中国太平洋保险
China Pacific Insurance

2023 Interim Report

（Stock Code: 02601）

中國太平洋保險(集團)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)

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Cautionary Statements:

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

Important information

I. The Company's 2023 Interim Report was considered and approved at the 27th session of the 9th Board of Directors on 25 August 2023, which 14 Directors were required to attend and 13 of them attended in person. Due to other business engagements, director John Robert DACEY did not attend the board meeting and appointed in writing chairman KONG Qingwei to attend the meeting and vote on his behalf.

II. The 2023 Interim Financial Report of the Company has not been audited.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

BOARD OF DIRECTORS

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Corporate information

Legal Name in Chinese:
中国太平洋保险(集团)股份有限公司("中国太保")

Legal Name in English:
CHINA PACIFIC INSURANCE (GROUP) CO., LTD. ("CPIC")

Legal Representative: KONG Qingwei

Board Secretary and Joint Company Secretary: SU Shaojun

Securities Representative: PAN Feng

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Postal Code: 200010

Place of Business in Hong Kong:
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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

H Share Registrar:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Stock Exchange for GDR Listing: London Stock Exchange

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

Trading symbol for GDR: CPIC

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

Office address: Level 17, 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 17, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave. Dongcheng District, Beijing, PR China

Accountant (GDR): Ernst&Young Hua Ming LLP

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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., 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"	Former China Banking and Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"NAFR"	National Administration of Financial Regulation
"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
"New Accounting Standards"	The Accounting Standard for Business Enterprises Nos. 22, 23, 24, 37 and 25 promulgated and revised by the Ministry of Finance of the People's Republic of China in 2017 and 2020 sequentially.
"HKFRS"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
"Articles of Association"	The articles of association of China Pacific Insurance (Group) Co., Ltd.
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code for Securities Transactions"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Substantial Shareholder"	Has the meaning given to it under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being a person who has an interest in the relevant share capital of the Company, the nominal value of which is equal to or more than 5% of the nominal value of the relevant share capital of the Company
"GDR"	Global depositary receipts
"ESG"	Environmental, Social and Governance
"RMB"	Renminbi
"pt"	Percentage point

Key indicators

Unit: RMB million

Group operating income
175,539 +6.5%

Insurance revenue – CPIC Life
42,865 -6.5%

Insurance revenue – CPIC P/C
89,320 +15.1%

Group OPAT attributable to shareholders of the parent note 2
21,537 +2.5%

Group embedded value
537,114 +3.4%

Group net profit attributable to shareholders of the parent note 2
18,332 -8.7%

Group comprehensive solvency margin ratio
240% -16pt

CPIC Life 197% -21pt
CPIC P/C 198% -4pt

NBV of life business
7,361 +31.5%

NBV margin of life business
13.4% +2.7pt

Group comprehensive investment yield note 3
2.1% +0.6pt

Group total investment yield note 3
2.0% -0.1pt

Group net investment yield note 3
2.0% -0.1pt

Group AuM note 2
2,836,924 +6.9%

Underwriting combined ratio of P/C business note 1
97.9% +0.6pt

Group number of customers ('000)
170,608 +81

Notes:

1. Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.
2. Figures for the same period of the previous year were restated.
3. Net/total investment yield, or comprehensive investment yield was not annualised.

Key performance indicators

Unit: RMB million

Indicators	As at 30 June 2023 /for the period between January and June in 2023	As at 31 December 2022 /for the period between January and June in 2022	Changes (%)
Key value indicators			
Group embedded value	537,114	519,621	3.4
Value of in-force business[note 1]	224,763	221,479	1.5
Group net assets[note 2,3]	242,990	196,477	23.7
NBV of CPIC Life	7,361	5,596	31.5
NBV margin of CPIC Life (%)	13.4	10.7	2.7pt
Underwriting combined ratio of CPIC P/C (%)	97.9	97.3	0.6pt
Comprehensive investment yield (%)[note 4]	2.1	1.5	0.6pt
Key operating indicators			
Insurance revenue	134,064	124,834	7.4
CPIC Life	42,865	45,857	(6.5)
CPIC P/C	89,320	77,596	15.1
Group number of customers ('000)[note 5]	170,608	170,527	-
Average number of insurance policies per customer	2.35	2.29	2.6
Monthly average agent number ('000)	219	312	(29.8)
Surrender rate of CPIC Life (%)	0.8	0.8	-
Total investment yield (%)[note 4]	2.0	2.1	(0.1pt)
Net investment yield (%)[note 4]	2.0	2.1	(0.1pt)
Third-party AuM	718,269	697,947	2.9
CPIC AMC	268,957	272,412	(1.3)
Changjiang Pension	363,890	354,349	2.7
Key financial indicators			
Net profit attributable to shareholders of the parent[note 2]	18,332	20,074	(8.7)
CPIC Life[note 2]	14,023	16,021	(12.5)
CPIC P/C[note 2]	4,041	4,200	(3.8)
Basic earnings per share (RMB)[note 2, 3]	1.91	2.09	(8.7)
Net assets per share (RMB)[note 2,3]	25.26	20.42	23.7
Comprehensive solvency margin ratio (%)			
CPIC Group	240	256	(16pt)
CPIC Life	197	218	(21pt)
CPIC P/C	198	202	(4pt)

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Figures for comparative periods were restated.
3. Attributable to shareholders of the parent.
4. Net/total investment yield, or comprehensive investment yield was not annualised.
5. The Group number of customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

Core competitiveness

We are a leading integrated insurance group in China, ranking 192nd among Fortune Global 500 released in 2023. We are committed to value growth and long-termism, stay focused on the core business of insurance, pursue reform and innovation in key areas and levers, and strive for continued progress in high-quality development. We have achieved steady growth of business results, stable market position, sustained improvement of overall strength, with increased contribution to real economic and social livelihood in China.

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 multiple business segments along the insurance value chain, we continuously enhance capabilities in specialised insurance business operation. Our life/health insurance, based on profound understanding of inherent development patterns of the business, focuses on the long-termism, deepens the Changhang Transformation to put in place a more diversified channel mix with the agency channel at the core. It rolls out projects of Career-based Agency Force and Value-oriented Bancassurance in an orderly manner, persists in customer orientation, strives for a system of products and services centring on the Golden Triangle of health/protection, retirement provision and wealth management, steps up integration of insurance and services, in a bid to drive the shift of development mode and diversify avenues of value creation. The property and casualty insurance is committed to serve the New Development Pattern. Automobile insurance business focuses on enhancement of market-based pricing capabilities and targeted business management, with an innovative, specialised business model of new energy vehicles; non-auto business centres on serving the real economy, people's well-being and social governance, steps up sannong (agriculture, rural areas and farmers) insurance, accelerates innovations in green insurance; promotes digitalisation via application of insurance technologies, enhances risk selection, continuously strengthens capabilities for high-quality development. As for investment, we adhere to prudent, value, long-term and responsible investing, optimise asset liability management (ALM) mechanisms, strengthen investment research capabilities, set up a sustainable investment management system, 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 continuously improve the corporate governance structure with legal entities shouldering the primary responsibility. We boast modernised corporate governance mechanisms featuring good coordination and checks and balances, with the Board of Directors, the Board of Supervisors, the Shareholders' General Meeting and the senior management each performing its duties, based on rules and policies defining their respective roles and responsibilities. We put in place a risk management system covering risk governance, risk strategies and management of major risk categories, continue to enhance effectiveness of integrated, digital and intelligent compliance management and internal control, improve the Group risk control systems to ensure sustainable and healthy development of the Company. In response to the adoption of New Accounting Standards, we strive to build an integrated financial and actuarial data management system, step up targeted management and forward-looking analytics, so as to enhance capabilities in prudent business operation, compliance and risk management.

Innovation

We persist in customer orientation and forge ahead with transformation in a bid to foster new drivers for high-quality development. Deployment in health care focuses on insurance payment, service empowerment, and investment projects in the industry fund and CPIC Blue. We unveiled the "352" Health Care Strategy Road-map, with steady progress in managed care products and product development for key customer segments, continued to roll out service programmes such as CPIC Home, CPIC Family Doctor, CPIC Rehab and CPIC Juvenile Health Promotion, with the establishment of an "insurance protection + health management" operational system. Our strategy in technology field centres on DiTP for Digital and Smart CPIC, with the formation of "3 data centres in two places", and a new corporate cloud with multiple cores. We rolled out Digital CPIC Employee, a smart app based on large-scale AI models, made steady progress in data governance and cyber-security. As for the strategy for integrated regional development, we adopt a differentiated approach, one with our own characteristics, in key regions and cities, focusing on insurance supply, customer relations management (CRM) and regional coordinated development, which aims to foster new growth drivers for the Company.

Responsibility

Committed to our responsibility to employees, customers, shareholders and the society, we strive for a "winning-for-all" outcome. We adhere to customer orientation, improve systems for consumer protection, put in place mechanisms for "closed-loop" management of customer experience, with increasing visibility of the brand of "Responsible, Smart and Caring" CPIC Service. We vigorously participate in national initiatives, continuously step up study of risks surrounding new technologies so as to play our part in insurance risk reduction; consolidate achievements of Fang Pin Bao in poverty alleviation to support Rural Invigoration; vigorously promote inclusive insurance, with involvement in medical insurance for major diseases and long-term care to contribute to China's multi-tiered social security system; push for innovation in green insurance, including innovative insurance products and services for new energy vehicles, initiate carbon accounting and the building of the carbon footprint management platform to help with green, low-carbon social transitioning. To promote public welfare, we conduct charitable activities as part of our branding efforts, such as CPIC Blue Cognitive Health Experience, showing care for the vulnerable and underprivileged communities. At the same time, we are committed 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 13th consecutive year, ranking 192nd.
- CPIC Group ranked 5th among the World's 100 Most Valuable Insurance Brands in 2023, as released by Brand Finance.
- CPIC P/C and CPIC Life won the "Golden Wealth Management" Annual Fintech Construction Award and the "Golden Wealth Management" Annual Insurance Protection Brand Award respectively in the 13th "Golden Wealth Management" Annual Awards sponsored by the Shanghai Securities News.
- CPIC P/C won the "2023 China Insurance Company Ark Award for Value-based Transformation" granted by the Securities Times.
- CPIC Life won the Company of the Year award in financial brand innovation granted by China Banking and Insurance Media Company for launching its ‘Xin’ service brand.
- CPIC AMC won the "Outstanding Insurance Asset Management Brand Award" in the "14th Fund and Wealth Management - Jiefu Award" organised by caishiv.com, and the company's "Pacific Premier Wealth Preferred 50 Fund-type Product", "Premier Wealth Dividend Value Equity-type Product" and "Pacific Premier Horizon 2" were awarded the "Outstanding Insurance Asset Management FOF Product", "Outstanding Equity-type Insurance Asset Management Product", "Outstanding Fixed-Income-type Insurance Asset Management Product", respectively.
- CPIC Health was granted the Medical Insurance Product of the Year award in the 2022-2023 Annual Insurance Product Selection Event organised by China Banking Insurance Media Company.
- Changjiang Pension won the "China, Best Occupational Annuity Manager” award, the “China, Fintech Innovation in Pensions” award, and the "China, Best Enterprise Annuity Scheme - Golden Sunshine Collective Enterprise Annuity Scheme” award in the "2023 Best of the Best Awards” held by the Asia Asset Management magazine.

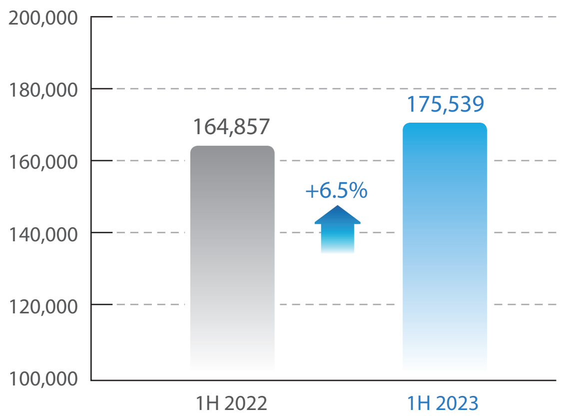
Letter from the Chairman to Shareholders

Dear Shareholders:

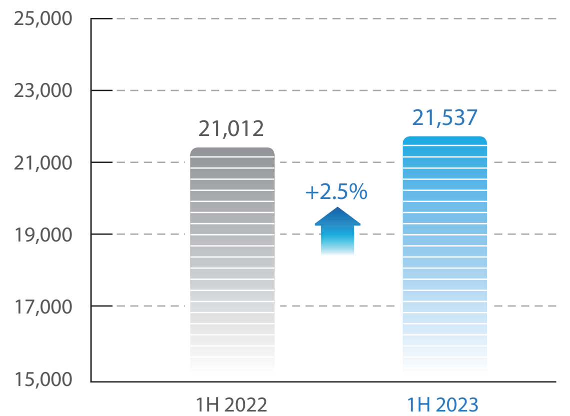
In the first half of 2023, we pressed ahead with transformation, increased the sense of urgency and responsibility for development, and continued to boost high-quality development in response to a confluence of new circumstances such as changing market environment, industry transitioning and higher requirements for corporate governance. Since the beginning of the year, China's social and economic recovery has been proceeding amid twists and turns. As things normalise, insurance companies in China are more resolute in the return to risk protection as the central insurance value proposition so that they could play a more important part in China's development, especially with the enhancement of China's financial regulatory system. That created a favourable environment for more rational market competitions and better customer service.

With the concerted effort of all CPIC employees, we delivered a solid set of business results in an environment of great uncertainty, which further cemented the foundation of high-quality development. These hard-won achievements would have been impossible without the hard work and dedication of all our staff. I'd like to express my sincere thanks to all my colleagues and sales agents.

Group operating income[note 1] Unit: RMB million



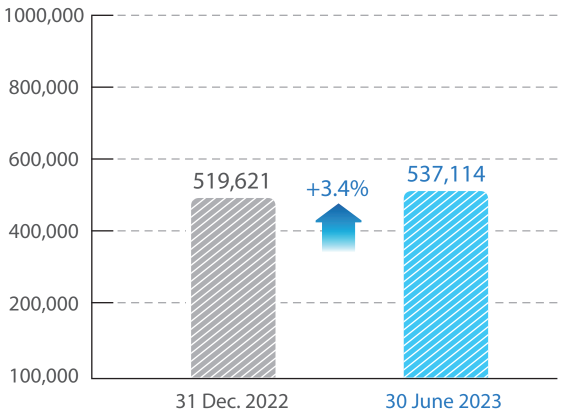
Group OPAT[note 1,2] Unit: RMB million



We put stability first, pursued a balanced business mix and optimised asset liability management, which paved the way for stable and solid business performance. During the first half of the year, Group operating income under the New Accounting Standards amounted to RMB175.539 billion, a growth of 6.5% year-on-year; Group OPAT attributable to shareholders of the parent reached RMB21.537 billion, up by 2.5% from the same period of 2022; Group EV amounted to RMB537.114 billion, rising 3.4% from the end of 2022. On the side of liabilities, in the face of cyclical shifts of the insurance market in recent years, we coordinated transformation and development, with substantial progress in both P/C and life insurance business, and strong momentum in both volume and value, pointing to breakthroughs in our transformation. During the reporting period, CPIC Life recorded an NBV growth of 31.5%, with NBV margin rising by 2.7pt year-on-year; CPIC P/C delivered a record primary insurance premiums, exceeding the mark of RMB100 billion, with sustained increase in market share and healthy levels of underwriting profitability. As for asset management,

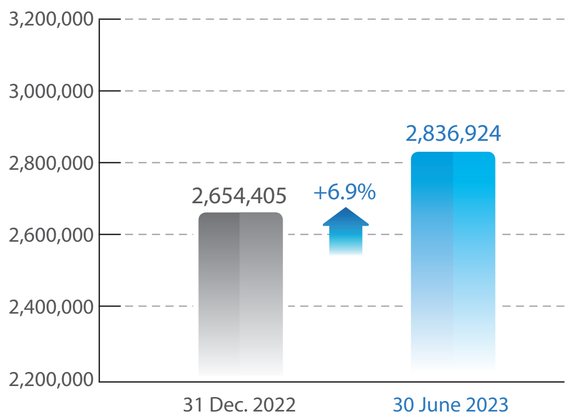
Group EV[note 1]

Unit: RMB million



Group AuM[note 1]

Unit: RMB million



we stood the test of market volatility at different times, with AuM on steady increase. As of the end of June 2023, Group AuM totalled RMB2.84 trillion, a growth of 6.9% from the end of 2022, with credit risk under effective control. We optimised ALM mechanisms, maintained leadership in liability-driven SAA and professional investment expertise, and reported solid investment results, which underpinned the Group overall business performance. Given consistently sound operational performance over the years, we obtained high scores for consecutive years in SARMRA assessment and regulatory corporate governance evaluation for insurance group companies, which also won recognition of the regulator.

We translated declarations into deeds, continued to deepen deployment in health care, in a bid to provide more professional and better care service to our customers, which can also lend a strong support to sales agents. In the first half of 2023, we unveiled the "352" Health Care Roadmap, which seeks to build an all-scenario health care and retirement system covering healthy people, people with prior conditions, those in rehab and the elderly, underpinned by insurance payment, service empowerment and value chain building, which would enable us to provide high-quality, integrated service to customers throughout their life cycle. We focused on needs of niche customer segments, i.e., the elderly and the youth, and launched specialised care service; CPIC Home retirement communities have finished nation-wide deployment; we inaugurated the Shanghai Experience Pavilion of Youths and Teenagers Health Promotion Centre, and launched the service programme of CPIC Juvenile Health Promotion. CPIC Blue, a charitable fund, established a brick-and-mortar Cerebral Health & Cognitive Centre, the first such facility by a Chinese insurer, promoting public good via professional expertise. The building of top-notch service systems and capabilities significantly added to our CPIC Service branding. It is well-known that CPIC is an official sponsor of Hangzhou Asian Games. CPIC P/C and CPIC Life both won the top ranking at the 2022 regulatory evaluation of consumer protection, which was well-received by the general public.

We embraced innovation and change via transformation, leveraged new mechanisms, new technologies and new models to improve productivity and efficiency, fostered new drivers for high-quality development. CPIC Life rolled out Phase II of the Changhang Transformation, with marked improvement in agency force productivity and increased value contribution of bancassurance. CPIC P/C continued to step up study of risks of new technologies, innovated the specialised business model for new energy vehicles, enhanced risk reduction management, and served industrial upgrading. CPIC Group issued an updated version of DiTP planning, a blueprint of digitalisation in the next 3 years. We intensified the effort to explore application of large-scaled AI modelling, and the first CPIC Digital Employee went operational in internal audit, marking a milestone of labour digitalisation. We proceeded steadily with innovations of mechanisms for key regional integration, establishing the sharing platform of technology and investment in the Greater Bay Area, with improvement in both business development and innovation capabilities. In ESG, We focused on ESG management systems and capacity-building, incorporating ESG factors into business management of the Company. We seized opportunities arising from the "dual-carbon" strategy, accelerated innovation in products and services for green industries and technologies, and enhanced the supply of green finance. We also initiated the measurement and management platform centring on carbon emissions, launched pilot programmes of Tan Puhui system (personal carbon account) for employees and customers, explored the low-carbon operational model for financial services firms, and contributed to the agenda of social green, low-carbon transitioning.

We've always been aware of the need to align our strategies and actions with the overall long-term trends of our times, which is vital for long-term, healthy development of a business enterprise. We feel excited about the great development prospects of the insurance industry as China advances the modernisation agenda with its own characteristics. On the other hand, we are also conscious of the challenges of a complicated environment. Industry transformation remains an uphill struggle, and the process will be fraught with uncertainties. We believe that an environment full of uncertainty is a good litmus test of our business philosophy and strategy. At such times, it's all the more important for us to stay confident and patient, move forward toward the right direction in response to trends of our times and needs of our customers. In such a way can we translate achievements of transformation into tangible gains in productivity, which would enable us to better serve our country and create a better life for our people, and in particular to contribute to the high-quality development of China's insurance market.

Going forward, under the guidance of the New Development Philosophy, CPIC will accelerate capacity-building, persist in value creation, adhere to customer-oriented business operation, stay focused on long-termism, step up technology empowerment to boost drivers of development, promote collaboration and synergy to unlock potential, and strengthen risk management to secure achievements. We will work even harder towards the direction of industry leadership for high-quality development, and will never slacken in our effort until the day when the vision of high-quality development becomes a reality.

Notes:

1. Figures for comparative periods were restated.
2. Attributable to shareholders of the parent.

KONG Qingwei
Chairman of the Board of Directors
CPIC Group

Operating results

1

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

Unit: RMB million

Key accounting data	For the six months ended 30 June 2023	For the six months ended 30 June 2022		Compared with the six months ended 30 June2022 (%)
		Unadjusted	Adjusted[note 2]	
Operating income	175,539	255,114	164,857	6.5
Profit before tax	22,956	14,636	23,812	(3.6)
Net profit[note 1]	18,332	13,301	20,074	(8.7)
Net profit net of non-recurring profit or loss[note 1]	18,217	13,260	20,033	(9.1)
Net cash flows from operating activities	85,259	88,855	88,914	(4.1)
	30 June 2023	31 December 2022		Changes (%)
		Unadjusted	Adjusted[note 2]	
Total assets	2,202,813	2,176,299	2,071,336	6.3
Equity[note 1]	242,990	228,446	196,477	23.7

Notes:

1. Attributable to shareholders of the parent.
2. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

Unit: RMB

Key accounting indicators	For the six months ended 30 June 2023	For the six months ended 30 June 2022		Compared with the six months ended 30 June 2022 (%)
		Unadjusted	Adjusted[note 3]	
Basic earnings per share[note 1]	1.91	1.38	2.09	(8.7)
Basic earnings per share net of non-recurring profit or loss[note 1]	1.89	1.38	2.08	(9.1)
Diluted earnings per share[note 1]	1.91	1.38	2.09	(8.7)
Weighted average return on equity (%)[note 1]	7.6	5.7	10.1	(2.5pt)
Weighted average return on equity net of non-recurring profit or loss (%)[note 1]	7.6	5.7	10.1	(2.5pt)
Net cash flows per share from operating activities[note 2]	8.86	9.24	9.24	(4.1)
	30 June 2023	31 December 2022		Changes (%)
		Unadjusted	Adjusted[note 3]	
Net assets per share[note 1]	25.26	23.75	20.42	23.7

Notes:

1. Attributable to shareholders of the parent.
2. Calculated by the weighted average number of ordinary shares in issue.
3. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

2
Non-recurring items

Unit: RMB million

Non-recurring items	For the six months ended 30 June 2023
Gains on disposal of non-current assets	1
Government grants recognised in current profit or loss	176
Custody fees of entrusted operation	27
Other net non-operating income and expenses other than aforesaid items	(45)
Effect of income tax relating to non-recurring profit or loss	(43)
Net non-recurring profit or loss attributable to non-controlling interests	(1)
Total	115

Note: As the Group is 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) and investment income, etc. from hold or disposal of financial investment, etc.

3

Other key financial and regulatory indicators

Unit: RMB million

Indicators	30 June 2023/ January to June 2023	31 December 2022 (Adjusted) note 5/ January to June 2022 (Adjusted) note 5
The Group		
Investment assets note 1	2,118,655	1,956,458
Investment yield (%) note 2	2.0	2.1
Insurance revenue	134,064	124,834
Insurance service expenses	114,898	105,383
Insurance contract assets	322	305
Insurance contract liabilities	1,802,270	1,664,848
Liabilities for incurred claims	100,461	95,768
Liabilities for remaining coverage	1,701,809	1,569,080
Reinsurance contract assets	35,023	33,205
Reinsurance contract liabilities	814	809
CPIC Life		
Contractual service margin of insurance contracts issued	329,048	326,461
Contractual service margin of the issued insurance contracts initially recognised in the period	7,524	6,305
CPIC P/C		
Underwriting combined ratio (%) note 3	97.9	97.3
Underwriting loss ratio (%) note 4	70.4	69.5

Notes:

1. Investment assets include cash at bank and on hand, etc.
2. Total investment yield (unannualised) = (interest income + investment income + rental income from investment properties + gains/(losses) arising from changes in fair value - impairment losses of financial 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 and do not consider the impact of the fair value change of debt investments at fair value through other comprehensive income.
3. Underwriting combined ratio = (insurance service expenses + insurance finance income or expenses + changes in insurance premium reserves + (allocation of reinsurance premiums paid – recoveries of insurance service expenses from reinsurers - reinsurance finance income or expenses)) / insurance revenue.
4. Underwriting loss ratio = (incurred claims + changes in liability for incurred claims + gains or losses on the onerous contracts + insurance finance income or expenses + changes in insurance premium reserves + (allocation of reinsurance premiums paid - recoveries of insurance service expenses from reinsurers - reinsurance finance income or expenses))/Insurance revenue.
5. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

Review and analysis of operating results

1

Business overview

I. Key businesses

We provide, through our subsidiaries, 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 the first half of 2023, China's insurance market realised a primary premium income of RMB3.21 trillion, up by 12.5% from the same period of 2022. Of this, premiums from life/health insurance companies amounted to RMB2.33 trillion, a growth of 13.8%, and that from property and casualty insurance companies RMB0.88 trillion, up by 9.3%. 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	30 June 2023	31 December 2022 (Adjusted)	Changes (%)	Main reason for the changes
Financial assets at fair value through profit or loss	-	26,560	(100.0)	Adoption of the new financial instruments standards
Interest receivables	-	19,656	(100.0)	
Available-for-sale financial assets	-	715,085	(100.0)	
Held-to-maturity financial assets	-	514,250	(100.0)	
Investments classified as loans and receivables	-	397,270	(100.0)	
Financial Investments: Financial assets at fair value through profit or loss	488,760	-	/	
Financial Investments: Financial assets at amortised cost	86,485	-	/	
Financial Investments: Debt investments at fair value through other comprehensive income	1,180,753	-	/	
Financial Investments: Equity investments at fair value through other comprehensive income	90,271	-	/	

Unit: RMB million

Balance sheet items	30 June 2023	31 December 2022 (Adjusted)	Changes (%)	Main reason for the changes
Deferred income tax assets	5,501	19,661	(72.0)	Decrease in deductible temporary differences
Securities sold under agreements to repurchase	72,357	119,665	(39.5)	Timing difference
Premium received in advance	5,218	17,891	(70.8)	Timing difference
Interest payable	-	469	(100.0)	Adoption of the new financial instruments standards
Bonds payable	15,333	9,999	53.3	Issuing the capital replenishment bond
Commission and brokerage payable	6,098	4,639	31.5	Growth in insurance business and timing difference
Insurance premium reserves	790	316	150.0	Growth in insurance business
Other comprehensive income	10,613	(11,581)	(191.6)	Change in fair value of financial investments at fair value through other comprehensive income

Unit: RMB million

Income statement items	January to June 2023	January to June 2022(Adjusted)	Changes (%)	Main reason for the changes
Interest income	29,320	-	/	Adoption of the new financial instruments standards
Investment income	4,376	38,494	(88.6)	
Gains/(losses) arising from changes in fair value	5,333	(1,065)	(600.8)	Adoption of the new financial instruments standards and market fluctuation
Exchange gains	407	710	(42.7)	Fluctuation of exchange rate
Operating and administrative expenses	(3,631)	(2,706)	34.2	Change in business
Impairment losses on financial assets	(1,183)	-	/	Adoption of the new financial instruments standards
Asset impairment losses	-	(1,059)	(100.0)	
Other comprehensive income/(loss)	4,218	(10,271)	(141.1)	Change in fair value of financial investments at fair value through other comprehensive income due to capital market fluctuation

Note: The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

2

Performance overview

We focused on core business of insurance, remained committed to value growth and long-termism, deepened the customer-oriented strategic transformation, and delivered encouraging overall business results and enhanced comprehensive strength. CPIC Life was committed to the best customer experience on the market, focused on the long-termism, deepened the Changhang Transformation, and achieved balanced business development and steady value growth; CPIC P/C persisted in value growth, pursued targeted business management, continuously enhanced CRM capabilities, with sustained improvement of business quality and mix, and improved capability for sustainable high-quality development; asset management further improved the sustainable ALM system, enhanced professional investment expertise, and reported solid investment results.

I. Performance highlights

During the reporting period, Group operating income amounted to RMB175.539 billion, of which, insurance revenue reached RMB134.064 billion, a growth of 7.4% compared with the same period of 2022. Group net profit[notes 1,2] reached RMB18.332 billion, down by 8.7%, with Group OPAT[notes 1,2,3] of RMB21.537 billion, a growth of 2.5%. Group EV amounted to RMB537.114 billion, an increase of 3.4% from the end of 2022. Of this, Group value of in-force business[note 4] amounted to RMB224.763 billion, up by 1.5%. Life insurance business delivered RMB7.361 billion in new business value (NBV), up by 31.5% from the same period of 2022, with an NBV margin of 13.4%, up by 2.7pt. Property and casualty insurance business[note 5] recorded an underwriting combined ratio of 97.9%, up by 0.6pt. Comprehensive investment yield[note 6] went up by 0.6pt year-on-year to 2.1%. As of the end of the reporting period, Group total number of customers amounted to 171 million.

