded, claims recorded but the loss is underestimated while the final compensation is expected to exceed the original estimated loss, and the claims related to insured accident that has been paid but it is possible to file a claim again. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

24. 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. The insurance contract reserves that would be recovered from reinsurers will be recognised as corresponding reinsurers' share of reserves as assets.

An impairment test is performed for reinsurance assets at each balance sheet date. Impairment is recognised when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact can be measured reliably. The impairment loss is recorded in profit or loss.

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.

25. Non-insurance contract

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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

26. 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.

When the discounting effect is material, the amount of a provision is the present value at the balance sheet date of the future cash flow expected to be required to settle the obligation. The increase in the discounted present value arising from the passage of time is included in interest expenses.

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.

27. Dividend distribution

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

28. 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.

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

28. 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. Effective interest rate is applied to discounts the estimated future cash flows through the expected life of the financial asset to the net carrying amount of the financial assets.

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.

29. Policy dividend expenditure

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

30. 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.

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

30. Leases (continued)

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 and the end of the lease term.

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

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

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

31. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Government grants (continue)

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 of. Government grants comprising of both assets-related portion and income-related portion are accounted separately, and those difficult 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.

32. 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. It is based on tax rates applicable in the countries or regions where the Group operates at the balance sheet date, taking into consideration interpretations and practices prevailing in the countries or regions in which the Group operates.

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.

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

32. Income tax (continued)

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, and 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, and 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.

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

33. 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. 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. The contribution shall be managed and paid to retired employees through labour and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the social security plans. Forfeited contributions by those employees are not used to reduce the existing level of contributions.

The Group's employees in some regions of China have also participated in the employer-sponsored enterprise annuity plan (the "Annuity Plan"). The Group shall contribute to the Annuity Fund in accordance with agreed base and percentage. Forfeited contributions by those employees who quit the Annuity Plan prior to the full vesting of their contributions are not used to reduce the existing level of contributions but are transferred to the public account of the Annuity Plan to be allocated to the members of the Annuity Plan after fulfilling the approval procedures by the Group.

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 as incurred. The above retirement benefit plan falls into the defined contribution plan.

The Group pays various benefit expenses for employees who accept voluntary retirement before the normal retirement date stipulated by the state as approved by the Group from the month after the early retirement through the normal retirement date stipulated by the state, 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 and charged to 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.

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

34. Fair value measurement

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, chooses 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. Unobservable inputs are adopted only when relevant observable inputs are not available or feasible.

35. 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.

36. 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 may result in outcomes that may require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Estimates and judgements are continually evaluated by the Group based on historical experience and other factors, including expectations of future events that are deemed 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:

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(All amounts expressed in RMB million unless otherwise specified)

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

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

Significant judgements (continued)

(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 equity financial instruments

The Group determines that provision for impairment of available-for-sale equity financial instruments should be made when there is a significant or prolonged decline in the fair value. The determination of what is significant or prolonged requires judgement by 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 severity of the decline in fair value and the financial position of the investee, etc.

(5) Determination of control over structured entities

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

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

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

Estimation uncertainty

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

(1) Measurement of insurance contract reserves

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

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

Unearned premium reserves

The main assumptions used in measuring unearned premium reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense 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 2021 were from 2.84% to 4.80% and as at 31 December 2022 were from 2.64% 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 2021 and 2022 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.

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

36. Summary of significant accounting judgements and accounting estimates (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.

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(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.

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.

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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 31 December 2022, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 11,929 million as at 31 December 2022 and profit before tax decreased by approximately RMB 11,929 million for 2022.

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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /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	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Joint stock limited company	Life and health insurance	Shanghai	The PRC	8,628,200	8,628,200	98.29	-	98.29	(1)
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited liability company	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.")	Limited liability company	Property and casualty insurance	Hong Kong	Hong Kong	HK\$ 250,000 thousand	HK\$ 250,000 thousand	100.00	-	100.00	
Shanghai Pacific Insurance Real Estate Management Co., Ltd. ("CPIC Real Estate")	Limited liability company	Real estate management	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Joint stock limited company	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited liability company	Investment management	Hong Kong	Hong Kong	HK\$ 200,000 thousand	HK\$ 200,000 thousand	12.25	87.46	100.00	
City Island Developments Limited ("City Island")	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 1,000	-	98.29	100.00	
Great Winwick Limited*	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Newscott Investments Limited *	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Shanghai Xin Hui Property Development Co., Ltd. * ("Xin Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 15,600 thousand	US\$ 15,600 thousand	-	98.29	100.00	

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/r egistration	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		
Shanghai He Hui Property Development Co., Ltd. * ("He Hui Property")	Limited liability company	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")	Limited liability company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited liability company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited liability company	Senior living property investment and management, etc.	Shanghai	Shanghai	5,000,000	5,000,000	-	98.29	100.00	(2)
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	Shanghai	3,600,000	3,600,000	85.05	14.69	100.00	(3)
China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	Shanghai	1,080,000	1,080,000	-	66.76	67.78	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited liability company	Medical consulting services, etc.	Shanghai	Shanghai	1,000,000	1,000,000	-	98.29	100.00	(4)
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited liability company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited liability company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited liability company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	987,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	1,000,000	-	98.29	100.00	
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited liability company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	900,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited liability company	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	43,000	-	98.29	100.00	

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/r egistration	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")	Limited liability company	Senior living property investment and construction, etc.	Nanjing	Nanjing	220,000	220,000	-	98.29	100.00	
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	Limited liability company	" Migrant-style" senior living, etc.	Dali	Dali	608,000	523,000	-	74.70	76.00	
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Limited liability company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	250,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Limited liability company	Seniors and disabled care, etc.	Hangzhou	Hangzhou	60,000	20,200	-	98.29	100.00	
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Wuhan	Wuhan	980,000	713,078	-	98.29	100.00	
CPIC Capital Company Limited. ("CPIC Capital")	Limited liability company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	
Shanghai Fankun Real Estate Development Co., Ltd. ("Shanghai (Chongming) Project Company")	Limited liability company	Real estate development and operation, own house rental service, etc.	Shanghai	Shanghai	1,253,000	800,000	-	98.29	100.00	
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited liability company	Seniors and disabled care, etc.	Shanghai	Shanghai	30,000	10,000	-	98.29	100.00	
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited liability company	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00	
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited liability company	Life and health insurance	Hong Kong	Hong Kong	HK\$ 1,000,000 thousand	HK\$ 1,000,000 thousand	-	98.29	100.00	
CPIC Senior Living Development (Qingdao) Co., Ltd. ("Qingdao Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	63,000	-	98.29	100.00	

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /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		
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd ("Pacific Care Home at Xiamen")	Limited liability company	Seniors and disabled care, etc. Elderly service, real estate	Xiamen	Xiamen	40,000	3,500	-	98.29	100.00	(5)
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	development and operation, etc. Elderly service, real estate	Zhengzhou	Zhengzhou	650,000	258,500	-	98.29	100.00	(6)
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	development and operation, etc. Technical services, cloud computing	Beijing	Beijing	800,000	597,000	-	98.29	100.00	(7)
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	services, big data services, Business service, property management, and lease of non-residential real estate	Shanghai	Shanghai	700,000	700,000	100.00	-	100.00	(8)
Xinbaoyu (Guangzhou) Co., Ltd ("Xinbaoyu")	Limited liability company	Technical services, technical consulting services	Guangzhou	Guangzhou	3,650,000	3,649,990	-	98.46	100.00	(9)
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Elderly service, Health advisory services etc.	Wuhan	Wuhan	100,000	100,000	-	100.00	100.00	(10)
Pacific Health Management (Sanya) Co., Ltd. ("Pacific Care Management at Sanya")	Limited liability company	Elderly service, Institutional pension services, Health advisory services etc	Sanya	Sanya	490,000	218,880	-	98.29	100.00	(11)
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd ("Pacific Care Home at Nanjing")	Limited liability company	Health advisory services etc	Nanjing	Nanjing	30,000	2,000	-	98.29	100.00	(12)

* Subsidiaries of City Island

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

(1) CPIC Life

Upon the approval of the 2021 annual general meeting of shareholders of CPIC Life, The Company signed the Capital Increase and Share Expansion Agreement with CPIC Life. The Company subscribed about 205 million shares, with a subscription amount of about RMB 2.458 billion, and in August 2022 it was approved by the CBIRC. After the capital increase, the registered capital of CPIC Life changed from RMB 8.420 billion to RMB 8.628 billion, and the shareholding ratio of the Company was 98.29%.

(2) CPIC Senior Living Investment

Approved by the resolution of the first Extraordinary General Meeting of Shareholders of CPIC Life in 2022, CPIC Life and CPIC Senior Living Investment signed a Capital Increase Agreement to increase the capital of RMB 2.000 billion to CPIC Senior Living Investment. And in May 2022, it was approved by the CBIRC. After the completion of the capital increase, the registered capital of CPIC Senior Living Investment was changed from RMB 3.000 billion to RMB 5.000 billion, and the shareholding ratio of CPIC Life Insurance was 100%.

(3) CPIC Health

Approved by the resolution of the Fourth Extraordinary General Meeting of Shareholders of Pacific Health Insurance in 2021, the Company and CPIC Life Insurance intend to increase the capital of Pacific Health Insurance by RMB 1.900 billion, which was approved by the CBIRC on 11 May 2022. After the completion of the capital increase, the registered capital of CPIC Health Insurance was changed from RMB 1.700 billion to RMB 3.600 billion, and the Company held 85.05% of the shares of Pacific Health Insurance and CPIC Life Insurance held 14.95% of the shares of Pacific Health Insurance.

(4) Pacific Medical Healthcare

After deliberation and approval at the 19th (regular) meeting of the 7th Board of Directors of CPIC Life, CPIC Life signed a Capital Increase Agreement with Pacific Medical & Healthcare to increase its capital to Pacific Medical & Healthcare by RMB 0.500 billion, which was approved by the CBIRC on 22 September, 2022. After the capital increase, the registered capital of Pacific Medical & Healthcare was changed from RMB 0.500 billion to RMB 1.000 billion, and the shareholding ratio of CPIC Life was 100%.

(5) Pacific Care Home at Xiamen

Pacific Care Home at Xiamen, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91350200MA8URKE69D in March 2022, with a registered capital of RMB 0.040 billion. As of 31 December 2022, CPIC Senior Living Investment has paid up the investment amount of approximately RMB 0.004 billion.

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

(6) Zhengzhou Project Company

In January 2022, Zhengzhou Project Company, a wholly-owned subsidiary funded by CPIC Life Insurance, obtained the business license for the legal entity with a unified social credit code of 91410100MA9KQ2A88M with a registered capital of RMB 650 million. As of 31 December 2022, CPIC Life had paid up approximately RMB 259 million in investment.

(7) Beijing Project Company

In February 2022, Beijing Project Company, a wholly-owned subsidiary funded by CPIC Life Insurance, obtained the business license for the legal entity with a unified social credit code of 91110400MA7JAAAB20 with a registered capital of RMB 800 million. As of 31 December 2022, CPIC Life had paid up approximately RMB 597 million in investment.

(8) CPIC Technology

In March 2022, CPIC Technology, a wholly-owned subsidiary of the Company, obtained the business license for the legal entity with a unified social credit code of 91310101MA7LFKCR23 with a registered capital of RMB 700 million. As of 31 December 2022, CPIC Technology has actually invested RMB 700 million.

(9) Xinbaoyu

The Company, CPIC Life Insurance and CPIC Real Estate, through CPIC Xinyi No. 1 Private Equity Investment Fund (Shanghai) Partnership (Limited Partnership) (hereinafter referred to as "Xinyi No.1"), jointly with CPIC Capital invested in the establishment of Xinbaoyu and obtained the business license for the legal entity with a unified social credit code of 91440101MA9Y9P5K7C on 11 January 2022, with a registered capital of RMB 3.650 billion. As of 31 December 2022, Xinyi No.1 had actually invested approximately RMB 3.650 billion.

(10) CPIC Technology (Wuhan)

In May 2022, CPIC Technology (Wuhan), a wholly-owned subsidiary of CPIC Technology, obtained the business license for the legal entity with a unified social credit code of 91420105MABPJ897X0 with a registered capital of RMB 100 million. As of 31 December 2022, CPIC Technology has actually invested RMB 100 million.

(11) Pacific Care Management at Sanya

In July 2022, Pacific Care Management at Sanya obtained the business license for the legal entity with a unified social credit code of 91460000MABUQ57Y2Y with a registered capital of RMB 490 million. As of 31 December 2022, CPIC Life has actually invested RMB 219 million.

(12) Pacific Care Home at Nanjing

In September 2022, Pacific Care Home at Nanjing obtained the business license for the legal entity with a unified social credit code of 91320113MA27PCQ52X with a registered capital of RMB 30 million. As of 31 December 2022, CPIC Senior Living Investment has actually invested RMB 2 million.

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VI. SCOPE OF CONSOLIDATION (continued)

2. As of 31 December 2022, material 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 Debt Type Launching Securities Investment Fund	77.72	8,331,273	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 Debt Type Launching Securities Investment Fund	100.00	7,428,828	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-Shanxi Coking Coal Debt Investment Plan	69.93	7,150,000	Investing in Shanxi Li-Liu Mining Area Pangpangta Coal Mine Project operated by Shanxi Coking Coal Group Co., Ltd. through a debt investment plan.
CPIC Health Industry Private Investment Fund (Shanghai) Partnership (Limited Partnership) ("CPIC Health Fund")	90.90	4,951,000	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the CSRC) (except for projects subject to approval according to law, independently carry out business activities independently with business license).
Pacific-Henan Communications Investment Shanghai-Shaanxi Expressway Debt Investment Plan	86.46	4,800,000	Investing in Xinyang-Biyang Expressway Project and Biyang-Nanyang Expressway Project operated by Henan Transport Investment Group Co., Ltd. through debt investment plan.

CPIC Asset Management, CPIC Funds, Changjiang Pension, CPIC Capital etc. are the asset managers of these consolidated structured entities included in the scope of the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

		31 December 2022		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	23,353	1.00000	23,353
	USD	1,174	6.96460	8,175
	HKD	846	0.89327	756
	Others			1
	Sub-total			<u>32,285</u>
Other cash balances	RMB	849	1.00000	849
	Sub-total			<u>849</u>
Total				<u><u>33,134</u></u>
		31 December 2021		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	23,966	1.00000	23,966
	USD	1,078	6.37570	6,873
	HKD	1,149	0.81760	939
	Sub-total			<u>31,778</u>
Other cash balances	RMB	760	1.00000	760
	HKD	9	0.81760	7
	Sub-total			<u>767</u>
Total				<u><u>32,545</u></u>

As of 31 December 2022, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 2,157 million (31 December 2021: amounted equivalent to RMB 3,036 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

As of 31 December 2022, RMB 825 million in the Group's other cash balances are recorded as minimum settlement deposits (31 December 2021: RMB 742 million).

As of 31 December 2022, RMB 659 million are term deposits with original maturity of no more than three months (31 December 2021: RMB 2,487 million).

As of 31 December 2022, RMB 449 million in the Group's cash at bank and on hand balance are restricted for special-purpose use (31 December 2021: RMB 350 million).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Cash at bank and on hand (continued)

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

2. Financial assets at fair value through profit or loss

	<u>31 December 2022</u>	<u>31 December 2021</u>
Listed		
Equity investments		
- Stocks	9	19
- Funds	2	-
Debt investments		
- Government bonds	6	39
- Finance bonds	524	276
- Corporate bonds	<u>2,919</u>	<u>1,275</u>
Sub-total	<u>3,460</u>	<u>1,609</u>
Unlisted		
Equity investments		
- Funds	3,723	271
- Wealth management products	6,502	404
- Other equity investments	9,813	9,663
Debt investments		
- Government bonds	320	-
- Corporate bonds	99	365
- Finance bonds	2,610	10
- Wealth management products	3	15
- Debt investment plans	<u>30</u>	<u>16</u>
Sub-total	<u>23,100</u>	<u>10,744</u>
Total	<u>26,560</u>	<u>12,353</u>

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 of 31 December 2022 amounted to RMB 21,571 million (31 December 2021: RMB 10,098 million). The rest is trading assets, with no material limitation in realisation.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Derivative financial instruments

The contract notional amount and fair value of derivative financial instruments held by the Group are as follows. The contract notional amount of derivative financial instruments is only the basis for comparing the fair value of assets or liabilities recognised in the balance sheet. It does not reflect the future cash flow nor present fair value, therefore cannot reflect the risk faced by the Group.

	31 December 2022		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	<u>3,612</u>	<u>197</u>	<u>8</u>

	31 December 2021		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	<u>4,290</u>	<u>259</u>	<u>1</u>

4. Securities purchased under agreements to resell

	31 December 2022	31 December 2021
Securities - bonds		
Inter-bank market	17,909	11,860
Stock exchange	<u>3,215</u>	<u>1,572</u>
Total	<u>21,124</u>	<u>13,432</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables

	31 December 2022	31 December 2021
Premium receivables	32,371	26,665
Less: Provision for bad debts	<u>(1,180)</u>	<u>(862)</u>
Net value	<u><u>31,191</u></u>	<u><u>25,803</u></u>

Premium receivables are analysed by category as follows:

	31 December 2022			
	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	32,370	100%	(1,179)	4%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>1</u>	<u>0%</u>	<u>(1)</u>	<u>100%</u>
Total	<u><u>32,371</u></u>	<u><u>100%</u></u>	<u><u>(1,180)</u></u>	<u><u>4%</u></u>
	31 December 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	26,657	100%	(854)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>8</u>	<u>0%</u>	<u>(8)</u>	<u>100%</u>
Total	<u><u>26,665</u></u>	<u><u>100%</u></u>	<u><u>(862)</u></u>	<u><u>3%</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022***(All amounts expressed in RMB million unless otherwise specified)***VII. NOTES TO THE FINANCIAL STATEMENTS (continued)**

5. Premium receivables (continued)

Premium receivables include premium receivables from policyholders or agents. The credit terms for premium receivables from life insurance policyholders are 60 days. CPIC Property generally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums are collected by CPIC Property in instalments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group's premium receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Premium receivables are non-interest-bearing.