CPIC Life reported steady written premiums growth in tandem with robust NBV growth

> Written premiums of CPIC Life amounted to RMB169.574 billion, up by 2.5% year-on-year. Of this, new business premiums grew by 4.1%.

> CPIC Life realised RMB7.361 billion in NBV, up by 31.5% from the same period of 2022. NBV margin stood at 13.4%, up by 2.7pt.

> OPAT of life insurance reached RMB16.690 billion, a year-on-year growth of 2.4%; contractual service margin (CSM) amounted to RMB329.048 billion, up by 0.8% from the end of 2022.

> The agency channel deepened career-based restructuring, with considerable improvement in productivity and income of core manpower; bancassurance focused on value growth, with notable improvement in value contribution; business quality management was intensified, with continued optimisation of policy persistency.

Underwriting profitability of property and casualty business[note 5] stayed healthy, with rapid top-line growth

> The underwriting combined ratio was 97.9%, up by 0.6pt from the same period of 2022. Of this, underwriting expense ratio stood at 27.4%, down by 0.3pt, and underwriting loss ratio 70.5%, up by 0.9pt.

> Primary premium income amounted to RMB105.023 billion, a year-on-year increase of 14.3%. Of this, non-auto business grew by 24.1% and accounted for 51.6% of total property and casualty insurance premiums, up by 4.0pt.

> Automobile insurance enhanced CRM capabilities, with improved customer retention; non-auto business achieved improvement in business quality, with emerging business lines such as health insurance, agricultural insurance and liability insurance maintaining strong development.

Persisted in strategic asset allocation based on profiles of liabilities, with solid investment performance

> The share of debt financial assets stood at 72.5%, up by 3.4pt from the beginning of 2023; that of equity financial assets 14.5%, down by 0.3pt, and of this, core equity[note 7] accounted for 11.1% of total investment assets, a decrease of 0.4pt from the beginning of 2023.

> Comprehensive investment yield[note 6] reached 2.1%, up by 0.6pt year-on-year. Total investment yield[note 6] was 2.0%, down by 0.1pt, with net investment yield[note 6] of 2.0%, also down by 0.1pt.

> Group AuM[note 2] amounted to RMB2,836.924 billion, an increase of 6.9% from the end of 2022. Of this, third-party AuM amounted to RMB718.269 billion, an increase of 2.9%.

Notes:

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

II. Key performance indicators

Unit: RMB million

Indicators	As at 30 June 2023 /for the period between January and June in 2023	As at 31 December 2022 /for the period between January and June in 2022	Changes (%)
Key value indicators			
Group embedded value	537,114	519,621	3.4
Value of in-force business[note 1]	224,763	221,479	1.5
Group net assets[note 2,3]	242,990	196,477	23.7
NBV of CPIC Life	7,361	5,596	31.5
NBV margin of CPIC Life (%)	13.4	10.7	2.7pt
Underwriting combined ratio of CPIC P/C (%)	97.9	97.3	0.6pt
Comprehensive investment yield (%)[note 4]	2.1	1.5	0.6pt
Key operating indicators			
Insurance revenue	134,064	124,834	7.4
CPIC Life	42,865	45,857	(6.5)
CPIC P/C	89,320	77,596	15.1
Group number of customers ('000)[note 5]	170,608	170,527	-
Average number of insurance policies per customer	2.35	2.29	2.6
Monthly average agent number ('000)	219	312	(29.8)
Surrender rate of CPIC Life (%)	0.8	0.8	-
Total investment yield (%)[note 4]	2.0	2.1	(0.1pt)
Net investment yield (%)[note 4]	2.0	2.1	(0.1pt)
Third-party AuM	718,269	697,947	2.9
CPIC AMC	268,957	272,412	(1.3)
Changjiang Pension	363,890	354,349	2.7
Key financial indicators			
Net profit attributable to shareholders of the parent[note 2]	18,332	20,074	(8.7)
CPIC Life[note 2]	14,023	16,021	(12.5)
CPIC P/C[note 2]	4,041	4,200	(3.8)
Comprehensive solvency margin ratio (%)			
CPIC Group	240	256	(16pt)
CPIC Life	197	218	(21pt)
CPIC P/C	198	202	(4pt)

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Figures for comparative periods were restated.
3. Attributable to shareholders of the parent.
4. Net/total investment yield, or comprehensive investment yield was not annualised.
5. The Group number of customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

3

Life/health insurance business

CPIC Life delivered steady written premiums growth, with robust NBV growth. It deepened the Changhang Transformation, with strong momentum in business performance. CPIC Health focused on specialised operation, enhanced technology empowerment, persisted in an innovation-driven development mode, and fostered capability of sustainable development.

I. CPIC Life

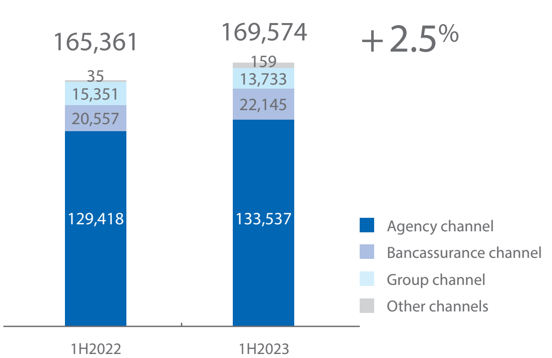
(I) Business analysis

In the first half 2023, China's social and economic development returned to normal in an all-around way. CPIC Life reported RMB169.574 billion in written premiums, an increase of 2.5% year-on-year. Of this, new business premiums grew by 4.1%, and renewed premiums by 1.8%; NBV amounted to RMB7.361 billion, up by 31.5% from the same period of 2022, with NBV margin of 13.4%, up by 2.7pt.

We continue with our transformation, first, CPIC Life deepened career-based agency force restructuring centring on "3 Directions and 5 Mosts", made efforts to build a new model of the agency channel, and strived for a paradigm shift towards upgraded talent development, long-term incentives and CRM. As a result, we delivered stabilisation and recovery of recruitment and retention, steady improvement in agent productivity and income, and marked improvement in business quality; second, we diversified channel mix, focusing on value-oriented bancassurance while vigorously exploring new models of group channel business such as work-site marketing, with increased value contribution from such channels; third, we deepened customer insights, built the customer-driven Golden Triangle "product + service" system, offering customers full life-cycle product and service solutions.

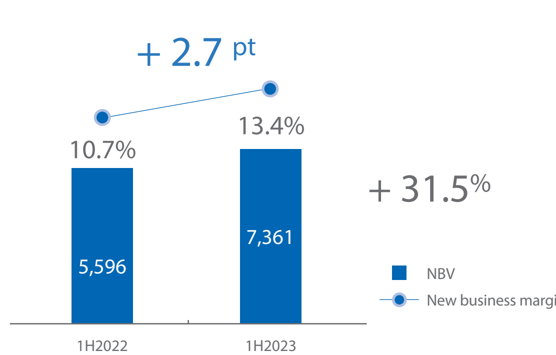
Written premiums of CPIC Life

Unit: RMB million



NBV and new business margin of CPIC Life

Unit: RMB million



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 avenues of value growth.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Written premiums	**169,574**	**165,361**	**2.5**
Agency channel	**133,537**	**129,418**	**3.2**
New policies	22,286	19,049	17.0
Regular premium business	17,506	12,900	35.7
Renewed policies	111,251	110,369	0.8
Bancassurance channel	**22,145**	**20,557**	**7.7**
New policies	20,092	19,554	2.8
Renewed policies	2,053	1,003	104.7
Group channel	**13,733**	**15,351**	**(10.5)**
New policies	13,183	14,898	(11.5)
Renewed policies	550	453	21.4
Other channels[note]	**159**	**35**	**354.3**

Note: Other channels refer to telemarketing & internet sales.

(1) Agency channel

CPIC Life pressed ahead with the restructuring of the agency force centring on “3 Directions and 5 Mosts”. To promote career-based development, it fully leveraged the amended Basic Law to drive changes in 3 behaviours of agents, i.e., professional sales, business operation of manager-level agents and development of new recruits; promoted “normalised” high-quality recruitment and coaching, formalised standardised procedures to build an agent management model integrating recruitment and retention; upgraded the honour system for high-performing agents, with MDRT headcount reaching new highs. To improve professionalism, the subsidiary came up with an integrated solution based on customer segmentation, needs analysis and service matching; deepened integration of products and services, and promoted the sales proposition of “protection for the whole family by product combinations”; built the Xin Xun Ying (meaning training camps under the new model) training system, underpinned by two career advancement paths, namely, planners and entrepreneurs, to enhance agency force capabilities. As for digitalisation, CPIC Life deployed around its Digital Blueprint to empower the integrated digital platform centring on agent activity management.

The subsidiary focused on improving the quality and mix of the agency force, and adopted an integrated approach towards recruitment and retention of core manpower, which ensured steady business growth. During the reporting period, monthly average agent headcount reached 219,000, with a half-year-end headcount of 216,000; monthly average FYP per agent reached RMB16,963, up by 66.1%. Core manpower remained stable, with marked improvement in productivity and income. Monthly average FYP per core agent reached RMB55,478, up by 35.1% and monthly average FYC per core agent RMB7,482, up by 61.8%.

For 6 months ended 30 June	2023	2022	Changes (%)
Monthly average agent number ('000)	219	312	(29.8)
Monthly average performing ratio of agents (%)	69.7	64.0	5.7pt
Monthly average FYP per core agent (RMB)	55,478	41,006	35.1
Monthly average FYC per core agent (RMB)	7,482	4,624	61.8

(2) Bancassurance channel

CPIC Life continued to diversify channel mix, focused on value growth, and persisted in high-quality development of bancassurance. It strived for breakthroughs in channel partnerships, expanded presence in banking outlets, formalised exemplary actions, strengthened basic management, improved team competence, deepened business promotion via products and services, and optimised business operation based on customer segmentation. During the reporting period, it realised RMB22.145 billion in written premiums from the channel, up by 7.7% year-on-year, and of this, regular-pay new business premiums amounted to RMB6.574 billion, a growth of 460.0%. The regular-pay premiums accounted for 32.7% of new policies, up by 26.7pt. NBV from the channel grew by 305.0% from the same period of 2022, with its share of total NBV rising by 12.7pt.

(3) Group channel

CPIC Life vigorously supported China's national strategies, continued to deploy around health care, retirement and social governance, and played an instrumental role in serving China's 3-pillared social security system, supporting the real economy and improving the lot of the people. In terms of transformation, it focused on development of emerging business lines such as work-site marketing, long-term care and urban customised commercial medical insurance, stepped up cultivation of new growth drivers and capacity-building. During the reporting period, the channel recorded RMB13.733 billion in written premiums, with improved business mix amid top-line slow down.

2. Analysis by product types

CPIC Life is committed to customer needs, and seeks to build a new ecosystem with deep integration of products and services, which would greatly facilitate its transformation. It focused on core customer segments, continued to diversify product offerings centring on the Golden Triangle product/service system of health protection, wealth management and retirement, in a bid to provide all-around "products + services" solutions to households.

In product line-up, we launched "Jinsheng Wuyou", an upgraded whole-life CI product with "add-on" CI cover and flexible rider combinations, which can satisfy personalised customer demand for high-quality CI coverage; we also upgraded "Chang Xiang Ban (Shengshi Ban)", a whole-life product positioned for risk protection, wealth inheritance and long-term savings, which covered about 340,000 customers; there was also "Xinxiang Kangnian" annuity insurance to meet demand for long-term wealth management of the elderly people, which acquired 13,000 new customers, middle-aged or senior in years.

In terms of health management, we launched a customised version of CPIC Blue Passport for "Jinsheng Wuyou" CI insurance. As for elderly care service, 13 CPIC Home retirement communities have been up and running in 11 cities, with a planned capacity of over 14,000 beds.

For the reporting period, traditional business generated RMB100.375 billion in written premiums, up by 30.9% year-on-year. Of this, long-term health insurance contributed RMB28.618 billion, down by 4.3%. Participating business delivered RMB43.415 billion in written premiums, down by 27.3%, due to changes to market environment.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Written premiums	**169,574**	**165,361**	**2.5**
Traditional	100,375	76,704	30.9
Long-term health	28,618	29,892	(4.3)
Participating	43,415	59,743	(27.3)
Universal	13,960	15,629	(10.7)
Tax-deferred pension	37	38	(2.6)
Short-term accident and health	11,787	13,247	(11.0)

3. Policy persistency ratio

We intensified business quality control, and as a result, the 13-month policy persistency ratio of individual customers improved by 7.6pt to 95.4%; while the 25-month policy persistency ratio rose by 9.4pt year-on-year to 84.1%.

For 6 months ended 30 June	2023	2022	Changes
Individual customer 13-month persistency ratio (%)[note 1]	95.4	87.8	7.6pt
Individual customer 25-month persistency ratio (%)[note 2]	84.1	74.7	9.4pt

Notes:

1. 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.
2. 25-month persistency ratio: premiums from in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

4. Top 10 regions for written premiums

Written premiums of CPIC Life mainly came from economically developed regions or populous areas.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Written premiums	**169,574**	**165,361**	**2.5**
Jiangsu	18,853	18,563	1.6
Zhejiang	15,933	14,247	11.8
Henan	14,420	16,150	(10.7)
Shandong	13,537	13,681	(1.1)
Hebei	9,847	9,829	0.2
Guangdong	9,341	8,322	12.2
Shanghai	8,353	3,985	109.6
Shanxi	7,126	6,922	2.9
Hubei	6,198	6,598	(6.1)
Beijing	6,083	4,953	22.8
Subtotal	109,691	103,250	6.2
Others	59,883	62,111	(3.6)

(II) Profit analysis

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Insurance service performance and others	**14,478**	**14,953**	**(3.2)**
Insurance revenue	42,865	45,857	(6.5)
Insurance service expenses	(27,613)	(29,524)	(6.5)
Total investment income[note 1]	30,233	31,158	(3.0)
Finance underwriting gains/(losses)[note 2]	(27,895)	(28,255)	(1.3)
Investment performance	**2,338**	**2,903**	**(19.5)**
Profit before tax	**16,816**	**17,856**	**(5.8)**
Income tax	(2,793)	(1,835)	52.2
Net profit	**14,023**	**16,021**	**(12.5)**

Note:

1. Total investment income includes investment income, interest income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, impairment losses on financial assets and taxes and surcharges applicable to investment business, etc.

2. Finance underwriting gains/(losses) includes insurance finance expenses for insurance contracts issued and reinsurance finance income for reinsurance contracts held.

Insurance revenue for the reporting period was RMB42.865 billion, down by 6.5% from the same period of 2022, mainly because of decrease in premiums from short-term insurance; at the same time, the CSM declined in 2022 due to capital market volatility, which led to decrease in release of CSM in 2023.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Insurance revenue	**42,865**	**45,857**	**(6.5)**
Long-term insurance	36,589	38,097	(4.0)
Short-term insurance	6,276	7,760	(19.1)

Insurance service expenses amounted to RMB27.613 billion, down by 6.5%, mainly due to decrease in premiums from short-term insurance, which, in turn, resulted in lower claims payments.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Insurance service expenses	**27,613**	**29,524**	**(6.5)**
Long-term insurance	21,619	22,230	(2.7)
Short-term insurance	5,994	7,294	(17.8)

Investment performance for the reporting period amounted to RMB2.338 billion, down by 19.5%, mainly because of change of accounting standards on financial instruments.

In the first half of 2023, CPIC Life achieved a net profit of RMB14.023 billion, down by 12.5% year-on-year.

II. CPIC Health

CPIC Health, under the guidance of the Group's health care strategy, focused on specialised health business operation, and proceeded with core capacity-building in key areas. In the first half of 2023, it delivered RMB2.988 billion in GWPs and health management fee income, and net profit of RMB65 million under New Accounting Standards, with strong development and an increased share of on-line business.

The subsidiary accelerated the implementation of strategies in "new products, new channels and new technology", captured opportunities of the health care market, enhanced digital empowerment, persisted in an innovation-driven mode of development, and continuously fostered capability of sustainable development. It targeted youth customers, promoted on-line business, stepped up upgrading of "Lan Yi Bao", an internet product brand, and boosted integration of on-line and off-line CRM, with initial success in customer acquisition and retention. It deepened cooperation with China's premier care providers such as Ruijin Hospital and Huaxi Hospital, focused on substandard risks and customer segments of the elderly and the youth, and launched a series of innovative products. It strived to build a technology-driven operational system, enriched functions of its corporate WeChat platform, promoted the building of the smart claims management system, launched "Tuntun Huipei", an on-line claims handling brand, and seriously protected consumer rights to enhance customer experience and satisfaction. The company vigorously expanded the scope of health management service, joined hands with Shanghai University of Sport for the construction of the Health Promotion Centre for Youths and Teenagers, with the inauguration of the Shanghai Experience Pavilion in the first half of 2023. Going forward, it seeks to provide a package of solutions covering assessment, intervention and assurance, and establishes a health promotion closed loop to address various physical and mental health problems of children and teenagers.

4

Property and casualty insurance

CPIC P/C[note] seized opportunities of economic recovery and industrial upgrading, focused on key national initiatives in green development, rural invigoration and insurance technology, pushed forward all-around, systematic capacity-building, and pursued all-around breakthroughs in sustainable, high-quality development, with rapid premium growth and decent underwriting profitability for the reporting period.

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

I. CPIC P/C

(I) Business analysis

During the reporting period, it recorded primary premium income of RMB103.703 billion, up by 14.3% from the same period of 2022, with an underwriting combined ratio of 97.9%, up by 0.6pt year-on-year. Of this, underwriting loss ratio stood at 70.4%, up by 0.9pt, as a result of higher claims frequency of automobile insurance as travel returned to normal; underwriting expense ratio was 27.5%, down by 0.3pt.

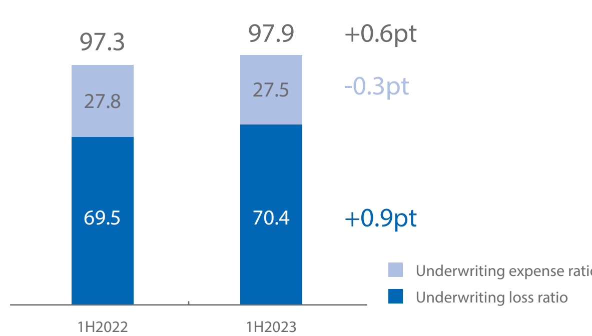
1. Analysis by lines of business

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Primary premium income	**103,703**	**90,693**	**14.3**
Automobile insurance	50,765	48,169	5.4
Compulsory automobile insurance	13,377	12,815	4.4
Commercial automobile insurance	37,388	35,354	5.8
Non-automobile insurance	52,938	42,524	24.5
Health insurance	13,293	10,528	26.3
Agricultural insurance	12,434	9,287	33.9
Liability insurance	11,143	8,251	35.1
Commercial property insurance	3,706	3,564	4.0
Others	12,362	10,894	13.5

Underwriting combined ratio of CPIC P/C

Unit: %



(1) Automobile insurance

CPIC P/C adhered to the strategy of "stabilising operation, cementing foundation, seeking breakthroughs, promoting growth, building ecosystems and optimising CRM". While ensuring stable business fundamentals, it continued to enhance targeted management, and shifted toward an upgraded business management system with better business quality, business mix and CRM capabilities. In the first half of 2023, CPIC P/C reported primary premium income of RMB50.765 billion from automobile business, a growth of 5.4%. Of this, NEV business grew by 65.1%. Underwriting combined ratio was 98.0%, up by 1.4pt; of this, underwriting loss ratio stood at 70.8%, up by 0.8pt and underwriting expense ratio 27.2%, up by 0.6pt.

(2) Non-automobile insurance

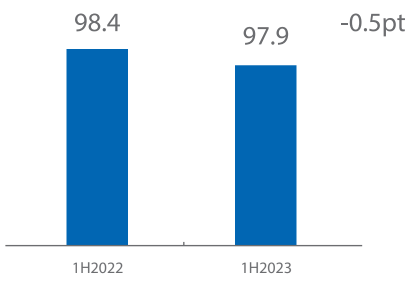
CPIC P/C closely followed national initiatives and directions of government policies, pursued shift of development drivers, accelerated innovation, enhanced capacity-building, and optimised business mix. During the reporting period, it posted RMB52.938 billion in primary premium income from non-auto insurance, up by 24.5%, with an underwriting combined ratio of 97.9%, down by 0.5pt. Of the major business lines, emerging business such as health insurance, agricultural insurance and liability insurance maintained strong momentum of growth, with improved business quality and combined ratios.

Health insurance adhered to sustainable high-quality development, focused on both government-sponsored business and commercial business, deepened business deployment, promoted product innovation, further tapped into niche market business such as chronic illness insurance, long-term care and Huiminbao, stepped up the development of mid- and high-end commercial health insurance, while intensifying business quality and claims cost control. During the reporting period, health insurance reported RMB13.293 billion in primary premium income, a growth of 26.3% year-on-year, with an underwriting combined ratio of 101.2%, down by 1.1pt.

Agricultural insurance stayed true to its mission of serving "sannong" (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 as well as sugar-canes and soy beans, promoted business development of "agricultural insurance +", such as insurance + futures and insurance + credit, and continued to strengthen its product supply for "sannong". During the reporting period, the business line delivered RMB12.434 billion in primary premium income, up by 33.9%, with an underwriting combined ratio of 98.1%, staying flat versus the same period of 2022.

Underwriting combined ratio of non-auto business

Unit: %



Liability insurance centred on the New Development Pattern, stepped up support for national strategies and social governance, strived to provide specialised, differentiated and customised insurance products in areas of smart transport, environment protection, technology innovation, cyber security, life sciences and people's well-being. During the reporting period, the business line delivered RMB11.143 billion in primary premium income, up by 35.1%, with an underwriting combined ratio of 99.4%, down by 0.3pt from the same period of 2022.

Commercial property insurance persisted in high-quality development, pro-actively supported the real economy, and promoted stable business development. In the first half of 2023, the company generated RMB3.706 billion in primary premium income from the business line, up by 4.0%, with an underwriting combined ratio of 95.3%, down by 2.8pt.

(3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2023				
Name of insurance	Primary premium income	Amounts insured	Underwriting profit	Underwriting combined ratio (%)
Automobile insurance	50,765	44,907,886	981	98.0
Health insurance	13,293	145,889,739	(99)	101.2
Agricultural insurance	12,434	372,086	134	98.1
Liability insurance	11,143	129,510,370	50	99.4
Commercial property insurance	3,706	10,155,696	168	95.3

2. Top 10 regions for premium income

CPIC P/C derived RMB66.896 billion in primary premium income from the top 10 regional markets, up by 15.0% year-on-year and accounting for 64.5% of total premiums.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Primary premium income	**103,703**	**90,693**	**14.3**
Guangdong	12,557	10,897	15.2
Jiangsu	11,420	9,843	16.0
Zhejiang	9,653	8,537	13.1
Shanghai	7,085	6,037	17.4
Shandong	5,710	5,047	13.1
Hubei	4,289	3,909	9.7
Hebei	4,277	3,619	18.2
Sichuan	4,096	3,336	22.8
Henan	4,044	3,555	13.8
Hunan	3,765	3,377	11.5
Subtotal	66,896	58,157	15.0
Others	36,807	32,536	13.1

3.Premium income by channels

In the first half of 2023, as we gave priority to development of proprietary channels, the share of premiums from direct sales reached 33.3%, and direct sales represented 47.2% of incremental premiums for the period.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Primary premium income	**103,703**	**90,693**	**14.3**
Agency	55,622	51,985	7.0
Direct	34,547	28,406	21.6
Brokerage	13,534	10,302	31.4

(II) Profit analysis

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Insurance revenue	89,320	77,596	15.1
Insurance service expenses	(85,583)	(73,999)	15.7
Net income/(losses) from reinsurance contracts held[note 1]	(84)	(25)	236.0
Underwriting finance losses and others[note 2]	(1,815)	(1,483)	22.4
Underwriting profit	**1,838**	**2,089**	**(12.0)**
Underwriting combined ratio(%)	97.9	97.3	0.6pt
Total investment income[note 3]	**3,323**	**3,478**	**(4.5)**
Net of other income and expenses	(77)	(154)	(50.0)
Profit before tax	**5,084**	**5,413**	**(6.1)**
Income tax	(1,043)	(1,213)	(14.0)
Net profit	**4,041**	**4,200**	**(3.8)**

Notes:

1. Net income/(losses) from reinsurance contracts held include allocation of reinsurance premiums paid, recoveries of insurance service expenses from reinsurers, reinsurance finance income or expenses, etc.
2. Underwriting finance losses and others include insurance finance income or expenses and changes in insurance premium reserves, etc.
3. Total investment income for 2023 includes investment income, interest income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, interest expense on capital replenishment bonds, taxes and surcharges applicable to investment business and impairment losses on financial assets, etc.; total investment income for 2022 includes investment income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, interest expense on capital replenishment bonds, taxes and surcharges applicable to investment business and other asset impairment losses.

Insurance revenue for the reporting period amounted to RMB89.320 billion, up by 15.1% year-on-year, mainly as a result of fast growth of overall business. Of this, insurance revenue of automobile insurance reached RMB49.924 billion, up by 6.9%, and that of non-auto insurance RMB39.396 billion, an increase of 27.6% year-on-year.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Insurance revenue	**89,320**	**77,596**	**15.1**
Automobile insurance	49,924	46,719	6.9
Non-automobile insurance	39,396	30,877	27.6

Insurance service expenses for the reporting period amounted to RMB85.583 billion, up by 15.7% from the same period of 2022, mainly due to increase in claims and expenses as a result of overall business growth. Of this, insurance service expenses of automobile insurance reached RMB48.245 billion, up by 8.7%, and that of non-auto insurance RMB37.338 billion, an increase of 26.1% year-on-year.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Insurance service expenses	**85,583**	**73,999**	**15.7**
Automobile insurance	48,245	44,384	8.7
Non-automobile insurance	37,338	29,615	26.1

Net losses from reinsurance contracts held amounted to RMB84 million, up by RMB59 million year-on-year, largely due to impact of scale and mix of business ceded, and loss ratios of related business.

Underwriting finance losses and others amounted to RMB1.815 billion, a growth of 22.4%, mainly because of strong business development, which led to a rise in insurance contract liabilities and subsequently an increase in the time value of liabilities.

Total investment income for the period reached RMB3.323 billion, down by 4.5%, mainly as a result of the adoption of new financial instruments standards in 2023.

In the first half of 2023, CPIC P/C achieved a net profit of RMB4.041 billion, down by 3.8% year-on-year.

II. CPIC Anxin Agricultural

In the first half of 2023, CPIC Anxin Agricultural stayed focused on the core business of agricultural insurance, pursued product and technology innovations, and realised RMB1.246 billion in primary premium income, up by 10.0% year-on-year. Of this, agricultural insurance reported primary premium income of RMB860 million, a growth of 12.0%, with an underwriting combined ratio of 98.0%, down by 2.9pt. Net profit amounted to RMB94 million, up by 9.3%.

III. CPIC HK

We conduct overseas P/C business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2023, its total assets stood at RMB1.704 billion, with net assets of RMB373 million. Primary premium income for the reporting period amounted to RMB151 million, with an underwriting combined ratio of 90.7%, and a net profit of RMB17 million.

5

Asset management

We persisted in long-term, value, prudent and responsible investing, further optimised the sustainable ALM system, and enhanced professional investment expertise. Within the SAA framework, we conducted flexible Tactical Asset Allocation (TAA), with pro-active management of equity assets considering the impact of the New Accounting Standards, and continued to extend duration of fixed income assets based on stringent control of credit risk to mitigate the reinvestment risk. As a result, we delivered solid investment performance, with Group AuM on steady increase and market competitiveness further enhanced.

I. Group AuM

As of the end of June 2023, Group AuM totalled RMB2,836.924 billion, rising 6.9% from the end of 2022. Of this, Group in-house investment assets amounted to RMB2,118.655 billion, a growth of 8.3%, and third-party AuM RMB718.269 billion, an increase of 2.9%, with a management fee income of RMB1.132 billion, up by 2.4% from the same period of 2022.

Unit: RMB million

	30 June 2023	31 December 2022	Changes (%)
Group AuM[note]	**2,836,924**	**2,654,405**	**6.9**
Group in-house investment assets[note]	2,118,655	1,956,458	8.3
Third-party AuM	718,269	697,947	2.9
CPIC AMC	268,957	272,412	(1.3)
Changjiang Pension	363,890	354,349	2.7

Note: Figures for comparative periods were restated due to adoption of New Accounting Standards.

II. Group in-house investment assets

In the first half of 2023, China's economic recovery was back on track. Expansive fiscal policy, prudent monetary policy and cuts of taxes and administrative fees helped with a better economic performance, improved market expectations and mitigation of potential risks, paving the way for better quality and growth of China's economy. In equity assets, sectors with low valuation and high growth potential and those in line with national strategies boast bright prospects. As for fixed income assets, it's important to seize opportunities of interest rate rebound to identify new types of fixed income investments compatible with profiles of insurance funds.