The above premium receivables are not individually significant but individually determined to be impaired mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

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

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,860	27%	(36)	8,824
3 months to 1 year (inclusive)	16,213	50%	(88)	16,125
Over 1 year	7,298	23%	(1,056)	6,242
Total	32,371	100%	(1,180)	31,191

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,542	28%	(25)	7,517
3 months to 1 year (inclusive)	12,891	49%	(56)	12,835
Over 1 year	6,232	23%	(781)	5,451
Total	26,665	100%	(862)	25,803

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by line of products as follows:

Category	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	12,876	40%	(615)	12,261
Agricultural insurance	6,594	20%	(263)	6,331
Liability insurance	2,294	7%	(44)	2,250
Engineering insurance	1,979	6%	(64)	1,915
Health insurance	1,808	6%	(14)	1,794
Commercial property insurance	1,046	3%	(49)	997
Speciality insurance	401	1%	(15)	386
Other insurances	990	3%	(104)	886
Sub-total	27,988	86%	(1,168)	26,820
Life and health insurance:				
Long-term insurance	2,464	8%	-	2,464
Short-term insurance	1,919	6%	(12)	1,907
Sub-total	4,383	14%	(12)	4,371
Total	32,371	100%	(1,180)	31,191
Category	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	11,529	44%	(403)	11,126
Agricultural insurance	4,390	16%	(176)	4,214
Engineering insurance	2,156	8%	(53)	2,103
Health insurance	1,370	5%	(14)	1,356
Liability insurance	1,321	5%	(47)	1,274
Commercial property insurance	864	3%	(56)	808
Speciality insurance	312	1%	(21)	291
Other insurances	940	4%	(88)	852
Sub-total	22,882	86%	(858)	22,024
Life and health insurance:				
Long-term insurance	2,254	8%	-	2,254
Short-term insurance	1,529	6%	(4)	1,525
Sub-total	3,783	14%	(4)	3,779
Total	26,665	100%	(862)	25,803

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

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

	31 December 2022	31 December 2021
Total amount of the top five premium receivables	<u>908</u>	<u>455</u>
Total provision for bad debts	<u>(8)</u>	<u>(14)</u>
% of total balance of premium receivables	<u>3%</u>	<u>2%</u>

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

6. Reinsurance receivables

	31 December 2022	31 December 2021
Reinsurance receivables	9,398	11,289
Less: Provision for bad debts	<u>(210)</u>	<u>(198)</u>
Net value	<u>9,188</u>	<u>11,091</u>

Reinsurance receivables are analysed by category as follows:

	31 December 2022			
	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	9,278	99%	(90)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>120</u>	<u>1%</u>	<u>(120)</u>	<u>100%</u>
Total	<u>9,398</u>	<u>100%</u>	<u>(210)</u>	<u>2%</u>
	31 December 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	10,857	96%	(153)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>432</u>	<u>4%</u>	<u>(45)</u>	<u>10%</u>
Total	<u>11,289</u>	<u>100%</u>	<u>(198)</u>	<u>2%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

Reinsurance receivables are receivables from reinsurers. The Group and reinsurers generally settle receivables and payables on a quarterly basis. The Group's reinsurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Reinsurance receivables are non-interest-bearing.

The above reinsurance receivables are not individually significant but provisions for impairment are made on the individual basis mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

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

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,198	88%	-	8,198
3 months to 1 year (inclusive)	790	8%	-	790
Over 1 year	410	4%	(210)	200
Total	9,398	100%	(210)	9,188

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	9,328	83%	-	9,328
3 months to 1 year (inclusive)	1,575	14%	-	1,575
Over 1 year	386	3%	(198)	188
Total	11,289	100%	(198)	11,091

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

Reinsurer/Broker	31 December 2022		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Munich Reinsurance Company	1,298	14%	-
China Property & Casualty Reinsurance Company Ltd.	1,171	12%	-
Swiss Reinsurance Company Ltd	1,163	12%	-
China Agricultural Reinsurance Co., Ltd.	957	10%	-
China Life Reinsurance Company Ltd.	897	10%	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

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

Reinsurer/Broker	31 December 2021		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Munich Reinsurance Company	3,235	29%	-
China Property & Casualty Reinsurance Company Ltd.	1,323	12%	-
China Life Reinsurance Company Ltd.	1,163	10%	-
Swiss Reinsurance Company Ltd	1,024	9%	-
China Agricultural Reinsurance Co., Ltd.	639	6%	-

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

7. Interest receivables

	31 December 2022	31 December 2021
Interest receivables from debt investments	13,220	12,807
Interest receivables from deposits	6,482	5,829
Interest receivables from loans	2,060	1,830
Interest receivables from securities purchased under agreements to resell	10	5
Sub-total	21,772	20,471
Less: Provision for bad debts	(57)	(44)
Net value	21,715	20,427

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Term deposits

	31 December 2022	31 December 2021
Term to maturity		
Within 3 months (inclusive)	30,034	252
3 months to 1 year (inclusive)	47,181	23,585
1 to 2 years (inclusive)	47,749	75,220
2 to 3 years (inclusive)	23,388	48,357
3 to 4 years (inclusive)	27,005	21,900
4 to 5 years (inclusive)	29,160	27,205
	<u>204,517</u>	<u>196,519</u>
Total	<u>204,517</u>	<u>196,519</u>

9. Available-for-sale financial assets

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

	31 December 2022	31 December 2021
Listed		
Equity investments		
- Stocks	182,173	154,336
- Funds	12,192	8,710
- Other equity investments	4,548	88
Debt investments		
- Government bonds	8,782	8,474
- Finance bonds	4,601	5,058
- Corporate bonds	53,133	56,426
- Wealth management products	1,797	403
Sub-total	<u>267,226</u>	<u>233,495</u>
Unlisted		
Equity investments		
- Funds	70,968	64,191
- Wealth management products	757	2,066
- Other equity investments	133,993	108,207
- Preferred shares	12,335	12,519
Debt investments		
- Government bonds	99,563	89,352
- Finance bonds	52,244	34,613
- Corporate bonds	76,403	97,103
- Debt investment plans	700	-
- Wealth management products	896	3,835
Sub-total	<u>447,859</u>	<u>411,886</u>
Total	<u>715,085</u>	<u>645,381</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Available-for-sale financial assets (continued)

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

	31 December 2022	31 December 2021
Debt investments		
Fair value	298,119	295,264
Including: Amortised cost	287,635	283,870
Accumulated amount recognised in other comprehensive income	12,755	13,298
Total impairment provisions	<u>(2,271)</u>	<u>(1,904)</u>
Equity investments		
Fair value	416,966	350,117
Including: Cost	423,209	322,938
Accumulated amount recognised in other comprehensive income	1,707	33,680
Total impairment provisions	<u>(7,950)</u>	<u>(6,501)</u>
Total		
Fair value	715,085	645,381
Including: Amortised cost/Cost	710,844	606,808
Accumulated amount recognised in other comprehensive income	14,462	46,978
Total impairment provisions	<u>(10,221)</u>	<u>(8,405)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Held-to-maturity financial assets

	31 December 2022	31 December 2021
Listed		
Debt investments		
- Government bonds	2,353	1,754
- Finance bonds	5,570	5,556
- Corporate bonds	6,910	7,763
- Wealth management products	62	50
Sub-total	<u>14,895</u>	<u>15,123</u>
Unlisted		
Debt investments		
- Government bonds	414,700	263,622
- Finance bonds	35,719	60,034
- Corporate bonds	48,981	57,866
Sub-total	<u>499,400</u>	<u>381,522</u>
Less: Impairment provisions	<u>(45)</u>	<u>(217)</u>
Net value	<u><u>514,250</u></u>	<u><u>396,428</u></u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investments classified as loans and receivables

	31 December 2022	31 December 2021
Debt investments		
Finance bonds	500	2,000
Debt investment plans	241,072	230,813
Wealth management products	120,580	138,289
Preferred shares	32,000	32,000
Loans	4,339	3,454
	<hr/>	<hr/>
Sub-total	398,491	406,556
Less: Provision for impairment	(1,221)	(280)
	<hr/>	<hr/>
Net value	397,270	406,276

As at 31 December 2022, CPIC Asset Management, a subsidiary of the Company, had 106 existing debt investment plans issued by it with a total value of RMB 168.585 billion. Among these, the existing of investments classified as loans and receivables with a book value of approximately RMB 87.630 billion were recognised in the Group's consolidated financial statement. (As at 31 December 2021, CPIC Asset Management had 108 existing debt investment plans issued by it with a total value of RMB 163.368 billion. Among these, book value of approximately RMB 79.632 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). As at 31 December 2022, Changjiang Pension, a subsidiary of the Company, had 54 existing debt investment plans issued by it with a total value of RMB 79.897 billion, and the book value of RMB 32.406 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets (As at 31 December 2021, Changjiang Pension had 68 existing debt investment plans issued by it with a total value of RMB 111.683 billion. Among these, book value of approximately RMB 47.531 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). Meanwhile, the Group also had invested in debt investment plans launched by other insurance asset management companies with book value of approximately RMB 121.036 billion (As at 31 December 2021: approximately RMB 103.650 billion). In the debt investment plans invested by the Group, the amount guaranteed by a third party or by pledge is RMB 168.182 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and other debt investment plans invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure in the debt investment plans is limited to their carrying amounts.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	31 December 2022								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method:									
Joint venture									
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,823	-	(11)	-	-	-	9,812	-
Others	61	71	-	(7)	-	-	-	64	-
Sub-total	9,896	9,894	-	(18)	-	-	-	9,876	-
Associate									
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan")	2,500	2,552	-	326	-	-	(8)	2,870	-
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund")	1,970	2,515	(14)	198	-	-	(25)	2,674	-
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,639	-	115	-	-	(131)	2,623	-
Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech")	1,856	1,873	-	33	-	-	(33)	1,873	-
China Insurance Rongxin Private Equity Fund Co., Ltd. ("China Insurance Rongxin ")	1,500	1,500	-	(345)	(47)	-	-	1,108	-
Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP")	1,057	1,053	-	50	-	-	(50)	1,053	-
Shanghai Biomedical Industry Equity Investment Fund LLP. ("Shanghai Biomedical ") (Note 1)	940	-	940	24	-	-	-	964	-
Shanghai Sci-Tech Innovation Centre Capital II LLP ("Sci-Tech Innovation II") (Note 2)	900	449	450	70	-	-	(10)	959	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

	31 December 2022								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method(continued):									
Associate(continued)									
Jiaxing Yishang Equity Investment LLP (“Jiaxing Yishang ”)	901	909	-	32	-	-	-	941	-
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Plan (“CHEMCHINA Debt Investment Plan”) (Note 3)	-	2,164	(2,160)	34	-	-	(38)	-	-
Others	1,611	1,436	(150)	(118)	-	10	(16)	1,162	(274)
Sub-total	15,651	17,090	(934)	419	(47)	10	(311)	16,227	(274)
Total	25,547	26,984	(934)	401	(47)	10	(311)	26,103	(274)

Note 1: CPIC Life entered into the agreement of Shanghai Biomedical agreement with Shanghai Shangshi (Group) Co., Ltd. and other companies, and CPIC Life subscribed RMB 1.000 billion, representing 12.21% of investment share. As at 31 December, 2022, CPIC Life has paid up the capital contribution of approximately RMB 0.940 billion, representing 12.84% of investment share.

Note 2: In 2022, CPIC Life made an additional capital contribution of approximately RMB 0.450 billion to Sci-Tech Innovation II, and its ownership interest increased to 25.00%.

Note 3: CHEMCHINA Debt Investment Plan, invested by CPIC Life and its subsidiary Changjiang Pension, was terminated on 20 April, 2022. The capital cost of approximately RMB 2.160 billion has been repaid to CPIC Life and Changjiang Pension.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 31 December 2022, 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	
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Ge Qing	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	-	68.80	57.14

As at 31 December 2022, 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	
Taijiashan (Note 2)	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	5,050,000	91310000MA1FL7MH5H	-	97.32	Not applicable
Yangtze River Delta Fund	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	6,785,074	91310000MA1FL62E0U	-	27.28	Not applicable
Ningbo Zhilin (Note 3)	Limited liability partnership	Ningbo	Not applicable	Investment management and asset management	Not applicable	2,684,798	91330206MA290G5B4K	-	88.46	Not applicable
Hi-Tech	Limited liability company	Shanghai	Gu Lun	Business services	453,250	453,250	913100006072011086	-	19.65	20.00
China Insurance Rongxin	Limited liability company	Shanghai	Jia Biao	Capital market services	14,800,000	14,800,000	91310000MA7CQLY57Q	-	9.97	12.50
Lingang GLP.	Limited liability company	Shanghai	Zhao Mingqi	Real estate	119,990	119,990	913100007709009105	-	19.65	20.00
Shanghai Biomedical	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	7,730,036	91310000MA1FL7HY2Y	-	12.62	Not applicable
Sci-Tech Innovation II	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	6,001,000	91310000MA1FL7X9X1	-	24.57	Not applicable
Jiaxing Yishang (Note 4)	Limited liability partnership	Jiaxing	Not applicable	Equity investment	Not applicable	950,501	91330402MA2BCWUX4C	-	93.18	Not applicable
CHEMCHINA Debt Investment Plan	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	Not applicable	Not applicable	-	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Note 1: CPIC Life holds over 50% of the ownership interest of Ruiyongjing Real Estate. Since CPIC Group cannot unilaterally dominate 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 as a joint venture.

Note 2: CPIC Life holds over 50% shares of Taijiashan. Since CPIC Group cannot unilaterally dominate the relevant activities of Taijiashan according to the partnership agreement of Taijiashan, Taijiashan is accounted under equity method as an associate.

Note 3: CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot unilaterally dominate the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method as an associate.

Note 4: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot unilaterally dominate the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method as an associate.

Summarised financial information for major joint ventures:

	31 December 2022			31 December 2021		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Ruiyongjing Real Estate	<u>18,532</u>	<u>4,514</u>	<u>14,018</u>	<u>17,728</u>	<u>3,695</u>	<u>14,033</u>

Summarised financial information for other joint ventures:

	31 December 2022			31 December 2021		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Others	<u>2,358</u>	<u>1,944</u>	<u>414</u>	<u>2,340</u>	<u>1,928</u>	<u>412</u>

Net (loss)/profit of joint ventures:

	2022	2021
Net (loss)/profit of joint ventures	<u>(12)</u>	<u>18</u>

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

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Summarised financial information for major associates:

	As at 31 December 2022/For the year ended 31 December 2022			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Taijiashan	2,919	1	416	349
Yangtze River Delta Fund	9,783	147	643	575
Ningbo Zhilin	3,034	54	137	128
CHEMCHINA Debt Investment Plan	Not applicable	Not applicable	39	34

Summarised financial information for other associates:

	For the year 2022	For the year 2021
Net loss	(3,449)	(277)
Other comprehensive income/(loss)	(467)	-
Total comprehensive loss	(3,916)	(277)
Total comprehensive loss attributable to the Group	(302)	(87)
Total carrying amount of the Group's investment as at the year end	7,786	7,220

As at 31 December 2022, the Group's long-term equity investments had impairment of RMB 274 million yuan. (As at 31 December 2021: None).