Based on our outlook for long-term trends of macro-economic conditions, we persisted in a fine-tuned "dumb-bell shaped" asset allocation strategy, continuously increasing allocation into long-term T-bonds to extend duration of fixed income assets, while moderately increasing investments in equity assets and alternative assets including private equity to enhance long-term returns. To control credit risk, we continued to lower the share of investment in assets such as corporate debt, real estate debt investment plans, etc. We conducted TAA with the guidance of SAA, pro-actively responded to challenges of equity market volatility and decline of interest rates, and maintained sound long-term investment returns higher than cost of liabilities. We committed to value growth, continuously strengthened capacity-building in investment management, optimised a standardised investment management system; enhanced the foundation of capital and investment management, improved capital allocation and strengthened capital constraints; further improved the early-warning and mitigation system of credit risk to enhance risk management; explored ESG investment, incorporated ESG investment philosophy and system into the value chain of asset management, built the infrastructure framework including internal and external databases to optimise investment decision-making, put in place rules and processes of responsible investment, formulated standards on green investment, and conducted carbon inventory assessment of investment assets.

In terms of investment concentration, our investments are concentrated in financial services, communications & transport and infrastructure, with 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 counter-parties mainly include China State Railway Group Co., Ltd., and large firms such as major state-owned commercial banks.

(I) Group consolidated investment portfolios

Unit: RMB million

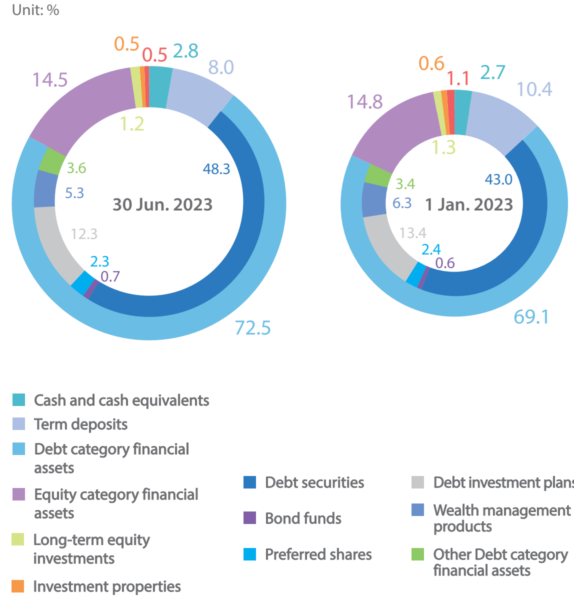
	30 June 2023	Share (%)	1 January 2023	Share (%)
Group investment assets (total)	2,118,655	100.0	2,021,933	100.0
By investment category				
Cash and cash equivalents	60,229	2.8	54,272	2.7
Term deposits	168,839	8.0	211,234	10.4
Debt category financial assets	1,535,954	72.5	1,396,316	69.1
- Debt securities	1,023,007	48.3	870,482	43.0
- Bond funds	15,348	0.7	11,577	0.6
- Preferred shares	47,677	2.3	47,915	2.4
- Debt investment plans[note 1]	260,281	12.3	271,375	13.4
- Wealth management products[note 2]	112,433	5.3	127,141	6.3
- Others	77,208	3.6	67,826	3.4
Equity category financial assets	306,926	14.5	299,942	14.8
- Stocks	189,624	9.0	182,072	9.0
- Equity funds	45,434	2.1	49,704	2.5
- Wealth management products[note 2]	10,911	0.5	16,743	0.8
- Others	60,957	2.9	51,423	2.5
Long-term equity investments	24,572	1.2	25,829	1.3
Investment properties	10,894	0.5	11,202	0.6
Other investments[note 3]	11,241	0.5	23,138	1.1
By accounting measurement				
Financial assets at amortised cost[note 4]	86,485	4.1	91,428	4.5
Financial assets at fair value through other comprehensive income[note 5]	1,271,024	60.0	1,204,410	59.6
Financial assets at fair value through profit or loss[note 6]	488,839	23.0	415,955	20.6
Long-term equity investments	24,572	1.2	25,829	1.3
Other investments[note 7]	247,735	11.7	284,311	14.0

Notes:

1. Debt investment plans mainly include infrastructure and real estate funding projects.
2. Wealth management products mainly include wealth management products issued by commercial banks, products by insurance asset management companies, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.
3. Other investments mainly include restricted statutory deposits and derivative financial assets, etc.
4. Financial assets at amortised cost include financial assets at amortised cost on consolidated financial statements.
5. Financial assets at fair value through other comprehensive income include debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income on consolidated financial statements.
6. Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss and derivative financial assets on consolidated financial statements.
7. Other investments mainly include cash at bank and on hand, securities purchased under agreements to resell, term deposits, restricted statutory deposits and investment properties, etc.
8. According to requirements of new financial instruments standards, the Company did not adjust comparative figures which related to investment business on 31 December 2022. Figures on 1 January 2023 are listed in order to increase comparability.

Group consolidated investment portfolios

Unit: %



1. By investment category

As of the end of the reporting period, the share of bond securities investments was 48.3%, an increase of 5.3pt from the beginning of 2023. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored banks made up 33.8% of total investment assets. The duration on fixed income assets reached 8.9 years, extended by 0.6 years versus the beginning of 2023. Moreover, 99.3% 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 95.2%. We boasted a professional internal credit-rating team and sound credit risk management systems covering the entire bond 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 investment targets to ensure that the risk is manageable. Overall, the debt issuers of our investments all boasted sound financial strength, with credit risk under control.

The share of equity financial assets stood at 14.5%, down by 0.3pt from the beginning of 2023. Of this, stocks and equity funds accounted for 11.1% of total investment assets, down by 0.4pt. On the back of disciplined TAA processes, we enhanced integrated investment research capabilities, fully considered the impact of New Accounting Standards and conducted pro-active management of equity assets. In particular, we made effective use of accounting classification of assets, strengthened the core share-dividend strategy, and realised solid investment performance.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB408.892 billion, accounting for 19.3% of total investment assets. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects. 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, Shandong, Hubei and Jiangsu.

Overall, the credit risk of our NPFI holdings is in a comfortable zone. 99.5% of NPFIs had external credit-ratings, and of these, the share of AAA reached 97.4%, and that of AA+ and above 99.6%. 58.4% of NPFIs were exempt from debt issuer external credit-ratings, with the rest secured with credit-enhancing measures such as guarantee or pledge of collateral, 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	40.6	4.7	8.3	5.6
Communications & transport	15.8	4.6	9.2	6.1
Real estate	15.7	4.8	6.7	4.1
Non-bank financial institutions	12.5	4.9	5.0	1.8
Energy and manufacturing	4.6	4.7	6.9	4.5
Others	10.8	4.7	7.5	4.9
Total	**100.0**	**4.7**	**7.6**	**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 accounting methods

Under the New Accounting Standards, investment assets of the Company are mainly classified into 3 categories: financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and others. The share of financial assets at fair value through other comprehensive income increased by 0.4pt from the beginning of the year, while that of financial assets at fair value through profit or loss grew by 2.4pt from the beginning of the year, mainly due to increased bond securities investments in both categories; the proportion of financial assets at amortised cost fell by 0.4pt, largely because of reduced share of debt investment plans in the category; the share of long-term equity investments fell by 0.1pt from the beginning of the year, mainly due to slightly decreased share of assets under structured entities; the share of others dropped by 2.3pt, mainly as a result of decrease in proportion of term deposits in the category.

(II) Group consolidated investment income

For the reporting period, net investment income totalled RMB38.432 billion, up by 2.7% from the same period of 2022. This stemmed mainly from increased dividend income. Net investment yield reached 2.0%, down by 0.1pt compared with the first half of 2022.

Total investment income amounted to RMB38.249 billion, up by 4.1%, mainly attributable to increase in gains from fair value change, with total investment yield of 2.0%, down by 0.1pt year-on-year.

Comprehensive investment yield rose by 0.6pt year-on-year to 2.1%, largely due to change in fair value of financial assets at fair value through other comprehensive income.

Unit: RMB million

For 6 months ended 30 June	2023	2022	Changes (%)
Interest income	29,320	30,685	(4.4)
Dividend income	8,745	6,368	37.3
Rental income from investment properties	367	366	0.3
Net investment income	**38,432**	**37,419**	**2.7**
(Losses)/gains from securities trading	(4,776)	1,046	(556.6)
Gains/(losses) arising from changes in fair value	5,333	(1,065)	(600.8)
Impairment losses of financial assets	(1,147)	(1,055)	8.7
Other income[note 1]	407	395	3.0
Total investment income	**38,249**	**36,740**	**4.1**
Net investment yield (%)[note 2]	2.0	2.1	(0.1pt)
Total investment yield (%)[note 2]	2.0	2.1	(0.1pt)
Comprehensive investment yield(%)[notes 2,3]	2.1	1.5	0.6pt

Notes:

1. Other income included share of profit/(loss) of associates and joint ventures, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Net/total investment yield and comprehensive investment yield were not annualised. Average investment assets as the denominator in the calculation of net/total investment yield and comprehensive investment yield were computed based on the Modified Dietz method and did not consider the impact of the fair value change of debt investments at fair value through other comprehensive income.
3. The figure as the numerator in the calculation of comprehensive investment yield included total investment, the change of equity investments at fair value through other comprehensive income at current period and amounts of transferring to retained profits at current period caused by the impact of equity investments at fair value through other comprehensive income, etc.
4. Certain comparative figures have been reorganised to conform to the presentation of the current period.

III. Third-party AuM

Group third-party AuM amounted to RMB718.269 billion, and of this, that of CPIC AMC totalled RMB268.957 billion, with a share of 37.4%; and that of Changjiang Pension RMB363.890 billion, accounting for 50.7%.

(I) CPIC AMC

In the first half of 2023, CPIC AMC pushed forward high-quality development in an all-around way, focused on improving investment capabilities and controlling various risks, and steadily promoted the development of third-party business. As of the end of the reporting period, its third-party AuM amounted to RMB268.957 billion, a decrease of 1.3% from the end of 2022.

During the reporting period, market benchmark interest rates dropped, and high-quality assets remained in short supply. As such, the company pre-emptively adjusted strategies, conducted alternative investment business in a prudent manner, and focused on control of business quality and credit risk. As of the end of the reporting period, assets under outstanding debt investment schemes issued by CPIC AMC exceeded RMB170 billion.

As for portfolio asset management products, it continued to optimise the product line-up, particularly the core strategy products so as to cement the foundation of sustainable development. Its equity dividend value-investing strategy stood the test of a volatile market in the first half of the year, and won recognition of customers with a conservative risk appetite. That also led to growth of assets under products skewed towards equity investment. The subsidiary enhanced analysis of market trends, and continued to roll out target yield and "fixed income +" strategy products in order to satisfy demand of banks and insurance firms in fund allocation. As of the end of the reporting period, CPIC AMC reported RMB226.331 billion in third-party asset management products and AuM combined, an increase of 2.3% from the end of 2022.

(II) Changjiang Pension

During the reporting period, Changjiang Pension stayed committed to serving China's national retirement strategy, and strived to become a top-notch financial institution specialising in pension-related financial services with social prestige. As at 30 June 2023, its third-party assets under trustee management amounted to RMB381.489 billion, up by 9.1% from the end of 2022; third-party assets under investment management reached RMB363.890 billion, up by 2.7%.

The subsidiary continued to deepen presence in the pension market, with steady growth of assets under investment and increased influence as a professional pension fund manager. With regard to annuity business, on the back of stable investment performance and superb customer service, corporate annuity business has been growing steadily, which in turn led to marked increase in funds outsourced from occupational annuity schemes. AuM from corporate annuity and occupational annuity combined reached nearly RMB600 billion. Statistics released by the Ministry of Human Resources and Social Security for Q1 indicated that, out of 22 managers, the company ranked 2nd for performance of investment portfolios cum rights of corporate annuity collective plans, and 7th for fixed income investment portfolio performance of single plans. In terms of social security pension funds, it maintained leadership in AuM of corporate debt securities, incremental AuM and cumulative investment yields among comparable investment portfolio managers. It also won the bid as investment manager for a new fixed income portfolio. Changjiang Pension centred on core capacity-building of investment research, optimised decision-making system based on the Investment Decision-making Committee, pushed forward development and application of pro-active quantitative strategies and the building of digitalised investment research systems, incorporated ESG factors into the investment decision-making system and constantly improved the ESG investment management system.

6

Analysis of specific items

I. Items concerning fair value accounting

The financial instruments measured at fair value are detailed in Notes XIII and XIV of financial report.

II. Structured entities controlled by the Company

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

III. Solvency

As per regulatory requirements, we calculate and disclose our core capital, actual capital, minimum required capital and solvency margin ratios. As at 30 June 2023, the solvency margin ratios of the Group, CPIC Life, CPIC P/C, CPIC Health, and CPIC Anxin Agricultural were all far above regulatory minimum levels.

Unit: RMB million

	30 June 2023	31 December 2022	Reasons of change
CPIC Group			
Core capital	303,337	332,414	Changes in net assets and the adjustment items
Actual capital	455,932	479,073	Changes in net assets and the adjustment items
Minimum required capital	190,256	187,333	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	159	177	
Comprehensive solvency margin ratio (%)	240	256	
CPIC Life			
Core capital	178,092	207,848	Changes in net assets and the adjustment items
Actual capital	314,264	344,222	Changes in net assets and the adjustment items
Minimum required capital	159,165	157,802	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	112	132	
Comprehensive solvency margin ratio (%)	197	218	
CPIC P/C			
Core capital	45,331	45,266	Changes in net assets and the adjustment items
Actual capital	61,159	55,154	Changes in net assets, the adjustment items and bond issued
Minimum required capital	30,952	27,246	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	146	166	
Comprehensive solvency margin ratio (%)	198	202	

Unit: RMB million

	30 June 2023	31 December 2022	Reasons of change
CPIC Health			
Core capital	3,062	3,089	Changes in net assets and the adjustment items
Actual capital	3,361	3,225	Changes in net assets and the adjustment items
Minimum required capital	1,365	1,216	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	224	254	
Comprehensive solvency margin ratio (%)	246	265	
CPIC Anxin Agricultural			
Core capital	2,781	2,759	Changes in net assets and the adjustment items
Actual capital	3,078	3,020	Changes in net assets and the adjustment items
Minimum required capital	837	818	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	332	337	
Comprehensive solvency margin ratio (%)	368	369	

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.

IV. Insurance contract liabilities

Insurance contract liabilities of the Company consist of liability for remaining coverage (LRC) and liability for incurred claims (LIC). LRC comprises excluding loss component and loss component.

As at 30 June 2023, the remaining balance of LRC amounted to RMB1,701.809 billion, representing an increase of 8.5% from the end of 2022. The remaining balance of LIC amounted to RMB100.461 billion, up by 4.9% from the end of 2022. The rise in insurance contract liabilities was mainly caused by business growth and accumulation of insurance liabilities.

Unit: RMB million

	31 December 2022	Change during the period	30 June 2023
Total insurance contract liabilities	**1,664,848**	**137,422**	**1,802,270**
Liabilities for remaining coverage	1,569,080	132,729	1,701,809
Excluding loss component	1,554,969	132,819	1,687,788
Loss component	14,111	(90)	14,021
Liabilities for incurred claims	95,768	4,693	100,461

V. Reinsurance business

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.

VI. Main subsidiaries & associates and equity participation

As of the end of the reporting period, the Company's mains 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.	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.	19,948	98.5%	212,902	52,364	4,041
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%	1,874,330	115,755	14,023
Changjiang Pension Insurance Co., Ltd.	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	6,381	4,022	165

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
Pacific Asset Management Co., Ltd.	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	5,243	4,248	367
Pacific Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB 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%	8,532	3,338	65
China Pacific Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.	1,080	66.8%	5,832	2,905	94
CPIC Fund Management Co., Ltd.	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	869	658	58

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 of the Financial Report.

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

VII. 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.

VIII. Gearing ratio

	30 June 2023	31 December 2022 (Adjusted)[note 2]	Changes
Gearing ratio (%)[note 1]	89.0	90.5	(1.5pt)

Notes:

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

2. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

7

Outlook

I. Market environment and business plan

In the face of a complicated and challenging environment, China's economy demonstrated great resilience and a positive momentum of recovery. In the medium to long term, China's economy can improve in quality with reasonable growth, on the back of recovery of domestic demand and supply-side reform; rising income per person and bolstered consumer confidence will lead to improvement in insurance demand; industrial upgrade, rural invigoration, green and low-carbon agenda, inclusive financial services, health and retirement sectors and relevant government policy support will sustain long-term insurance industry development; insurance funds can also benefit from investment opportunities arising from the building of China's modern industrial system, major national projects and initiatives; in terms of financial regulation, the new regulatory landscape centring on PBoC, NAFR and CSRC marks the formation of an all-encompassing financial regulatory system, with intensified supervision over corporate governance and business conduct. This will help with long-term, healthy development of China's insurance market, particularly the leading market players.

The Company will persist in New Development Philosophies, and move firmly toward 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". It will abide by high-quality development, adhere to long-term value growth, deepen presence in core insurance business, continuously improve the customer-oriented business operation; implement strategies in health care & elderly care management, business development in key regions and technology empowerment, achieve notable breakthroughs in value creation and capability building; enhance professional expertise to fend off major risks and lay the groundwork for high-quality development.

II. Major risks and mitigating measures

In terms of macroeconomic trends, the global political and economic environment has become increasingly challenging. Given weak domestic demand and uncertainty around market expectations, China's economic recovery slowed down in the 2nd quarter of 2023, which calls for heightened policy support to restore growth drivers. As for the insurance industry, in the context of interest rate decline, there was a spike in sales of savings-type life insurance, whereas the pressure of negative spread prompted industry-wide adjustment of pricing interest rates; on the side of P/C insurance, normalisation of claims frequency and extreme weather events may lead to higher loss ratio; insurance asset allocation will face more challenges, given secular decline of interest rates, capital market volatility and deterioration of credit risk. At the same time, the expansion of strategic deployment and business innovations of the Company pushed the boundaries of its risk management, which calls for enhanced capabilities in management of hybrid, emerging risks.

In the face of such risks, we will stay prudent in our risk appetite, understanding both opportunities and challenges of the new development stage, and carefully handling the risks and uncertainties in our business operation. The mission of risk management is to facilitate high-quality development of the Company. To this end, we will ensure 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 operations, 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

1

Independent Actuarial Review Opinion on Embedded Value

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

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 30 June 2023.

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

Scope of work

WTW's scope of work comprised:

> a review of the methodology used to develop the embedded value of CPIC Group and the value of half year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as of 30 June 2023, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;

> a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of half year's sales of CPIC Life as of 30 June 2023; and

> a review of the results of CPIC Group's calculation of the value of in-force business, the value of half year's sales of CPIC Life, 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 half year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as of 30 June 2023 and the value of half year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

> The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA;

> The operating assumptions have been set with appropriate regard to past, current and expected future experience; and

> The economic assumptions have been set with regard to current market information.

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of half year's sales of CPIC Life as of 30 June 2023, 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 2023 interim report and that the aggregate results are reasonable in this context.

WTW confirms that the results shown in the Embedded Value section of CPIC Group's 2023 interim report are consistent with those reviewed by WTW.

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

For and on behalf of WTW
Lingde Hong, FSA, CCA
11th August 2023

2

2023 Embedded Value Interim Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 30 June 2023 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 2023 interim report.

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

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

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

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

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

The table below shows the Group Embedded Value of CPIC Group as at 30 June 2023, and the value of half year's sales of CPIC Life in the 6 months to 30 June 2023 at a risk discount rate of 11%.

Unit: RMB Million

Valuation Date	30 June 2023	31 December 2022
Group Adjusted Net Worth	**312,352**	**298,142**
Adjusted Net Worth of CPIC Life	**185,442**	**172,865**
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	246,285	241,471
Cost of Required Capital Held for CPIC Life	(17,618)	(16,144)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	228,667	225,326
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	**224,763**	**221,479**
Group Embedded Value	**537,114**	**519,621**
CPIC Life Embedded Value	**414,109**	**398,191**

Valuation Date	30 June 2023	30 June 2022
Value of Half Year's Sales of CPIC Life Before Cost of Required Capital Held	9,079	6,944
Cost of Required Capital Held	(1,718)	(1,348)
Value of Half Year's Sales of CPIC Life After Cost of Required Capital Held	**7,361**	**5,596**

Notes:

1. Figures may not be additive due to rounding.
2. Results in column "30 June 2022" are those reported in the 2022 interim report.
3. Results in column "31 December 2022" are those reported in the 2022 annual report.

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

III. Key Valuation Assumptions

In determining the embedded value as at 30 June 2023, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2023:

(I) Risk Discount Rate

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

(II) Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2023 and 5.0% thereafter. The investment return for short term business is based on the recent one-year bank deposit benchmark interest rate as published by the People's Bank of China before the valuation date. These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

(III) Mortality

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

(IV) Morbidity

Morbidity assumptions have been developed based on China Life Insurance Morbidity Table, considering CPIC Life's morbidity experience analysis and expectations of future morbidity trends, taking into consideration the deterioration of morbidity rates in the long term, and varies by product.

(V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's lapse and surrender experience analysis, and expectation of future trends, and assumptions vary by pricing interest rates, product types, premium payment periods and distribution channels.

(VI) 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 expectations. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

(VII) Policyholder Dividend

> Group participating annuity business: 80% of interest surplus;

> Bancassurance participating business: No less than 70% of interest and mortality surplus;

> Other participating business: 70% of interest and mortality surplus.

(VIII) Tax

Tax has been assumed to be payable at 25% of profits. The proportion of investment income assumed to be exempt from income tax is 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 Half Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of half year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for the year 2023.

Unit: RMB Million

	First Year Annual Premium (FYAP) in the First Half of Year		Value of Half Year's Sales After Cost of Required Capital Held	
	2023	2022	2023	2022
Total	**54,761**	**52,384**	**7,361**	**5,596**
Of which: Agency channel	21,335	17,896	5,940	5,242
Bancassurance channel	20,092	19,554	1,381	341

V. Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2022 to 30 June 2023.

Unit: RMB million

No.	Item	Value	Comments
1	Embedded Value of the life business at 31 December 2022	**398,191**	
2	Expected Return on Embedded Value	15,612	Expected returns on the 2022 embedded value of CPIC Life and the value of half year's sales of CPIC Life in first half of 2023
3	Value of Half Year's Sales	7,361	Value of half year's sales in respect of new business written in the 6 months prior to 30 June 2023
4	Investment Experience Variance	(4,316)	Reflects the difference between actual and assumed investment return in first half of 2023
5	Operating Experience Variance	1,156	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(430)	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	1,047	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	1,566	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(5,953)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	(125)	
11	Embedded Value of the life business at 30 June 2023	**414,109**	
12	Adjusted net worth of businesses other than CPIC Life as at 31 December 2022	**132,221**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	10,749	
14	Shareholder dividends	(9,813)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	974	Reflects the change in value of assets not valued on a market value basis
16	Adjusted net worth of businesses other than CPIC Life as at 30 June 2023	**134,130**	

No.	Item	Value	Comments
17	Minority interests relating to equity and market value adjustments	(11,125)	Minority interests on Embedded Value as at 30 June 2023
18	Group Embedded Value as at 30 June 2023	**537,114**	
19	Embedded Value as at 30 June 2023 per share (RMB)	**55.83**	

Note: Figures may not be additive due to rounding

VI. Sensitivity Analysis

In consideration of the uncertainties as to future experiences, we have evaluated the sensitivity of the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2023 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

> Risk discount rate "+ / - 50 basis points"

> Investment return "+ / - 50 basis points"

> Mortality "+ / - 10%"

> Morbidity "+10%"

> Lapse and surrender rates "+ / - 10%"

> Expenses "+10%"

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

Unit: RMB Million

	Value of In Force Business After Cost of Required Capital Held	Value of Half Year's Sales After Cost of Required Capital Held
Base	**228,667**	**7,361**
Risk discount rate "+50 basis points"	220,833	6,976
Risk discount rate "-50 basis points"	237,141	7,776
Investment return "+50 basis points"	269,885	9,486
Investment return "-50 basis points"	187,237	5,226
Mortality "+10%"	227,483	7,291
Mortality "-10%"	229,851	7,433
Morbidity "+10%"	221,436	7,225
Lapse and surrender rates "+10%"	230,398	7,277
Lapse and surrender rates "-10%"	226,843	7,454
Expenses "+10%"	225,563	7,014

Corporate governance

1

Implementation of profit distribution plan

The Company distributed a cash dividend of RMB1.02 per share (tax included) in accordance with the "Resolution on Profit Distribution Plan for the Year of 2022" approved at the 2022 annual general meeting. The implementation of this distribution plan was completed in June 2023.

2

Shareholders' general meetings

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

3

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

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

4

Fulfilment of the undertakings

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

5

Material litigations and arbitrations

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

6

Penalties and subsequent rectification

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

7

Fulfilment of obligations

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

8

Capital occupation

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

9

Guarantee contracts

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

10

Share option scheme

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

11

Continuing connected transactions

On 11 July 2022, the Company entered into a framework agreement in respect of the continuing connected transactions with Hwabao Trust Co., Ltd. (華寶信託有限責任公司), Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) (formerly known as Fortune SG Fund Management Co., Ltd. (華寶興業基金管理有限公司) and Hwabao Securities Co., Ltd. (華寶證券股份有限公司) (collectively referred to as the "Hwabao Parties"), with an initial term from 1 January 2022 to 31 December 2022. Upon expiration of the initial term, the framework agreement shall automatically be renewed for a term of one year, and there shall not be more than two automatic renewals. Pursuant to the framework agreement, the Group and the Hwabao Parties have agreed to enter into transactions, including sale and purchase of bonds, pledge-style repo, subscription and redemption of securities investment funds, purchase of trust plans, sale of asset management products and pension security products. During the reporting period, the transactions contemplated under the aforementioned framework agreement between the Company and the Hwabao Parties constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Such transactions under the framework agreement are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. After the auditors finish the annual review of the continuing connected transactions, the Company will disclose the relevant details in the annual report.

12

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.

13

Use of Proceeds Received from Issuance of GDRs

The Company completed the initial offering of its GDRs on 22 June 2020, and partially exercised over-allotment on 9 July 2020. A total of 111,668,291 GDRs were issued through the initial offering and the over-allotment at the price of USD17.60 per GDR, and the total proceeds raised were USD1,965,361,921.60. The differences between the beginning and ending balance of proceeds unused are mainly 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 as at the end of the reporting period	Plan for use of the unused funds
USD 1,965,361,921.60	USD 1,013,761,418.89	(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 1,028,298,789.86	(i) Less than USD150 million will be used to subscribe to the fund interests of HTCP CAPITAL LPF (泰保新經濟有限合夥基金)[note]; (ii)Approximately RMB0.7 billion will be used for the establishment of a new company (上海市健康養老發展(集團)有限公司) conducting health and retirement business; (iii) Less than RMB 0.9 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產業基金管理合夥企業(有限合夥)); (iv) The remaining will be used in line with the Company's business development and market situation.
		(2) Up to 30%, or the remainder of the net proceeds, will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities.	-		
		If the Company deems 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.	-		

Note: In August 2022, the Company signed agreements on the subscription of the fund interests of HTCP CAPITAL LPF (泰保新經濟有限合夥基金)

14

Change in accounting policies

The Ministry of Finance of the People's Republic of China promulgated and 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 and Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (collectively hereinafter referred to as the “new financial instruments standards”) and Accounting Standard for Business Enterprises No. 25 - Insurance Contracts (hereinafter referred to as the "new insurance standard") in 2017 and 2020 sequentially. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023 according to requirements. For detail information, please refer to Note IV of the Financial Report.

15

Review of accounts

The audit committee of the Company has reviewed the principal accounting policies of the Company and the unaudited financial statements for the six months ended 30 June 2023 in the presence of internal and external auditors.

16

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

So far as the directors of the Company are aware, as at 30 June 2023, 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	175,000 (L)	0.01 (L)	0.00 (L)

(L) denotes a long position

The detailed shareholdings of directors, supervisors and senior management are set out in the section "Directors, Supervisors and Senior Management" of this report. Save as disclosed in this report, as at 30 June 2023, 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.