13. Restricted statutory deposits

	31 December 2022	31 December 2021
Opening balance	7,428	6,858
Movements for current year	(138)	570
Ending balance	7,290	7,428

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.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

	31 December 2022		
	Amount	Storage	Period
<u>CPIC Property</u>			
China Zheshang Bank	1,040	Term deposits	5 years
China Minsheng Bank	594	Term deposits	5 years
Agricultural Bank of China	500	Term deposits	3 years
Bank of Communications	368	Term deposits	5 years
Shanghai Pudong Development Bank	288	Term deposits	3 years
Industrial Bank	280	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
China CITIC Bank	250	Term deposits	3 years
Bank of Shanghai	200	Term deposits	5 years
China CITIC Bank	100	Term deposits	5 years
Sub-total	3,894		
<u>CPIC Life</u>			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Bank of Communications	320	Term deposits	3 years
Industrial Bank	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
Shanghai Pudong Development Bank	42	Term deposits	3 years
Sub-total	1,726		
<u>Changjiang Pension</u>			
Bank of Hangzhou	300	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	600		
<u>CPIC Health</u>			
Industrial Bank	500	Term deposits	5 years
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	840		
<u>PAAIC</u>			
China Minsheng Bank	130	Term deposits	5 years
Shanghai Pudong Development Bank	40	Term deposits	3 years
Agricultural Bank of China	30	Term deposits	3 years
Bank of Shanghai	20	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	230		
Total	7,290		

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

	31 December 2021		
	Amount	Storage	Period
<u>CPIC Property</u>			
China Minsheng Bank	1,162	Term deposits	5 years
China Zheshang Bank	1,040	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	4,334		
<u>CPIC Life</u>			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Bank of Communications	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		
<u>Changjiang Pension</u>			
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		
<u>CPIC Health</u>			
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	340		
<u>PAAIC</u>			
China Minsheng Bank	130	Term deposits	5 years
Agricultural Bank of China	60	Term deposits	3 years
Shanghai Pudong Development Bank	50	Term deposits	3 years
Bank of Shanghai	20	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	270		
Total	7,428		

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investment properties

	Buildings
Cost	
1 January 2021	10,558
Additions	26
Transfer to fixed assets, net	<u>(41)</u>
31 December 2021	10,543
Additions	3,074
Transfer from fixed assets, net	1,130
Disposal	<u>(1)</u>
31 December 2022	<u>14,746</u>
Accumulated depreciation	
1 January 2021	(2,692)
Charge for the year	(329)
Transfer from fixed assets, net	<u>(8)</u>
31 December 2021	(3,029)
Charge for the year	(502)
Transfer from fixed assets, net	<u>(13)</u>
31 December 2022	<u>(3,544)</u>
Carrying amount	
31 December 2022	<u>11,202</u>
31 December 2021	<u>7,514</u>

The fair values of investment properties of the Group as at 31 December 2022 amounted to RMB 16,100 million (31 December 2021: RMB 11,538 million), which were estimated by the Group based on the independent appraisers' valuations.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2021	19,049	1,133	5,727	25,909
Procurement	67	26	433	526
Transfer from construction in progress	1,880	-	-	1,880
Transfer from investment properties, net	41	-	-	41
Decrease	(5)	(47)	(347)	(399)
31 December 2021	21,032	1,112	5,813	27,957
Procurement	1,003	53	571	1,627
Transfer from construction in progress	865	-	-	865
Transfer to investment properties, net	(1,130)	-	-	(1,130)
Decrease	(16)	(47)	(402)	(465)
31 December 2022	<u>21,754</u>	<u>1,118</u>	<u>5,982</u>	<u>28,854</u>
Accumulated depreciation				
1 January 2021	(4,733)	(835)	(3,816)	(9,384)
Depreciation charge	(643)	(90)	(721)	(1,454)
Transfer to investment properties, net	8	-	-	8
Decrease	5	45	336	386
31 December 2021	(5,363)	(880)	(4,201)	(10,444)
Depreciation charge	(657)	(76)	(648)	(1,381)
Transfer to investment properties, net	13	-	-	13
Decrease	2	45	385	432
31 December 2022	<u>(6,005)</u>	<u>(911)</u>	<u>(4,464)</u>	<u>(11,380)</u>
Provision for impairment loss				
1 January 2021, 31 December 2021, and 31 December 2022	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Carrying amount				
31 December 2022	<u>15,740</u>	<u>207</u>	<u>1,518</u>	<u>17,465</u>
31 December 2021	<u>15,660</u>	<u>232</u>	<u>1,612</u>	<u>17,504</u>

As at 31 December 2022, the Group's motor vehicles and other equipment with a cost of approximately RMB 3,666 million (31 December 2021: RMB 3,281 million) are fully depreciated but still in use.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Construction in progress

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

31 December 2022									
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	1,863	466	317	(21)	-	-	-	762	42%
Fujian	1,639	268	449	-	-	-	-	717	44%
Hubei	1,620	69	203	-	-	-	-	272	17%
Jiangsu	414	99	150	(1)	-	-	(14)	234	60%
Liaoning	175	157	1	-	-	-	-	158	90%
Yunnan	831	12	47	-	-	-	-	59	7%
Henan	1,060	-	17	-	-	-	-	17	2%
Guizhou	35	13	-	-	-	-	-	13	37%
Beijing	1,330	-	4	-	-	-	-	4	0%
Zhejiang	2,010	567	193	(759)	-	-	-	1	38%
Others	2,895	63	115	(84)	(37)	(3)	-	54	6%
		<u>1,714</u>	<u>1,496</u>	<u>(865)</u>	<u>(37)</u>	<u>(3)</u>	<u>(14)</u>	<u>2,291</u>	

31 December 2021									
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Zhejiang	699	223	347	(3)	-	-	-	567	82%
Shanghai	1,083	35	494	(1)	-	(62)	-	466	49%
Fujian	816	7	261	-	-	-	-	268	33%
Liaoning	166	158	-	(1)	-	-	-	157	95%
Jiangsu	312	25	86	(12)	-	-	-	99	36%
Hubei	833	-	69	-	-	-	-	69	8%
Guizhou	35	10	3	-	-	-	-	13	37%
Yunnan	462	83	107	(178)	-	-	-	12	41%
Sichuan	1,363	353	392	(745)	-	-	-	-	55%
Chengdu	57	27	15	(42)	-	-	-	-	74%
Others	1,117	901	107	(898)	(47)	-	-	63	90%
		<u>1,822</u>	<u>1,881</u>	<u>(1,880)</u>	<u>(47)</u>	<u>(62)</u>	<u>-</u>	<u>1,714</u>	

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 year, thus no provision for impairment of construction in progress was required.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2021	6,099	6	17	6,122
Increase	1,182	-	8	1,190
Decrease	<u>(938)</u>	<u>(2)</u>	<u>(5)</u>	<u>(945)</u>
31 December 2021	6,343	4	20	6,367
Increase	1,568	4	4	1,576
Decrease	<u>(1,611)</u>	<u>(3)</u>	<u>(6)</u>	<u>(1,620)</u>
31 December 2022	<u>6,300</u>	<u>5</u>	<u>18</u>	<u>6,323</u>
Accumulated depreciation				
1 January 2021	(2,317)	(3)	(4)	(2,324)
Depreciation charge	(1,479)	(3)	(3)	(1,485)
Decrease	<u>914</u>	<u>2</u>	<u>1</u>	<u>917</u>
31 December 2021	(2,882)	(4)	(6)	(2,892)
Depreciation charge	(1,365)	(3)	(3)	(1,371)
Decrease	<u>965</u>	<u>3</u>	<u>2</u>	<u>970</u>
31 December 2022	<u>(3,282)</u>	<u>(4)</u>	<u>(7)</u>	<u>(3,293)</u>
Carrying amount				
31 December 2022	<u>3,018</u>	<u>1</u>	<u>11</u>	<u>3,030</u>
31 December 2021	<u>3,461</u>	<u>-</u>	<u>14</u>	<u>3,475</u>

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

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Intangible assets

	Land use rights	Software use rights	License	Total
Cost				
1 January 2021	1,420	7,329	646	9,395
Increase	707	928	-	1,635
Transfers from construction in progress	-	47	-	47
Decrease	-	(6)	-	(6)
31 December 2021	2,127	8,298	646	11,071
Increase	968	1,132	-	2,100
Transfers from construction in progress	-	37	-	37
31 December 2022	<u>3,095</u>	<u>9,467</u>	<u>646</u>	<u>13,208</u>
Accumulated Amortisation				
1 January 2021	(50)	(4,652)	-	(4,702)
Amortisation	(47)	(819)	-	(866)
Decrease	-	6	-	6
31 December 2021	(97)	(5,465)	-	(5,562)
Amortisation	(70)	(910)	-	(980)
31 December 2022	<u>(167)</u>	<u>(6,375)</u>	<u>-</u>	<u>(6,542)</u>
Carrying amount				
31 December 2022	<u>2,928</u>	<u>3,092</u>	<u>646</u>	<u>6,666</u>
31 December 2021	<u>2,030</u>	<u>2,833</u>	<u>646</u>	<u>5,509</u>

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

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Goodwill

	31 December 2022			Ending balance
	Opening balance	Increase	Decrease	
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	15	-	-	15
Sub-total	1,372	-	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,372			1,372

	31 December 2021			Ending balance
	Opening balance	Increase	Decrease	
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	-	15	-	15
Sub-total	1,357	15	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,357	15	-	1,372

The Group performs impairment test to goodwill annually. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 31 December 2022, there is no indication that the recoverable amount of an asset group or a group of asset groups is less than its carrying amount, thus no impairment loss is recognised.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Deferred income tax assets and liabilities

	31 December 2022		31 December 2021	
	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Deferred income tax assets				
Insurance contract reserves	5,019	20,076	1,989	7,956
Changes in fair value of financial instruments	(2,439)	(9,756)	(974)	(3,896)
Commission and brokerage expenses	522	2,088	-	-
Provision for asset impairment	3,219	12,876	275	1,100
Deductible loss	1,383	5,532	-	-
Others	1,199	4,796	708	2,832
Sub-total	8,903	35,612	1,998	7,992
Deferred income tax liabilities				
Insurance contract reserves	11	44	1,038	4,152
Changes in fair value of financial instruments	(192)	(791)	(5,867)	(23,468)
Commission and brokerage expenses	(6)	(24)	360	1,440
Provision for asset impairment	(126)	(504)	2,014	8,056
Adjustment in fair value arising from acquisition of subsidiaries	(828)	(3,312)	(858)	(3,432)
Others	309	1,236	(288)	(1,152)
Sub-total	(832)	(3,351)	(3,601)	(14,404)
Net value	8,071	32,261	(1,603)	(6,412)

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

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

	Insurance contract reserves	Fair value	Commission and brokerage expenses	Provision for asset impairments	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
1 January 2021	1,684	(7,468)	402	1,491	-	(892)	573	(4,210)
Recognised in profit or loss	1,343	(263)	(42)	798	-	34	(153)	1,717
Recognised in equity	-	890	-	-	-	-	-	890
31 December 2021	3,027	(6,841)	360	2,289	-	(858)	420	(1,603)
Recognised in profit or loss	2,003	(351)	156	804	1,383	30	1,088	5,113
Recognised in equity	-	4,561	-	-	-	-	-	4,561
31 December 2022	5,030	(2,631)	516	3,093	1,383	(828)	1,508	8,071

As at 31 December 2022, there were no significant deductible temporary differences and deductible losses those were not recognised as deferred income tax assets.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets

		31 December 2022	31 December 2021
Other receivables	(1)	10,018	11,413
Improvements of right-of-use assets	(2)	982	924
Others		<u>2,799</u>	<u>1,993</u>
Total		<u>13,799</u>	<u>14,330</u>

(1) Other receivables

		31 December 2022	31 December 2021
Due from related parties*		1,775	1,774
Due from external undertakings		1,558	1,976
Receivable from securities sold but not settled		732	2,469
Deposits		209	186
Due from agents		134	205
Co-insurance receivables		65	93
Prepaid tax		-	779
Others		<u>5,702</u>	<u>4,114</u>
Sub-total		10,175	11,596
Less: Provision for bad debts		<u>(157)</u>	<u>(183)</u>
Net value		<u>10,018</u>	<u>11,413</u>

* As at 31 December 2022, the payments made by the Group on behalf of Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") for the purchase of land and related taxes and expenses amounted to approximately RMB 1,775 million (31 December 2021: RMB 1,774 million), which accounting for 17% (31 December 2021: 15%) of the total other receivables.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

	31 December 2022			
	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	5,320	52%	(142)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	4,855	48%	(15)	0%
Total	10,175	100%	(157)	2%
	31 December 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	4,809	41%	(157)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	6,787	59%	(26)	0%
Total	11,596	100%	(183)	2%

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

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

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	5,398	53%	-	5,398
3 months to 1 year (inclusive)	2,033	20%	(4)	2,029
1 to 3 years (inclusive)	860	8%	(32)	828
Over 3 years	1,884	19%	(121)	1,763
Total	10,175	100%	(157)	10,018

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,087	70%	-	8,087
3 months to 1 year (inclusive)	1,337	12%	(15)	1,322
1 to 3 years (inclusive)	403	3%	(36)	367
Over 3 years	1,769	15%	(132)	1,637
Total	11,596	100%	(183)	11,413

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

	31 December 2022	31 December 2021
Total amount of the top five other receivables	2,587	2,168
Total provision for bad debts	-	(4)
% of total other receivables	25%	19%

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

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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(2) Improvement of right-of-use assets

	Improvement of right-of-use assets
Cost	
At 1 January 2021	3,811
Additions	288
Transfer from construction in progress	<u>62</u>
At 31 December 2021	4,161
Additions	450
Transfer from construction in progress	<u>3</u>
At 31 December 2022	<u>4,614</u>
Accumulated amortisation	
At 1 January 2021	(2,856)
Amortisation charge	<u>(381)</u>
At 31 December 2021	(3,237)
Amortisation charge	<u>(395)</u>
At 31 December 2022	<u>(3,632)</u>
Carrying amount	
At 31 December 2022	<u>982</u>
At 31 December 2021	<u>924</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets

	31 December 2022				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	1,287	383	(43)	(23)	1,604
- Premium receivables	862	349	(26)	(5)	1,180
- Reinsurance receivables	198	14	-	(2)	210
- Interest receivables	44	13	-	-	57
- Other receivables	183	7	(17)	(16)	157
Provision for impairment of available-for-sale financial assets	8,405	4,745	(487)	(2,442)	10,221
- Debt instruments	1,904	871	(487)	(17)	2,271
- Equity instruments	6,501	3,874	-	(2,425)	7,950
Provision for impairment of held-to-maturity financial assets	217	-	(173)	1	45
Provision for impairment of investments classified as loans and receivables	280	1,050	(109)	-	1,221
Provision for losses on loans	5	-	-	-	5
Provision for impairment of long-term equity investments	-	274	-	-	274
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	25	-	-	-	25
Total	10,248	6,452	(812)	(2,464)	13,424
	31 December 2021				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	1,041	293	(30)	(17)	1,287
- Premium receivables	655	242	(18)	(17)	862
- Reinsurance receivables	165	33	-	-	198
- Interest receivables	44	-	-	-	44
- Other receivables	177	18	(12)	-	183
Provision for impairment of available-for-sale financial assets	5,134	4,396	(201)	(924)	8,405
- Debt instruments	1,895	285	(201)	(75)	1,904
- Equity instruments	3,239	4,111	-	(849)	6,501
Provision for impairment of held-to-maturity financial assets	191	26	-	-	217
Provision for impairment of investments classified as loans and receivables	323	-	(43)	-	280
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	-	-	(16)	25
Total	6,764	4,715	(274)	(957)	10,248

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets (continued)

In 2022, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 2,442 million (in 2021: RMB 924 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.

23. Securities sold under agreements to repurchase

	31 December 2022	31 December 2021
Securities - bonds		
Inter-bank market	99,895	63,591
Stock exchange	<u>19,770</u>	<u>9,850</u>
Total	<u><u>119,665</u></u>	<u><u>73,441</u></u>

As at 31 December 2022, the Group's bonds with par value of approximately RMB 111,987 million (31 December 2021: approximately RMB 67,942 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2022, the Group's bonds with par value of approximately RMB 19,770 million (31 December 2021: approximately RMB 9,850 million) were pledged for the stock exchange securities sold under agreements to repurchase.

Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

24. Reinsurance payables

	31 December 2022	31 December 2021
Within 1 year (inclusive)	7,979	7,122
Over 1 year	<u>471</u>	<u>516</u>
Total	<u><u>8,450</u></u>	<u><u>7,638</u></u>

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

Reinsurer/Broker	31 December 2022	
	Ending balance (including accrual)	% of total balance
China Property & Casualty Reinsurance Company Ltd.	1,299	15%
Munich Reinsurance Company	1,258	15%
China Life Reinsurance Company Ltd	935	11%
Swiss Reinsurance Company Ltd	760	9%
Hannover Reinsurance Company	<u>509</u>	<u>6%</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Reinsurance payables (continued)

Reinsurer/Broker	31 December 2021	
	Ending balance (including accrual)	% of total balance
Munich Reinsurance Company China Property & Casualty Reinsurance Company Ltd.	1,027	13%
China Life Reinsurance Company Ltd	952	12%
Swiss Reinsurance Company Ltd	915	12%
Qianhai Reinsurance Co., Ltd.	788	10%
	<u>613</u>	<u>8%</u>

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

25. Employee benefits payable

	1 January 2022	Increase	Decrease	31 December 2022
Wages and salaries, bonus, allowances and subsidies	5,789	19,212	(18,151)	6,850
Staff welfare	3	918	(909)	12
Social security contributions	78	3,816	(3,770)	124
Housing funds	9	1,314	(1,312)	11
Labour union funds	55	357	(358)	54
Employee education funds	737	192	(57)	872
Deferred bonus to management	53	-	-	53
Early retirement benefits	662	449	(452)	659
Total	<u>7,386</u>	<u>26,258</u>	<u>(25,009)</u>	<u>8,635</u>
	1 January 2021	Increase	Decrease	31 December 2021
Wages and salaries, bonus, allowances and subsidies	5,446	19,274	(18,931)	5,789
Staff welfare	7	886	(890)	3
Social security contributions	77	3,637	(3,636)	78
Housing funds	9	1,243	(1,243)	9
Labour union funds	61	345	(351)	55
Employee education funds	614	196	(73)	737
Deferred bonus to management	67	-	(14)	53
Early retirement benefits	430	435	(203)	662
Total	<u>6,711</u>	<u>26,016</u>	<u>(25,341)</u>	<u>7,386</u>

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

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Taxes payable

	31 December 2022	31 December 2021
Corporate income tax	3,301	2,353
Unpaid VAT	652	550
Withholding individual income tax	153	125
Others	1,060	1,110
Total	<u>5,166</u>	<u>4,138</u>

27. Policyholders' deposits and investment contract liabilities

	31 December 2022	31 December 2021
Opening balance	102,843	87,126
Deposits received	26,788	21,328
Interest credited	4,418	4,007
Deposits withdrawn	(11,134)	(10,501)
Fees deducted for initial policy charge and account management	(366)	(382)
Others	(2,520)	1,265
Ending balance	<u>120,029</u>	<u>102,843</u>
	31 December 2022	31 December 2021
Expire within 1 year (inclusive)	1,050	2,562
Expire within 1 to 3 years (inclusive)	3,141	1,467
Expire within 3 to 5 years (inclusive)	8,947	5,748
Expire within more than 5 years	106,891	93,066
Total	<u>120,029</u>	<u>102,843</u>

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.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Unearned premium reserves/ Reinsurers' share of unearned premium reserves

(1) Movement of short-term life insurance contracts

	Unearned premium reserves			Reinsurers' share of unearned premium reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	4,206	-	4,206	358
Increase	18,179	-	18,179	(46)
Decrease	(19,076)	-	(19,076)	11
At 31 December 2021	3,309	-	3,309	323
Increase	18,294	-	18,294	566
Decrease	(18,425)	-	(18,425)	(671)
At 31 December 2022	3,178	-	3,178	218

(2) Movement of property and casualty insurance contracts

	Unearned premium reserves			Reinsurers' share of unearned premium reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	64,096	498	64,594	7,179
Increase	153,289	1,322	154,611	19,414
Decrease	(149,710)	(1,311)	(151,021)	(19,002)
At 31 December 2021	67,675	509	68,184	7,591
Increase	171,094	1,489	172,583	20,793
Decrease	(165,403)	(1,292)	(166,695)	(19,788)
At 31 December 2022	73,366	706	74,072	8,596

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

	31 December 2022		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	59,961	382	60,343
Over 1 year	16,583	324	16,907
Total	76,544	706	77,250

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Unearned premium reserves/ Reinsurers' share of unearned premium reserves (continued)

(2) Movement of property and casualty insurance contracts (continued)

	31 December 2021		Total
	Direct insurance contracts	Assumed reinsurance contracts	
Term to maturity			
Within 1 year (inclusive)	56,013	238	56,251
Over 1 year	14,971	271	15,242
Total	<u>70,984</u>	<u>509</u>	<u>71,493</u>

29. Claim reserves/ Reinsurers' share of outstanding claims reserves

(1) Movement of short-term life insurance contracts

	Claim reserves			Reinsurers' share of outstanding claims reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	5,482	-	5,482	709
Increase	13,217	-	13,217	417
Decrease - claims	(12,478)	-	(12,478)	(682)
At 31 December 2021	6,221	-	6,221	444
Increase	14,557	-	14,557	622
Decrease - claims	(13,325)	-	(13,325)	(703)
At 31 December 2022	<u>7,453</u>	<u>-</u>	<u>7,453</u>	<u>363</u>

(2) Movement of property and casualty insurance contracts

	Claim reserves			Reinsurers' share of outstanding claims reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	40,960	944	41,904	6,544
Increase	103,800	658	104,458	12,447
Decrease - claims	(93,556)	(607)	(94,163)	(10,271)
At 31 December 2021	51,204	995	52,199	8,720
Increase	112,446	330	112,776	12,959
Decrease - claims	(100,969)	(22)	(100,991)	(10,563)
At 31 December 2022	<u>62,681</u>	<u>1,303</u>	<u>63,984</u>	<u>11,116</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Claim reserves/ Reinsurers' share of outstanding claims reserves (continued)

(2) Movement of property and casualty insurance contracts (continued)

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

	31 December 2022		Total
	Direct insurance contracts	Assumed reinsurance contracts	
Term to maturity			
Within 1 year (inclusive)	56,557	815	57,372
Over 1 year	13,577	488	14,065
Total	70,134	1,303	71,437

	31 December 2021		Total
	Direct insurance contracts	Assumed reinsurance contracts	
Term to maturity			
Within 1 year (inclusive)	43,443	637	44,080
Over 1 year	13,982	358	14,340
Total	57,425	995	58,420

The claim reserves under direct insurance contracts are as follows:

	31 December 2022	31 December 2021
Incurred and reported claim reserves	38,047	36,105
IBNR reserves	29,967	19,813
Claim expense reserves	2,120	1,507
Total	70,134	57,425

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Life insurance reserves/ Reinsurers' share of life insurance reserves

	Life insurance reserves			Reinsurers' share of life insurance reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
1 January 2021	1,008,254	1,940	1,010,194	1,812
Increase	169,273	2,128	171,401	540
Decrease				
- Claims	(31,609)	-	(31,609)	(442)
- Early termination	(18,420)	(1,944)	(20,364)	-
31 December 2021	1,127,498	2,124	1,129,622	1,910
Increase	168,435	3,371	171,806	476
Decrease				
- Claims	(23,337)	(60)	(23,397)	(367)
- Early termination	(19,090)	-	(19,090)	-
31 December 2022	1,253,506	5,435	1,258,941	2,019

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

	31 December 2022		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	15,515	-	15,515
1 to 5 years (inclusive)	52,443	-	52,443
Over 5 years	1,185,548	5,435	1,190,983
Total	1,253,506	5,435	1,258,941
	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	31,555	-	31,555
1 to 5 years (inclusive)	29,048	-	29,048
Over 5 years	1,066,895	2,124	1,069,019
Total	1,127,498	2,124	1,129,622

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Long-term health insurance reserves/ Reinsurers' share of long-term health insurance reserves

	Long-term health insurance reserves			Reinsurers' share of long-term health insurance
	Direct insurance contracts	Assumed reinsurance contracts	Total	
1 January 2021	98,796	-	98,796	11,117
Increase	39,467	-	39,467	3,332
Decrease				
- Claims	(10,499)	-	(10,499)	(2,565)
- Early termination	(1,966)	-	(1,966)	-
31 December 2021	125,798	-	125,798	11,884
Increase	37,270	-	37,270	2,360
Decrease				
- Claims	(10,434)	-	(10,434)	(2,160)
- Early termination	(2,344)	-	(2,344)	-
31 December 2022	150,290	-	150,290	12,084

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

	31 December 2022		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	275	-	275
1 to 5 years (inclusive)	538	-	538
Over 5 years	149,477	-	149,477
Total	150,290	-	150,290
	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	458	-	458
1 to 5 years (inclusive)	453	-	453
Over 5 years	124,887	-	124,887
Total	125,798	-	125,798

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

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%. According to the Announcement on the Exercise of the Redemption Right of the First Phase of Capital Replenishment Bond in 2018 issued by CPIC Property on 16 February, 2023, CPIC Property redeemed the capital replenishment bond in full on 23 March, 2023.

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 2021	Issuance	Amortisation of bond premium or discount	Redemption in current year	31 December 2022
CPIC Property	9,995	-	4	-	9,999

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Other liabilities

		31 December 2022	31 December 2021
Other payables	(1)	29,763	35,713
Accrued expenses		2,215	2,238
Insurance security fund		544	1,138
Dividends payable		4	551
Others		1,348	1,363
Total		<u>33,874</u>	<u>41,003</u>

(1) Other payables

		31 December 2022	31 December 2021
Payables to third-party investors of consolidated structured entities		20,854	13,033
Payables to be claimed by customers		1,641	1,957
Payables for purchases		1,491	1,311
Payables for construction and purchasing office building		1,153	674
Co-insurance payable		820	875
Deposits		812	922
Compulsory automobile insurance rescue fund		273	377
Payables for securities purchased but not settled		206	2,699
Reimbursement payables		60	300
Payables related to asset-backed securities		-	11,775
Others		2,453	1,790
Total		<u>29,763</u>	<u>35,713</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

34. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2022		Increase of number of shares		31 December 2022	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with trading restrictions						
Shares held by domestic non-state owned legal persons	-	0%	-	-	-	0%
Sub-total	-	0%	-	-	-	0%
II. Shares without trading 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%

As at 31 December 2022, the number of shares which the Company issued and fully paid at RMB 1 per share is 9,620 million. As at 31 December 2021, the number of shares which the Company issued and fully paid at RMB 1 per share is 9,620 million.

35. Capital reserves

	31 December 2022	31 December 2021
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,110
Impact of equity transactions with non-controlling interests	(131)	(131)
Impact of other changes in the equity of investees accounted for using the equity method	66	58
Transaction with non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,665	79,662

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed on the LSE in 2020 which also increased the capital reserves.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Surplus reserves

Statutory surplus reserve
(the “SSR”)

1 January 2021	5,114
Appropriations	-
31 December 2021 and 31 December 2022	<u>5,114</u>

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 2021	16,829
Appropriations	<u>2,692</u>
31 December 2021	19,521
Appropriations	<u>2,953</u>
31 December 2022	<u>22,474</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

38. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the amount determined under CASs, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

- (1) Making up for losses brought forward from prior years;
- (2) Appropriating to SSR at 10% of the net profit;
- (3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
- (4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company does not set aside SSR in 2022.

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company does not set aside DSR in 2022.

Pursuant to the resolution of the 23rd meeting of the 9th Board of Directors of the Company held on 24 March 2023, a final dividend of approximately RMB 9,813 million (equivalent to annual cash dividend of RMB 1.02 per share (including tax)) was proposed. The profit distribution plan is subject to the approval of the general shareholders' meeting.

Of the Group's retained profits in the consolidated financial statements, RMB 20,566 million as at 31 December 2022 (31 December 2021: RMB 16,388 million) represents the Company's share of its subsidiaries' surplus reserve fund.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

39. Non-controlling interests

	31 December 2022	31 December 2021
CPIC Property	763	737
CPIC Life	1,745	1,735
Changjiang Pension	1,523	1,580
CPIC Funds	554	539
PAAIC	959	931
Pacific Care Home at Dali	138	142
Total	<u>5,682</u>	<u>5,664</u>

40. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Property and casualty insurance:		
Automobile insurance	98,062	91,800
Liability insurance	15,331	11,032
Agricultural insurance	14,926	10,551
Health insurance	14,658	13,283
Guarantee insurance	7,699	7,334
Other insurances	21,907	20,611
Sub-total	<u>172,583</u>	<u>154,611</u>
Long-term life insurance:		
Individual insurance		
- Life insurance	121,461	106,629
- Participating insurance	85,818	86,737
- Universal insurance	100	98
Group insurance		
- Life insurance	562	528
Sub-total	<u>207,941</u>	<u>193,992</u>
Short-term life insurance:		
Individual insurance		
- Short-term accident and health insurance	4,430	6,094
Group insurance		
- Short-term accident and health insurance	13,864	12,085
Sub-total	<u>18,294</u>	<u>18,179</u>
Total	<u>398,818</u>	<u>366,782</u>

(2) The Group's gross written premiums with the top five customers is listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Gross written premiums of the top five customers	<u>2,172</u>	<u>2,066</u>
% of gross written premiums	<u>0.54%</u>	<u>0.56%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Gross written premiums (continued)

(3) Premiums ceded to reinsurers

	For the year ended 31 December 2022	For the year ended 31 December 2021
Long-term life insurance premiums ceded to reinsurers	(3,725)	(5,566)
Short-term life insurance premiums ceded to reinsurers	(566)	46
Property and casualty insurance premiums ceded to reinsurers	<u>(20,793)</u>	<u>(19,414)</u>
Total	<u><u>(25,084)</u></u>	<u><u>(24,934)</u></u>

(4) Net written premiums

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net written premiums	<u>373,734</u>	<u>341,848</u>

41. Net change in unearned premium reserves

	For the year ended 31 December 2022	For the year ended 31 December 2021
Unearned premium reserves		
- Direct insurance contracts	5,559	2,679
- Assumed reinsurance contracts	<u>197</u>	<u>11</u>
Sub-total	<u>5,756</u>	<u>2,690</u>
Unearned premium reserves recovered from reinsurers		
- Direct insurance contracts	(916)	(434)
- Assumed reinsurance contracts	<u>16</u>	<u>57</u>
Sub-total	<u>(900)</u>	<u>(377)</u>
Net	<u><u>4,856</u></u>	<u><u>2,313</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net gains on disposal of stock investments	1,093	17,778
Net gains on disposal of fund investments	269	3,581
Net gains on disposal of bond investments	476	454
Interest on securities purchased under agreements to resell	173	191
Interest income from debt investments	51,648	50,680
Interest income from other fixed-interest investments	13,644	12,760
Fund dividend income	2,570	1,570
Stock dividend income	4,707	3,163
Income from other equity investments	6,253	4,433
Share of profits of associates and joint ventures	401	799
Others	(39)	48
Total	<u>81,195</u>	<u>95,457</u>

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income (continued)

(1) Interest and dividend income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Financial assets at fair value through profit or loss		
- Fixed maturity investments	55	47
- Funds	35	7
- Stocks	-	49
- Other equity investments	525	318
Sub-total	615	421
Held-to-maturity financial assets		
- Fixed maturity investments	19,684	16,705
Loans and receivables		
- Fixed maturity investments	34,064	34,270
Available-for-sale financial assets		
- Fixed maturity investments	11,662	12,609
- Funds	2,535	1,563
- Stocks	4,709	3,114
- Other equity investments	5,706	4,077
Sub-total	24,612	21,363
Total	78,975	72,759

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income (continued)

(2) Realised gains

	For the year ended 31 December 2022	For the year ended 31 December 2021
Financial assets at fair value through profit or loss		
- Fixed maturity investments	86	215
- Funds	3	(64)
- Stocks	3	(44)
- Other equity investments	8	8
- Derivative instruments	(41)	48
Sub-total	59	163
Available-for-sale financial assets		
- Fixed maturity investments	390	259
- Funds	266	3,645
- Stocks	1,090	17,822
- Other equity investments	14	30
Sub-total	1,760	21,756
Held-to-maturity financial assets		
- Fixed maturity investments	-	(20)
Total	1,819	21,899

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

43. (Losses)/Gains arising from changes in fair value

	For the year ended 31 December 2022	For the year ended 31 December 2021
Bond investments	(178)	77
Fund investments	21	1
Derivatives	(69)	118
Stock investments	(3)	36
Wealth management products and other equity instruments	168	931
Total	(61)	1,163

44. Other operating income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Income from asset management fee	2,187	2,673
Rental income from investment properties	703	742
Amortisation of initial policy fee and account management fee	366	382
Others	657	917
Total	3,913	4,714

45. Gains on disposal of assets

	For the year ended 31 December 2022	For the year ended 31 December 2021
Gains on disposal of fixed assets	24	10

46. Surrenders

	For the year ended 31 December 2022	For the year ended 31 December 2021
Individual life insurance		
- Direct insurance contracts	21,409	20,349
- Reinsurance contracts	-	1,944
Group life insurance		
- Direct insurance contracts	25	37
Total	21,434	22,330

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Claims

	For the year ended 31 December 2022	For the year ended 31 December 2021
Indemnity		
- Direct insurance contracts	114,294	106,034
- Assumed reinsurance contracts	22	607
Sub-total	114,316	106,641
Payment upon maturity - direct insurance contracts	7,167	14,291
Payment upon maturity - reinsurance contracts	-	3
Payment of annuity - direct insurance contracts	13,580	14,641
Payment upon death, injury or medical treatment - direct insurance contracts	13,024	13,169
Payment upon death, injury or medical treatment - reinsurance contracts	60	4
Sub-total	33,831	42,108
Total	148,147	148,749

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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 year ended 31 December 2022	For the year ended 31 December 2021
Property and casualty insurance:		
Automobile insurance	61,696	61,453
Agricultural insurance	11,116	8,086
Health insurance	9,877	7,293
Liability insurance	6,657	4,837
Commercial property insurance	3,259	4,198
Other insurances	8,386	8,296
Sub-total	<u>100,991</u>	<u>94,163</u>
Long-term life insurance:		
Individual insurance		
- Life insurance	18,004	18,172
- Participating insurance	15,038	23,216
- Universal insurance	70	69
Group insurance		
- Life insurance	627	562
- Participating insurance	90	87
- Universal insurance	2	2
Sub-total	<u>33,831</u>	<u>42,108</u>
Short-term life insurance:		
Individual insurance		
- Short-term accident and health insurance	2,463	2,980
Group insurance		
- Short-term accident and health insurance	10,862	9,498
Sub-total	<u>13,325</u>	<u>12,478</u>
Total	<u>148,147</u>	<u>148,749</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Changes in insurance contract reserves

	For the year ended 31 December 2022	For the year ended 31 December 2021
Changes in claim reserves		
- Direct insurance contracts	12,686	10,983
- Assumed reinsurance contracts	257	25
Sub-total	<u>12,943</u>	<u>11,008</u>
Changes in life insurance reserves		
- Direct insurance contracts	134,628	116,902
- Assumed reinsurance contracts	3,311	184
Sub-total	<u>137,939</u>	<u>117,086</u>
Changes in long-term health insurance reserves		
- Direct insurance contracts	24,492	27,002
Total	<u>175,374</u>	<u>155,096</u>

The particulars of changes in claim reserves under direct insurance contracts are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Incurring and reported claim reserves	1,942	2,093
IBNR reserves	10,131	8,941
Claim expense reserves	613	(51)
Total	<u>12,686</u>	<u>10,983</u>

49. Insurance contract reserves recovered from reinsurers

	For the year ended 31 December 2022	For the year ended 31 December 2021
Recovery of claim reserves		
- Direct insurance contracts	2,404	2,137
- Assumed reinsurance contracts	(113)	(265)
Recovery of life insurance reserves		
- Direct insurance contracts	109	98
Recovery of long-term health insurance reserves		
- Direct insurance contracts	200	767
Total	<u>2,600</u>	<u>2,737</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