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

So far as the directors of the Company are aware, as at 30 June 2023, 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	392,952,592 (L)	14.16 (L)	4.08 (L)
JPMorgan Chase & Co. [note 3]	Interest of corporation controlled by JPMorgan Chase & Co.	H shares	14,842,869 (L) 21,469,851 (S)	0.53 (L) 0.77 (S)	0.15 (L) 0.22 (S)
	Investment manager	H shares	102,016,400 (L)	3.68 (L)	1.06 (L)
	Approved lending agent	H shares	111,003,500 (L) 111,003,500 (P)	3.99 (L) 3.99 (P)	1.15 (L) 1.15 (P)
上海国际集团有限公司 [note 4]	Beneficial owner	H shares	192,068,400 (L)	6.92 (L)	2.00 (L)
	Interest of corporation controlled by 上海国际集团有限公司	H shares	6,428,400 (L)	0.23 (L)	0.07(L)
BlackRock, Inc. [note 5]	Interest of corporation controlled by BlackRock, Inc.	H shares	166,547,021 (L) 1,117,600 (S)	6.00 (L) 0.04 (S)	1.73 (L) 0.01 (S)
The Capital Group Companies, Inc.[note 6]	Interest of corporation controlled by The Capital Group Companies, Inc	H shares	159,763,505 (L)	5.76 (L)	1.66 (L)

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

Notes:

1. As at 30 June 2023, 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.

2. Pursuant to Part XV of the SFO, as at 30 June 2023, Schroders PLC is deemed or taken to be interested in a total of 392,952,592 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	392,952,592 (L)
Schroder International Holdings Limited	392,952,592 (L)
Schroder Investment Management (Hong Kong) Limited	102,417,618 (L)
Schroder Investment Management (Singapore) Ltd.	107,631,411 (L)
Schroder Investment Management Limited	123,693,400 (L)
Schroder Investment Management Limited	59,210,163 (L)
Schroder Investment Management North America Limited	59,210,163 (L)

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as at 30 June 2023, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 227,862,769 H shares (long position), 21,469,851 H shares (short position) and 111,003,500 H shares (lending pool) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by JPMorgan Chase & Co. are set out below:

Name of controlled company	Number of shares
JPMorgan Asset Management (China) Company Limited	386,400 (L)
JPMorgan Asset Management (Taiwan) Limited	2,640,000 (L)
J.P. Morgan SE	440 (L)
J.P. MORGAN MARKETS LIMITED	10,000 (L)
J.P. Morgan Securities LLC	1,051,196 (L) 1,051,196 (S)
JPMORGAN CHASE BANK, N.A. - LONDON BRANCH	111,003,500 (L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	1,541,000 (L)
J.P. Morgan Investment Management Inc.	9,167,000 (L)
J.P. Morgan Prime Inc.	3,200 (L) 3,200 (S)
JPMorgan Chase Bank, National Association	3,887,968 (L) 895,984 (S)
JPMorgan Asset Management (Asia Pacific) Limited	85,394,000 (L)
J.P. MORGAN SECURITIES PLC	12,778,065 (L) 19,519,471 (S)
JPMorgan Asset Management Holdings Inc.	99,128,400 (L)
JPMorgan Chase Holdings LLC	100,192,796 (L) 1,054,396 (S)
JPMorgan Asset Management (Asia) Inc.	88,034,000 (L)
J.P. Morgan International Finance Limited	12,778,505 (L) 19,519,471 (S)
JPMorgan Chase Bank, National Association	123,782,005 (L) 19,519,471 (S)
J.P. MORGAN FINANCIAL INVESTMENTS LIMITED	10,000 (L)
Bear Stearns Irish Holdings LLC	10,000 (L)
J.P. Morgan Broker-Dealer Holdings Inc.	1,054,396 (L) 1,054,396 (S)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	1,541,000 (L)
J.P. Morgan Securities LLC	3,200 (L) 3,200 (S)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	12,778,065 (L) 19,519,471 (S)

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

4. Pursuant to Part XV of the SFO, as at 30 June 2023, 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

5. Pursuant to Part XV of the SFO, as at 30 June 2023, BlackRock, Inc. is deemed or taken to be interested in a total of 166,547,021 H shares (long position) and 1,117,600 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	2,758,600 (L)
BlackRock Investment Management, LLC	1,174,600 (L)
BlackRock Investment Management, LLC	1,584,000 (L)
BlackRock Holdco 2, Inc.	163,788,421 (L) 1,117,600 (S)
BlackRock Financial Management, Inc.	153,036,255 (L) 733,800 (S)
BlackRock Financial Management, Inc.	10,752,166 (L) 383,800 (S)
BlackRock Holdco 4, LLC	100,616,097 (L) 733,800 (S)
BlackRock Holdco 6, LLC	100,616,097 (L) 733,800 (S)
BlackRock Delaware Holdings Inc.	100,616,097 (L) 733,800 (S)
BlackRock Institutional Trust Company, National Association	37,236,097 (L) 733,800 (S)
BlackRock Fund Advisors	63,380,000 (L)
BlackRock Capital Holdings, Inc.	135,000(L)
BlackRock Advisors, LLC	135,000 (L)
BlackRock International Holdings, Inc.	52,285,158 (L)
BR Jersey International Holdings L.P.	52,285,158 (L)
BlackRock Lux Finco S.à r.l.	3,321,883 (L)
BlackRock Japan Holdings GK	3,321,883 (L)
BlackRock Japan Co., Ltd.	3,321,883 (L)
BlackRock Holdco 3, LLC	44,325,821 (L)
BlackRock Canada Holdings LP	669,200 (L)
BlackRock Canada Holdings ULC	669,200 (L)
BlackRock Asset Management Canada Limited	669,200 (L)
BlackRock Australia Holdco Pty. Ltd.	1,258,400 (L)
BlackRock Investment Management (Australia) Limited	1,258,400 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	6,700,937 (L)
BlackRock HK Holdco Limited	5,445,737 (L)
BlackRock Asset Management North Asia Limited	2,123,854 (L)
BlackRock Cayman 1 LP	43,656,621 (L)
BlackRock Cayman West Bay Finco Limited	43,656,621 (L)
BlackRock Cayman West Bay IV Limitied	43,656,621 (L)
BlackRock Group Limited	43,656,621 (L)
BlackRock Finance Europe Limited	22,369,562 (L)

Name of controlled company	Number of shares
BlackRock (Netherlands) B.V.	7,206,039 (L)
BlackRock Advisors (UK) Limited	68,600 (L)
BlackRock International Limited	182,000 (L)
BlackRock Group Limited- Luxembourg Branch	21,105,059 (L)
BlackRock Luxembourg Holdco S.à r.l.	21,105,059 (L)
BlackRock Investment Management Ireland Holdings Limited	20,950,259 (L)
BlackRock Asset Management Ireland Limited	20,950,259 (L)
BLACKROCK (Luxembourg) S.A.	132,600 (L)
BlackRock Investment Management (UK) Limited	10,762,130 (L)
BlackRock Investment Management (UK) Limited	4,332,793 (L)
BlackRock Fund Managers Limited	10,762,130 (L)
BlackRock Life Limited	182,000 (L)
BlackRock (Singapore) Limited	1,255,200 (L)
BlackRock UK Holdco Limited	22,200 (L)
BlackRock Asset Management Schweiz AG	22,200 (L)
EG Holdings Blocker, LLC	1,174,600 (L)
Amethyst Intermediate, LLC	1,174,600 (L)
Aperio Holdings, LLC	1,174,600 (L)
Aperio Holdings, LLC	1,174,600 (L)
Aperio Group, LLC	1,174,600 (L)

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

6. Pursuant to Part XV of the SFO, as at 30 June 2023, The Capital Group Companies, Inc. is deemed or taken to be interested in a total of 159,763,505 H shares (long position) of the Company. The details of the shareholding interests of the companies directly or indirectly controlled by The Capital Group Companies, Inc. are set out below:

Name of controlled company	Number of shares
Capital Research and Management Company	158,907,505 (L)
Capital Research and Management Company	856,000 (L)
Capital Group International, Inc.	856,000 (L)
Capital International Sarl	856,000 (L)

(L) denotes a long position

Save as disclosed above, as at 30 June 2023, 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 10 shareholders are set out in the section "Changes in the Share Capital and Shareholders' Profile" of this report.

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

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

Changes in the share capital and shareholders' profile

1

Changes in share capital

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

Unit: share

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

2

Shareholders

(I) Number of shareholders and their shareholdings

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

Unit: share

Total number of shareholders as at the end of the reporting period: 114,604 (including 110,556 A share holders and 4,048 H share holders)

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%	2,772,554,627	+24,400	-	-	H Share
Shenergy (Group) Co., Ltd.	Domestic legal entity	14.05%	1,352,129,014	-	-	-	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	-	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	Domestic legal entity	4.87%	468,828,104	-	-	-	A Share
HKSCC	Others	3.46%	332,488,912	+134,379,279	-	-	A Share
China Securities Finance Co., Ltd.	Others	2.82%	271,089,843	-	-	-	A Share
Shanghai International Group	Domestic legal entity	1.66%	160,000,000	-	-	-	A Share
Citibank, National Association	Others	1.55%	148,997,105	-22,950	-	-	A Share
Yunnan Hehe (Group) Co., Ltd.	Domestic legal entity	0.95%	91,868,387	-	-	-	A Share
Description of the stock repurchase accounts of the top 10 shareholders	None.						
Description of the aforesaid shareholders' proxy voting rights, entrusted voting rights, and waiver of voting rights	Entrusted by its parent company, China Baowu Steel Group, Hwabao Investment Co., Ltd. exercises the voting rights corresponding to 68,818,407 ordinary shares (A share) of China Baowu Steel Group. Apart from this, the Company is not aware of any other proxy voting rights, entrusted voting rights, and waiver of voting rights of the aforesaid shareholders.						
Description of related relations or concerted actions among the aforesaid shareholders	HKSCC Nominees Limited and HKSCC are connected, as the former is a wholly-owned subsidiary of the latter. Shanghai State-Owned Assets Operation Co., Ltd. is a wholly-owned subsidiary of Shanghai International Group, they act in concert. As is confirmed by relevant shareholders regarding the Company's inquiry, the Company is not aware of any other connected relations or concerted actions among the above-mentioned shareholders.						

Notes:

1. As at the end of the reporting period, the Company did not issue any preferred shares.
2. 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.
3. 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.
4. HKSCC is the nominal holder of shares traded through Shanghai-Hong Kong Connect Programme.
5. Citibank, National Association is the depository of the Company's GDRs, and the underlying A shares of the Company represented by the GDRs have been registered under it; according to Citibank, National Association, as of the end of the reporting period, the remaining number of the GDRs is 29,799,421, which is 26.69% of the number of GDRs issued under approval by the CSRC.

(II) Controlling shareholders or de facto controllers

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

3

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

Unit: share

Name	Position	Type of shares	Shareholding at the beginning of the reporting period	Increase in shareholding during the reporting period	Decrease in shareholding during the reporting period	Shareholding at the end of the reporting period	Reason for the change
KONG Qingwei	Chairman, Executive Director	A share	28,800	-	-	28,800	-
		H share	21,800	-	-	21,800	-
FU Fan	Executive Director, President	H share	107,400	67,600	-	175,000	Secondary market transaction
YU Bin	Vice President	A share	5,900	-	-	5,900	-
		H share	115,200	-	-	115,200	-
MA Xin	Vice President	A share	15,000	-	-	15,000	-
		H share	95,000	-	-	95,000	-
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	-
ZHANG Yuhua	Director of Market Development	A share	14,400	-	-	14,400	-

Note: With the 23rd session of the 9th Board of Directors of the Company and the qualification approval from NAFR, the term of office of Mr. ZHANG Yuhua became effective in July 2023.

Directors, supervisors and senior management

1 Directors

The Company currently has 14 Directors. Among them, there are 2 Executive Directors, namely: Mr. KONG Qingwei, and Mr. FU Fan; 7 Non-executive Directors, namely: Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LU Qiaoling, and Mr. John Robert DACEY; 5 Independent Non-executive Directors, namely: Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Ms. LO Yuen Man, Elaine and Mr. JIANG Xuping. The relevant changes of directors are as follows:

Name	New Position	Note
LO Yuen Man, Elaine	Independent Non-executive Director	In May 2023, Ms. LO Yuen Man, Elaine was elected as Independent Non-executive Directors of the 9th Board of Directors at the 2022 AGM. Her appointment qualification was approved by the NAFR in July 2023. In August 2023, Ms. LO Yuen Man, Elaine was elected as a member of the audit committee and of the risk management committee of the Board.

Name	Cessation of office	Note
WOO Ka Biu, Jackson	Independent Non-executive Director	In March 2023, Mr. WOO Ka Biu, Jackson submitted his resignation to the Board, resigning from his position as Independent Non-executive Director of the Company due to his work arrangement. Mr. WOO continued to perform his duties until the qualification of the new independent non-executive director was approved by NAFR. In July 2023, the term of office of Ms. LO Yuen Man, Elaine as an independent director of the Company became effective as her appointment qualification was approved by NAFR. Mr. WOO ceased to perform his duties as an Independent Non-executive of the Company.

2 Supervisors

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

3 Senior management

The Company currently has 13 members of senior management. They are Mr. KONG Qingwei, Chairman, Mr. FU Fan, President, Mr. YU Bin and Mr. MA Xin, Vice Presidents, Mr. SUN Peijian, Chief Risk Officer, Mr. ZHANG Yuanhan, Chief Actuary and Finance Responsible Person, Mr. ZHANG Weidong, Chief Compliance Officer and General Counsel, Mr. SHENG Yafeng, Director of Greater Bay Area Development, Mr. CHEN Wei, Administrative Director, Mr. SU Shaojun, Board Secretary, Mr. SU Gang, Chief Investment Officer, Mr. ZHOU Xiaonan, Chief Internal Auditor and Internal Audit Responsible Person, and Mr. ZHANG Yuhua, Market Development Director. The relevant changes are as follows:

Name	New Position	Notes
ZHANG Yuhua	Market Development Director	In March 2023, the 23rd session of the 9th Board of Directors of the Company agreed to appoint Mr. ZHANG Yuhua as the Company's Market Development Director. In July 2023, Mr. ZHANG Yuhua's appointment qualification was approved by the NAFR.

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

In May 2023, Mr. WANG Tayu, Non-executive Director of the Company, ceased to be director and president of Shanghai Xieyi Asset Management Co., Ltd.; In April 2023, Ms. LU Qiaoling, Non-executive Director of the Company, was elected as supervisor of Xinyu Iron & Steel Group Co., Ltd.; In May 2023, Mr. WOO Ka Biu, Jackson, Independent Non-executive Director of the Company, was appointed as deputy convenor of the Panel of the Solicitors Disciplinary Tribunal in the Hong Kong Special Administrative Region; In July 2023, Ms. LO Yuen Man, Elaine, Independent Non-executive Director of the Company, ceased to be an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited and the chairman of its audit and risk committee.

Corporate governance

1

Corporate governance

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

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

Under the Articles of Association, the Board of Directors is accountable to the SGM and exercises, among others, the following powers: to convene annual general meetings, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or decreases in the registered share capital and issue and listing of other securities of the Company, appointment or dismissal of President, appointment or dismissal of Board Secretary based on Chairman's nomination, appointment or dismissal of Chief Internal Auditor and Internal Audit Responsible Person based on Chairman or Audit Committee's nomination, appointment or dismissal of Vice President, Chief Actuary, General Counsel, Chief Risk Officer, Chief Technology Officer, Chief Investment Officer, Finance Responsible Person, Compliance Responsible Person and other senior executives based on President's nomination and their remunerations, and develop the basic policies and systems of the Company.

The Company currently has 14 Directors, including 2 Executive Directors, 7 Non-executive Directors, and 5 Independent Non-executive Directors. The number of directors and composition of the Board of Directors are in compliance with the regulatory policies.

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 behaviours 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 sessions of the SGM and propose resolutions to it; and conduct investigation when there is any major abnormality in the Company's operation.

The Company currently has 4 Supervisors, including 2 Shareholder Representative Supervisors and 2 Employee Representative Supervisors. The number of supervisors and composition of the Board of Supervisors comply with the regulatory policies.

During the reporting period, the Company held 1 annual general meeting, 4 Board meetings, and 4 meetings of the Board of Supervisors. Relevant resolutions were announced on the websites of the SSE and SEHK, and relevant information disclosure media in accordance with regulatory requirements.

On 26 May 2023, the Company held the 2022 AGM, at which resolutions including The Resolution on the Report of the Board of Directors of China Pacific Insurance (Group) Co., Ltd.

for 2022, The Resolution on the 2022 Annual Report of China Pacific Insurance (Group) Co., Ltd., and The Resolution on the Annual Financial Report of China Pacific Insurance (Group) Co., Ltd. for 2022 were considered and approved. The shareholders attending the meeting held a total of 6,150,973,702 voting shares, accounting for 63.94% of the Company's total voting shares. All the resolutions of this meeting were passed (for details, please refer to the announcements published on the websites of SSE, SEHK, LSE and the Company).

At present, there are 5 special committees under the Board of Directors of the Company, namely the Strategic and Investment Decision-Making & ESG Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Related Party Transactions Control Committee, and the Technological Innovation and Consumer Rights Protection Committee. These special committees conduct in-depth research on professional topics and put forward recommendations to the Board of Directors.

During the reporting period, the Strategic and Investment Decision-Making & ESG Committee held 3 meetings and provided comments and suggestions on such matters as profit distribution, and the Sustainable Report for 2022.

During the reporting period, the Audit Committee held 5 meetings to review, among other things, the 2022 Annual Report, the first quarter report for 2023, and the 2022 Annual Comprehensive Audit Report of the Company. The Audit Committee discussed and agreed with the external auditors on an auditing schedule for the financial report of the Company for the year 2022 in accordance with the requirements for the preparation of the annual report of the Company. It held a meeting to review the financial statements prepared by the Company and issued a written opinion on such statements before the external auditors commenced their work on-site. The Audit Committee also maintained adequate and timely communication with the external auditors. The Audit Committee held a meeting to further review the financial report of the Company after receipt of the external auditors' preliminary audit opinions. It then issued its written opinion on the report and agreed to submit the annual report to the Board of Directors for consideration.

During the reporting period, the Nomination and Remuneration Committee convened 2 meetings to review such matters as The Resolution on Performance Appraisal Results for 2022, and The Resolution on Nomination of Ms. LO Yuen Man, Elaine as a candidate for Independent Director of the 9th Board of Directors.

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

During the reporting period, the Technological Innovation and Consumer Rights Protection Committee held 1 meeting to review resolutions on, among other things, the 2022 Consumer Rights Protection Work Report and Priorities for Consumer Rights Protection for 2023, and revision of the Consumer Protection Management Policy.

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

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

During the reporting period, the Company was in compliance with all code provisions set out in Part 2 of Corporate Governance Code and substantially all of the recommended best practices in Part 2 of the Corporate Governance Code.

The Company has adopted and implemented the Model Code for Securities Transactions for the securities transactions of its directors and supervisors. After specific inquiry by the Company, all of its directors and supervisors confirmed that they complied with the Code of Conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of its directors or supervisors that were not in full compliance with the Model Code for Securities Transactions. There is no mutual directorship among the Company's board directors.

On 18th July 2023, the NAFR issued approval of the appointment qualification of Ms. LO Yuen Man, Elaine as a director of the Company. The term of office of Ms. LO Yuen Man, Elaine as an independent non-executive director of the Company became effective on the same day. Upon the resignation of Mr. WOO Ka Biu, Jackson, there were 4 members left on the Audit Committee, including 2 non-executive directors and 2 independent non-executive directors, which temporarily failed to comply with the audit committee composition requirement that the majority of the audit committee members must be independent non-executive directors as stipulated in Rule 3.21 of the Hong Kong Listing Rules. The Company endeavored to perform the corresponding internal procedures and appointed Ms. LO Yuen Man, Elaine as a member of the Audit Committee of the 9th Board of Directors at the board meeting on 3rd August 2023.

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

The Company currently has 13 members of senior management. According to the Articles of Association, the Company's senior management includes Executive Directors, President, Vice President, Chief Actuary, Chief Internal Auditor, General Counsel, Chief Risk Officer, Chief Technology Officer, Chief Investment Officer, Board Secretary, Finance Responsible Person, Compliance Responsible Person, Internal Audit Responsible Person, other senior executives, as well as other management personnel determined by the Board of Directors. Please refer to the "Directors, supervisors and senior management" section of this report for details.

2

Investor relations

The Company has formulated relevant regulations such as the Investor Relations Management Measures and its implementing rules, and the Shareholder Communication Regulations. After reviewing the implementation of the above rules and regulations, the Company concludes that its policies on shareholder communication have been effectively enforced during the reporting period.

The Company continuously enhanced its investor-oriented platform with diversified channels of communication to improve the reach and effectiveness of investor communication. With the full recovery of socio-economic activities, we increased the frequency of on-site and face-to-face communication to improve the two-way investor communication and interaction. During the reporting period, the Company held IR events such as the 2022 Annual Results Announcement and global road show, 2023 Q1 Briefing, and forum on the New Accounting Standards, etc., via on-site conference, video and conference call; and hosted over 80 IR events such as strategy meetings, investor communication meetings, and visits from investors, more than half of which were on-site events. We also further expanded communication on the implementation progress of our key strategies relating to health care & elderly care management, business development in key regions and technology empowerment to better inform investors of the Company's investment value.

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 for various types of investors. In compliance with regulatory requirements, it publicly solicited questions from investors before holding annual results announcements, which were answered by management during the event. 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. The Company also assigned personnel for IR hotline, fax, email box, and the IR column on its official website to handle investors' questions, suggestions and comments, etc., and it continued to produce monthly Investor Newsletters in both Chinese and English with a total of 6 issues published, and responded to 21 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.

3

Information disclosure

The Company strictly abides by the regulatory rules of its various listing venues, continues to enhance its transparency via efficient, compliant, well-organised information disclosure. During the reporting period, it prepared and released regular reports and interim announcements in accordance with the principles of truthfulness, accuracy, completeness, timeliness and fairness. In response to investors' needs, it continued to expand the scope of voluntary information disclosure, adopted innovative ways of disclosure and dissemination of non-financial information, and maintained continuity and consistency in information disclosure so that both its major business development strategies and results and its corporate social responsibility efforts such as sustainable development can be communicated to investors and other stakeholders in a clear, concise, complete, effective, and easy-to-understand manner, thus improving the relevance and effectiveness of information disclosure. The Company continued to exercise control over insider information to ensure fair treatment of all securities markets and types of investors. During the reporting period, it also paid close attention to new industry policies and regulatory developments, and based on the latest corporate governance and information disclosure requirements for the insurance industry, 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.

4

Risk management

Risk management is a core element of the Company's operation and management. The Company has established an overarching risk management framework that covers all organizations and positions in which the Board of Directors bears the ultimate responsibility, management provides direct leadership, risk management departments execute and coordinate, and relevant functional departments closely work together. The board of directors of the subsidiaries shoulder the ultimate responsibility for their respective risk management systems and status of operation.

The Company takes a centralised approach to risk management - coordinating efforts in establishing unified risk management objectives, key risk calculation tools, risk management planning and information systems, while guiding and overseeing subsidiaries in their risk management work. While maintaining their independent risk governance and setting up necessary firewalls, each subsidiary is responsible for managing various categories of business risks in accordance with the basic goals and policies, systems and processes, methods and tools of the Group.

In April 2023, the regulators issued an on-site SARMRA (Solvency Aligned Risk Management Requirements and Assessment) assessment opinion letter for 2022 to the Company, which gave it a leading score among the insurance groups assessed.

SARMRA plays an important role in the regulation of the insurance industry, and is of great significance in enhancing the risk management of insurers and strengthening the industry's capability to prevent and resolve risks. The Company will continue to strengthen its solvency risk management system in accordance with the regulatory requirements to support its high-quality development.

Environmental and social responsibilities

We take steps to reduce our impact on climate change, protect the environment, implement actions in green financing and green operation in a bid to promote harmonious co-existence of mankind and nature.

1

Improving ESG governance

An ESG Work Commission was established under the Group Management Committee. The Commission convenes on a regular basis to supervises and reviews ESG-related matters. Work rules of the Commission were drafted to ensure its operation in an orderly manner and enhance its ESG supervision and co-ordination mechanisms.

To improve ESG transparency, the Company conducted an all-around review of its climate change governance and practice, published its first Climate Change Report, which offered an in-depth view of its efforts and contributions in supporting China's green, low-carbon transitioning.

2

Green insurance

The Company promotes green insurance, and particularly involving climate change, clean energy, pollution and energy consumption, environmental protection, and green transport, providing over RMB8.2 trillion in insurance coverage.

Catastrophe insurance. During the reporting period, CPIC cumulatively provided RMB570 billion in catastrophe cover. In particular, it launched the An Hui Bao catastrophe risk solution, a nation-wide county-level catastrophe index insurance product, which is also the first of its kind in the industry.

Clean energy insurance. During the reporting period, the Company cumulatively provided RMB990 billion in sum assured (SA) for clean energy projects, and over RMB3 trillion in SA for new-energy vehicles.

Environmental liability insurance. Between January and June 2023, the Company offered RMB4.5 billion in risk cover against environmental liability to about 2,000 business enterprises. In the process, it partnered with third-party outfits in environmental risk assessment, leveraged their expertise to evaluate geometric information of companies, such as sources of major hazards and water sources in the vicinity, so as to identify triggers of environmental pollution and provide targeted recommendations in risk control. It launched an innovative insurance product for rescue and relief of environmental pollution in Jiashan, the Exemplary Zone of Integrated Green Development of the Yangtze River Delta Region, the first of its kind in Zhejiang Province.

Water quality insurance. The Company incorporated water quality insurance into the comprehensive risk solution for Hangzhou Asian Games, providing cover for water quality of all aquatic events and safety of athletes.

Carbon sink insurance. Successfully launched carbon sink insurance in Inner Mongolia, Xiamen, Ningbo, Hainan, and Zhejiang, covering forestry, grassland, wetland, and tea trees.

Wildlife liability insurance. Rolled out wildlife liability insurance. In particular, the insurance programme has been running for over 10 years in Xishuangbanna and Pu'er of Yunnan Province, 2 cities most vulnerable to herds of Asian elephants, with claims pay-out cumulatively exceeding RMB360 million, benefiting more than 162,000 local farmers.

Environmental rescue liability insurance. The Company launched a tailor-made programme for the Konglonghe Prefecture-level Nature Reserve, a habitat of green peacocks, located in Shuangbai County, Chuxiong Yi Ethnic Group Autonomous Prefecture of Yunnan Province, which marked the debut of the first environmental rescue liability insurance product in the province.

We took part in the first International Carbon Expo in Shanghai in June 2023 and showcased our practice and achievements in green insurance, especially in areas of the CPIC Tan Puhui (personal carbon accounts) system, clean energy, green transport, carbon neutrality in big events, carbon emissions and pollution reduction, and environmental protection.

3

Green investment

CPIC continued with the building of its ESG investment management system. It published Policies on Responsible Investment of China Pacific Insurance (Group) Co. Ltd., which defined the philosophy, mission and methods of responsible investment. It improved ESG investment processes, revised rules on investable pools and, issued regulations on ESG risk management, to facilitate the implementation of ESG investing.

The Company is in the process of developing an ESG ratings analytical system. It seeks to establish an analytical system supporting in-house research functions and covering multiple asset classes, which would draw upon third-party data while ensuring independent, arms-length operation. The system will enable internal ESG investment rating and ESG investment risk management, calculation of carbon footprints of investment portfolios across multiple dimensions, which ultimately would support responsible investment (ESG investment) and green finance of the Company.

CPIC was directly involved in green investments in fields such as clean transport, clean energy, resources conservation, reuse and recycle, pollution treatment, environmental protection, green upgrading of infrastructure, and green service industries via debt investment plans, equity investment plans, asset-backed plans and industrial funds. It signed a Letter of Intention with CICC on cooperation in Green and Low-carbon Technology Fund in Greater Bay Area. The fund seeks to raise RMB10 billion, focusing on green energy, green transport, green cities, and green manufacturing, aiming to help with the green transitioning of the region.

New Energy. Conducted green investments in new energy sources such as wind power, hydro-power and photovoltaic power. We invested in CPIC-He'nan Lushan Yuneng Debt Investment Plan, which financed the water pumping and energy storage of He'nan Lushan Power Plant, a project with green certification. It was estimated that the project, when operational, could save 140,000 tons of standard coal equivalent, reduce carbon emissions by 310,000 tons, sulphur dioxide by 4,004 tons, and nitrogen oxides by 648 tons, thus ensuring stable power supply, lowering coal consumption and contributing to China's energy conservation and emissions reduction effort.

Improving living environment. Improved access to financial services by rural residents. Continued to support renovation of slums and infrastructure building, with outstanding debt investment plans amounting to more than RMB10 billion.

Pollution prevention and treatment. Subscribed amounts of Zhongyuan Yuzi Infrastructure Debt Investment Plan reached RMB2.2 billion, and the proceeds were used for the PPP (public-private partnership) project on the environmental treatment of the middle branch of the Shenshui River and the lower reaches of the Qingshui River of Zhengyang County, and the PPP project of comprehensive environmental treatment of the Four Lakes Recreation Area in Ningling County. These projects aim to restore self-purification of the water body, improve the ecology of waterways, and boost sustainable development of cities.

4

Green operation

Promoting green office. Formulated rules on green operation of offices for self-use, explored use of new energy-saving technologies, enhanced green, low-carbon standardised operation of work-places; drafted regulations on ratings of green travel, advocated green travel and low-carbon lifestyle, raised awareness of energy-saving business travel.

Digitalisation. Introduced CPIC e-Office, CPIC e-Procurement, and CPIC e-Travel, on-line systems for daily office work, procurement approvals and business travel reimbursement. Continuously upgraded full-process on-line service capabilities. CPIC Life promoted the use of paperless service, such as electronic amendments, electronic insurance policies and electronic letters, with the subscription rate of electronic letters reaching 86.5%.

Improving carbon management mechanisms. Initiated the building of a carbon data management platform, and carbon inventory assessment on the operational front, in order to strengthen capability in carbon data management and lay the foundation for gradual reduction in GHG emissions. Started the development of ESG management platform for operation based on extensive internal and external consultations; designed work methods and approaches of carbon inventory assessment to prepare for the launch of the assessment, which aims to determine the GHG emissions baseline, formulate the road-map of carbon neutrality and ultimately contribute to the fulfillment of the carbon neutrality target.

Advocating low-carbon behaviours. Developed Tan Xian Jia, a personal carbon account keeping records of personal carbon footprints of employees to encourage low-carbon behaviours. As of the end of June 2023, users exceeded 34,000. CPIC P/C launched CL-01, a project for low-carbon operation mechanisms. It explored an integrated management model of “physical objects + finance + carbon emissions” to promote low-carbon operation.

Promoting green buildings. The Company made further progress in green, smart buildings. Used IOT technology for digital renovation of work-sites, which realised visualised management of their energy consumption. The project enabled centralised control of work-site access by employees of both the Group and subsidiaries, centralised collection of data on headquarters office energy use, and centralised management of work-site operational safety. The office building for Greater Bay Area Headquarters was granted WELL HSR and LEED-CS Platinum certification, while putting in place a “healthy and green” property management system based on ECO-OFFICE. Our data centre in Chengdu became the first LEED-certified data centre in China. CPIC Home retirement communities in Chengdu, Hangzhou, Nanjing, Chongming of Shanghai, and Putuo of Shanghai all won the 3 Star Design Label for green buildings, and of these, the facility in Chengdu was awarded the WELL Gold certification.

5
Green charity

Sanjiangyuan Public Good Forest. Since 2020, the Company and its employees have donated more than RMB33.3 million for tree planting in Dejitan of Gonghe County, Qinghai Province, which is the eastern gateway to the Sanjiangyuan National Park. So far three phases have been completed, planting 120,000 trees in an area of 2,000 mu (approximately 133 hectares). In May 2023, given the location of the Sanjiangyuan Public Good Forest, the Company conducted a charitable event on volleyball and the upcoming Asian Games in the 2nd Boarding Primary School of Gonghe County. It launched a children volleyball training programme and chose the school as the first training base of the programme. To practice green Asian Games, we built CPIC Asian Games Woods. From planting trees to educating children, and from green training sites to classrooms of technology, the Sanjiangyuan Public Good Forest will gradually become an indispensable part of CPIC's brand name in the new era.

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

6
Supporting rural invigoration

CPIC continuously deepens long-term mechanisms of rural invigoration with its own characteristics in key areas such as rural development, rural building and rural governance.

Rural assistance. As of June 2023, Fang Pin Bao, an anti-poverty programme, cumulatively provided over RMB43.11 trillion in insurance protection, and paid out a total of RMB2.335 billion in poverty-alleviation funds. The Company vigorously provided risk cover for rural infrastructure and public service facilities, such as cold-chain logistics facilities of farm produce, cold-chain delivery centres at origins of production, roads and water conservancy infrastructure in rural areas. It has cumulatively offered RMB2.4 billion in risk cover for 1.97 million mu (about 131.3 thousand hectares) of high-level farm land in over 20 provinces; donated RMB1 million in poverty-alleviation fund to Chayou Middle Banner, Inner Mongolia for the construction of Huitengxile Grassland Mongolian Horses Cultural Park.

Sannong (agriculture, rural areas and farmers-related work). In the first half of 2023, the Company provided RMB542.5 billion in SA of agricultural insurance, paying out a total of RMB4.457 billion in 1.75 million agricultural insurance claims payments; developed more than 3,976 agricultural insurance products, spanning the whole range of sectors, from agriculture to forestry, and from animal husbandry to fishery; underwrote nearly 90 "insurance + futures" programmes and provided protection to 220,000 rural households, boosted the shift of agricultural insurance from material cost indemnity to full cost indemnity, and from protection against loss of output to that against drop of prices and loss of income. We cumulatively developed more than 222 weather index insurance products which involved RMB3.35 billion in SA; given the target of "one county, one specialty product", and "one county, multiple specialty products", we rolled out local specialty insurance via branch offices in Guangdong, He'nan, Hebei, Hainan, and Jiangsu. We also established a grass-root service network underpinned by more than 3,800 sannong service stations and over 15,000 agricultural insurance assistants.

Other information

1

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

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

Financial report

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Review Report

Ernst & Young Hua Ming (2023) Zhuan Zi No.60603963_B13
China Pacific Insurance (Group) Co., Ltd.

To the Shareholders of China Pacific Insurance (Group) Co., Ltd.,
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have reviewed the accompanying interim financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the interim consolidated and company balance sheets as at 30 June 2023, the interim consolidated and company income statements, the interim consolidated and company statements of changes in equity and the interim consolidated and company cash flow statements for the six-month period then ended, and the notes to the interim financial statements. Management of CPIC is responsible for the preparation of these interim financial statements in accordance with the requirements of Accounting Standard for Business Enterprises No.32 *Interim Financial Reporting* ("CAS 32"). Our responsibility is to issue a review report on these interim financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with CAS 32.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Guo, Hangxiang

Chinese Certified Public Accountant: Wang, Ziqing

Beijing,
The People's Republic of China

25 August 2023

INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VII	30 June 2023 (Unaudited)	31 December 2022 (Restated, unaudited)
Cash at bank and on hand	1	34,486	33,134
Financial assets at fair value through profit or loss	2	-	26,560
Derivative financial assets		79	197
Securities purchased under agreements to resell	3	25,743	21,124
Interest receivables		-	19,656
Term deposits	4	168,839	204,517
Available-for-sale financial assets	5	-	715,085
Held-to-maturity financial assets	6	-	514,250
Investments classified as loans and receivables	7	-	397,270
Financial investments:		1,846,269	-
Financial assets at fair value through profit or loss	8	488,760	-
Financial assets at amortised cost	9	86,485	-
Debt investments at fair value through other comprehensive income	10	1,180,753	-
Equity investments at fair value through other comprehensive income	11	90,271	-
Insurance contract assets	19	322	305
Reinsurance contract assets	20	35,023	33,205
Long-term equity investments	12	24,572	25,829
Restricted statutory deposits	13	7,773	7,290
Investment properties		10,894	11,202
Fixed assets		17,594	17,465
Construction in progress		2,274	2,291
Right-of-use assets		2,682	3,030
Intangible assets		6,273	6,666
Goodwill		1,372	1,372
Deferred income tax assets	14	5,501	19,661
Other assets	15	13,117	11,227
TOTAL ASSETS		2,202,813	2,071,336

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

AS AT 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	30 June 2023 (Unaudited)	31 December 2022 (Restated, unaudited)
Derivative financial liabilities		98	8
Securities sold under agreements to repurchase	16	72,357	119,665
Premium received in advance		5,218	17,891
Employee benefits payable		6,305	8,635
Taxes payable	17	3,981	5,166
Interest payable		-	469
Bonds payable	18	15,333	9,999
Insurance contract liabilities	19	1,802,270	1,664,848
Reinsurance contract liabilities	20	814	809
Commission and brokerage payable		6,098	4,639
Insurance premium reserves		790	316
Lease liabilities		2,400	2,718
Deferred income tax liabilities	14	632	568
Other liabilities		37,601	33,933
Total liabilities		1,953,897	1,869,664
Issued capital	21	9,620	9,620
Capital reserves	22	79,664	79,665
Other comprehensive income	39	10,613	(11,581)
Surplus reserves	23	5,114	5,114
General reserves	24	22,758	21,071
Retained profits	25	115,221	92,588
Equity attributable to shareholders of the parent		242,990	196,477
Non-controlling interests		5,926	5,195
Total equity		248,916	201,672
TOTAL LIABILITIES AND EQUITY		2,202,813	2,071,336

The financial statements from Page 2 to Page 93 are signed by the persons below:

KONG Qingwei	ZHANG Yuanhan	XU Zhen
Legal representative	Principal in charge of accounting	Head of accounting department

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated, unaudited)
Operating income		175,539	164,857
Insurance revenue	26	134,064	124,834
Interest income	27	29,320	-
Investment income	28	4,376	38,494
Including: Share of profits of associates and joint ventures		407	395
Other income		175	77
Gains/(losses) arising from changes in fair value	29	5,333	(1,065)
Exchange gains		407	710
Other operating income	30	1,863	1,807
Gains on disposal of assets		1	-
Operating expenses		(152,566)	(141,027)
Insurance service expenses	31	(114,898)	(105,383)
Allocation of reinsurance premiums		(7,985)	(7,220)
Less: Recoveries of insurance service expenses from reinsurers		7,013	6,102
Insurance finance expenses for insurance contracts issued		(29,983)	(28,759)
Less: Reinsurance finance income for reinsurance contracts held		548	517
Changes in insurance premium reserves		(474)	(390)
Interest expenses	32	(1,227)	(1,361)
Commission and brokerage expenses		(52)	(21)
Taxes and surcharges	33	(200)	(195)
Operating and administrative expenses	34	(3,631)	(2,706)
Impairment losses on financial assets	35	(1,183)	-
Asset impairment losses	36	-	(1,059)
Other operating expenses	37	(494)	(552)
Operating profit		22,973	23,830
Add: Non-operating income		48	45
Less: Non-operating expenses		(65)	(63)
Profit before tax		22,956	23,812
Less: Income tax	38	(4,209)	(3,296)

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated, unaudited)
Net profit		18,747	20,516
Classified by continuity of operations:			
Net profit from continuing operations		18,747	20,516
Net profit from discontinued operations		-	-
Classified by ownership of the equity:			
Attributable to shareholders of the parent		18,332	20,074
Non-controlling interests		415	442
Other comprehensive income/(loss)	39		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income		1,672	-
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss		(548)	-
Other comprehensive income/(loss) that will be reclassified to profit or loss:			
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method		(46)	-
Changes in the fair value of debt instruments at fair value through other comprehensive income		18,136	-
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income		612	-
Exchange differences on translation of foreign operations		32	21
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss		(15,640)	(2,353)
Changes of fair value of available-for-sale financial assets		-	(10,661)
Income tax impact relating to available-for-sale financial assets		-	2,722
Other comprehensive income/(loss)		4,218	(10,271)
Total comprehensive income		22,965	10,245
Attributable to shareholders of the parent		22,475	9,995
Attributable to non-controlling interests		490	250
Earnings per share	40		
Basic earnings per share (RMB per share)		1.91	2.09
Diluted earnings per share (RMB per share)		1.91	2.09

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2023 (Unaudited)								
	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total		
Balance at the end of the previous year	9,620	79,665	6,368	5,114	22,474	105,205	228,446	5,682	234,128
Add: Changes in accounting policies (Note IV)	-	-	102	-	218	1,563	1,883	28	1,911
Balance at the beginning of the period	9,620	79,665	6,470	5,114	22,692	106,768	230,329	5,710	236,039
Movements in the current period	-	(1)	4,143	-	66	8,453	12,661	216	12,877
Net profit	-	-	-	-	-	18,332	18,332	415	18,747
Other comprehensive income/(loss) (Note VII 39)	-	-	4,143	-	-	-	4,143	75	4,218
Total comprehensive income	-	-	4,143	-	-	18,332	22,475	490	22,965
Other equity changes caused by equity method accounting	-	(1)	-	-	-	-	(1)	-	(1)
Profit distribution	-	-	-	-	66	(9,879)	(9,813)	(274)	(10,087)
Appropriations to general reserves	-	-	-	-	66	(66)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,813)	(9,813)	(274)	(10,087)
Balance at the end of the period	9,620	79,664	10,613	5,114	22,758	115,221	242,990	5,926	248,916

	For the six months ended 30 June 2022 (Restated, unaudited)								
	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total		
Balance at the end of the previous year	9,620	79,662	19,655	5,114	19,521	93,169	226,741	5,664	232,405
Add: Changes in accounting policies	-	-	(6,351)	-	(2,669)	(24,123)	(33,143)	(499)	(33,642)
Balance at the beginning of the period	9,620	79,662	13,304	5,114	16,852	69,046	193,598	5,165	198,763
Movements in the current period	-	(5)	(10,079)	-	68	10,386	370	(136)	234
Net profit	-	-	-	-	-	20,074	20,074	442	20,516
Other comprehensive income/(loss) (Note VII 39)	-	-	(10,079)	-	-	-	(10,079)	(192)	(10,271)
Total comprehensive income	-	-	(10,079)	-	-	20,074	9,995	250	10,245
Impact of capital injection to subsidiaries, etc.	-	(5)	-	-	-	-	(5)	5	-
Profit distribution	-	-	-	-	68	(9,688)	(9,620)	(391)	(10,011)
Appropriations to general reserves	-	-	-	-	68	(68)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,620)	(9,620)	(391)	(10,011)
Balance at the end of the period	9,620	79,657	3,225	5,114	16,920	79,432	193,968	5,029	198,997

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated,unaudited)
Cash flows from operating activities			
Cash received from premium of insurance contracts issued		245,011	222,125
Net cash received from reinsurance contracts issued		786	141
Net cash received from reinsurance contracts held		-	1,363
Net decrease in policy loans		1,406	59
Refund of taxes and surcharges		10	75
Cash received relating to other operating activities		3,166	4,686
Sub-total of cash inflows		250,379	228,449
Cash paid for claims under insurance contracts issued		(86,208)	(75,198)
Net cash paid under reinsurance contracts held		(3,052)	-
Cash paid for commission and brokerage expenses		(17,504)	(14,089)
Cash paid to and on behalf of employees		(14,835)	(13,823)
Payments of taxes and surcharges		(7,649)	(6,464)
Cash paid relating to other operating activities		(35,872)	(29,961)
Sub-total of cash outflows		(165,120)	(139,535)
Net cash flows from operating activities		85,259	88,914
Cash flows from investing activities			
Cash received from disposal of investments		331,299	181,280
Cash received from returns on investments and interest income		39,775	38,157
Net cash received from disposal of subsidiaries and other business entities		1,716	2,147
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		72	17
Sub-total of cash inflows		372,862	221,601
Cash paid to acquire investments		(405,794)	(322,719)
Net cash paid to acquire subsidiaries and other business entities		(760)	(225)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,016)	(5,923)
Cash paid relating to other investing activities		(787)	(73)
Sub-total of cash outflows		(408,357)	(328,940)
Net cash flows used in investing activities		(35,495)	(107,339)

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated,unaudited)
Cash flows from financing activities			
Cash received from bonds issued		9,998	-
Increase in securities sold under agreements to repurchase, net		-	20,863
Cash received relating to other financing activities		10,451	1,267
Sub-total of cash inflows		20,449	22,130
Cash repayments of borrowings		(5,000)	(4,675)
Cash payments for distribution of dividends, profits or interest expenses		(11,017)	(1,397)
Decrease in securities sold under agreements to repurchase, net		(47,840)	-
Cash paid relating to other financing activities		(735)	(984)
Sub-total of cash outflows		(64,592)	(7,056)
Net cash flows (used in)/from financing activities		(44,143)	15,074
Effects of exchange rate changes on cash and cash equivalents		377	334
Net increase/(decrease) in cash and cash equivalents		5,998	(3,017)
Add: Cash and cash equivalents at the beginning of the period		53,809	45,627
Cash and cash equivalents at the end of the period	41	59,807	42,610

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM COMPANY BALANCE SHEET
AS AT 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

ASSETS	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash at bank and on hand	7,730	6,610
Financial assets at fair value through profit or loss	-	2
Securities purchased under agreements to resell	20	-
Interest receivables	-	562
Term deposits	4,825	8,999
Available-for-sale financial assets	-	37,692
Investments classified as loans and receivables	-	15,543
Financial Investments:	55,086	-
Financial assets at fair value through profit or loss	11,973	-
Financial assets at amortised cost	14,744	-
Debt investments at fair value through other comprehensive income	26,552	-
Equity investments at fair value through other comprehensive income	1,817	-
Long-term equity investments	70,649	69,900
Investment properties	3,222	3,274
Fixed assets	847	924
Construction in progress	3	3
Right-of-use assets	326	364
Intangible assets	198	233
Other assets	637	564
Total assets	143,543	144,670
LIABILITIES AND EQUITY		
Securities sold under agreements to repurchase	1,950	3,919
Employee benefits payable	177	282
Taxes payable	182	34
Interest payable	-	2
Lease liabilities	346	404
Deferred income tax liabilities	37	59
Other liabilities	718	886
Total liabilities	3,410	5,586
Issued capital	9,620	9,620
Capital reserves	79,312	79,312
Other comprehensive income	454	546
Surplus reserves	4,810	4,810
Retained profits	45,937	44,796
Total equity	140,133	139,084
TOTAL LIABILITIES AND EQUITY	143,543	144,670

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM COMPANY INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Operating income	11,958	13,743
Interest income	1,038	-
Investment income	10,365	12,825
Other income	3	5
Gains arising from changes in fair value	9	-
Exchange gains	226	463
Other operating income	317	450
Operating expenses	(964)	(940)
Interest expenses	(13)	(13)
Taxes and surcharges	(40)	(45)
Operating and administrative expenses	(783)	(878)
Impairment losses on financial assets	(46)	-
Asset impairment losses	-	72
Other operating expenses	(82)	(76)
Operating profit	10,994	12,803
Add: Non-operating income	-	1
Less: Non-operating expenses	(9)	(10)
Profit before tax	10,985	12,794
Less: Income tax	(173)	(291)
Net profit	10,812	12,503
Classified by continuity of operations:		
Net profit from continuing operations	10,812	12,503
Net profit from discontinued operations	-	-
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:		
Changes in the fair value of equity investments at fair value through other comprehensive income	(25)	-
Other comprehensive income/(loss) that will be reclassified to profit or loss:		
Changes in the fair value of debt instruments at fair value through other comprehensive income	55	-
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	35	-
Changes of fair value of available-for-sale financial assets	-	(465)
Income tax impact relating to available-for-sale financial assets	-	116
Other comprehensive income/(loss)	65	(349)
Total comprehensive income	10,877	12,154

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2023 (Unaudited)					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the end of the previous year	9,620	79,312	546	4,810	44,796	139,084
Add: Changes in accounting policies	-	-	(157)	-	142	(15)
Balance at the beginning of the period	9,620	79,312	389	4,810	44,938	139,069
Movements in the current period	-	-	65	-	999	1,064
Net profit	-	-	-	-	10,812	10,812
Other comprehensive income/(loss)	-	-	65	-	-	65
Total comprehensive income	-	-	65	-	10,812	10,877
Profit distribution	-	-	-	-	(9,813)	(9,813)
Profit distribution to shareholders	-	-	-	-	(9,813)	(9,813)
Balance at the end of the period	9,620	79,312	454	4,810	45,937	140,133

	For the six months ended 30 June 2022 (Unaudited)					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of the period	9,620	79,312	1,354	4,810	41,396	136,492
Movements in the current period	-	-	(349)	-	2,883	2,534
Net profit	-	-	-	-	12,503	12,503
Other comprehensive income/(loss)	-	-	(349)	-	-	(349)
Total comprehensive income	-	-	(349)	-	12,503	12,154
Profit distribution	-	-	-	-	(9,620)	(9,620)
Profit distribution to shareholders	-	-	-	-	(9,620)	(9,620)
Balance at the end of the period	9,620	79,312	1,005	4,810	44,279	139,026

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

INTERIM COMPANY CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Cash flows from operating activities		
Cash received relating to other operating activities	312	459
Sub-total of cash inflows	312	459
Cash paid to and on behalf of employees	(430)	(605)
Payments of taxes and surcharges	(169)	(149)
Cash paid relating to other operating activities	(504)	(228)
Sub-total of cash outflows	(1,103)	(982)
Net cash flows used in operating activities	(791)	(523)
Cash flows from investing activities		
Cash received from disposal of investments	14,432	5,808
Cash received from returns on investments and interest income	11,193	1,948
Net cash received from disposal of subsidiaries and other business entities	-	160
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	13
Sub-total of cash inflows	25,625	7,929
Cash paid to acquire investments	(11,369)	(8,613)
Net cash paid to acquire subsidiaries and other business entities	(750)	(3,158)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(69)	(20)
Sub-total of cash outflows	(12,188)	(11,791)
Net cash flows from/(used in) investing activities	13,437	(3,862)
Cash flows from financing activities		
Increase in securities sold under agreements to repurchase, net	-	970
Sub-total of cash inflows	-	970
Cash payments for distribution of dividends, profits or interest expenses	(9,790)	(7)
Decrease in repurchase business, net	(1,969)	-
Cash paid relating to other financing activities	(18)	(14)
Sub-total of cash outflows	(11,777)	(21)
Net cash flows (used in)/ from financing activities	(11,777)	949
Effects of exchange rate changes on cash and cash equivalents	271	125
Net increase/(decrease) in cash and cash equivalents	1,140	(3,311)
Add: Cash and cash equivalents at the beginning of the period	6,610	5,271
Cash and cash equivalents at the end of the period	7,750	1,960

The accompanying notes from Page 13 to Page 93 form an integral part of these financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 licence (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 licence (registration No. 100000000011107) on 5 February 2013. The Company renewed its business licence 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 period are detailed in Note VI.

II. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standards, the specific accounting standards promulgated and revised subsequently, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as "CASs") promulgated by the Ministry of Finance of the People's Republic of China. These interim financial statements are presented and disclosed in accordance with the requirements of CAS No. 32 - Interim Financial Reporting promulgated by the Ministry of Finance of the People's Republic of China, Standard on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 3 - Content and Format of Interim Reports (revised in 2021) promulgated by the China Securities Regulatory Commission ("CSRC") and Appendix XVI of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Therefore, they do not include all information and disclosures in the annual financial statements.

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

They have been prepared under the historical cost convention, other than 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.

The accounting policies applied in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the standards and amendments described in Note III Summary of Significant Accounting Policies and Note IV Changes in Accounting Policies. These financial statements should be read in conjunction with the Group's financial statements for 2022.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial instruments (Applicable from 1 January 2023)

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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.

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

(1) the contractual rights to receive the cash flows from the financial assets have expired; or

(2) the financial assets have been transferred and (a) the Group transfers substantially all the risks and rewards of ownership of the financial assets, or (b) the Group neither transfers nor retains substantially all the risks and rewards of the assets, but the Group has not retained control of the financial assets.

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 a 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 committed to purchasing or selling the financial assets.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Financial instruments (Applicable from 1 January 2023) (continued)

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: financial assets at fair value through profit or loss, financial assets at amortised cost, and financial assets at fair value through other comprehensive income. When, and only when the Group changes its business model for managing financial assets, all affected related financial assets could be reclassified.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: the financial assets are held for collection of contractual cash flows; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are not designated as measured at fair value through profit or loss. Interest income is recognised using the effective interest rate method, and any gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Debt investments at fair value through other comprehensive income

Financial assets are classified as financial assets at fair value through other comprehensive income if both of the following conditions are met: the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that such financial assets are not designated as at fair value through profit or loss. Interest income is recognised using the effective interest rate method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition of these financial assets, the accumulated gains or losses previously included in other comprehensive income are transferred and recognised in profit or loss.

Equity investments at fair value through other comprehensive income

The Group can elect to irrevocably designate its equity investments which are not held for trading as equity investments at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognised in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is required. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained profits.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Financial instruments (Applicable from 1 January 2023) (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost and financial assets at fair value through other comprehensive income are measured at financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

At initial recognition, the Group designates certain financial assets at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches. Once made such designation cannot be revoked. Other financial assets also cannot be re-designated as financial assets at fair value through profit or loss after initial recognition.

Classification and measurement of financial liabilities

The Group's financial liabilities are, at initial recognition, classified at fair value through profit or loss, or amortised cost. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and for financial liabilities measured at amortised cost, transaction costs are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments attributable to financial liabilities) and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value, and the changes in fair value of such financial liabilities are recognised in profit or loss. Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value and gains or losses are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income. If recognition of gains or losses arising from the Group's own credit risk to other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Group shall include the entire fair value changes (including the amount arising from the changes in the Group's own credit risk) of such financial liabilities in profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Based on the expected credit losses ("ECLs"), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost, and debt investments at fair value through other comprehensive income.

For accounts receivable and contract assets that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Financial instruments (Applicable from 1 January 2023) (continued)

Impairment of financial assets (continued)

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the gross carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the gross carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortised cost and the effective interest rate. If the credit risk of financial assets is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition. A purchased or originated credit-impaired financial asset is an asset that is credit-impaired at initial recognition. For such assets, the Group recognises the cumulative changes in lifetime ECLs since the initial recognition of the asset.

Information regarding the Group's criteria for determining a significant increase in credit risk, the definition of credit-impaired assets, and assumptions about the measurement of ECLs, is disclosed in Note XII 3.

The Group shall measure ECLs of financial assets in a way that reflects: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

When the Group has no reasonable expectation of recovering entire or a portion of the contractual cash flows on a financial asset, the Group directly writes down the gross carrying amount of the financial asset.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gains or losses arising from changes in fair value of derivatives are recognised directly in profit or loss for the current period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Financial instruments (Applicable from 1 January 2023) (continued)

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the amount guaranteed. The amount guaranteed is the maximum amount of consideration that the Group could be required to repay.

2. Insurance contracts

2.1 Definition of insurance contracts

An insurance contract is a contract under which the issuer of the contract accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified insured event adversely affects the policyholder. An insured event is an uncertain future event covered by an insurance contract that creates insurance risk. An insurance risk is a risk, other than financial risk, transferred from the policyholder to the issuer of a contract.

The accounting policies of insurance contract apply to the following contracts of the Group:

- Insurance contracts, including reinsurance contracts, the Group issues;
- Reinsurance contracts the Group holds;
- Insurance contracts the Group acquired in a transfer of insurance contracts or in a business combination involving enterprises not under common control;
- Investment contracts with discretionary participation features the Group issues.

A reinsurance contract is an insurance contract under which the reinsurer (the issuer) agrees to compensate the cedant for claims incurred by the cedant arising from underlying insurance contracts.

An investment contract with discretionary participation features is a financial instrument that provides a particular investor with the contractual right to receive guaranteed and additional amounts. The additional amounts are subject to the returns on a specified pool of items at the discretion of the issuer, and are expected to be a significant portion of the total contractual benefits.

The Group accounts for the investment contract with discretionary participation features issued by the Group applying the accounting treatments for insurance contracts, except for the modifications listed in "Recognition and measurement of investment contracts with discretionary participation features".

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.1 Definition of insurance contracts (continued)

An insurance contract is an insurance contract with direct participation features if all the following conditions are met at the inception of the contract:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- An amount equal to a substantial share of the fair value returns on the underlying items is expected to be paid to the policyholder; and
- A substantial proportion of any change in the amounts to be paid to the policyholder is expected to vary with the change in fair value of the underlying items.

2.2 Identification, combination and separation of insurance contracts

Identification of insurance contracts

The Group assesses whether the insurance risk of a contract is significant, i.e. performs a test on significant insurance risk, to determine whether the contract is an insurance contract. A contract is an insurance contract only if it transfers significant insurance risk. A contract that meets the definition of an insurance contract at its inception will not be reassessed subsequently.

When the Group performs tests on significant insurance risk, it determines that a contract transfers significant insurance risk if the following conditions are met:

(a) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to pay significant additional amounts, even if the insured event is extremely unlikely, or even if the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts payable if an insured event occurs that exceed those that would be payable if no insured event had occurred (including claims handling and assessment costs). Absence of discernible effect on the economics indicates lack of commercial substance;

(b) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to incur a loss on a present value basis. A loss is determined to be incurred due to the insured event if such event causes the future cash outflows to exceed inflows, on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

Combination of insurance contracts

The Group treats a series of insurance contracts with the same counterparty or related counterparties which may achieve an overall commercial effect, as a single contract in order to report the substance of such contracts.

Separating components from insurance contracts

An insurance contract may contain one or more components, the Group separates the following components:

- Embedded derivatives meeting the separation conditions under CAS No. 22 - Recognition and Measurement of Financial Instruments;
- Distinct investment components, but the investment components that meet the definition of investment contracts with discretionary participation features are still accounted for applying the accounting policies for insurance contracts;
- Promises to transfer distinct goods or services other than insurance contract services.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.2 Identification, combination and separation of insurance contracts (continued)

Separating components from insurance contracts (continued)

Investment component is the amount that an insurance contract requires to repay to policyholders regardless of whether an insured event occurs.

An investment component is distinct if both the following conditions are met:

(a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if one of the following conditions are met:

- (i) it is unable to measure a component separately, i.e. it is unable to measure one component without considering the other. If the value of one component varies according to the value of the other, the two components are highly interrelated;
- (ii) the policyholder is unable to benefit from an component separately, and can only benefit when both components are present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated.

(b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

Generally, for relevant contracts, the Group determines the non-distinct investment components based on cash surrender values and similar contractual terms.