50. Taxes and surcharges

	For the year ended 31 December 2022	For the year ended 31 December 2021
City maintenance and construction tax	380	350
Educational surcharge	280	256
Others	461	419
Total	<u>1,121</u>	<u>1,025</u>

51. Commission and brokerage expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
<u>Fee</u>		
Property and casualty insurance		
Automobile insurance	6,782	7,011
Liability insurance	2,432	1,605
Commercial property insurance	1,020	978
Health insurance	848	963
Accident insurance	500	1,495
Other insurances	2,123	1,023
Sub-total	<u>13,705</u>	<u>13,075</u>
Life insurance	<u>2,351</u>	<u>1,265</u>
Total	<u>16,056</u>	<u>14,340</u>

Commission

Commission expenses for single premium policy	934	847
First-year commission expenses for regular premium policy	6,388	9,110
Renewal commission expenses for regular premium policy	4,551	6,007
Total	<u>11,873</u>	<u>15,964</u>
Total of fee and commission expenses	<u>27,929</u>	<u>30,304</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Payroll and welfare benefits	23,589	23,179
Advertising expenses (including business publicity expenses)	5,951	5,019
Professional service fees	3,900	2,978
General office expenses	2,528	2,813
Outsourcing service fees	2,235	1,640
Prevention expenses	1,755	1,153
Depreciation of fixed assets	1,343	1,388
Depreciation of right-of-use assets	1,337	1,447
Insurance security funds withdrawal	1,335	1,260
Amortisation of intangible assets	940	823
Property management fees	808	779
Labour costs	720	751
Consulting fees	629	772
Amortisation of other long-term assets	423	396
Entrusted management fees	392	320
Compulsory automobile rescue fund	123	311
Travel expenses	106	179
Transportation expenses	87	87
Rent for short-term and low-value asset leases	84	89
Audit fees	25	29
Others	4,464	4,827
Total	<u>52,774</u>	<u>50,240</u>

53. Interest expenses

	<u>2022</u>	<u>2021</u>
Securities sold under agreements to repurchase	1,941	1,812
Policyholder dividends	570	590
Lease liabilities	101	122
Debts	508	503
Others	202	414
Total	<u>3,322</u>	<u>3,441</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54. Other operating expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest expenses for policyholders' investment contract liabilities	4,418	4,007
Depreciation of investment properties	448	329
Amortisation of fee and commission for acquiring policyholders' investment contract	112	95
Others	554	2,015
Total	<u>5,532</u>	<u>6,446</u>

55. Asset impairment losses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Provision for available-for-sale financial assets impairment, net	4,258	4,195
Provision for held-to-maturity financial assets impairment, net	(173)	26
Provision for investments classified as loans and receivables impairment, net	941	(43)
Provision for bad debts, net	340	263
Provision for long-term equity investments impairment	274	-
Total	<u>5,640</u>	<u>4,441</u>

56. Non-operating income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Custody fees of entrusted operation	55	71
Government subsidies unrelated to ordinary activities	13	25
Others	79	152
Total	<u>147</u>	<u>248</u>

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

57. Non-operating expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Charitable donations and commercial sponsorship	55	81
Government fines & confiscations and liquidated damages	32	30
Overdue tax payment and fines	5	7
Others	112	128
Total	<u>204</u>	<u>246</u>

58. Income tax

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax	5,049	4,895
Deferred income tax	(5,113)	(1,717)
Total	<u>(64)</u>	<u>3,178</u>

The relationship between income tax expenses and total profit is shown below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Total profit	<u>25,176</u>	<u>30,796</u>
Taxes calculated at the statutory tax rate of 25%	6,294	7,699
Income tax adjustment for prior years	(208)	(135)
Non-taxable income	(6,779)	(4,922)
Non-deductible expenses	334	264
Others	295	272
Income tax calculated at applicable tax rates	<u>(64)</u>	<u>3,178</u>

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.

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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

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 the shareholders of the parent by the weighted average number of ordinary shares issued by the parent.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Consolidated net profit for the year attributable to shareholders of the parent	<u>24,609</u>	<u>26,834</u>
Weighted average number of ordinary shares in issue (million)	<u>9,620</u>	<u>9,620</u>
Basic earnings per share (RMB Yuan)	<u>2.56</u>	<u>2.79</u>

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2022 and 2021.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2022	Attributable to the Company - net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	19,709	(13,338)	6,371	(34,026)	(2,019)	4,258	13,617	4,561	(13,338)	(271)
Share of other comprehensive income/(loss) to be reclassified to profit or loss of investees accounted for using the equity method	-	(47)	(47)	(47)	-	-	-	-	(47)	-
Exchange differences on translation of foreign operations	(54)	98	44	99	-	-	-	-	98	1
Total	19,655	(13,287)	6,368	(33,974)	(2,019)	4,258	13,617	4,561	(13,287)	(270)

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 2021	Attributable to the Company - net of tax	31 December 2021	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	22,377	(2,668)	19,709	12,062	(21,756)	4,195	1,899	890	(2,668)	(42)
Exchange differences on translation of foreign operations	(37)	(17)	(54)	(17)	-	-	-	-	(17)	-
Total	<u>22,340</u>	<u>(2,685)</u>	<u>19,655</u>	<u>12,045</u>	<u>(21,756)</u>	<u>4,195</u>	<u>1,899</u>	<u>890</u>	<u>(2,685)</u>	<u>(42)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

61. Notes to items in consolidated statement of cash flow

(1) Significant payments related to other operating activities are listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Surrenders	21,434	20,386
Advertising expenses (including business publicity expenses)	5,951	5,019
Professional service fees	3,900	2,978
General office expenses	2,528	2,813
Outsourcing service fees	2,235	1,640
Prevention expenses	1,755	1,153
Consulting fees	654	801
Property management fees	808	779
Labour costs	720	751
Entrusted management fees	392	320

(2) Significant receipts related to other financing activities are listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash proceeds from the issue of asset-backed securities	713	9,975
Cash received related to non-controlling interests of consolidated structured entities, net	11,672	4,341

(3) Significant payments related to other financing activities are listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash paid for principal elements of lease payments	1,686	1,846

62. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash:		
Cash at bank readily available for payments	31,836	31,428
Other cash balances readily available for payments	849	767
Cash equivalents:		
Investments with an initial term within 3 months	21,124	13,432
Total	53,809	45,627

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

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 year ended 31 December 2022	For the year ended 31 December 2021
Net profit	25,240	27,618
Add: Asset impairment losses	5,640	4,441
Net change in insurance contract reserves	172,774	152,359
Net change in unearned premium reserves	4,856	2,313
Changes in insurance premium reserves	109	-
Depreciation of right-of-use assets	1,371	1,485
Depreciation of fixed assets and investment properties	1,883	1,783
Amortisation of intangible assets	980	866
Amortisation of other long-term assets	428	399
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(24)	(10)
Investment income	(81,195)	(95,457)
Losses/(Gains) arising from changes in fair value	61	(1,163)
Interest expenses	2,752	2,851
Exchange (gains)/losses	(1,240)	417
Deferred income tax	(5,113)	(1,717)
Increase in operating receivables	(4,595)	(8,504)
Increase in operating payables	23,984	20,726
Net cash flows from operating activities	<u>147,911</u>	<u>108,407</u>

(2) Net increase in cash and cash equivalents:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash at the end of year	32,685	32,195
Less: Cash at the beginning of year	(32,195)	(20,440)
Cash equivalents at the end of year	21,124	13,432
Less: Cash equivalents at the beginning of year	(13,432)	(14,327)
Net increase in cash and cash equivalents	<u>8,182</u>	<u>10,860</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

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 (mainly including CPIC Life and CPIC Health) offers a wide range of life and health insurance in RMB;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of property and casualty insurance in RMB and foreign currencies;
- Other businesses segment mainly provides corporation management and asset management services, etc.

Intersegment sales and transfers are measured based on the actual transaction price.

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

In 2022, gross written premiums from transactions with the top five external customers amounted to 0.54% (in 2021: 0.56%) of the Group's total gross written premiums (Note VII 40).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	For the year ended 31 December 2022							Total
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations		
		Mainland China	Hong Kong	Eliminations				
Gross written premiums	227,133	172,125	605	(147)	172,583	-	(898)	398,818
Less: Premiums ceded to reinsurers	(4,291)	(21,535)	(299)	143	(21,691)	-	898	(25,084)
Net change in unearned premium reserves	(29)	(4,982)	5	-	(4,977)	-	150	(4,856)
Net premiums earned	222,813	145,608	311	(4)	145,915	-	150	368,878
Including: Net premiums earned from third parties	221,970	146,693	215	-	146,908	-	-	368,878
Net premiums earned within the Group	843	(1,085)	96	(4)	(993)	-	150	-
Other income	39	40	-	-	40	104	-	183
Investment income	74,293	8,092	5	-	8,097	10,883	(12,078)	81,195
Including: Share of profits/(losses) of associates and joint ventures	557	54	-	-	54	(189)	(21)	401
(Losses)/Gains arising from changes in fair value	(245)	(95)	-	-	(95)	279	-	(61)
Exchange gains/(losses)	200	316	(12)	-	304	736	-	1,240
Other operating income	1,831	212	1	-	213	7,696	(5,827)	3,913
Gains on disposal of assets	2	2	-	-	2	20	-	24
Operating income	298,933	154,175	305	(4)	154,476	19,718	(17,755)	455,372
Surrenders	(21,434)	-	-	-	-	-	-	(21,434)
Claims	(47,155)	(101,263)	(293)	72	(101,484)	-	492	(148,147)
Less: Claim recoveries from reinsurers	3,230	11,100	119	(72)	11,147	-	(494)	13,883
Changes in insurance contract reserves	(164,443)	(11,672)	(39)	1	(11,710)	-	779	(175,374)
Less: Insurance contract reserves recovered from reinsurers	229	2,292	29	(1)	2,320	-	51	2,600
Others	(55,854)	(43,804)	(189)	-	(43,993)	(7,706)	5,886	(101,667)
Operating expenses	(285,427)	(143,347)	(373)	-	(143,720)	(7,706)	6,714	(430,139)
Operating profit	13,506	10,828	(68)	(4)	10,756	12,012	(11,041)	25,233
Add: Non-operating income	32	104	-	-	104	11	-	147
Less: Non-operating expenses	(84)	(80)	-	-	(80)	(40)	-	(204)
Profit before tax	13,454	10,852	(68)	(4)	10,780	11,983	(11,041)	25,176
Less: Income tax	2,811	(2,340)	-	-	(2,340)	(400)	(7)	64
Net profit for the year	16,265	8,512	(68)	(4)	8,440	11,583	(11,048)	25,240

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	For the year ended 31 December 2022							
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				Sub-total
Supplementary information:								
Capital expenditure	1,019	746	3	-	749	6,979	-	8,747
Depreciation and amortisation	2,348	1,565	5	-	1,570	711	-	4,629
Asset impairment losses	5,648	1,142	47	-	1,189	(1,197)	-	5,640
Interest income	57,516	5,758	20	-	5,778	2,171	-	65,465
31 December 2022								
Long-term equity investments	22,264	218	-	-	218	3,433	(86)	25,829
Financial assets	1,396,195	117,243	703	-	117,946	139,221	-	1,653,362
Term deposits	159,875	33,963	-	-	33,963	10,679	-	204,517
Others	172,525	84,909	921	(231)	85,599	102,209	(67,742)	292,591
Segment assets	1,750,859	236,333	1,624	(231)	237,726	255,542	(67,828)	2,176,299
Unearned premium reserves	3,547	73,942	175	(45)	74,072	-	(369)	77,250
Claim reserves	8,233	63,281	725	(22)	63,984	-	(780)	71,437
Life insurance reserves	1,258,941	-	-	-	-	-	-	1,258,941
Long-term health insurance reserves	150,290	-	-	-	-	-	-	150,290
Policyholders' deposits and investment contract liabilities	119,892	137	-	-	137	-	-	120,029
Bonds payable	-	9,999	-	-	9,999	-	-	9,999
Securities sold under agreements to repurchase	107,018	2,206	-	-	2,206	10,441	-	119,665
Others	74,870	35,209	384	(208)	35,385	30,123	(5,818)	134,560
Segment liabilities	1,722,791	184,774	1,284	(275)	185,783	40,564	(6,967)	1,942,171

Financial assets include financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity investments, available-for-sale financial assets and investments classified as loans and receivables.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	For the year ended 31 December 2021							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	213,514	154,237	523	(149)	154,611	-	(1,343)	366,782
Less: Premiums ceded to reinsurers	(5,520)	(20,627)	(273)	143	(20,757)	-	1,343	(24,934)
Net change in unearned premium reserves	1,083	(3,473)	67	-	(3,406)	-	10	(2,313)
Net premiums earned	209,077	130,137	317	(6)	130,448	-	10	339,535
Including: Net premiums earned from third parties	207,529	131,836	170	-	132,006	-	-	339,535
Net premiums earned within the Group	1,548	(1,699)	147	(6)	(1,558)	-	10	-
Other income	25	53	-	-	53	103	-	181
Investment income	82,125	7,947	23	-	7,970	21,471	(16,109)	95,457
Including: Share of profits of associates and joint ventures	780	22	-	-	22	24	(27)	799
Gains arising from changes in fair value	686	1	-	-	1	476	-	1,163
Exchange losses	(50)	(54)	(2)	-	(56)	(311)	-	(417)
Other operating income	1,935	296	3	-	299	7,029	(4,549)	4,714
Gains/(Losses) on disposal of assets	9	2	-	-	2	(1)	-	10
Operating income	293,807	138,382	341	(6)	138,717	28,767	(20,648)	440,643
Surrenders	(22,330)	-	-	-	-	-	-	(22,330)
Claims	(55,431)	(93,955)	(283)	75	(94,163)	-	845	(148,749)
Less: Claim recoveries from reinsurers	3,689	11,046	150	(75)	11,121	-	(850)	13,960
Changes in insurance contract reserves	(144,335)	(10,155)	(153)	43	(10,265)	-	(496)	(155,096)
Less: Insurance contract reserves recovered from reinsurers	599	2,287	24	(43)	2,268	-	(130)	2,737
Others	(56,731)	(39,384)	(114)	-	(39,498)	(7,929)	3,787	(100,371)
Operating expenses	(274,539)	(130,161)	(376)	-	(130,537)	(7,929)	3,156	(409,849)
Operating profit	19,268	8,221	(35)	(6)	8,180	20,838	(17,492)	30,794
Add: Non-operating income	61	125	-	-	125	62	-	248
Less: Non-operating expenses	(97)	(87)	-	-	(87)	(62)	-	(246)
Profit before tax	19,232	8,259	(35)	(6)	8,218	20,838	(17,492)	30,796
Less: Income tax	(389)	(1,841)	-	-	(1,841)	(833)	(115)	(3,178)
Net profit for the year	18,843	6,418	(35)	(6)	6,377	20,005	(17,607)	27,618

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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VIII. SEGMENT INFORMATION (continued)

Item	2021							Total
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations		
		Mainland China	Hong Kong	Eliminations				
Supplementary information:								
Capital expenditure	887	783	-	-	783	2,783	-	4,453
Depreciation and amortisation	2,093	1,474	-	-	1,474	966	-	4,533
Asset impairment losses	3,713	511	-	-	511	217	-	4,441
Interest income	55,241	5,519	29	-	5,548	2,842	-	63,631
31 December 2021								
Long-term equity investments	24,693	362	-	-	362	1,991	(62)	26,984
Financial assets	1,244,507	104,349	385	-	104,734	111,456	-	1,460,697
Term deposits	151,435	30,010	-	-	30,010	15,074	-	196,519
Others	153,214	76,399	1,145	(142)	77,402	82,013	(50,665)	261,964
Segment assets	1,573,849	211,120	1,530	(142)	212,508	210,534	(50,727)	1,946,164
Unearned premium reserves	3,622	68,068	174	(57)	68,185	-	(314)	71,493
Claim reserves	7,048	51,609	610	(19)	52,200	-	(828)	58,420
Life insurance reserves	1,129,622	-	-	-	-	-	-	1,129,622
Long-term health insurance reserves	125,798	-	-	-	-	-	-	125,798
Policyholders' deposits and investment contract liabilities	102,780	63	-	-	63	-	-	102,843
Bonds payable	-	9,995	-	-	9,995	-	-	9,995
Securities sold under agreements to repurchase	70,122	-	-	-	-	3,319	-	73,441
Others	95,134	31,403	320	(43)	31,680	27,796	(12,463)	142,147
Segment liabilities	1,534,126	161,138	1,104	(119)	162,123	31,115	(13,605)	1,713,759

Financial assets include financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity investments, available-for-sale financial assets and investments classified as loans and receivables.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2022		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	78	1.00000	78
	USD	924	6.96460	6,434
	HKD	102	0.89327	91
	Sub-total			6,603
Other cash balances	RMB	7	1.00000	7
Total				6,610

	Currency	31 December 2021		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	109	1.00000	109
	USD	806	6.37570	5,139
	HKD	9	0.81760	7
	Sub-total			5,255
Other cash balances	RMB	6	1.00000	6
Total				5,261

As of 31 December 2022, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 99 million (31 December 2021: amounted equivalent to RMB 7 million).

2. Financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Debt investments		
Finance bonds	-	7
Corporate bonds	2	2
Total	2	9

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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Term deposits

	31 December 2022	31 December 2021
Term to maturity		
Within 1 year (inclusive)	4,699	6,278
1 to 2 years (inclusive)	1,500	3,700
2 to 3 years (inclusive)	2,800	1,500
3 to 4 years (inclusive)	-	2,800
Total	<u>8,999</u>	<u>14,278</u>

4. Available-for-sale financial assets

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

	31 December 2022	31 December 2021
Debt investments		
Government bonds	4,101	4,104
Finance bonds	7,169	2,085
Corporate bonds	11,645	14,964
Wealth management products	394	-
Equity investments		
Funds	10,108	5,999
Stocks	1,115	1,351
Investments in other equity instruments	3,160	939
Total	<u>37,692</u>	<u>29,442</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Available-for-sale financial assets (continued)

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

	31 December 2022	31 December 2021
Debt investments		
Fair value	23,309	21,153
Including: Amortised cost	22,900	20,645
Accumulated amount recognised in other comprehensive income/(loss)	545	717
Total impairment provisions	<u>(136)</u>	<u>(209)</u>
Equity investments		
Fair value	14,383	8,289
Including: Cost	14,356	7,278
Accumulated amount recognised in other comprehensive income/(loss)	183	1,088
Total impairment provisions	<u>(156)</u>	<u>(77)</u>
Total		
Fair value	37,692	29,442
Including: Amortised cost/Cost	37,256	27,923
Accumulated amount recognised in other comprehensive income/(loss)	728	1,805
Total impairment provisions	<u>(292)</u>	<u>(286)</u>

5. Investments classified as loans and receivables

	31 December 2022	31 December 2021
Debt investments		
Debt investment plans	10,875	11,898
Wealth management products	<u>4,668</u>	<u>5,188</u>
Total	<u>15,543</u>	<u>17,086</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Long-term equity investments

	31 December 2022	31 December 2021
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	42,366	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	3,081	1,465
CPIC Technology	700	-
Consolidated structured entities	1,093	1,252
Associate		
Shanghai Kangyang	300	-
Total	<u>69,900</u>	<u>64,985</u>

The Company does not have any other items that substantially constitute net investment in subsidiaries.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Investment properties

	Buildings
Cost:	
1 January 2021	4,638
Transfer to fixed assets, net	<u>(184)</u>
31 December 2021	4,454
Transfer from fixed assets, net	<u>532</u>
31 December 2022	<u><u>4,986</u></u>
Accumulated depreciation:	
1 January 2021	(1,349)
Provision	(143)
Transfer to fixed assets, net	<u>30</u>
31 December 2021	(1,462)
Provision	(154)
Transfer from fixed assets, net	<u>(96)</u>
31 December 2022	<u><u>(1,712)</u></u>
Carrying amount:	
31 December 2022	<u><u>3,274</u></u>
31 December 2021	<u><u>2,992</u></u>

The fair values of investment properties of the Company as at 31 December 2022 amounted to RMB 6,667 million (31 December 2021: RMB 6,146 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, Pacific Insurance Agency and CPIC Technology, 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.

8. Other assets

	31 December 2022	31 December 2021
Receivables from subsidiaries	268	2,325
Improvements of right-of-use assets	57	82
Dividends receivable	63	55
Prepayments for construction	-	13
Others	<u>176</u>	<u>138</u>
Total	<u><u>564</u></u>	<u><u>2,613</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

9. Securities sold under agreements to repurchase

	31 December 2022	31 December 2021
Securities - bonds		
Inter-bank market	2,919	1,120
Stock exchange	1,000	-
	<u>3,919</u>	<u>1,120</u>
Total	<u>3,919</u>	<u>1,120</u>

As at 31 December 2022, the Company's bond investments of approximately RMB 3,174 million (31 December 2021: RMB 1,224 million) were pledged for inter-bank securities sold under agreements to repurchase.

As at 31 December 2022, the Company's standardised bonds of approximately RMB 1,000 million (31 December 2021: none) were pledged for securities sold at stock exchange under agreements to repurchase.

10. Other liabilities

	31 December 2022	31 December 2021
Payables to subsidiaries	277	25
Payables for construction and purchasing office buildings	8	26
Others	601	505
	<u>886</u>	<u>556</u>
Total	<u>886</u>	<u>556</u>

11. Capital reserves

	31 December 2022	31 December 2021
Capital premium	79,008	79,008
Asset evaluation appreciation	301	301
Others	3	3
	<u>79,312</u>	<u>79,312</u>
Total	<u>79,312</u>	<u>79,312</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

12. Investment income

	2022	2021
Net gains on sales of stock investments	143	433
Net gains on sales of bond investments	16	8
Net gains on sales of fund investments	93	361
Interest income from securities purchased under agreements to resell	11	8
Interest income from debt investments	1,677	1,804
Interest income from other fixed-interest investments	399	458
Stock dividend income	40	26
Fund dividend income	187	47
Income from other equity investments	28	44
Dividend income from subsidiaries	<u>11,547</u>	<u>12,625</u>
Total	<u>14,141</u>	<u>15,814</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

13. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2022	Attributable to the Company-net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for- sale financial assets in current year	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	1,354	(808)	546	(875)	(259)	57	269	(808)
	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2021	Attributable to the Company-net of tax	31 December 2021	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for- sale financial assets in current year	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	(194)	1,354	398	(808)	150	66	(194)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2022	2021
Net profit	13,020	13,579
Add: Asset impairment losses	57	150
Depreciation of right-of-use assets	70	60
Depreciation of fixed assets and investment properties	304	368
Amortisation of intangible assets	105	134
Amortisation of other long-term assets	42	24
Investment income	(14,141)	(15,814)
Interest expenses	29	47
Exchange (gains)/losses	(738)	310
Deferred income tax	(28)	(10)
Decrease/(Increase) in operating receivables	433	(415)
Increase/(Decrease) in operating payables	281	(31)
	<u>(566)</u>	<u>(1,598)</u>
Net cash flows used in operating activities	<u>(566)</u>	<u>(1,598)</u>

(2) Net increase in cash and cash equivalents:

	2022	2021
Cash at the end of year	6,610	5,261
Less: Cash at the beginning of year	(5,261)	(271)
Cash equivalents at the end of year	-	10
Less: Cash equivalents at the beginning of year	(10)	(110)
	<u>1,339</u>	<u>4,890</u>
Net increase in cash and cash equivalents	<u>1,339</u>	<u>4,890</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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 exert 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) Legal entities or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company is not a related party to the Company.

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows:

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2022	Movements for the current year	31 December 2022	1 January 2022	Movements for the current year	31 December 2022
CPIC Property	19,470	-	19,470	98.50%	-	98.50%
CPIC Life	8,420	208	8,628	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 200 million	-	HKD 200 million	99.71%	-	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%
Xin Hui Property	USD 15,600 thousand	-	USD 15,600 thousand	98.29%	-	98.29%
He Hui Property	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	2,000	5,000	98.29%	-	98.29%
CPIC Health	1,700	1,900	3,600	99.74%	-	99.74%
PAAIC	1,080	-	1,080	66.76%	-	66.76%
Pacific Medical & Healthcare	500	500	1,000	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%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows: (continued)

Name of investee	Registered capital			Shares or equity held by the Company		
	Movements			Movements		
	1 January 2022	for the current year	31 December 2022	1 January 2022	for the current year	31 December 2022
Nanjing Project Company	220	-	220	98.29%	-	98.29%
Pacific Care Home at Dali	608	-	608	74.70%	-	74.70%
Shanghai (Putuo) Project Company	250	-	250	98.29%	-	98.29%
Pacific Care Home at Hangzhou	60	-	60	98.29%	-	98.29%
Wuhan Project Company	980	-	980	98.29%	-	98.29%
CPIC Capital	100	-	100	99.67%	-	99.67%
Shanghai (Chongming) Project Company	800	453	1,253	98.29%	-	98.29%
Pacific Care Home at Shanghai (Putuo)	30	-	30	98.29%	-	98.29%
Borui Heming	52	-	52	98.29%	-	98.29%
	HKD 1,000		HKD 1,000			
CPIC Life (H.K.)	million	-	million	98.29%	-	98.29%
Qingdao Project Company	227	-	227	98.29%	-	98.29%
Pacific Care Home at Xiamen	-	40	40	-	98.29%	98.29%
Zhengzhou Project Company	-	650	650	-	98.29%	98.29%
Beijing Project Company	-	800	800	-	98.29%	98.29%
CPIC Technology	-	700	700	-	100.00%	100.00%
Xinbaoyu	-	3,650	3,650	-	98.46%	98.46%
CPIC Technology Wuhan	-	100	100	-	100.00%	100.00%
Pacific Care Management at Sanya	-	490	490	-	98.29%	98.29%
Pacific Care Home at Nanjing	-	30	30	-	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
Baoshan Iron & Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Gas Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Baowu Carbon Technology Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Baoxin Software Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Taiyuan Iron & Steel (Group) Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Ningbo Baoxin Stainless Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Asset Management Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Shanghai Juche Information Technology Co., Ltd. ("Juche")	Associate of the Company
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	Associate of the Company
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare")	Associate of the Company

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

Name of entity	Relationship with the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC 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 enterprise 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
Haitong Securities 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
Swiss Reinsurance Company 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
Baosteel Group Finance Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

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

	2022	2021
Baoshan Iron & Steel Co., Ltd.	21	-
China Baowu Steel Group Corporation Limited	5	1
Shanghai International Group Co., Ltd.	2	2
Shanghai Gas Co., Ltd.	2	-
Shanghai International Group Asset Management Co., Ltd.	2	-
Shanghai State-Owned Assets Operation Co., Ltd.	1	2
Haitong Securities Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	-
Shanghai Baoxin Software Co., Ltd.	1	-
Taiyuan Iron & Steel (Group) Co., Ltd.	1	-
Ningbo Baoxin Stainless Steel Co., Ltd.	1	-
Shanghai Tobacco Group Co., Ltd. ^{Note}	-	11
Shanghai Rural Commercial Bank Co., Ltd. ^{Note}	-	5
	<u>38</u>	<u>22</u>
Total	<u>38</u>	<u>22</u>

Sale of insurance contracts to shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company was RMB 8 million for the year ended 2022 (For the year ended 2021: RMB 5 million).

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. For the year ended 2022, gross written premiums from related parties accounted for 0.01% (For the year ended 2021: 0.01%).

Note: The transaction amount for the period was calculated since the entity was identified as a related party of the Group.

(2) Fund subscription and redemption transactions

	2022	2021
Hwabao WP Fund Management Co., Ltd.	<u>366</u>	<u>819</u>

(3) Transaction of asset management products

	2022	2021
Baosteel Group Finance Co., Ltd.	1,030	-
Hwabao Trust Co., Ltd.	<u>37</u>	<u>-</u>
Total	<u>1,067</u>	<u>-</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

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)

(4) Distribution of cash dividends

	2022	2021
Shenergy (Group) Company Limited	1,386	1,792
Hwabao Investments Co., Ltd.	1,284	1,670
Shanghai State-Owned Assets Operation Co., Ltd.	634	699
Shanghai Haiyan Investment Management Co., Ltd.	516	659
Total	<u>3,820</u>	<u>4,820</u>

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,304 million in 2022 (2021: RMB 4,161 million).

(5) Premiums ceded to reinsurers

	2022	2021
Swiss Reinsurance Company Ltd ^{Note}	<u>3,372</u>	<u>1,900</u>

(6) Expense recoveries from reinsurers

	2022	2021
Swiss Reinsurance Company Ltd ^{Note}	<u>1,048</u>	<u>775</u>

(7) Claim recoveries from reinsurers

	2022	2021
Swiss Reinsurance Company Ltd ^{Note}	<u>1,964</u>	<u>1,217</u>

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.

(8) Remuneration of key management

	2022	2021
Salary and other benefits	<u>37</u>	<u>34</u>

(9) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2022	2021
Contribution to the enterprise annuity plan	<u>525</u>	<u>477</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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)

(10) The major related transactions between the Group and joint ventures during the years are as follows:

	2022	2021
Binjiang-Xiangrui		
Rental fees for leasing office buildings of Binjiang-Xiangrui	86	79
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	-	160
Total	<u>86</u>	<u>239</u>
Ruiyongjing Real Estate		
Grant loans	<u>885</u>	<u>837</u>

(11) The major related transactions between the Group and associates during the years are as follows:

	2022	2021
Purchase service		
Juche	130	185
Zhongdao	127	133
Shantai Healthcare	<u>143</u>	<u>54</u>
Total	<u>400</u>	<u>372</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the years are as follows:

	2022	2021
Purchase of insurance contracts		
CPIC Property	<u>10</u>	<u>9</u>
Rental income from office building		
CPIC Property	99	59
CPIC Technology	28	-
CPIC Life	20	15
Changjiang Pension	9	5
CPIC Senior Living Investment	4	4
CPIC Health	1	1
Pacific Insurance Agency	<u>-</u>	<u>1</u>
Total	<u>161</u>	<u>85</u>
Shared service centre fee		
CPIC Property	131	262
CPIC Life	121	258
CPIC Technology	21	-
CPIC Asset Management	8	16
CPIC Health	6	17
Changjiang Pension	1	4
CPIC Senior Living Investment	1	2
CPIC Online Services	1	1
CPIC Capital	1	-
PAAIC	<u>-</u>	<u>1</u>
Total	<u>291</u>	<u>561</u>
IT/Collaboration service fee		
Changjiang Pension	6	-
CPIC Asset Management	<u>5</u>	<u>-</u>
Total	<u>11</u>	<u>-</u>
Asset management fee		
CPIC Asset Management	<u>62</u>	<u>24</u>
Technology service fee		
CPIC Technology	<u>199</u>	<u>-</u>
Commission fee		
CPIC Real Estate	<u>12</u>	<u>-</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows (continued):

	2022	2021
Medical examination fee		
CPIC Health	<u>4</u>	<u>4</u>
Rental fee		
CPIC Real Estate	5	7
CPIC Property	3	4
CPIC Life	<u>1</u>	<u>1</u>
Total	<u>9</u>	<u>12</u>
Cash dividends received		
CPIC Life	6,869	9,932
CPIC Property	4,411	2,493
CPIC Asset Management	<u>240</u>	<u>200</u>
Total	<u>11,520</u>	<u>12,625</u>
Capital injection to subsidiaries		
CPIC Life	2,458	-
CPIC Health	<u>-</u>	<u>1,616</u>
Total	<u>2,458</u>	<u>1,616</u>
Investment of setting up subsidiaries		
CPIC Technology	<u>700</u>	<u>-</u>
Fixed assets transfer		
CPIC Technology	<u>9</u>	<u>-</u>

The rent of the office building charged by the Company from CPIC Property, CPIC Technology, 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 Property, CPIC Life, CPIC Technology, CPIC Asset Management, CPIC Health, Changjiang Pension, CPIC Senior Living Investment, CPIC Online Services, CPIC Capital and PAAIC is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The IT service or collaboration service fees charged by the Company from Changjiang Pension and CPIC Asset Management is determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company is determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The technology service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties. The commission fee charged by CPIC Real Estate to the Company is determined at the price negotiated by both parties. The medical examination fee incurred between the Company and CPIC Health is determined at the price negotiated by both parties. The rent of the office building incurred among the Company, CPIC Real Estate, CPIC Property and CPIC Life is determined at the price negotiated by both parties.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(2) The major related transactions between the Company and other related parties of the Group during the years are as follows:

	2022	2021
Rental fees for leasing office buildings		
Binjiang-Xiangrui	42	39
Xinbaoyu	1	-
Total	<u>43</u>	<u>39</u>

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2022	31 December 2021
Dividends receivable		
CPIC H.K.	<u>45</u>	<u>41</u>
Other receivables		
CPIC Property	149	310
CPIC Life	76	358
CPIC Technology	36	-
CPIC Asset Management	4	14
CPIC Health	2	1,630
CPIC Senior Living Investment	1	3
CPIC Online Services	1	-
Changjiang Pension	-	10
Total	<u>269</u>	<u>2,325</u>
Other payables		
CPIC Technology	207	-
CPIC Asset Management	65	23
CPIC Real Estate	5	-
Changjiang Pension	-	2
Total	<u>277</u>	<u>25</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables and payables between the Group and its joint ventures are as follows:

	31 December 2022	31 December 2021
Other receivables		
Binjiang-Xiangrui	<u>1,775</u>	<u>1,774</u>
Other payables		
Binjiang-Xiangrui	<u>245</u>	<u>166</u>
Investments classified as loans and receivables		
Ruiyongjing Real Estate	<u>4,339</u>	<u>3,454</u>

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

(3) Receivables and payables between the Group and other related parties are as follows:

	31 December 2022	31 December 2021
Reinsurance receivables		
Swiss Reinsurance Company Ltd	<u>1,163</u>	<u>1,024</u>
Reinsurance payables		
Swiss Reinsurance Company Ltd	<u>764</u>	<u>788</u>

XI. CONTINGENCIES

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

In addition to the legal proceedings of the above natures, as at 31 December 2022, 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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS

1. Major projects with capital commitments

		31 December 2022	31 December 2021
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)	13,772	7,756
Authorised, but not contracted for	(1)(2)	6,630	6,149
		<u>20,402</u>	<u>13,905</u>

As at 31 December 2022, major projects with capital commitments are as follows:

- (1) 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 Ruiyongjing Real Estate 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 Ruiyongjing Real Estate 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 Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2022, the cumulative amount incurred by CPIC Life amounted to approximately RMB 14,174 million. Of the balance, approximately RMB 1,111 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Life and CPIC Senior Living Investment obtained the use rights of thirteen parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up twelve project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eleven projects is approximately RMB 13,491 million. As at 31 December 2022, the cumulative amount incurred amounted to approximately RMB 6,226 million. Of the balance, approximately RMB 2,810 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 4,480 million was disclosed as a capital commitment authorised but not contracted for.
- (3) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,050 million. Among which CPIC Life subscribed capital contribution of 5,000 million, accounted for 99.01% of the capital. As at 31 December 2022, CPIC Life has cumulatively made a capital contribution of 2,500 million. Of the balance, RMB 2,500 million was disclosed as a capital commitment contracted but not provided for.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS (continued)

1. Major projects with capital commitments (continued)

(4) As at December 31, 2022, the Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As of December 31, 2022, CPIC Health Fund has invested in 13 equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 3.740 billion, paid-in contribution of approximately RMB 2.031 billion, and uncontributed capital of approximately RMB 1.709 billion, which are listed as signed but unallocated capital commitments.