Insurance contract services are the services provided by an entity comprising the coverage for insured events, the investment-return service to the policyholder of the insurance contracts without direct participation features, and the investment-related service as management of underlying items on behalf of the policyholder of the insurance contracts with direct participation features. When an entity separates distinct goods or services other than insurance contract services, it shall not consider activities that an entity must undertake to fulfil a contract unless the entity transfers a good or service other than insurance contract services to the policyholder as those activities occur. A good or service other than an insurance contract service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. A good or insurance service other than an insurance contract service is not distinct if both the following conditions are met: the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract and the entity provides a significant service in integrating the good or service with the insurance components.

The Group allocates contractual cash flows based on separation of insurance contracts. After separating cash flows related to separated embedded derivatives and distinct investment components, contractual cash flows are allocated between insurance components (including embedded derivatives that are not separated, promises to transfer goods or services other than insurance contract services that are not distinct) and promises to transfer distinct goods or services other than insurance contract services.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.3 Grouping of insurance contracts

The Group identifies portfolios of insurance contracts as contracts subject to similar risks and are managed together. The Group further divides portfolios of insurance contracts into groups of insurance contracts and uses groups of insurance contracts as units of account. A group of insurance contracts consists of one or more insurance contracts issued within a period of no longer than one year and with similar levels of profitability. The Group determines the group of contracts to which contracts belong by considering each individual contracts. However, if reasonable and supportable information clearly indicates that a set of contracts will all be in the same group, the Group assesses the grouping of contracts based on such set of contracts.

The Group divides a portfolio of insurance contracts into a minimum of the following groups, without contracts issued more than one year apart being in the same group:

- of contracts that are onerous at initial recognition;
- of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently;
- of the remaining contracts in the portfolio.

2.4 Recognition of insurance contracts

The Group recognises an insurance contract it issues from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder becomes due, or the date when the Group receives the first payment if there is no contractual due date;
- when it becomes onerous.

When the contracts in the portfolio meet one of the above conditions, the Group assesses the group to which the contracts belong and will not reassess subsequently. Coverage period is the period during which an entity provides insurance contract services to the policyholder.

The Group recognises an asset for the insurance acquisition cash flows (paid or payable before the recognition of the relevant groups of contracts) that are allocated to the groups in a systematic and rational way. Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of contracts (issued or expected to be issued) that are directly attributable to a portfolio of contracts. The Group derecognises an asset for insurance acquisition cash flows relating to the contract when the contract in a portfolio is included in the group of contracts to which it belongs. At each balance sheet date, the Group assesses the recoverable amount of the asset for insurance acquisition cash flows if facts and circumstances indicate the asset may be impaired. If the recoverable amount of the asset for insurance acquisition cash flow is lower than its carrying value, the Group recognises an allowance for asset impairment and an impairment loss in the profit or loss of the period. If the impairment conditions in prior periods no longer exist, the allowance for asset impairment will be reversed and the reversal will be recognised in the profit or loss of the period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts

2.5.1 General model

Measurement on initial recognition

The Group uses a group of insurance contracts as the unit of account and measures insurance contract liabilities on the initial recognition of a group of insurance contracts at the total of fulfilment cash flows and contractual service margin. The contractual service margin represents the unearned profit the entity will recognise as it provides insurance contract services in the future. The fulfilment cash flows comprise the following:

- estimates of future cash flows that relate directly to fulfil insurance contracts;
- an adjustment to reflect the time value of money and the financial risks; and
- a risk adjustment for non-financial risk.

Risk adjustment for non-financial risk is the compensation an entity requires for bearing the uncertainty about the amount and timing of the future cash flows that arises from non-financial risk as the entity fulfils insurance contracts. Estimates of fulfilment cash flows does not take into account the non-performance risk of the entity.

The Group may estimate the future cash flows at a higher level of aggregation than groups or portfolios of contracts and then allocate the resulting fulfilment cash flows to individual groups of contracts in a systematic and rational way. The estimates of future cash flows shall be as follows: the estimates of future cash flows should be unbiased probability-weighted mean; the estimates of any relevant market variables should be consistent with observable market prices for those variables; the estimates of future cash flows should be based on currently available information and reflect conditions and assumptions at the measurement date; the estimates of future cash flows should be estimated separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

The Group takes into account all the future cash flows within the boundary of each contract in a group of insurance contracts when estimating future cash flows. Cash flows are within the boundary of an insurance contract if they arise from the rights that enable the entity to compel the policyholder to pay the premiums or from the substantive obligations under which the entity is required to provide the policyholder with insurance contract services. The entity has no substantive obligation to provide insurance contract services to the policyholder when:

- The entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The Group adjusts the fulfilment cash flows with appropriate discount rates to reflect the time value of money and the financial risks related to those cash flows to the extent that the financial risks are not included in the estimates of cash flows. An appropriate discount rate shall meet all of the following requirements: reflects the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts; be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts (continued)

2.5.1 General model (continued)

Measurement on initial recognition (continued)

The Group considers and estimates risk adjustments for non-financial risk separately when estimating fulfilment cash flows to reflect the impact of non-financial risks on fulfilment cash flows.

On initial recognition of a group of insurance contracts, the Group measures the total of:

- the fulfilment cash flows;
- the cash flows related to asset for insurance acquisition cash flows, and any other asset or liability derecognised at that date;
- cash flows arising from the contracts in the group at that date.

If the total represents a net cash inflow, the Group recognises that as a contractual service margin; if it represents a net cash outflow, the Group recognises that as a loss in profit or loss of the period.

Subsequent measurement

The insurance contract liability is subsequently measured by the Group at each balance sheet date at the total of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage includes the fulfilment cash flows related to unexpired coverage period allocated to the group at the balance sheet date and the contractual service margin of the group at that date. The liability for incurred claims includes the fulfilment cash flows related to claims and other related expenses incurred allocated to the group at the balance sheet date.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the balance sheet date are determined as the carrying amount at the start of the period as adjusted for the following:

(a) the effect of contracts added to the group of contracts in the period on the contractual service margin;

(b) interest accreted in the period on the carrying amount of contractual service margin, using the weighted average interest rate (applicable to cash flows that do not vary based on the returns on any underlying items) determined when contracts are recognised in that group of contracts;

(c) the changes in fulfilment cash flows relating to future service, except to the extent that the increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss or the decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;

(d) the effect of currency exchange differences in the period on the contractual service margin; and

(e) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortizing the carrying amount of the contractual service margin as adjusted for (a) to (d) above.

The Group specifies, at inception of the relevant contracts, the basis on which it determines cash flow commitments, e.g. based on a fixed interest rate or on returns that vary based on specified asset returns, in order to disaggregate the changes in discretionary cash flows between those arising from changes in assumptions that relate to financial risk and those arising from discretion. Those arising from discretion are treated as changes in fulfilment cash flows relating to future services which adjust the contractual service margin, while contractual service margin will not be adjusted for those arising from changes in assumptions that relate to financial risk.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts (continued)

2.5.1 General model (continued)

Subsequent measurement (continued)

The Group recognises the reduction in the liability for remaining coverage because of services provided in the period as insurance revenue; The Group recognises the increase in the liability for incurred claims because of claims and other related expenses incurred in the period and related subsequent changes in fulfilment cash flows as insurance service expense. Any investment components in the insurance contracts are excluded when recognizing insurance revenue and insurance service expense.

The Group amortises the insurance acquisition cash flows related to groups of contracts in a systematic way on the basis of the passage of time, and recognises the amount as insurance service expense in each period during the coverage period and as insurance revenue at the same time to reflect the recovery of portions of the premiums that relate to such cash flows.

The Group accounts for the changes in the liability for remaining coverage and the liability for incurred claims arising from the effect of the time value of money and the effect of financial risk as insurance finance income or expenses.

Considering the related assets it holds and how it accounts for those assets, the Group makes the following accounting policy choices to portfolios of insurance contracts between:

- Including insurance finance income or expenses for the period in profit or loss; or
- Disaggregating insurance finance income or expenses for the period between those included in profit or loss and those included in other comprehensive income. Over the remaining duration of the group of contracts, the amount included in the profit or loss of each period is determined using a systematic and rational allocation method, and the difference between this amount and the total insurance finance income or expenses for the period is included in other comprehensive income.

Insurance finance income or expenses included in the profit or loss, is the insurance finance income or expenses that is included in the profit or loss of the current and subsequent periods. Insurance finance income or expenses included in the profit or loss comprises insurance finance expenses included in the profit or loss from the insurance contracts issued by the Group and reinsurance finance income included in the profit or loss from the reinsurance contracts held. The Group determines the amount of insurance finance income or expenses included in the profit or loss as follows:

- For groups of insurance contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders, the Group applies the discount rates determined at the date of initial recognition of a group of contracts, applicable to cash flows that do not vary based on the returns on any underlying items, to determine the amount of the insurance finance income or expenses included in profit or loss;
- For groups of insurance contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to policyholders, the Group applies the effective yield approach or projected crediting rate approach based on the characteristics of the contracts, to determine the amount of the insurance finance income or expenses included in profit or loss.

The Group changes the treatment results of accounting estimates made in interim financial statements in its subsequent interim and annual financial statements within the same annual period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts (continued)

2.5.1 General model (continued)

Subsequent measurement (continued)

When measuring a group of contracts that generate cash flows in a foreign currency, the Group treats the insurance contract liability as a monetary item, and applies CAS No. 19 - Foreign currency translation. At each balance sheet date, exchange differences on a group of contracts that generate cash flows in a foreign currency shall be included in profit or loss. For portfolios of insurance contracts that disaggregate insurance finance income or expenses between profit or loss and other comprehensive income, the exchange differences related to the amounts recognised in other comprehensive income are included in other comprehensive income.

2.5.2 Special measurement approach (“variable fee approach”) for groups of insurance contracts with direct participation features

The Group assesses whether an insurance contract is an insurance contracts with direct participation features at inception of the contract and does not reassess afterwards. The special measurement approach for insurance contracts with direct participation features is not applicable to reinsurance contracts issued and reinsurance contracts held.

The Group estimates the fulfilment cash flows of the groups of insurance contracts with direct participation features at the difference between the fair value of the underlying items and the variable fee. The variable fee reflects the consideration received by the Group for providing investment-related services by managing the underlying items on behalf of the policyholder, and is equal to the Group's share of the fair value of the underlying items less the fulfilment cash flows that do not vary based on the return on the underlying items.

For insurance contracts with direct participation features, the carrying amount of the contractual service margin of a group of contracts at each balance sheet date equals the carrying amount at the start of the reporting period adjusted for:

(a) the effect of contracts added to the group in the period on the contractual service margin;

(b) the change in the amount of the Group’s share of the fair value of the underlying items, except to the extent that:

- if the Group mitigates the effect of financial risk using derivatives or reinsurance contracts held, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the amount of the Group's share of the underlying items as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
- the decrease in the amount of the Group’s share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss;
- the increase in the amount of the Group's share of the fair value of the underlying items reverses the loss component of the liability for remaining coverage.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts (continued)

2.5.2 Special measurement approach ("variable fee approach") for groups of insurance contracts with direct participation features (continued)

(c) the changes in fulfilment cash flows relating to future service and do not vary based on the returns on underlying items, except to the extent that:

- if the Group mitigates the effect of financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the fulfilment cash flows as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
- such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss;
- such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.

(d) the currency exchange differences in the period arising on the contractual service margin;

(e) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortizing the carrying amount of the contractual service margin as adjusted for (a) to (d) above.

For insurance contracts with direct participation features for which the Group holds the underlying items, when the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income, the Group recognises insurance finance income or expenses included in profit or loss at an amount that exactly match the income or expenses included in profit or loss for the underlying items, except for the accounting treatment of the insurance finance income or expenses mentioned in (b) and (c) above.

2.5.3 Special measurement approach for onerous groups of contracts

If a group of insurance contracts is onerous at initial recognition, or if onerous contracts in a portfolio of contracts are added to a group of onerous contracts, the Group recognises a loss as part of insurance service expenses in the period and increase the carrying amount of the liability for remaining coverage by the amount of such loss component. At initial recognition, the carrying amount of the insurance contract liability for the onerous group of contracts is equal to its fulfilment cash flows.

When one of the following conditions causes a group of insurance contracts to become onerous on subsequent measurement, the Group recognises a loss as part of insurance service expenses in the period and increases the liability for remaining coverage by the amount of such loss component:

- changes relating to future service in the fulfilment cash flows arising from changes in estimates of future cash flows or the risk adjustment for non-financial risk exceed the carrying amount of the contractual service margin; or
- for a group of insurance contracts with direct participation features, the decreases in the amount of the Group's share of the fair value of the underlying items exceed the carrying amount of the contractual service margin.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts (continued)

2.5.3 Special measurement approach for onerous groups of contracts (continued)

After the Group has recognised a loss on an onerous group of contracts, the Group allocates the following changes in the carrying amount of liability for remaining coverage on a systematic and rational basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component:

(a) the present value of future cash flows released because of incurred insurance service expenses;

(b) changes in the risk adjustment for non-financial risk recognised in profit or loss because of the release from risk;

(c) insurance finance income or expenses.

Any amounts allocated to the loss component shall not be recognised as insurance revenue.

After the Group has recognised a loss on an onerous group of insurance contracts, the Group also:

- for increases relating to future service in fulfilment cash flows arising from changes in estimates of future cash flows or the risk adjustment for non-financial risk, and decreases in the amount of the Group's share of the fair value of the underlying items for a group of insurance contracts with direct participation features, recognises a loss as part of insurance service expenses in the period and increases the liability for remaining coverage by the amount of such loss component;
- for decreases relating to future service in fulfilment cash flows arising from changes in estimates of future cash flows or the risk adjustment for non-financial risk, and increases in the amount of the Group's share of the fair value of the underlying items for a group of insurance contracts with direct participation features, decreases the loss component of the liability for remaining coverage and reduces the insurance service expenses in the period; the Group adjusts the contractual service margin for any excess of the decrease over the amount of the loss component.

2.5.4 Simplified approach (“premium allocation approach”) for measurement of groups of insurance contracts

The Group may simplify the measurement of a group of insurance contracts using the premium allocation approach (“PAA”) if one of the following conditions are met:

- the Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying general model as mentioned above. This condition is not met if the fulfilment cash flows are expected to vary significantly during the period before a claim is incurred;
- the coverage period of each contract in the group is one year or less.

For contracts issued to which the Group applies the premium allocation approach, the Group assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

If insurance contracts in the group have a significant financing component, the Group shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates as determined on initial recognition.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.5 Measurement of insurance contracts (continued)

2.5.4 Simplified approach ("premium allocation approach") for measurement of groups of insurance contracts (continued)

Using the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received, minus any insurance acquisition cash flows at that date, and minus (or plus) any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other related asset or liability. At each balance sheet date, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows in the period, plus any amounts relating to the amortization of insurance acquisition cash flows recognised as insurance service expenses and any adjustment to a financing component in the period, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims in the period. If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, to the extent that the fulfilment cash flows exceed the carrying amount of the liability for remaining coverage determined in the way as mentioned above, the Group recognises a loss as insurance service expenses in the period and increases the carrying amount of the liability for remaining coverage.

The Group measures the liability for incurred claims at the fulfilment cash flows relating to incurred claims and other related expenses. The Group takes into account the time value of money and the effect of financial risk when measuring the related fulfilment cash flows.

The Group recognises the insurance revenue in the period at the amount of premiums received and expected to be received (with any investment component excluded and any significant financing component adjusted) allocated to the period. the Group allocates such adjusted premium received and expected to be received on the basis of the passage of time during the coverage period; if the expected pattern of release of risk of the insurance contracts during the coverage period differs significantly from the passage of time, then the allocation will be on the basis of the expected timing of incurred insurance service expenses.

2.6 Recognition and measurement of investment contracts with discretionary participation features

The Group accounts for the investment contract with discretionary participation features issued by the Group applying the accounting treatments for insurance contracts, except for the special modifications listed below:

- The date of initial recognition is the date the Group becomes party to the contract;
- Cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash. The Group has no substantive obligation to deliver cash if the Group has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks;
- The Group recognises the contractual service margin in profit or loss of the current and future periods over the duration of the group of contracts in a systematic and rational way that reflects the transfer of investment services.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.7 Recognition and measurement of groups of reinsurance contracts held

2.7.1 Recognition of groups of reinsurance contracts held

The above accounting treatment for insurance contracts applies to the recognition and measurement of groups of reinsurance contracts held, except as the modifications as specifically set out in this section (i.e. "Recognition and measurement of groups of reinsurance contracts held"), however, the approaches for measuring groups of onerous contracts do not apply to groups of reinsurance contracts held.

The Group recognises a group of reinsurance contracts held from the earlier of the beginning of the coverage period of the group of reinsurance contracts held or the date the Group recognises an onerous group of underlying insurance contracts. However, the Group recognises a group of reinsurance contracts held that provide proportionate coverage from the earlier of the following: the later of the beginning of the coverage period of the group of reinsurance contracts held or the date that any underlying insurance contract is initially recognised; or the date the Group recognises an onerous group of underlying insurance contracts.

2.7.2 Measurement of groups of reinsurance contracts held

On initial recognition of a group of reinsurance contracts held, the Group measures the asset for reinsurance contracts held at the total of the fulfilment cash flows and the contractual service margin. The contractual service margin for a group of reinsurance contracts held represents the net cost or net gain from the insurance contract services to be provided to the Group by the reinsurer.

When the Group measures the estimates of the present value of the future cash flows for the group of reinsurance contracts held, it uses the assumptions that are consistent with those used in the estimates of the present value of the future cash flows for the group of underlying insurance contracts, and takes into account the effect of any risk of non-performance by the issuer of the reinsurance contract.

The Group determines the risk adjustment for non-financial risk based on the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

On initial recognition of a group of reinsurance contracts held, the Group calculates the total of:

- the fulfilment cash flows;
- the cash flows related to asset or liability derecognised at that date;
- any cash flows arising at that date;
- the loss-recovery component of the asset for remaining coverage of reinsurance contracts held.

The Group recognises the net cost or net gain represented by the above total as a contractual service margin. If the net cost relates to events that occurred before the purchase of the reinsurance contracts, the Group recognises such a cost immediately in profit or loss as an expense.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.7 Recognition and measurement of groups of reinsurance contracts held (continued)

2.7.2 Measurement of groups of reinsurance contracts held (continued)

The assets for reinsurance contracts held is subsequently measured by the Group at each balance sheet date at the total of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage includes the fulfilment cash flows related to unexpired coverage period allocated to the group of reinsurance contracts held at the balance sheet date and the contractual service margin of the group at that date. The asset for incurred claims includes the fulfilment cash flows related to recovery of claims and other related expenses incurred allocated to the group of reinsurance contracts held at the balance sheet date.

If the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised, when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, the Group recognises a loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held by multiplying (a) the loss recognised on the underlying insurance contracts; and (b) the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group recognises the amount calculated above as an adjustment to contractual service margin and simultaneously as recoveries of insurance service expenses from reinsurers in profit or loss of the period.

When the Group measures the groups of reinsurance contracts held, it adjusts the loss-recovery component to reflect changes in the loss components of the onerous underlying insurance contracts, with the carrying amount of the loss-recovery component not exceeding the portion of the carrying amount of the loss components of the onerous underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

The Group measures the contractual service margin at each balance sheet date for a group of reinsurance contracts held as the carrying amount determined at the start of the reporting period, adjusted for:

(a) the effect of contracts added to the group of contracts in the period on the contractual service margin;

(b) interest accreted in the period on the contractual service margin, using the weighted average interest rates (applicable to cash flows that do not vary based on returns on any underlying items) determined when the contracts in the group of contracts are recognised;

(c) the loss-recovery component of the asset for remaining coverage recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, and reversals of a loss-recovery component of the asset for remaining coverage to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;

(d) the changes in the fulfilment cash flows relating to future service, other than the change resulting from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin for the group of underlying insurance contracts, or the change resulting from recognition or reversal of losses from onerous groups of underlying contracts measured applying the premium allocation approach;

(e) the effect of any currency exchange differences in the period arising on the contractual service margin;

(f) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of reinsurance contracts held in each period of the coverage period based on the pattern of receipt of insurance contract services, and recognises profit or loss accordingly over the current and future periods by amortising the carrying amount of the contractual service margin as adjusted for (a) to (e) above.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.7 Recognition and measurement of groups of reinsurance contracts held (continued)

2.7.2 Measurement of groups of reinsurance contracts held (continued)

Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not relate to future service and shall not adjust the contractual service margin.

The Group recognises the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Group recognises the increase in the asset for incurred claims because of claims and other related expenses incurred in the period that are expected to be reimbursed and any subsequent related changes in fulfilment cash flows as recoveries of insurance service expenses from reinsurers.

The Group treats amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts as the reduction to the allocation of reinsurance premiums paid. Allocation of reinsurance premiums paid and recoveries of insurance service expenses from reinsurer recognised in profit or loss excludes any investment components of the reinsurance contracts held.

The Group may use the premium allocation approach to simplify the measurement of a group of reinsurance contracts held, if one of the following conditions are met:

- the Group reasonably expects the measurement result of the group of reinsurance contracts held applying premium allocation approach would not differ materially from the measurement result without applying the premium allocation approach. This condition is not met if significant variability in the fulfilment cash flows is expected during the period before a claim is incurred;
- the coverage period of each contract in the group of reinsurance contracts held is one year or less.

2.8 Modification and derecognition

If the modification of terms of an insurance contract meets one of the following conditions, the Group derecognises the original contract and recognises the modified contract as a new contract.

- if the modified terms had been included at contract inception:

  (i) the modified contract would have been excluded from the scope of Accounting Standard for Business Enterprises on insurance contracts;

  (ii) the Group would have separated different components from the host insurance contract, resulting in a different insurance contract to which the Accounting Standard for Business Enterprises on insurance contracts would have applied;

  (iii) the modified contract would have had a substantially different contract boundary; or

  (iv) the modified contract would have been included in a different group of contracts.

- the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- the Group applied the premium allocation approach to the original contract, but the modified contract no longer meets the eligibility criteria for the premium allocation approach.

If a contract modification meets none of the conditions above, the Group treats changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Insurance contracts (continued)

2.8 Modification and derecognition (continued)

The Group derecognises an insurance contract when the obligation specified in the insurance contract is discharged or cancelled or expires. The Group derecognises an insurance contract by applying the following:

- the fulfilment cash flows of the group to which the insurance contract belongs are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised;
- the contractual service margin of the group of contracts is adjusted; and
- the number of coverage units for current and future periods of the group of contracts is adjusted.

When the Group modifies the original contract and recognises the new contract, the Group adjusts the contractual service margin of the group from which the original contract has been derecognised for the difference between the change in the fulfilment cash flows of the group of insurance contracts resulting from the derecognition of the original contract, and the premium charged had it entered into a contract with equivalent terms as the new contract at the date of modification, less any additional premium charged for the modification of the contract. The Group measures the group to which the new contract belongs assuming that the Group receives the net premium mentioned above at the date of the modification.

When the Group derecognises an insurance contract because it transfers the contract, the Group adjusts the contractual service margin of the group from which the contract has been derecognised for the difference between the change in the fulfilment cash flows of the group of insurance contracts resulting from the derecognition of the contract and the premium charged by the transferee.

When the Group derecognises an insurance contract (other than insurance contracts with direct participation features for which the Group holds the underlying items) because of modification or transfer, it reclassifies the balance of the other comprehensive income recognised for the contract in prior periods to profit or loss in that period.

2.9 Presentation

If the carrying amount of a portfolio of insurance contracts issued by the Group is a credit (debit) balance, it is presented as an insurance contract liability (asset); If the carrying amount of a portfolio of reinsurance contracts held is a debit (credit) balance, it is presented as a reinsurance contract asset (liability). The carrying amount of the assets for insurance acquisition cash flows at each balance sheet date is included in the carrying amount of the related portfolios of insurance contracts.

3. Revenue

Insurance revenue

For insurance contracts issued by the Group, the Group uses the groups of contracts as measurement units and recognises insurance revenue in the periods when insurance contract services are provided.

IV. CHANGES IN ACCOUNTING POLICIES

New financial instruments standards

In 2017, the Ministry of Finance issued 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, Accounting Standard for Business Enterprises No. 37 - Financial Instruments Disclosure (collectively hereinafter referred to as the "new financial instruments standards"). The Group has adopted the "new financial instruments standards" since 1 January 2023.

In accordance with the new financial instruments standards, the Group chose not to restate the comparative information, and the Group recognised the adjustments to carrying amounts of financial assets and financial liabilities at the date of initial application in the opening balance of retained earnings or other comprehensive income of the period. The disclosures of related comparative information remain unchanged from the disclosure made in prior years.

The implementation of the new financial instruments standards has resulted in changes in the recognition, classification and measurement of the Group's financial assets and financial liabilities, and in the accounting policies for the impairment of financial assets.

Details of accounting policies that the Group applied in the current periods under the new financial instruments standards are disclosed in Note III.1.

New insurance standard

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"). The Group has adopted the new insurance standard from 1 January 2023, and comparatives information were restated according to requirements of the new insurance standard. The implementation of the new insurance standard resulted in significant changes in the recognition of insurance revenue and insurance service expenses, the measurement of insurance contract liabilities, and the presentation in the financial statements. Details of accounting policies related to insurance contracts that the Group applied in accordance with the new insurance standard are disclosed in Note III.2.

According to the requirements of the new insurance standard, the Group adopts the retrospective approach for the differences in accounting treatments of insurance contracts that are required by the new insurance standard and those that were applied before the date of initial application, except that for groups of contracts to which the full retrospective approach is impracticable on the transition date, the Group adopts the modified retrospective approach or the fair value approach for transition treatment.