(5) As at December 31, 2022, CPIC Life and CPIC Capital together subscribed 99.98% of the shares of China Pacific Changhang Equity Investment Fund (Wuhan) Partnership (Limited Partnership) (“China Pacific Changhang”). As of December 31, 2022, China Pacific Changhang has invested in 3 equity investment funds (not including consolidated structured entities included in the scope of the Group) with a total subscribed contribution of RMB 2.700 billion, paid-in contribution of 1.400 billion, and uncontributed capital of RMB 1.300 billion, which are listed as signed but unallocated capital commitments.

2. Operating lease rental receivables

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

	31 December 2022	31 December 2021
Within 1 year (inclusive)	854	821
1 to 2 years (inclusive)	458	604
2 to 3 years (inclusive)	351	420
3 to 5 years (inclusive)	203	448
More than 5 years	124	22
	<u>1,990</u>	<u>2,315</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk

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 that 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risk (continued)

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' behaviour and decisions.

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(2) Concentration of insurance risk

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.

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XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(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 assumption 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 certain independently varying assumptions under reasonable and possible circumstances.

	31 December 2022				
	Changes in assumptions	Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(18,932)	-1.52%	(9,440)	-6.28%
	- 25 basis points	20,388	1.64%	10,141	6.75%
Mortality rate	+10%	1,957	0.16%	(202)	-0.13%
	-10%	(1,966)	-0.16%	220	0.15%
Morbidity rate	+10%	424	0.03%	19,910	13.25%
	-10%	(460)	-0.04%	(20,419)	-13.59%
Surrender rate	+10%	(3,640)	-0.29%	62	0.04%
	-10%	3,801	0.30%	13	0.01%
Expenses	+10%	5,848	0.47%	1,386	0.92%
	-10%	(5,848)	-0.47%	(1,386)	-0.92%
Policy dividend	+5%	18,500	1.48%	(135)	-0.09%

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XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

	Changes in assumptions	31 December 2021			
		Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(17,152)	-1.55%	(8,850)	-7.04%
	- 25 basis points	18,497	1.67%	9,539	7.58%
Mortality rate	+10%	1,985	0.18%	(186)	-0.15%
	-10%	(1,985)	-0.18%	203	0.16%
Morbidity rate	+10%	501	0.05%	19,640	15.61%
	-10%	(538)	-0.05%	(20,139)	-16.01%
Surrender rate	+10%	(3,302)	-0.30%	446	0.35%
	-10%	3,518	0.32%	(376)	-0.30%
Expenses	+10%	5,914	0.53%	1,332	1.06%
	-10%	(5,914)	-0.53%	(1,332)	-1.06%
Policy dividend	+5%	18,006	1.63%	(124)	-0.10%

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for claim reserves is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk margin, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the claim reserves for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

A respective percentage change in average claim costs or claim numbers alone results in a similar percentage change in claim reserves. When other assumptions remain unchanged, a 5% increase in average claim costs will result in an increase of approximately RMB 2,643 million and RMB 355 million in net outstanding claim reserves for property and casualty and short-term life insurance as at 31 December 2022(31 December 2021: approximately RMB 2,174 million and RMB 289 million).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	64,450	71,637	81,244	101,908	109,894	
One year later	64,051	71,010	80,052	98,801		
Two years later	63,170	70,608	79,948			
Three years later	62,484	70,072				
Four years later	62,460					
Current estimate of cumulative claims	62,460	70,072	79,948	98,801	109,894	421,175
Cumulative payments to date	(61,860)	(68,816)	(76,243)	(87,806)	(66,829)	(361,554)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						4,363
Outstanding claim reserves						63,984

The development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	56,073	62,405	71,681	89,762	96,915	
One year later	55,809	61,783	70,520	87,173		
Two years later	55,001	61,350	70,334			
Three years later	54,379	60,897				
Four years later	54,378					
Current estimate of cumulative claims	54,378	60,897	70,334	87,173	96,915	369,697
Cumulative payments to date	(54,150)	(60,173)	(67,372)	(78,361)	(60,555)	(320,611)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,782
Outstanding claim reserves						52,868

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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
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	4,112	4,628	4,696	4,913	4,075	
One year later	3,796	4,307	4,266	4,547		
Two years later	3,798	4,358	4,180			
Three years later	3,829	4,330				
Four years later	3,825					
Current estimate of cumulative claims	3,825	4,330	4,180	4,547	4,075	20,957
Cumulative payments to date	(3,825)	(4,321)	(4,102)	(4,236)	(2,695)	(19,179)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						5,675
Outstanding claim reserves						7,453

The development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					Total
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	3,355	3,058	3,440	3,967	3,436	
One year later	3,210	3,163	3,339	3,733		
Two years later	3,216	3,222	3,244			
Three years later	3,241	3,195				
Four years later	3,238					
Current estimate of cumulative claims	3,238	3,195	3,244	3,733	3,436	16,846
Cumulative payments to date	(3,238)	(3,188)	(3,175)	(3,469)	(2,273)	(15,343)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						5,587
Outstanding claim reserves						7,090

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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 foreign currency.

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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, financial liabilities, reinsurers' share of reserves and reserve liabilities by major currency:

	31 December 2022				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Cash at bank and on hand	24,202	8,175	756	1	33,134
Financial assets at fair value through profit or loss	26,240	320	-	-	26,560
Derivative financial assets	-	197	-	-	197
Securities purchased under agreements to resell	21,124	-	-	-	21,124
Premium receivables	30,470	669	52	-	31,191
Reinsurance receivables	7,786	1,116	286	-	9,188
Reinsurers' share of unearned premium reserves	8,728	-	86	-	8,814
Reinsurers' share of claim reserves	11,154	-	325	-	11,479
Reinsurers' share of life insurance reserves	2,019	-	-	-	2,019
Reinsurers' share of long-term health insurance reserves	12,084	-	-	-	12,084
Interest receivables	21,687	28	-	-	21,715
Policy loans	69,825	-	-	-	69,825
Term deposits	203,096	1,421	-	-	204,517
Available-for-sale financial assets	700,410	12,001	2,409	265	715,085
Held-to-maturity financial assets	514,115	135	-	-	514,250
Investments classified as loans and receivables	397,270	-	-	-	397,270
Restricted statutory deposits	7,290	-	-	-	7,290
Others	11,043	82	477	7	11,609
Sub-total	<u>2,068,543</u>	<u>24,144</u>	<u>4,391</u>	<u>273</u>	<u>2,097,351</u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2022				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Derivative financial liabilities	1	1	-	6	8
Securities sold under agreements to repurchase	119,665	-	-	-	119,665
Commission and brokerage payable	4,638	-	1	-	4,639
Reinsurance payables	7,682	581	187	-	8,450
Interest payable	469	-	-	-	469
Claims payable	22,067	8	-	-	22,075
Policyholder dividend payable	24,858	-	-	-	24,858
Unearned premium reserves	77,075	-	175	-	77,250
Claim reserves	70,712	-	725	-	71,437
Life insurance reserves	1,258,919	-	22	-	1,258,941
Long-term health insurance reserves	150,290	-	-	-	150,290
Policyholders' deposits and investment contract liabilities	120,029	-	-	-	120,029
Bonds payable	9,999	-	-	-	9,999
Lease liabilities	2,683	-	35	-	2,718
Others	29,453	176	138	-	29,767
Sub-total	<u>1,898,540</u>	<u>766</u>	<u>1,283</u>	<u>6</u>	<u>1,900,595</u>
Net amount	<u>170,003</u>	<u>23,378</u>	<u>3,108</u>	<u>267</u>	<u>196,756</u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2021				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Cash at bank and on hand	24,726	6,873	946	-	32,545
Financial assets at fair value through profit or loss	11,755	598	-	-	12,353
Derivative financial assets	-	254	-	5	259
Securities purchased under agreements to resell	13,432	-	-	-	13,432
Premium receivables	25,299	460	44	-	25,803
Reinsurance receivables	10,024	862	205	-	11,091
Reinsurers' share of unearned premium reserves	7,833	-	81	-	7,914
Reinsurers' share of claim reserves	8,894	-	270	-	9,164
Reinsurers' share of life insurance reserves	1,910	-	-	-	1,910
Reinsurers' share of long-term health insurance reserves	11,884	-	-	-	11,884
Interest receivables	20,420	5	2	-	20,427
Policy loans	66,950	-	-	-	66,950
Term deposits	189,893	6,626	-	-	196,519
Available-for-sale financial assets	633,745	8,069	2,508	1,059	645,381
Held-to-maturity financial assets	396,242	186	-	-	396,428
Investments classified as loans and receivables	406,276	-	-	-	406,276
Restricted statutory deposits	7,428	-	-	-	7,428
Others	12,255	102	239	-	12,596
Sub-total	<u>1,848,966</u>	<u>24,035</u>	<u>4,295</u>	<u>1,064</u>	<u>1,878,360</u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2021				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Derivative financial liabilities	-	1	-	-	1
Securities sold under agreements to repurchase	73,441	-	-	-	73,441
Commission and brokerage payable	3,695	-	-	-	3,695
Reinsurance payables	7,060	307	271	-	7,638
Interest payable	517	-	-	-	517
Claims payable	21,526	-	-	-	21,526
Policyholder dividend payable	24,176	-	-	-	24,176
Unearned premium reserves	102,843	-	-	-	102,843
Claim reserves	71,376	-	117	-	71,493
Life insurance reserves	57,829	-	591	-	58,420
Long-term health insurance reserves	1,129,622	-	-	-	1,129,622
Policyholders' deposits and investment contract liabilities	125,798	-	-	-	125,798
Bonds payable	9,995	-	-	-	9,995
Lease liabilities	3,102	-	3	-	3,105
Others	35,972	250	42	-	36,264
Sub-total	<u>1,666,952</u>	<u>558</u>	<u>1,024</u>	<u>-</u>	<u>1,668,534</u>
Net amount	<u>182,014</u>	<u>23,477</u>	<u>3,271</u>	<u>1,064</u>	<u>209,826</u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

Exchange rates used by the Group by major currencies:

	31 December 2022		31 December 2021	
	USD	HKD	USD	HKD
Exchange rate	<u>6.96460</u>	<u>0.89327</u>	<u>6.37570</u>	<u>0.81760</u>

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in spot and forward exchange rates and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency as at the dates indicated.

USD, HKD and other currencies to RMB exchange rate	31 December 2022	
	Impact on profit before tax	Impact on equity
+5%	804	1,480
-5%	<u>(804)</u>	<u>(1,480)</u>
USD, HKD and other currencies to RMB exchange rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+5%	650	1,203
-5%	<u>(650)</u>	<u>(1,203)</u>

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.

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(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:

	31 December 2022					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
<u>Financial assets:</u>						
Deposits with original maturity of no more than three months	659	-	-	-	32,475	33,134
Debt investments at fair value through profit or loss	945	768	1,639	3,159	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	21,124
Policy loans	69,825	-	-	-	-	69,825
Term deposits	77,215	71,137	56,165	-	-	204,517
Available-for-sale debt investments	36,296	46,472	36,843	178,508	-	298,119
Held-to-maturity financial assets	13,215	23,622	8,640	468,773	-	514,250
Investments classified as loans and receivables	21,465	119,877	56,313	199,615	-	397,270
Restricted statutory deposits	1,459	4,221	1,610	-	-	7,290
<u>Financial liabilities:</u>						
Securities sold under agreements to repurchase	119,665	-	-	-	-	119,665
Policyholders' deposits and investment contract liabilities	1,050	3,141	8,947	106,891	-	120,029
Bonds payable	5,000	-	-	4,999	-	9,999

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

	31 December 2021					Total
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	
<u>Financial assets:</u>						
Deposits with original maturity of no more than three months	2,487	-	-	-	30,058	32,545
Debt investments at fair value through profit or loss	1,308	659	17	12	-	1,996
Securities purchased under agreements to resell	13,432	-	-	-	-	13,432
Policy loans	66,950	-	-	-	-	66,950
Term deposits	23,837	123,577	49,105	-	-	196,519
Available-for-sale debt investments	64,347	45,692	39,459	145,766	-	295,264
Held-to-maturity financial assets	10,109	27,483	14,282	344,554	-	396,428
Investments classified as loans and receivables	29,910	77,456	115,181	183,729	-	406,276
Restricted statutory deposits	1,758	4,900	770	-	-	7,428
<u>Financial liabilities:</u>						
Securities sold under agreements to repurchase	73,441	-	-	-	-	73,441
Policyholders' deposits and investment contract liabilities	2,562	1,467	5,748	93,066	-	102,843
Bonds payable	-	-	-	9,995	-	9,995

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

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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 date, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity
+50 basis points	(98)	(6,936)
-50 basis points	103	7,691
Change in RMB interest rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+50 basis points	(12)	(6,314)
-50 basis points	12	7,002

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities (continued)

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 date.

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity
+50 basis points	122	122
-50 basis points	(122)	(122)
Change in RMB interest rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+50 basis points	112	112
-50 basis points	(112)	(112)

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2022, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 5,352 million (31 December 2021: RMB 5,586 million).

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(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

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 31 December 2022 and 31 December 2021. 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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

	31 December 2022							
	Not due and not impaired	Past due but not impaired				Total past due but not impaired	Financial assets with impairment considered	Total
		Within 30 days	31 to 90 days	More than 90 days				
Cash at bank and on hand	33,134	-	-	-	-	-	33,134	
Debt investments at fair value through profit or loss	6,511	-	-	-	-	-	6,511	
Securities purchased under agreements to resell	21,124	-	-	-	-	-	21,124	
Premium receivables	30,023	-	-	-	-	1,168	31,191	
Reinsurance receivables	8,829	-	-	-	-	359	9,188	
Interest receivables	21,715	-	-	-	-	-	21,715	
Policy loans	69,825	-	-	-	-	-	69,825	
Term deposits	204,517	-	-	-	-	-	204,517	
Available-for-sale debt investments	290,852	-	-	-	-	7,267	298,119	
Held-to-maturity financial assets	514,136	-	-	-	-	114	514,250	
Investments classified as loans and receivables	396,222	-	-	-	-	1,048	397,270	
Restricted statutory deposits	7,290	-	-	-	-	-	7,290	
Others	11,531	-	-	1	1	77	11,609	
Total	1,615,709	-	-	1	1	10,033	1,625,743	

	31 December 2021							
	Not due and not impaired	Past due but not impaired				Total past due but not impaired	Financial assets with impairment considered	Total
		Within 30 days	31 to 90 days	More than 90 days				
Cash at bank and on hand	32,545	-	-	-	-	-	32,545	
Debt investments at fair value through profit or loss	1,996	-	-	-	-	-	1,996	
Securities purchased under agreements to resell	13,432	-	-	-	-	-	13,432	
Premium receivables	22,839	-	-	-	-	2,964	25,803	
Reinsurance receivables	10,909	-	-	-	-	182	11,091	
Interest receivables	20,427	-	-	-	-	-	20,427	
Policy loans	66,950	-	-	-	-	-	66,950	
Term deposits	196,519	-	-	-	-	-	196,519	
Available-for-sale debt investments	289,559	-	-	-	-	5,705	295,264	
Held-to-maturity financial assets	396,135	-	-	-	-	293	396,428	
Investments classified as loans and receivables	406,110	-	-	-	-	166	406,276	
Restricted statutory deposits	7,428	-	-	-	-	-	7,428	
Others	12,428	-	-	-	-	168	12,596	
Total	1,477,277	-	-	-	-	9,478	1,486,755	

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(All amounts expressed in RMB million unless otherwise specified)

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 liquidity emergency plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	31 December 2022					Total
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	
Financial assets:						
Cash at bank and on hand	32,425	712	-	-	-	33,137
Financial assets at fair value through profit or loss	-	7,191	2,828	3,822	13,936	27,777
Derivative financial assets	-	197	-	-	-	197
Securities purchased under agreements to resell	-	21,218	-	-	-	21,218
Premium receivables	9,671	15,155	7,432	113	-	32,371
Reinsurance receivables	-	9,398	-	-	-	9,398
Policy loans	-	71,672	-	-	-	71,672
Term deposits	-	79,706	140,228	-	-	219,934
Available-for-sale financial assets	220	54,273	129,096	321,841	406,125	911,555
Held-to-maturity financial assets	-	33,879	108,304	859,015	-	1,001,198
Investments classified as loans and receivables	-	40,430	229,760	229,204	-	499,394
Restricted statutory deposits	-	1,587	6,420	-	-	8,007
Others	1,534	8,430	1,797	2	3	11,766
Sub-total	<u>43,850</u>	<u>343,848</u>	<u>625,865</u>	<u>1,413,997</u>	<u>420,064</u>	<u>2,847,624</u>
	31 December 2022					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Financial liabilities:						
Derivative financial liabilities	-	8	-	-	-	8
Securities sold under agreements to repurchase	-	119,740	-	-	-	119,740
Commission and brokerage payable	961	2,939	728	11	-	4,639
Reinsurance payables	-	7,999	451	-	-	8,450
Claims payable	22,075	-	-	-	-	22,075
Policyholder dividend payable	24,858	-	-	-	-	24,858
Policyholders' deposits and investment contract liabilities	-	13,678	45,596	138,750	-	198,024
Bonds payable	-	5,505	1,198	5,175	-	11,878
Lease liabilities	-	606	1,999	320	-	2,925
Others	1,748	28,019	-	-	-	29,767
Sub-total	<u>49,642</u>	<u>178,494</u>	<u>49,972</u>	<u>144,256</u>	<u>-</u>	<u>422,364</u>
Net amount	<u>(5,792)</u>	<u>165,354</u>	<u>575,893</u>	<u>1,269,741</u>	<u>420,064</u>	<u>2,425,260</u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

As at the balance sheet date, the Group's insurance contract liabilities are listed by maturity date as follows:

	As at 31 December 2022			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserves	60,343	16,907	-	77,250
Claim reserves	57,372	14,065	-	71,437
Life insurance reserves	15,515	52,443	1,190,983	1,258,941
Long-term health insurance reserves	275	538	149,477	150,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 December 2021			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserves	56,251	15,242	-	71,493
Claim reserves	44,080	14,340	-	58,420
Life insurance reserves	31,555	29,048	1,069,019	1,129,622
Long-term health insurance reserves	458	453	124,887	125,798
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	21	17	37	7	82
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 December 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	12	113	327	690	1,142
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities:

	As at 31 December 2022		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	33,134	-	33,134
Financial assets at fair value through profit or loss	20,994	5,566	26,560
Derivative financial assets	197	-	197
Policy loans	69,825	-	69,825
Term deposits	77,215	127,302	204,517
Available-for-sale financial assets	447,168	267,917	715,085
Held-to-maturity financial assets	13,215	501,035	514,250
Investments classified as loans and receivables	21,465	375,805	397,270
Others	9,807	1,802	11,609
Sub-total	<u>693,020</u>	<u>1,279,427</u>	<u>1,972,447</u>
Liabilities:			
Derivative financial liabilities	8	-	8
Securities sold under agreements to repurchase	119,665	-	119,665
Commission and brokerage payable	3,900	739	4,639
Reinsurance payables	8,000	450	8,450
Claims payable	22,075	-	22,075
Policyholder dividend payable	24,858	-	24,858
Unearned premium reserves	60,343	16,907	77,250
Claim reserves	57,372	14,065	71,437
Life insurance reserves	15,515	1,243,426	1,258,941
Long-term health insurance reserves	275	150,015	150,290
Policyholders' deposits and investment contract liabilities	1,050	118,979	120,029
Bonds payable	5,000	4,999	9,999
Lease liabilities	577	2,141	2,718
Others	29,767	-	29,767
Sub-total	<u>348,405</u>	<u>1,551,721</u>	<u>1,900,126</u>

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XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities (continued):

	As at 31 December 2021		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	32,545	-	32,545
Financial assets at fair value through profit or loss	9,206	3,147	12,353
Derivative financial assets	24	235	259
Policy loans	66,950	-	66,950
Term deposits	23,837	172,682	196,519
Available-for-sale financial assets	355,714	289,667	645,381
Held-to-maturity financial assets	8,441	387,987	396,428
Investments classified as loans and receivables	22,662	383,614	406,276
Others	10,811	1,785	12,596
Sub-total	530,190	1,239,117	1,769,307
Liabilities:			
Derivative financial liabilities	1	-	1
Securities sold under agreements to repurchase	73,441	-	73,441
Commission and brokerage payable	2,398	1,297	3,695
Reinsurance payables	7,213	425	7,638
Claims payable	21,526	-	21,526
Policyholder dividend payable	24,176	-	24,176
Unearned premium reserves	56,251	15,242	71,493
Claim reserves	44,080	14,340	58,420
Life insurance reserves	31,555	1,098,067	1,129,622
Long-term health insurance reserves	458	125,340	125,798
Policyholders' deposits and investment contract liabilities	2,562	100,281	102,843
Bonds payable	-	9,995	9,995
Lease liabilities	1,194	1,911	3,105
Others	36,264	-	36,264
Sub-total	301,119	1,366,898	1,668,017

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XIII. RISK MANAGEMENT (continued)

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.

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 matching of assets with liabilities.

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.

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XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

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 shareholder 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 table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

<u>Group</u>	31 December 2022	31 December 2021
Core capital	332,414	496,620
Actual capital	479,073	506,620
Minimum required capital	<u>187,333</u>	<u>190,794</u>
Core solvency margin ratio	177%	260%
Comprehensive solvency margin ratio	<u>256%</u>	<u>266%</u>
	31 December 2022	31 December 2021
<u>CPIC Property</u>		
Core capital	45,266	47,808
Actual capital	55,154	57,808
Minimum required capital	<u>27,246</u>	<u>20,072</u>
Core solvency margin ratio	166%	238%
Comprehensive solvency margin ratio	<u>202%</u>	<u>288%</u>
	31 December 2022	31 December 2021
<u>CPIC Life</u>		
Core capital	207,848	368,570
Actual capital	344,222	368,570
Minimum required capital	<u>157,802</u>	<u>168,912</u>
Core solvency margin ratio	132%	218%
Comprehensive solvency margin ratio	<u>218%</u>	<u>218%</u>

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XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

	31 December 2022	31 December 2021
<u>CPIC Health</u>		
Core capital	3,089	1,286
Actual capital	3,225	1,286
Minimum required capital	<u>1,216</u>	<u>934</u>
Core solvency margin ratio	254%	138%
Comprehensive solvency margin ratio	<u>265%</u>	<u>138%</u>
	31 December 2022	31 December 2021
<u>PAAIC</u>		
Core capital	2,759	2,863
Actual capital	3,020	2,863
Minimum required capital	<u>818</u>	<u>673</u>
Core solvency margin ratio	337%	425%
Comprehensive solvency margin ratio	<u>369%</u>	<u>425%</u>

Note: On 30 December 2021, the CBIRC promulgated the “Regulations on Solvency of Insurance Companies (II)” (the “C-ROSS Phase II”), effective from 1 January 2022. The solvency data as of 31 December 2022 reflected the result under the C-ROSS Phase II and the solvency data as of 31 December 2021 reflected the result under the original solvency regulatory rules.

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(All amounts expressed in RMB million unless otherwise specified)

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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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XIV. STRUCTURED ENTITIES (continued)

As at 31 December 2022, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2022				
	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 the Group	328,984	-	-	-	Management fee
Insurance asset management products managed by the Group	417,617	148,730	148,530	147,868	Investment income and management fee
Securities investment funds managed by the Group	51,761	8,141	7,806	7,806	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	180,961	183,846	183,523	Investment income
Trust products managed by third parties	Note 1	118,964	118,555	118,341	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	9,006	9,097	9,092	Investment income
Securities investment funds managed by third parties	Note 1	63,724	60,546	60,546	Investment income
Total		<u>529,526</u>	<u>528,380</u>	<u>527,176</u>	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities was 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, and debt investment plans and wealth management products under investments classified as loans and receivables.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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 value of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 34).

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.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	514,250	557,800	396,428	433,415
Investments classified as loans and receivables	397,270	400,272	406,276	406,311
Financial liabilities:				
Bonds payable	9,999	10,382	9,995	11,037

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.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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 prices 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.

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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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. Determination to classify fair value measures within Level 3 of the valuation hierarchy is 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:

	31 December 2022			
	Level 1	Level 2	Level 3	Total fair value
<u>Assets measured at fair value</u>				
<u>Financial assets at fair value through profit or loss</u>				
- Stocks	9	-	-	9
- Funds	474	3,251	-	3,725
- Bonds	3,394	3,084	-	6,478
- Others	-	6,502	9,846	16,348
	<u>3,877</u>	<u>12,837</u>	<u>9,846</u>	<u>26,560</u>
<u>Available-for-sale financial assets</u>				
- Stocks	170,204	3	11,966	182,173
- Funds	74,314	8,846	-	83,160
- Bonds	1,572	288,132	5,022	294,726
- Others	85	39,094	115,847	155,026
	<u>246,175</u>	<u>336,075</u>	<u>132,835</u>	<u>715,085</u>
Derivative financial assets	-	197	-	197
<u>Liabilities measured at fair value</u>				
Derivative financial liabilities	-	8	-	8
<u>Assets for which fair values are disclosed</u>				
<u>Held-to-maturity financial assets</u>				
(Note XV)	160	557,640	-	557,800
<u>Investments classified as loans and receivables</u>				
(Note XV)	-	-	400,272	400,272
Investment properties (Note VII 14)	-	-	16,100	16,100
<u>Liabilities for which fair values are disclosed</u>				
<u>(Note XV)</u>				
Bonds payable	-	-	10,382	10,382

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XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2021			Total fair value
	Level 1	Level 2	Level 3	
<u>Assets measured at fair value</u>				
<u>Financial assets at fair value through profit or loss</u>				
- Stocks	19	-	-	19
- Funds	210	61	-	271
- Bonds	1,536	429	-	1,965
- Others	-	404	9,694	10,098
	<u>1,765</u>	<u>894</u>	<u>9,694</u>	<u>12,353</u>
<u>Available-for-sale financial assets</u>				
- Stocks	149,050	-	5,286	154,336
- Funds	41,739	31,162	-	72,901
- Bonds	21,477	267,473	2,076	291,026
- Others	-	16,884	110,234	127,118
	<u>212,266</u>	<u>315,519</u>	<u>117,596</u>	<u>645,381</u>
Derivative financial assets	-	259	-	259
<u>Liabilities measured at fair value</u>				
Derivative financial liabilities	-	1	-	1
<u>Assets for which fair values are disclosed</u>				
<u>Held-to-maturity financial assets (Note XV)</u>				
	5,988	427,427	-	433,415
Investments classified as loans and receivables (Note XV)	-	2,034	404,277	406,311
Investment properties (Note VII 14)	-	-	11,538	11,538
<u>Liabilities for which fair values are disclosed (Note XV)</u>				
Bonds payable	-	-	11,037	11,037

In 2022, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2022, the Group transferred the bonds with a carrying amount of approximately RMB 22,545 million from Level 1 to Level 2 and no bond was transferred from Level 2 to Level 1. In 2021, the Group transferred the bonds with a carrying amount of approximately RMB 3,871 million from Level 1 to Level 2 and approximately RMB 10,867 million from Level 2 to Level 1.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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 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 parameters as unobservable inputs to the model, and the major parameters include discount rate from 4.28% to 8.23%, 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

The Group does not have significant post balance sheet events.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT

1. Directors' and supervisors' remuneration

<u>(in RMB thousand)</u>	2022	2021
Fees	1,350	1,238
Other remuneration		
- Salaries, allowances and other short-term benefits	5,852	5,487
- Contributions to defined contribution plans	1,431	1,268
- Deferred bonus (Note)	-	-
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
Sub-total	7,283	6,755
Total	8,633	7,993

Note: In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

(1) Independent non-executive directors

Included in the fees is an amount of RMB 1,350 thousand paid to independent non-executive directors for the year ended 31 December 2022 (2021: RMB 1,238 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2022.

<u>(in RMB thousand)</u>	<u>2022</u>					<u>Total</u>
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan	350	-	-	-	-	350
WOO Ka Bui, Jackson	300	-	-	-	-	300
	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(1) Independent non-executive directors (continued)

(in RMB thousand)	2021					Total
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan ¹	313	-	-	-	-	313
WOO Ka Biu, Jackson ²	225	-	-	-	-	225
	1,238	-	-	-	-	1,238

¹ Independent non-executive director since January 2021.

² Independent non-executive director since March 2021.

(2) Executive directors and non-executive directors

(in RMB thousand)	2022					Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking		
Executive directors:						
KONG Qingwei ¹	-	973	360	-	1,333	
FU Fan ²	-	1,129	360	-	1,489	
Non-executive directors:						
HUANG Dinan	-	-	-	-	-	
CHEN Ran	-	300	-	-	300	
WU Junhao	-	-	-	-	-	
WANG Tayu	-	300	-	-	300	
ZHOU Donghui	-	-	-	-	-	
LIANG Hong ³	-	-	-	-	-	
John Robert Dacey	-	-	-	-	-	
LU Qiaoling	-	300	-	-	300	
	-	3,002	720	-	3,722	

¹ The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

² The final amount of remuneration of Mr. FU Fan is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

³ In September 2022, due to work change, Ms. LIANG Hong ceased to serve as non-executive director of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors (continued)

(in RMB thousand)	2021				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei	-	857	317	-	1,174
FU Fan	-	1,186	317	-	1,503
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
CHEN Ran ¹	-	275	-	-	275
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
ZHOU Donghui ¹	-	-	-	-	-
LIANG Hong ²	-	-	-	-	-
John Robert Dacey ³	-	-	-	-	-
LU Qiaoling ³	-	225	-	-	225
	-	2,843	634	-	3,477

¹ Non-executive director since January 2021.

² Non-executive director since February 2021.

³ Non-executive director since March 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors (continued)

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong and Mr. John Robert Dacey, the non-executive director, waived remuneration during 2022 (2021: HUANG Dinan, WU Junhao, ZHOU Donghui, LIANG Hong and John Robert Dacey), Mr. CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2022 (2021: CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr. John Robert Dacey and Mr. CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2022.

(3) Supervisors

(in RMB thousand)	2022				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	-
JI Zhengrong ¹	-	879	360	-	1,239
LU Ning	-	-	-	-	-
GU Qiang	-	1,971	351	-	2,322
	-	2,850	711	-	3,561

¹ The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(3) Supervisors (continued)

(in RMB thousand)	2021				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	-
JI Zhengrong	-	720	317	-	1,037
LU Ning	-	-	-	-	-
GU Qiang ¹	-	1,924	317	-	2,241
	-	2,644	634	-	3,278

¹ Supervisor since January 2021.

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB 300,000 (before tax) per year. Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, had waived remuneration during 2022. Except for Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2022 (2021: ZHU Yonghong, LU Ning).

(4) Directors' retirement benefits

There were no retirement benefits paid to directors during 2022 and 2021.

(5) Directors' termination benefits

There were no termination benefits paid to directors during 2022 and 2021.

(6) Consideration provided to third parties for making available directors' services

There were no payments to third parties for making available directors' services during 2022 and 2021.

(7) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2022 and 2021.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022***(All amounts expressed in RMB million unless otherwise specified)***XVIII. OTHER IMPORTANT EVENT (continued)**

1. Directors' and supervisors' remuneration (continued)

(8) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

2. Five highest paid individuals

The five individuals whose remuneration were the highest for the year ended 31 December 2022 in the Group include no director (2021: no director) whose emoluments were reflected in the analysis presented in Note XVIII 1.

The number of non-directors, highest paid individuals whose remuneration fell within the following bands is set out below:

	<u>2022</u>	<u>2021</u>
HKD 5,500,001 to HKD 6,000,000	-	-
HKD 6,000,001 to HKD 6,500,000	1	2
HKD 6,500,001 to HKD 7,000,000	1	1
HKD 7,000,001 to HKD 7,500,000	1	-
HKD 7,500,001 to HKD 8,000,000	-	-
HKD 8,000,001 to HKD 8,500,000	-	-
HKD 8,500,001 to HKD 9,000,000	-	-
HKD 9,000,001 to HKD 9,500,000	-	1
HKD 9,500,001 to HKD 10,000,000	-	-
HKD 10,000,001 to HKD 10,500,000	1	-
HKD 10,500,001 to HKD 11,000,000	-	-
HKD 11,000,001 to HKD 11,500,000	-	-
HKD 11,500,001 to HKD 12,000,000	-	-
HKD 12,000,001 to HKD 12,500,000	-	-
HKD 12,500,001 to HKD 13,000,000	-	-
HKD 13,000,001 to HKD 13,500,000	1	1
Total	<u>5</u>	<u>5</u>

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	<u>2022</u>	<u>2021</u>
Salaries, allowances and other short-term benefits	19,118	13,669
Discretionary bonuses	18,468	19,684
Contributions to defined contribution plans	2,204	1,713
	<u>39,790</u>	<u>35,066</u>
The number of non-director individuals for the above remuneration	<u>5</u>	<u>5</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

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 24 March 2023.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2022		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	10.8%	2.56	2.56
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	10.8%	2.55	2.55

The Company had no dilutive potential ordinary shares in 2022.

	2021		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	12.2%	2.79	2.79
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	12.1%	2.78	2.78

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	2022	2021
Net profit attributable to shareholders of the parent	24,609	26,834
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(196)	(206)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(24)	(10)
Custody fees of entrusted operation	(55)	(71)
Other net non-operating income and expenses other than aforesaid items	125	94
Effect of income tax relating to non-recurring profit or loss	45	57
Net profit less non-recurring gains	24,504	26,698
Less: Net non-recurring profit or loss attributable to non-controlling interests	1	1
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	24,505	26,699