IV. CHANGES IN ACCOUNTING POLICIES (continued)

The impact of the implementation of the new accounting standards for the first time above in the consolidated balance sheet is disclosed as follows:

ASSETS	Before changes in accounting policies 31 December 2022 (Audited)	The effect of changes in accounting policies	After changes in accounting policies 1 January 2023 (Unaudited)
Cash at bank and on hand	33,134	4	33,138
Financial assets at fair value through profit or loss	26,560	(26,560)	-
Derivative financial assets	197	-	197
Securities purchased under agreements to resell	21,124	10	21,134
Premium receivables	31,191	(31,191)	-
Reinsurance receivables	9,188	(9,188)	-
Interest receivables	21,715	(21,715)	-
Reinsurers' share of unearned premium reserves	8,814	(8,814)	-
Reinsurers' share of claim reserves	11,479	(11,479)	-
Reinsurers' share of life insurance reserves	2,019	(2,019)	-
Reinsurers' share of long-term health insurance reserves	12,084	(12,084)	-
Policy loans	69,825	(69,825)	-
Term deposits	204,517	6,717	211,234
Available-for-sale financial assets	715,085	(715,085)	-
Held-to-maturity financial assets	514,250	(514,250)	-
Investments classified as loans and receivables	397,270	(397,270)	-
Financial Investments:	-	1,711,596	1,711,596
Financial assets at fair value through profit or loss	-	415,758	415,758
Financial assets at amortised cost	-	91,428	91,428
Debt investments at fair value through other comprehensive income	-	1,119,324	1,119,324
Equity investments at fair value through other comprehensive income	-	85,086	85,086
Insurance contract assets	-	305	305
Reinsurance contract assets	-	33,205	33,205
Long-term equity investments	25,829	-	25,829
Restricted statutory deposits	7,290	313	7,603
Investment properties	11,202	-	11,202
Fixed assets	17,465	-	17,465
Construction in progress	2,291	-	2,291
Right-of-use assets	3,030	-	3,030
Intangible assets	6,666	-	6,666
Goodwill	1,372	-	1,372
Deferred income tax assets	8,903	(540)	8,363
Other assets	13,799	(2,683)	11,116
Total assets	2,176,299	(70,553)	2,105,746

IV. CHANGES IN ACCOUNTING POLICIES (continued)

The impact of the implementation of the new accounting standards for the first time above in the consolidated balance sheet is disclosed as follows: (continued)

LIABILITIES AND EQUITY	Before changes in accounting policies 31 December 2022 (Audited)	The effect of changes in accounting policies	After changes in accounting policies 1 January 2023 (Unaudited)
Derivative financial liabilities	8	-	8
Securities sold under agreements to repurchase	119,665	166	119,831
Premium received in advance	22,520	(4,629)	17,891
Employee benefits payable	8,635	-	8,635
Taxes payable	5,166	-	5,166
Interest payable	469	(469)	-
Claims payable	22,075	(22,075)	-
Policyholder dividend payable	24,858	(24,858)	-
Policyholders' deposits and investment contract liabilities	120,029	(120,029)	-
Unearned premium reserves	77,250	(77,250)	-
Claim reserves	71,437	(71,437)	-
Life insurance reserves	1,258,941	(1,258,941)	-
Long-term health insurance reserves	150,290	(150,290)	-
Bonds payable	9,999	303	10,302
Insurance contract liabilities	-	1,664,848	1,664,848
Reinsurance contract liabilities	-	809	809
Commission and brokerage payable	4,639	(9)	4,630
Reinsurance payable	8,450	(8,450)	-
Insurance premium reserves	316	-	316
Lease liabilities	2,718	-	2,718
Deferred income tax liabilities	832	(327)	505
Other liabilities	33,874	174	34,048
Total liabilities	1,942,171	(72,464)	1,869,707
Issued capital	9,620	-	9,620
Capital reserves	79,665	-	79,665
Other comprehensive income	6,368	102	6,470
Surplus reserves	5,114	-	5,114
General reserves	22,474	218	22,692
Retained profits	105,205	1,563	106,768
Equity attributable to shareholders of the parent	228,446	1,883	230,329
Non-controlling interests	5,682	28	5,710
Total equity	234,128	1,911	236,039
Total liabilities and equity	2,176,299	(70,553)	2,105,746

IV. CHANGES IN ACCOUNTING POLICIES (continued)

The impact of the implementation of the new accounting standards for the first time above in the company balance sheet is disclosed as follows:

ASSETS	Before changes in accounting policies 31 December 2022 (Audited)	The effect of changes in accounting policies	After changes in accounting policies 1 January 2023 (Unaudited)
Cash at bank and on hand	6,610	-	6,610
Financial assets at fair value through profit or loss	2	(2)	-
Interest receivables	562	(562)	-
Term deposits	8,999	200	9,199
Available-for-sale financial assets	37,692	(37,692)	-
Investments classified as loans and receivables	15,543	(15,543)	-
Financial Investments:	-	53,578	53,578
Financial assets at fair value through profit or loss	-	13,611	13,611
Financial assets at amortised cost	-	15,695	15,695
Debt investments at fair value through other comprehensive income	-	23,193	23,193
Equity investments at fair value through other comprehensive income	-	1,079	1,079
Long-term equity investments	69,900	-	69,900
Investment properties	3,274	-	3,274
Fixed assets	924	-	924
Construction in progress	3	-	3
Right-of-use assets	364	-	364
Intangible assets	233	-	233
Other assets	564	-	564
Total assets	144,670	(21)	144,649
LIABILITIES AND EQUITY			
Securities sold under agreements to repurchase	3,919	2	3,921
Employee benefits payable	282	-	282
Taxes payable	34	-	34
Interest payable	2	(2)	-
Lease liabilities	404	-	404
Deferred income tax liabilities	59	(6)	53
Other liabilities	886	-	886
Total liabilities	5,586	(6)	5,580
Issued capital	9,620	-	9,620
Capital reserves	79,312	-	79,312
Other comprehensive income	546	(157)	389
Surplus reserves	4,810	-	4,810
Retained profits	44,796	142	44,938
Total equity	139,084	(15)	139,069
Total liabilities and equity	144,670	(21)	144,649

V. TAXES

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

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

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

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

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2023 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		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	19,948,088	19,948,088	98.50	-	98.50	(1)
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Joint stock limited company	Life and health insurance	Shanghai	The PRC	8,628,200	8,628,200	98.29	-	98.29	
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	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2023 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		
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	
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	
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	The PRC	3,600,000	3,600,000	85.05	14.69	100.00	
China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	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	
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	

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VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2023 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 (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	
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	26,200	-	98.29	100.00	(2)
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Senior living property investment and construction, etc.	Wuhan	Wuhan	980,000	813,078	-	98.29	100.00	(3)
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	855,000	-	98.29	100.00	(4)
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	13,000	-	98.29	100.00	(5)
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	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2023 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		
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	
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd ("Pacific Care Home at Xiamen")	Limited liability company	Seniors and disabled care, etc.	Xiamen	Xiamen	40,000	7,000	-	98.29	100.00	(6)
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Zhengzhou	Zhengzhou	650,000	298,500	-	98.29	100.00	(7)
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Beijing	Beijing	800,000	612,000	-	98.29	100.00	(8)
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	Technical services, cloud computing services, big data services	Shanghai	Shanghai	700,000	700,000	100.00	-	100.00	
Xinbaoyu (Guangzhou) Co., Ltd ("Xinbaoyu")	Limited liability company	Business service, property management, and lease of non-residential real estate	Guangzhou	Guangzhou	3,650,000	3,649,990	-	98.46	100.00	
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Technical services, technical consulting services	Wuhan	Wuhan	100,000	100,000	-	100.00	100.00	
Pacific Health Management (Sanya) Co., Ltd ("Sanya Service Company")	Limited liability company	Elderly services, health consulting services, etc.	Sanya	Sanya	490,000	238,880	-	98.29	100.00	(9)
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd ("Pacific Care Home at Nanjing")	Limited liability company	Elderly services, health consulting services, etc.	Nanjing	Nanjing	30,000	5,000	-	98.29	100.00	(10)
Shanghai (Jing'an) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Jing'an")	Limited liability company	Elderly services, nursing facility services, health counseling services, etc.	Shanghai	Shanghai	5,000	5,000	-	98.29	100.00	(11)

* Subsidiaries of City Island

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2023 are as follows (continued):

(1) CPIC Property

According to the "Proposal on the conversion of any provident fund into share capital and related party transactions of China Pacific Property Insurance Co., Ltd." approved by the shareholders' general meeting of CPIC Property, CPIC Property transferred 478,087,650 shares to all shareholders with an arbitrary surplus reserve, with a total amount of RMB 1.2 billion. The matter was approved by the former China Banking and Insurance Regulatory Commission (hereinafter referred to as "CBIRC") on 27 February 2023, and the total share capital after the change is RMB 19.948 billion.

(2) Pacific Care Home at Hangzhou

Pacific Care Home at Hangzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with a registered capital of RMB 60 million. As of 30 June 2023, CPIC Senior Living Investment had actually contributed increased to approximately RMB 26 million.

(3) Wuhan Project Company

Wuhan Project Company, a wholly-owned subsidiary funded by CPIC Life, with a registered capital of RMB 980 million. As of 30 June 2023, CPIC Life had actually contributed increased to approximately RMB 813 million.

(4) Shanghai (Chongming) Project Company

Shanghai (Chongming) Project Company, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with a registered capital of RMB 1.253 billion. As of June 30, 2023, CPIC Senior Living Investment had actually contributed increased to approximately RMB 855 million.

(5) Shanghai (Putuo) Project Company

Shanghai (Putuo) Project Company, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with a registered capital of RMB 30 million. As of 30 June 2023, CPIC Senior Living Investment had actually contributed increased to approximately RMB 13 million.

(6) Pacific Care Home at Xiamen

Pacific Care Home at Xiamen, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with a registered capital of RMB 40 million. As of 30 June 2023, CPIC Senior Living Investment had actually contributed increased to RMB 7 million.

(7) Zhengzhou Project Company

Zhengzhou Project Company, a wholly-owned subsidiary invested by CPIC Life, with a registered capital of RMB 650 million. As of 30 June 2023, CPIC Life had actually contributed increased to approximately RMB 299 million.

(8) Beijing Project Company

Beijing Project Company, a wholly-owned subsidiary funded by CPIC Life, with a registered capital of RMB 800 million. As of 30 June 2023, CPIC Life had actually contributed increased to approximately RMB 612 million.

(9) Sanya Service Company

Sanya Service Company, a wholly-owned subsidiary invested by CPIC Life, with a registered capital of RMB 490 million. As of 30 June 2023, CPIC Life had actually contributed increased to approximately RMB 239 million.

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as at 30 June 2023 are as follows (continued):

(10) Pacific Care Home at Nanjing

Pacific Care Home at Nanjing, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with a registered capital of RMB 30 million. As of 30 June 2023, CPIC Senior Living Investment had actually contributed increased to RMB 5 million.

(11) Pacific Care Home at Jing'an

In February 2023, CPIC Senior Living Investment entered into a property rights transaction contract with Shanghai Yuanmao Real Estate Co., Ltd. ("Yuanmao Real Estate"), acquiring 100% equity interest in Pacific Care Home at Jing'an from Yuanmao Real Estate. As of June 30 2023, the registered capital and paid-in capital of Pacific Care Home at Jing'an are both RMB 5 million. In July 2023, Pacific Care Home at Jing'an increased its investment fund by about RMB 421 million. After the capital increase, the registered capital and paid-in capital of Pacific Care Home at Jing'an are about RMB 426 million.

2. As at 30 June 2023, material consolidated structured entities of 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	78.75	8,222,926	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.
Pacific Great Health Industry Private Investment Fund (Shanghai) Partnership (Limited Partnership) ("Pacific Great Health")	90.90	4,951,000	Investing in equity investment, investment management, asset management and other activities with private equity funds (it is required to complete the filing and registration with the China Securities Investment Funds Association before engaging in business activities) (except for projects subject to approval in accordance with the law, it shall carry out business activities independently in accordance with the law based on its business license).
Henan Transport Investment Group Co., Ltd.	86.46	4,800,000	Investing in the project of Xinyang-Nanyang section of Shanghai-Shaanxi Expressway operated by Henan Transport Investment Group Co., Ltd.

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

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	30 June 2023		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	22,984	1.00000	22,984
	USD	1,319	7.22580	9,530
	HKD	1,138	0.92198	1,049
	Others			7
	Sub-total			33,570
Other cash balances	RMB	913	1.00000	913
	USD	-	7.22580	3
	Sub-total			916
Less: Impairment provisions				-
Total				34,486

	Currency	31 December 2022		
		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			32,285
Other cash balances	RMB	849	1.00000	849
	Sub-total			849
Total				33,134

As at 30 June 2023, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 2,047 million (31 December 2022: amounted equivalent to RMB 2,157 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 at 30 June 2023, RMB 607 million in the Group's other cash balances are recorded as minimum settlement deposits (31 December 2022: RMB 825 million).

As at 30 June 2023, RMB 1,698 million are time deposits with original maturity of no more than three months (31 December 2022: RMB 659 million).

As at 30 June 2023, RMB 415 million in the Group's cash at bank and on hand balance are restricted for special-purpose use (31 December 2022: RMB 449 million).

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.

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss (only applicable for 2022)

	31 December 2022
Listed	3,460
Unlisted	23,100
Total	26,560
Equity investments	
- Stocks	9
- Funds and insurance asset management products	3,725
- Wealth management products	6,502
- Other equity investments	9,813
Debt investments	
- Government bonds	326
- Finance bonds	3,134
- Corporate bonds	3,018
- Wealth management products	3
- Debt investment plans	30
Total	26,560

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 31 December 2022 amounted to RMB 21,571 million. The rest is trading assets, with no material limitation in realisation.

3. Securities purchased under agreements to resell

	30 June 2023	31 December 2022
Securities - bonds		
Inter-bank market	23,275	17,909
Stock exchange	2,468	3,215
Sub-total	25,743	21,124
Less: Impairment provisions	-	-
Total	25,743	21,124

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

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Term deposits

Term to maturity	30 June 2023	31 December 2022
At amortised cost		
Within 3 months (inclusive)	702	30,034
3 months to 1 year (inclusive)	7,735	47,181
1 to 2 years (inclusive)	7,495	47,749
2 to 3 years (inclusive)	2,165	23,388
3 to 4 years (inclusive)	11,359	27,005
4 to 5 years (inclusive)	3,954	29,160
Less: Impairment provisions	(19)	-
Fair value through other comprehensive income		
Within 3 months (inclusive)	9,815	-
3 months to 1 year (inclusive)	40,801	-
1 to 2 years (inclusive)	18,174	-
2 to 3 years (inclusive)	16,018	-
3 to 4 years (inclusive)	27,257	-
4 to 5 years (inclusive)	23,383	-
Including:		
- Amortised cost	134,300	-
- Accumulated changes in fair value	1,148	-
Total	168,839	204,517

As at 30 June 2023, the impairment provision recognised for term deposits at fair value through other comprehensive income was RMB 55 million.

5. Available-for-sale financial assets (only applicable for 2022)

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

	31 December 2022
Listed	267,226
Unlisted	447,859
Total	715,085
Equity investments	
- Stocks	182,173
- Funds and insurance asset management products	83,160
- Other equity investments	138,541
- Wealth management products	757
- Preferred shares	12,335
Debt investments	
- Government bonds	108,345
- Finance bonds	56,845
- Corporate bonds	129,536
- Debt investment plans	700
- Wealth management products	2,693
Total	715,085

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Available-for-sale financial assets (only applicable for 2022) (continued)

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

	31 December 2022
Debt investments	
Fair value	298,119
Including: Amortised cost	287,635
Accumulated amount recognised in other comprehensive income	12,755
Total impairment provisions	(2,271)
Equity investments	
Fair value	416,966
Including: Cost	423,209
Accumulated amount recognised in other comprehensive income	1,707
Total impairment provisions	(7,950)
Total	
Fair value	715,085
Including: Amortised cost/Cost	710,844
Accumulated amount recognised in other comprehensive income	14,462
Total impairment provisions	(10,221)

6. Held-to-maturity financial assets (only applicable for 2022)

	31 December 2022
Listed	14,895
Unlisted	499,400
Less: Impairment provisions	(45)
Net value	514,250
Debt investments	
- Government bonds	417,053
- Finance bonds	41,289
- Corporate bonds	55,891
- Wealth management products	62
Less: Impairment provisions	(45)
Net value	514,250

7. Investments classified as loans and receivables (only applicable for 2022)

	31 December 2022
Debt investments	
Finance bonds	500
Debt investment plans	241,072
Wealth management products	120,580
Preferred shares	32,000
Loans	4,339
Sub-total	398,491
Less: Impairment provisions	(1,221)
Net value	397,270

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

8. Financial assets at fair value through profit or loss (only applicable for 2023)

	30 June 2023
Listed	198,400
Unlisted	290,360
Total	488,760
Bonds	
Government bonds	1,498
Finance bonds	95,838
Corporate bonds	32,142
Stocks	162,923
Wealth management products and asset management plans	14,107
Funds and investment trust	68,607
Debt investment plans	963
Others	112,682
Total	488,760

9. Financial assets at amortised cost (only applicable for 2023)

	30 June 2023
Listed	4,814
Unlisted	82,767
Less: Impairment provisions	(1,096)
Net value	86,485
Bonds	
Government bonds	15,555
Finance bonds	40
Corporate bonds	10,579
Investment trust	11,039
Debt investment plans	46,121
Others	4,247
Less: Impairment provisions	(1,096)
Net value	86,485

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Debt investments at fair value through other comprehensive income (only applicable for 2023)

	30 June 2023
Listed	61,664
Unlisted	1,119,089
Net value	1,180,753
Bonds	
Government bonds	653,729
Finance bonds	69,344
Corporate bonds	144,283
Investment trust	78,988
Debt investment plans	194,162
Others	40,247
Net value	1,180,753
Including:	
Amortised cost	1,101,240
Accumulated changes in fair value	79,513

11. Equity investments at fair value through other comprehensive income (only applicable for 2023)

	30 June 2023
Stocks	26,701
Preferred shares	12,635
Others	50,935
Total	90,271
Including:	
Cost	87,231
Accumulated changes in fair value	3,040

The equity instruments at fair value through other comprehensive income, designated by the Group, are the non-trading equity investments with the primary objective of being held for a long time or obtain dividends during the holding period.

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	30 June 2023	31 December 2022
Joint ventures		
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,796	9,812
Others	49	64
Sub-total	9,845	9,876
Associates		
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan")	2,869	2,870
Yangtze River Delta Synergy Industry Investment Fund	2,738	2,674
Shanghai Hi-Tech Park United Development Co., Ltd.	1,873	1,873
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	1,389	2,623
Shanghai Sci-Tech Innovation Center Capital II LLP.	1,132	959
Shanghai Lingang GLP International Logistics Development Co., Ltd.	1,053	1,053
Shanghai Biomedical Industry Equity Investment Fund LLP.	976	964
Jiaxing Yishang Equity Investment Partnership LLP.	942	941
China Insurance Rongxin Private Equity Fund Co., Ltd.	910	1,108
Others	845	888
Sub-total	14,727	15,953
Total	24,572	25,829

13. Restricted statutory deposits

	30 June 2023	31 December 2022
Opening balance	7,290	7,428
Movements for the current period	166	(138)
Ending balance	7,456	7,290
Interest receivables	319	-
Less: Impairment provisions	(2)	-
Ending balance	7,773	7,290

	30 June 2023	31 December 2022
CPIC Property	3,990	3,894
CPIC Life	1,726	1,726
CPIC Health	720	840
Changjiang Pension	700	600
PAAIC	320	230
Interest receivables	319	-
Less: Impairment provisions	(2)	-
Ending balance	7,773	7,290

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

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

14. Deferred income tax assets and liabilities

	30 June 2023		31 December 2022	
Deferred income tax assets	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract liabilities /assets	4,737	18,948	17,239	68,956
Changes in fair value of financial instruments	(344)	(1,376)	(3,901)	(15,604)
Commissions and brokerage expenses	24	96	522	2,088
Provision for asset impairment	172	688	3,219	12,876
Deductible losses	32	128	1,383	5,532
Others	880	3,520	1,199	4,796
Sub-total	5,501	22,004	19,661	78,644
Deferred income tax liabilities	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract liabilities /assets	17,644	70,576	268	1,072
Changes in fair value of financial instruments	(20,086)	(80,344)	(191)	(787)
Commission and brokerage expenses	739	2,956	-	-
Provision for asset impairment	239	956	(126)	(504)
Deductible losses	1,361	5,444	-	-
Adjustment in fair value arising from acquisition of subsidiaries	(812)	(3,248)	(828)	(3,312)
Others	283	1,132	309	1,236
Sub-total	(632)	(2,528)	(568)	(2,295)
Net value	4,869	19,476	19,093	76,349

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 liabilities / assets	Changes in fair value of financial instruments	Commissions and brokerage expenses	Provision for asset impairment	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
Balance of 31 December 2021	3,027	(6,841)	360	2,289	-	(858)	420	(1,603)
Changes in accounting policy	16,476	(5,047)	-	-	-	-	-	11,429
Balance of 1 January 2022	19,503	(11,888)	360	2,289	-	(858)	420	9,826
Recognised in profit or loss	(2,328)	(351)	162	804	1,383	30	1,088	788
Recognised in equity	332	8,147	-	-	-	-	-	8,479
Balance of 31 December 2022	17,507	(4,092)	522	3,093	1,383	(828)	1,508	19,093
Changes in accounting policy	-	(8,492)	-	(2,743)	-	-	-	(11,235)
Balance of 1 January 2023	17,507	(12,584)	522	350	1,383	(828)	1,508	7,858
Recognised in profit or loss	(514)	(1,270)	241	296	10	16	(345)	(1,566)
Recognised in equity	5,388	(6,576)	-	(235)	-	-	-	(1,423)
Balance of 30 June 2023	22,381	(20,430)	763	411	1,393	(812)	1,163	4,869

As at 30 June 2023, the deductible temporary differences and deductible losses not recognised as deferred income tax assets by the Group amounted to RMB 5,685 million (31 December 2022: RMB 206 million).

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Other assets

		30 June 2023	31 December 2022
Other receivables	(1)	8,412	7,877
Improvements of right-of-use assets		915	982
Others		3,790	2,368
Total		13,117	11,227

(1) Other receivables

	30 June 2023	31 December 2022
Due from external undertakings	2,235	1,558
Due from related parties*	1,775	1,775
Receivable from securities sold but not settled	654	732
Deposits	286	209
Due from agents	168	134
Co-insurance receivables	48	65
Others	3,562	3,561
Sub-total	8,728	8,034
Less: Provision for bad debts	(316)	(157)
Net value	8,412	7,877

* As at 30 June 2023, 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 2022: RMB 1,775 million), which accounting for 20% (31 December 2022: 22%) of the total other receivables.

The category of other receivables is analysed as below:

	30 June 2023			
	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	8,728	100%	(316)	4%

	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	66%	(142)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	2,714	34%	(15)	1%
Total	8,034	100%	(157)	2%

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Other assets (continued)

(1) Other receivables (continued)

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

Aging	30 June 2023			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	3,553	41%	(71)	3,482
3 months to 1 year (inclusive)	2,499	29%	(20)	2,479
1 to 3 years (inclusive)	800	9%	(74)	726
Over 3 years	1,876	21%	(151)	1,725
Total	8,728	100%	(316)	8,412

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	3,257	41%	-	3,257
3 months to 1 year (inclusive)	2,033	25%	(4)	2,029
1 to 3 years (inclusive)	860	11%	(32)	828
Over 3 years	1,884	23%	(121)	1,763
Total	8,034	100%	(157)	7,877

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

	30 June 2023	31 December 2022
Total amount of the top five other receivables	2,357	2,587
Total provision for bad debts	(9)	-
% of total other receivables	27%	32%

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

16. Securities sold under agreements to repurchase

	30 June 2023	31 December 2022
Securities - bonds		
Inter-bank market	54,838	99,895
Stock exchange	17,519	19,770
Total	72,357	119,665

As at 30 June 2023, the Group's bonds with par value of approximately RMB 58,933 million (31 December 2022: approximately RMB 111,987 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 30 June 2023, the Group's bonds with par value of approximately RMB 17,513 million (31 December 2022: approximately RMB 19,770 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.

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

17. Taxes payable

	30 June 2023	31 December 2022
Corporate income tax	2,334	3,301
Unpaid VAT	530	652
Withholding individual income tax	217	153
Others	900	1,060
Total	3,981	5,166

18. 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 Execution of the Right of Redeeming the First Phase Capital Supplementary Bonds in 2018" issued by CPIC Property on 16 February 2023, CPIC Property fully redeemed these capital supplementary bonds 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%. According to the "Announcement on the Execution of the Right of Redeeming the Second Phase Capital Supplementary Bonds in 2018" issued by CPIC Property on 20 June 2023, CPIC Property fully redeemed these capital supplementary bonds on 27 July 2023.

On 9 March 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 7 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 3.72% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.72%.

On 3 April 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 3 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 3.55% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.55%.

Issuer	31 December 2022	Changes in accounting policies	1 January 2023	Issuance	Amortisation of bond premium or discount	Interest accrued in the period	Interest payment/ reimbursement in the period	30 June 2023
CPIC Property	9,999	304	10,303	9,999	1	285	(5,255)	15,333

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Insurance contract liabilities /(assets)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows:

	30 June 2023	31 December 2022
Insurance contract liabilities		
Liabilities for remaining coverage	1,701,809	1,569,080
Including: Excluding loss component	1,687,788	1,554,969
Loss component	14,021	14,111
Liabilities for incurred claims	100,461	95,768
Total insurance contract liabilities	1,802,270	1,664,848
Insurance contract assets		
Liabilities for remaining coverage	(126)	(120)
Including: Excluding loss component	(126)	(120)
Liabilities for incurred claims	(196)	(185)
Total insurance contract assets	(322)	(305)
Net insurance contract liabilities	1,801,948	1,664,543

The analysis of contracts not measured under the premium allocation approach is as follows:

	30 June 2023	31 December 2022
Insurance contract liabilities		
Present value of the future cash flows	1,324,562	1,198,000
Risk adjustment for non-financial risk	22,377	20,664
Contractual service margin	330,492	327,662
Net insurance contract liabilities	1,677,431	1,546,326

The impact on the balance sheet of insurance contracts not measured under the premium allocation approach that were initially recognised in the period is as follows:

	For the six months ended 30 June 2023		
	Group of onerous contracts initially recognised in the period	Others	Total
Insurance acquisition cash flows	2,915	11,416	14,331
Others	25,613	70,760	96,373
Present value of future cash outflows	28,528	82,176	110,704
Present value of future cash inflows	(27,985)	(91,740)	(119,725)
Risk adjustment for non-financial risk	417	1,569	1,986
Contractual service margin	-	7,995	7,995
Increase in insurance contract liabilities from contracts initially recognised in the period	960	-	960

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Insurance contract liabilities /(assets) (continued)

The impact on the balance sheet of insurance contracts not measured under the premium allocation approach that were initially recognised in the period is as follows (continued):

	For the six months ended 30 June 2022		
	Group of onerous contracts initially recognised in the period	Others	Total
Insurance acquisition cash flows	1,912	7,229	9,141
Others	24,891	55,894	80,785
Present value of future cash outflows	26,803	63,123	89,926
Present value of future cash inflows	(26,383)	(70,958)	(97,341)
Risk adjustment for non-financial risk	303	939	1,242
Contractual service margin	-	6,896	6,896
Increase in insurance contract liabilities from contracts initially recognised in the period	723	-	723

20. Reinsurance contract assets/ (liabilities)

The analysis by assets for recovery remaining coverage and assets for incurred claims recovery is as follows:

	30 June 2023	31 December 2022
Reinsurance contract liabilities		
Assets for remaining coverage	(349)	(322)
Including: Excluding loss-recovery component	(349)	(322)
Assets for incurred claims	(465)	(487)
Total reinsurance contract liabilities	(814)	(809)
Reinsurance contract assets		
Assets for remaining coverage	12,268	13,210
Including: Excluding loss-recovery component	11,115	11,958
Loss-recovery component	1,153	1,252
Assets for incurred claims	22,755	19,995
Total reinsurance contract assets	35,023	33,205
Net reinsurance contract assets	34,209	32,396

The analysis of the measured components of the ceded reinsurance contracts not measured under premium allocation approach is as follows:

	30 June 2023	31 December 2022
Reinsurance contract assets		
Present value of future cash inflows	8,644	8,138
Risk adjustment for non-financial risk	218	213
Contractual service margin	2,501	2,715
Total reinsurance contract assets	11,363	11,066
Net reinsurance contract assets	11,363	11,066

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

21. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	As at 1 January 2023		Increase of number of shares		As at 30 June 2023	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with selling restrictions						
Shares held by domestic non-state-owned legal persons	-	0%	-	-	-	0%
Sub-total	-	0%	-	-	-	0%
II. Shares without selling restrictions						
Ordinary shares denominated in RMB	6,844	71%	-	-	6,844	71%
Foreign shares listed overseas	2,776	29%	-	-	2,776	29%
Sub-total	9,620	100%	-	-	9,620	100%
III. Total	9,620	100%	-	-	9,620	100%

As at 30 June 2023, the number of shares which the Company issued and fully paid at RMB 1 each is 9,620 million. As at 31 December 2022, the number of shares which the Company issued and fully paid at RMB 1 each is 9,620 million.

22. Capital reserves

	30 June 2023	31 December 2022
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,105
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	65	66
Transaction with non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,664	79,665

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.

23. Surplus reserves

	Statutory surplus reserve (the “SSR”)
As at 1 January 2022	5,114
Appropriations	-
As at 31 December 2022 and 30 June 2023	5,114

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

24. 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.

25. 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 for the six months ended 30 June 2023.

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 for the six months ended 30 June 2023.

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 was approved by the general shareholders' meeting on 26 May 2023.

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

26. Insurance revenue

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Contracts not measured under the premium allocation approach		
Amounts relating to the changes in the liability for remaining coverage:	30,806	31,347
Amortisation of contractual service margin	13,314	14,269
Changes in the risk adjustment for non-financial risk	729	588
Expected insurance service expenses incurred in the period	15,701	15,666
Others	1,062	824
Amortisation of insurance acquisition cash flows	10,818	10,762
Subtotal of contracts not measured under the premium allocation approach	41,624	42,109
Contracts measured under the premium allocation approach	92,440	82,725
Total of insurance revenue	134,064	124,834

27. Interest income (only applicable for 2023)

	For the six months ended 30 June 2023
Interest income of debt investments at fair value through other comprehensive income	22,587
Interest income of term deposits	4,114
Interest income of financial assets at amortised cost	2,100
Interest income of restricted statutory deposits	151
Interest income of securities purchased under agreements to resell	131
Others	237
Total	29,320

28. Investment income

	For the six months ended 30 June 2023
Realised gains/(loss)	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	(4,996)
Debt investments at fair value through other comprehensive income	228
Net loss on disposal of derivatives	(8)
Gains during the holding period	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	6,448
Dividend income from other equity investments	2,297
Share of profits of associates and joint ventures	407
Total	4,376

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

28. Investment income (continued)

	For the six months ended 30 June 2022
Net gains on disposal of stock investments	418
Net gains on disposal of fund investments	368
Net gains on disposal of bond investments	218
Interest on securities purchased under agreements to resell	86
Interest income from debt investments	25,692
Interest income from other fixed-interest investments	4,907
Fund dividend income	816
Stock dividend income	2,806
Income from other equity investments	2,753
Share of profits of associates and joint ventures	395
Others	35
Total	38,494

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

29. Gains/(losses) arising from changes in fair value

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Wealth management products and other equity instruments	3,016	(1,023)
Bond investments	2,365	44
Stock investments	160	(2)
Derivatives	(208)	(84)
Total	5,333	(1,065)

30. Other operating income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Income from assets management fee	1,132	1,105
Rental income from investment properties	367	366
Amortisation of initial policy fee and account management fee	9	108
Others	355	228
Total	1,863	1,807

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

31. Insurance service expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Contracts not measured under the premium allocation approach		
Incurred claims and other expenses in the period	16,828	15,612
Amortisation of insurance acquisition cash flows	10,818	10,762
Recognition and reversals of loss component	805	1,790
Changes in fulfilment cash flows related to liabilities for incurred claims	(2,219)	(2,104)
Sub-total	26,232	26,060
Contracts measured under the premium allocation approach		
Incurred claims and other expenses in the period	71,626	63,124
Amortisation of insurance acquisition cash flows	22,056	19,833
Recognition and reversals of loss component	(112)	(1,076)
Changes in fulfilment cash flows related to liabilities for incurred claims	(4,904)	(2,558)
Sub-total	88,666	79,323
Total	114,898	105,383

32. Interest expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Securities sold under agreements to repurchase	829	896
Debt	287	254
Interest expenses on lease liabilities	42	52
Others	69	159
Total	1,227	1,361

33. Taxes and surcharges

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
City maintenance and construction tax	212	200
Educational surcharge	156	145
Others	233	217
Less: Insurance acquisition cash flows in the period	(369)	(330)
Other insurance fulfilment cash flows in the period	(32)	(37)
Total	200	195

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

34. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Payroll and welfare benefits	11,142	11,038
Advertising expenses (including business publicity expenses)	3,119	2,335
Professional service fees	1,781	1,578
Outsourcing service fees	1,294	940
Extraction of insurance guarantee fund	1,264	944
General office expenses	1,055	1,007
Prevention expenses	890	679
Entrusted management fees	723	276
Depreciation of fixed assets	666	670
Depreciation of right-of-use assets	643	674
Amortisation of intangible assets	562	436
Property management fees	363	345
Labour costs	334	364
Consulting fees	252	329
Amortisation of other long-term assets	201	197
Travel expenses	84	37
Compulsory automobile rescue fund	78	107
Transportation expenses	35	34
Rent for short-term and low-value asset leases	27	52
Audit fee	13	12
Others	2,299	1,824
Less: Insurance acquisition cash flows in the period	(17,777)	(16,228)
Other insurance fulfilment cash flows in the period	(5,417)	(4,944)
Total	3,631	2,706

35. Impairment losses on financial assets (Only applicable for 2023)

	For the six months ended 30 June 2023
Impairment loss of debt investments at fair value through other comprehensive income	887
Impairment loss of financial assets at amortised cost	277
Impairment loss of term deposits	(17)
Impairment loss of others	36
Total	1,183

36. Asset impairment losses (Only applicable for 2022)

	For the six months ended 30 June 2022
Provision for available-for-sale financial assets impairment, net	1,038
Provision for held-to-maturity financial assets impairment, net	(36)
Provision for investments classified as loans and receivables impairment, net	53
Provision for bad debts, net	4
Total	1,059

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

37. Other operating expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Depreciation of investment properties	189	222
Interest expenses for policyholders' investment contract liabilities	47	39
Amortisation of fee and commission for acquiring policyholders' investment contract	2	1
Others	256	290
Total	494	552

38. Income tax

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Current income tax	2,643	3,510
Deferred income tax	1,566	(214)
Total	4,209	3,296

The relationship between income tax expenses and total profit is shown below:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Total profit	22,956	23,812
Taxes calculated at the statutory tax rate of 25%	5,739	5,953
Income tax adjustment for prior years	(26)	(75)
Non-taxable income	(3,169)	(2,654)
Non-deductible expenses	184	165
Others	1,481	(93)
Income tax calculated at applicable tax rates	4,209	3,296

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.

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

39. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement					
	As at 1 January 2023	Attributable to the Company - net of tax	As at 30 June 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current period	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to retained earnings in current period	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to the non-controlling interests - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss									
Changes in the fair value of equity investments at fair value through other comprehensive income	593	1,636	2,229	2,230	-	-	(558)	1,636	36
Insurance finance income/ (expenses) for insurance contracts issued that will not be reclassified to profit or loss	(715)	(536)	(1,251)	(731)	-	-	183	(536)	(12)
Other comprehensive income/(loss) that will be reclassified to profit or loss									
Share of other comprehensive income/ (loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(47)	(45)	(92)	(61)	-	-	15	(45)	(1)
Changes in the fair value of debt instruments at fair value through other comprehensive income	42,188	17,828	60,016	24,364	(157)	-	(6,071)	17,828	308
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	2,136	602	2,738	893	(58)	-	(223)	602	10
Exchange differences on translation of foreign operations	45	31	76	32	-	-	-	31	1
Insurance finance income/ (expenses) for insurance contracts issued that will be reclassified to profit or loss	(37,730)	(15,373)	(53,103)	(20,924)	53	-	5,231	(15,373)	(267)
Total	6,470	4,143	10,613	5,803	(162)	-	(1,423)	4,143	75

VII. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

39. Other comprehensive income/(loss) (continued)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement					
	As at 1 January 2022	Attributable to the Company - net of tax	As at 30 June 2022	Amount incurred before income tax	Less: Transferred from other comprehensive income/(loss) in current period	Amount recognised in impairment loss of available-for-sale financial assets in current period	Less: Income tax expenses	Attributable to the Company - net of tax	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	34,182	(7,781)	26,401	(11,191)	(508)	1,038	2,722	(7,781)	(158)
Exchange differences on translation of foreign operations	(52)	20	(32)	21	-	-	-	20	1
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(20,826)	(2,318)	(23,144)	(4,605)	835	266	1,151	(2,318)	(35)
Total	13,304	(10,079)	3,225	(15,775)	327	1,304	3,873	(10,079)	(192)

40. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to shareholders of the parent by the weighted average number of ordinary shares in issue.

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Consolidated net profit for the period attributable to shareholders of the parent	18,332	20,074
Weighted average number of ordinary shares in issue (million)	9,620	9,620
Basic earnings per share (RMB per share)	1.91	2.09

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares during the six-month period ended 30 June 2023 and 2022.

41. Cash and cash equivalents

	30 June 2023	31 December 2022
Cash:		
Cash at bank readily available for payments	33,153	31,836
Other cash balances readily available for payments	915	849
Cash equivalents:		
Investments with an initial term within 3 months	25,739	21,124
Total	59,807	53,809

VIII. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life and health insurance segment (including CPIC Life, CPIC Health and CPIC Life (H.K.)) offers a wide range of life and health insurance in RMB and foreign currencies;
- The property and casualty insurance segment (including CPIC Property, PAAIC and CPIC H.K.) 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.

Items	For the six months ended 30 June 2023				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Insurance revenue	43,669	90,486	-	(91)	134,064
Interest income	25,231	2,796	1,298	(5)	29,320
Investment income/(losses)	4,228	632	10,106	(10,590)	4,376
Including: Share of profits/(losses) of associates and joint ventures	576	14	(170)	(13)	407
Other income	15	37	123	-	175
Gains/(losses) arising from changes in fair value	2,870	652	1,814	(3)	5,333
Exchange gains	91	91	225	-	407
Other operating income	748	115	4,117	(3,117)	1,863
Gains on disposal of assets	1	-	-	-	1
Operating income	76,853	94,809	17,683	(13,806)	175,539
Insurance service expenses	(28,543)	(86,526)	-	171	(114,898)
Allocation of reinsurance premiums	(1,036)	(7,183)	-	234	(7,985)
Less: Recoveries of insurance service expenses from reinsurers	481	6,685	-	(153)	7,013
Insurance finance expenses for insurance contracts issued	(28,202)	(1,387)	(394)	-	(29,983)
Less: Reinsurance finance income for reinsurance contracts held	293	268	-	(13)	548
Others	(3,087)	(1,556)	(5,574)	2,956	(7,261)
Operating expenses	(60,094)	(89,699)	(5,968)	3,195	(152,566)
Operating profit	16,759	5,110	11,715	(10,611)	22,973
Add: Non-operating income	2	46	-	-	48
Less: Non-operating expenses	(20)	(36)	(9)	-	(65)
Profit before tax	16,741	5,120	11,706	(10,611)	22,956
Less: Income tax	(2,795)	(1,041)	(396)	23	(4,209)
Net profit for the period	13,946	4,079	11,310	(10,588)	18,747

VIII. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2023				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Supplementary information:					
Capital expenditure	263	165	710	-	1,138
Depreciation and amortisation	1,158	777	505	-	2,440
Impairment losses on financial assets	749	390	44	-	1,183
As at 30 June 2023					
Long-term equity investments	105,519	232	3,854	(85,033)	24,572
Financial assets*	1,566,972	134,162	146,367	(1,153)	1,846,348
Insurance contract assets	-	322	-	-	322
Reinsurance contract assets	12,795	23,270	-	(1,042)	35,023
Term deposits	136,533	25,853	6,453	-	168,839
Others	59,061	34,172	39,170	(4,694)	127,709
Segment assets	1,880,880	218,011	195,844	(91,922)	2,202,813
Insurance contract liabilities	1,680,184	123,189	-	(1,103)	1,802,270
Reinsurance contract liabilities	-	814	-	-	814
Bonds payable	-	15,333	-	-	15,333
Securities sold under agreements to repurchase	55,425	7,494	9,438	-	72,357
Others	26,489	17,256	25,331	(5,953)	63,123
Segment liabilities	1,762,098	164,086	34,769	(7,056)	1,953,897

*Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

VIII. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2022				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Insurance revenue	46,369	78,528	-	(63)	124,834
Investment income/(losses)	34,525	3,909	12,127	(12,067)	38,494
Including: Share of profits of associates and joint ventures	336	49	43	(33)	395
Other income	26	33	18	-	77
Gains/(losses) arising from changes in fair value	(1,122)	1	56	-	(1,065)
Exchange gains/(losses)	134	112	464	-	710
Other operating income	775	101	3,346	(2,415)	1,807
Operating income	80,707	82,684	16,011	(14,545)	164,857
Insurance service expenses	(30,549)	(74,785)	-	(49)	(105,383)
Allocation of reinsurance premiums	(1,085)	(6,334)	-	199	(7,220)
Less: Recoveries of insurance service expenses from reinsurers	310	6,006	-	(214)	6,102
Insurance finance expenses for insurance contracts issued	(28,560)	(1,131)	932	-	(28,759)
Less: Reinsurance finance income for reinsurance contracts held	306	221	-	(10)	517
Others	(3,269)	(1,194)	(4,119)	2,298	(6,284)
Operating expenses	(62,847)	(77,217)	(3,187)	2,224	(141,027)
Operating profit	17,860	5,467	12,824	(12,321)	23,830
Add: Non-operating income	15	30	-	-	45
Less: Non-operating expenses	(26)	(28)	(9)	-	(63)
Profit before tax	17,849	5,469	12,815	(12,321)	23,812
Less: Income tax	(1,833)	(1,215)	(305)	57	(3,296)
Net profit for the period	16,016	4,254	12,510	(12,264)	20,516

VIII. SEGMENT INFORMATION (continued)

Items	For the six months ended 30 June 2022				
	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Supplementary information:					
Capital expenditure	91	220	5,053	-	5,364
Depreciation and amortisation	1,003	776	634	-	2,413
Asset impairment losses	776	92	191	-	1,059
As at 31 December 2022					
Long-term equity investments	99,866	218	10,590	(84,845)	25,829
Financial assets*	1,396,703	118,074	139,221	(636)	1,653,362
Insurance contract assets	-	305	-	-	305
Reinsurance contract assets	12,988	21,346	-	(1,129)	33,205
Term deposits	159,875	33,963	10,679	-	204,517
Other	88,848	29,508	40,230	(4,468)	154,118
Segment assets	1,758,280	203,414	200,720	(91,078)	2,071,336
Insurance contract liabilities	1,550,569	115,432	-	(1,153)	1,664,848
Reinsurance contract liabilities	-	809	-	-	809
Bonds payable	-	9,999	-	-	9,999
Securities sold under agreements to repurchase	107,018	2,206	10,441	-	119,665
Other	27,491	22,097	30,123	(5,368)	74,343
Segment liabilities	1,685,078	150,543	40,564	(6,521)	1,869,664

*Financial assets include financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

As at 30 June 2023, the Company's major related parties comprise:

(1) Subsidiaries of the Company;

(2) Investors who exerts significant influence on the Company;

(3) Joint ventures and associates of the Company;

(4) Key management personnel of the Company and close family members of such individuals;

(5) Enterprise annuity fund established by the Group; and

(6) 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.

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

(2) 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 2023	Movements for the current period	30 June 2023	1 January 2023	Movements for the current period	30 June 2023
CPIC Property	19,470	478	19,948	98.50%	-	98.50%
CPIC Life	8,628	-	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	5,000	-	5,000	98.29%	-	98.29%
CPIC Health	3,600	-	3,600	99.74%	-	99.74%
PAAIC	1,080	-	1,080	66.76%	-	66.76%
Pacific Medical & Healthcare	1,000	-	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%

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) The movements of registered capital and the percentage of the equity or shares held by the Company are as follows (continued):

Name of investee	Registered capital			Shares or equities held by the company		
	1 January 2023	Movements for the current period	30 June 2023	1 January 2023	Movements for the current period	30 June 2023
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	1,253	-	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%
CPIC Life (H.K.)	HKD 1,000 million	-	HKD 1,000 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%
Sanya Service Company	490	-	490	98.29%	-	98.29%
Pacific Care Home at Nanjing	30	-	30	98.29%	-	98.29%
Pacific Care Home at Jing‘an	-	5	5	-	98.29%	98.29%

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai 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
Shenergy Company Limited	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
Shanghai LNG Company 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
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’ 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
CPIC Technology enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Capital 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
Orient Securities Company Limited (“Orient Securities”)	Company of which the Group’s related natural persons serve as directors or senior management personnel

IX. 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
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

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Baoshan Iron & Steel Co., Ltd.	16	21
Orient Securities	3	-
Shenergy Company Limited	3	-
Shanghai International Group Co., Ltd.	2	2
Shanghai Gas Co., Ltd.	2	2
Taiyuan Iron & Steel (Group) Co., Ltd.	2	1
China Baowu Steel Group Corporation Limited	1	5
Shanghai International Group Asset Management Co., Ltd.	1	2
Shanghai State-Owned Assets Operation Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	1
Shanghai Baoxin Software Co., Ltd.	1	1
Shanghai LNG Company Ltd.	1	-
Haitong Securities Co., Ltd.	-	1
Ningbo Baoxin Stainless Steel Co., Ltd.	-	1
Total	34	38

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 4 million for the six months ended 30 June 2023 (For the six months ended 30 June 2022: RMB 8 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 six months ended 30 June 2023 and 30 June 2022, the proportion of the scale premium of related parties to the total scale of the Group's was less than 1%.

Note: The transaction amount for the period was calculated since the entity was identified as a related party of the Group.

IX. 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)

(2) Fund subscription and redemption transactions

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Hwabao WP Fund Management Co., Ltd.	121	192

(3) Transaction of asset management products

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Hwabao Trust Co., Ltd.	31	18
Baosteel Group Finance Co., Ltd.	-	360
Total	31	378

(4) Transaction of selling and buying bonds

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Orient Securities	410	-

(5) Distribution of cash dividends

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Shenergy (Group) Company Limited	1,379	1,386
Hwabao Investments Co., Ltd.	1,310	1,284
Shanghai State-Owned Assets Operation Co., Ltd.	622	634
Shanghai Haiyan Investment Management Co., Ltd.	478	516
Total	3,789	3,820

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,311 million for the six months ended 30 June 2023 (For the six months ended 30 June 2022: RMB 3,304 million).

(6) Premiums ceded to reinsurers (amounts incurred)

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Swiss Reinsurance Company Ltd.	2,069	2,047

(7) Expense recoveries from reinsurers (amounts incurred)

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Swiss Reinsurance Company Ltd.	632	619

IX. 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)

(8) Claim recoveries from reinsurers (amounts incurred)

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Swiss Reinsurance Company Ltd.	961	980

(9) Remuneration of key management

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Salary and other benefits	11	12

(10) The related party transactions between the Group and the established enterprise annuity funds during the periods are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Contribution to the enterprise annuity plan	236	224

(11) The major related party transactions between the Group and joint ventures during the periods are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Binjiang-Xiangrui		
Rental fees for leasing office buildings of Binjiang-Xiangrui	42	44
Ruiyongjing Real Estate		
Grant loans	172	180

(12) The major related party transactions between the Group and associates during the periods are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Purchase services		
Zhongdao	90	61
Juche	58	42
Shantai Healthcare	17	79
Total	165	182

IX. 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 party transactions between the Company and subsidiaries during the periods are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Purchase of insurance contracts		
CPIC Property	5	7
Rental income from office building		
CPIC Property	48	49
CPIC Technology	18	9
CPIC Life	9	11
Changjiang Pension	4	4
CPIC Senior Living Investment	2	2
CPIC Health	1	1
Total	82	76
Shared service centre fee		
CPIC Life	32	80
CPIC Property	28	94
CPIC Asset Management	2	6
CPIC Technology	1	12
CPIC Health	1	5
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
Changjiang Pension	-	1
Total	66	200
Asset management fee		
CPIC Asset Management	9	13
Technology service fee		
CPIC Technology	127	-
Commission fee		
CPIC Real Estate	4	-
Rental fees		
CPIC Property	3	-
CPIC Life	1	-
Total	4	-
Cash dividends received		
CPIC Life	5,852	-
CPIC Property	4,027	800
CPIC Asset Management	220	-
Total	10,099	800
Capital injection to subsidiaries		
CPIC Life	-	2,458
Investment of setting up subsidiaries		
CPIC Technology	-	700

IX. 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 party transactions between the Company and subsidiaries during the periods are as follows (continued):

The rent of the office building charged by the Company from CPIC Property, CPIC Technology, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Health is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Property, CPIC Life, CPIC Asset Management, CPIC Technology, CPIC Health, CPIC Senior Living Investment, CPIC Online Services and Changjiang Pension is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The 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 rent of the office building incurred among the Company, CPIC Property and CPIC Life is determined at the price negotiated by both parties.

(2) The major related party transactions between the Company and other related parties of the Group during the periods are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Rental fees for leasing office buildings		
Binjiang-Xiangrui	20	21

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	30 June 2023	31 December 2022
Dividends receivable		
CPIC Asset Management	100	-
CPIC H.K.	23	45
Total	123	45
Other receivables		
CPIC Property	150	149
CPIC Life	98	76
CPIC Technology	46	36
CPIC Asset Management	2	4
CPIC Health	2	2
CPIC Senior Living Investment	2	1
CPIC Online Services	1	1
Changjiang Pension	1	-
Total	302	269
Other payables		
CPIC Technology	128	207
CPIC Asset Management	10	65
CPIC Real Estate	-	5
Total	138	277

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables between the Group and its joint ventures are as follows:

	30 June 2023	31 December 2022
Other receivables		
Binjiang-Xiangrui	1,775	1,775
Other payables		
Binjiang-Xiangrui	284	245
Debt investment at fair value through other comprehensive income		
Ruiyongjing Real Estate	4,816	-
Investments classified as loans and receivables		
Ruiyongjing Real Estate	-	4,339

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 arising from reinsurance are as follows:

	30 June 2023	31 December 2022
Swiss Reinsurance Company Ltd. reinsurance receivables	1,374	1,163
Swiss Reinsurance Company Ltd. reinsurance payables	1,345	764

X. CONTINGENCIES

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

In addition to the legal proceedings of the above natures, as at 30 June 2023, 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.

XI. COMMITMENTS

1. Major projects with capital commitments

		30 June 2023	31 December 2022
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)(6)	17,566	13,772
Authorised, but not contracted for	(1)(2)	6,524	6,630
		24,090	20,402

XI. COMMITMENTS (continued)

1. Major projects with capital commitments (continued)

As at 30 June 2023, major projects with capital commitments were as follows:

(1) 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 project is approximately RMB 14,286 million. As at 30 June 2023, the cumulative amount incurred amounted to approximately RMB 6,665 million. Of the balance, approximately RMB 3,275 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 4,374 million was disclosed as a capital commitment authorised but not contracted for.

(2) 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 30 June 2023, the cumulative amount incurred by CPIC Life amounted to approximately RMB 14,346 million. Of the balance, approximately RMB 939 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.

(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 RMB 5,000 million, accounted for 99.01% of the capital. As at 30 June 2023, CPIC Life has cumulatively made a capital contribution of RMB 2,500 million. Of the balance, RMB 2,500 million was disclosed as a capital commitment contracted but not provided for.

(4) As at 30 June 2023, 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 30 June 2023, China Pacific Changhang has invested in an unlisted equity and six equity investment funds (not including consolidated structured entities included in the scope of the Group) with a total subscribed contribution of RMB 3,900 million, paid-in contribution of RMB 1,924 million, and uncontributed capital of RMB1,976 million, which are listed as a capital commitment contracted but not provided for.

(5) As at 30 June 2023, the Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As of 30 June 2023, CPIC Health Fund has invested in 16 equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 4,140 million, paid-in contribution of approximately RMB 2,481 million, and uncontributed capital of approximately RMB 1,659 million, which are listed as a capital commitment contracted but not provided for .

(6) As at 30 June 2023, CPIC Life and CPIC Capital together subscribed 99.99% of the shares of Nanjing Taibao Xinhui Zhiyuan Equity Investment Fund Management Partnership (Limited Partnership) ("Xinhui Zhiyuan "). As of 30 June 2023, Xinhui Zhiyuan has invested in 2 equity investment funds with a total subscribed contribution of RMB 2,020 million, paid-in contribution of approximately RMB 916 million, and uncontributed capital of approximately RMB 1,104 million, which are listed as a capital commitment contracted but not provided for .

XI. COMMITMENTS (continued)

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:

	30 June 2023	31 December 2022
Within 1 year (inclusive 1 year)	599	854
1 to 2 years (inclusive 2 years)	463	458
2 to 3 years (inclusive 3 years)	274	351
3 to 5 years (inclusive 5 years)	165	203
More than 5 years	78	124
	1,579	1,990

XII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk and concentration 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.

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.

XII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risk and concentration of insurance risk (continued)

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. Three major types of reinsurance agreements, ceding on a quota share basis or a surplus basis or excess reinsurance, 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.

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.

(2) Assumptions

Long-term life insurance contracts

Material judgement is required 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.

Property and casualty and short-term life insurance contracts

The calculation for liability for incurred claims 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.

2. 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 and related party transactions 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 insurance contract liabilities and that assets are held to deliver income and gains expected by policyholders.

XII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(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.

(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 the significant concentration risks.

(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. Financial investments exposed to market price risk mainly consist of equity investments at fair value through other comprehensive income and stocks and securities investment funds which are included in the financial assets at fair value through profit or loss. 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.

3. Credit risk

Credit risk is the risk that one party to a financial instrument or an insurance contract 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, financial assets at amortised cost, debt investments at fair value through other comprehensive income, securities purchased under agreements to resell and other assets.

Due to the restriction of the National Administration of Financial Regulation, majority of the Group's financial assets are government bonds, government institutional bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are placed with 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 programmes released by highly rated issuers and project initiators.

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

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. The Group grants a short credit period and arranges instalment payment to reduce the property and casualty insurance businesses credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly entered into 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.

Measurement of expected credit loss

In accordance with the new accounting standard for financial instruments, the Group applies the "expected credit loss model" to measure the impairment of financial assets such as financial assets at amortised cost and debt investments at fair value through other comprehensive income.

Criteria for judging significant changes in credit risk

Under the new financial instruments accounting standard, the Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has changed significantly since its initial recognition when considering the credit risk stages of financial assets. When determining the impairment stage of financial assets, the Group fully considers all reasonable and well-founded information, including forward-looking information, that reflects whether there has been a significant change in its credit risk. The main factors to be considered are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, etc. The Group based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine the stage classification of financial instruments by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to determine whether the credit risk of financial instruments has changed significantly since the initial recognition, mainly including changes in the debtor's probability of default ("PD"), changes in credit risk classification, and other circumstances indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, the Group considers overdue more than 30 days as one of the criteria for a significant increase in credit risk in accordance with the requirements of the Standard.

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Definition of financial assets that are credit-impaired

The criteria adopted by the Group in determining whether credit impairment has incurred are consistent with internal credit risk management objectives for the relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether a debtor has incurred credit impairment, the Group mainly considers the following factors:

- The debtor is more than 90 days overdue after the due date of payment in the contract;
- Internal credit rating is a default rating;
- For economic or contractual reasons related to the debtor's financial difficulties, the creditor gives the debtor concessions that the creditor would not otherwise consider;
- Significant financial difficulties of the issuer or debtor;
- Breach of contract by the debtor, such as default or overdue payment of interest or principal;
- The debtor is likely to go bankrupt or other financial restructuring;
- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for that financial asset;
- Purchase or originate a financial asset at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by a combination of multiple events, not necessarily by individually identifiable events.

Parameters of the expected credit loss measurement

The models, parameters and assumptions used in measuring expected credit loss are described as follows:

Impairment provisions are measured in terms of expected credit losses over the next 12 months or throughout the lifetime of the assets, based on whether there has been a significant increase in credit risk and whether the asset has undergone credit impairment. The expected credit loss is the result of discounting the product of the company's exposure at default (“EAD”), PD and rate of loss given default (“LGD”) under reasonable and evidence-based forward-looking information that can be obtained without undue cost or effort.

i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime;

ii) PD is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout the remaining lifetime;

iii) LGD is the Group's expectation of the percentage of loss on the EAD will be lost. LGD varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Group takes into account changes in the risk of default over the expected lifetime of the financial instruments. The lifetime PD is derived from the 12-month PD based on the maturity information. Impairment for assets assessed on a collective basis are based on observable historical data and on the assumption that assets with the same credit rating and in the same portfolio for collective assessment are in the same situation. The above analysis is based on industry experience and supported by historical data.

XII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure

Without regard to the impact of guarantees or other credit enhancement methods, the carrying amount of financial assets in the Group's balance sheet reflects its maximum credit risk exposure at the balance sheet date.

The following table sets out the credit risk exposure of financial instruments under the scope of the expected credit loss assessment. Without regard to the impact of guarantees or other credit enhancement measures, for assets in the balance sheet, the maximum credit risk exposure is disclosed at the net carrying value of the balance sheet:

	30 June 2023			
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Cash at bank and on hand	34,486	-	-	34,486
Securities purchased under agreements to resell	25,743	-	-	25,743
Term deposits	168,839	-	-	168,839
Financial Investments:				
Financial assets at amortised cost	85,013	840	632	86,485
Debt investments at fair value through other comprehensive income	1,173,724	2,724	4,305	1,180,753
Restricted statutory deposits	7,773	-	-	7,773
Others	10,946	47	8	11,001
Total	1,506,524	3,611	4,945	1,515,080

	31 December 2022						
		Past due but not impaired					
	Not due and not impaired	Within 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	33,134	-	-	-	-	-	33,134
Debt investment at fair value through profit or loss	6,511	-	-	-	-	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	-	21,124
Interest receivables	19,656	-	-	-	-	-	19,656
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	8,945	-	-	1	1	77	9,023
Total	1,502,387	-	-	1	1	8,506	1,510,894

The Group closely monitors collateral for financial assets that have undergone credit impairment.

As at 30 June 2023, the collateral for the Group's financial assets that was credited-impaired were mainly stocks and equity investments.

XII. RISK MANAGEMENT (continued)

4. 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 and related party transactions 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; and

- 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.

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:

	As at 30 June 2023					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	32,788	1,698	-	-	-	34,486
Derivative financial assets	-	79	-	-	-	79
Securities purchased under agreements to resell	-	25,743	-	-	-	25,743
Term deposits	-	62,383	122,476	-	-	184,859
Financial investments:						
Financial assets at fair value through profit or loss	500	19,041	44,302	112,805	349,681	526,329
Financial assets at amortised cost	-	11,529	41,805	61,626	-	114,960
Debt investments at fair value through other comprehensive income	-	95,268	364,248	1,472,380	-	1,931,896
Equity investments at fair value through other comprehensive income	-	-	-	-	90,271	90,271
Restricted statutory deposits	-	2,592	5,616	-	-	8,208
Others	2,170	7,408	1,809	-	-	11,387
Sub-total	35,458	225,741	580,256	1,646,811	439,952	2,928,218

XII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

	As at 30 June 2023					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Derivative financial liabilities	-	36	62	-	-	98
Securities sold under agreements to repurchase	-	72,375	-	-	-	72,375
Bonds payable	-	5,616	11,468	-	-	17,084
Commission and brokerage payable	789	4,667	626	16	-	6,098
Lease liabilities	-	1,003	1,392	170	-	2,565
Others	1,925	32,391	-	-	-	34,316
Sub-total	2,714	116,088	13,548	186	-	132,536
Net amount	32,744	109,653	566,708	1,646,625	439,952	2,795,682

	As at 31 December 2022					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
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
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	5,844	1,797	2	3	9,180
Sub-total	34,179	245,037	618,433	1,413,884	420,064	2,731,597

	As at 31 December 2022					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Derivative financial liabilities	-	8	-	-	-	8
Securities sold under agreements to repurchase	-	119,740	-	-	-	119,740
Bonds payable	-	5,505	1,198	5,175	-	11,878
Commission and brokerage payable	961	2,939	728	11	-	4,639
Lease liabilities	-	606	1,999	320	-	2,925
Others	1,748	25,247	-	-	-	26,995
Sub-total	2,709	154,045	3,925	5,506	-	166,185
Net amount	31,470	90,992	614,508	1,408,378	420,064	2,565,412

XII. RISK MANAGEMENT (continued)

5. Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, and 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 system 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; and
- Implementing staff education and appraisals.

6. 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.

7. 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.

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.

XII. RISK MANAGEMENT (continued)

7. Capital management risk (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to the above solvency rules:

Group	30 June 2023	31 December 2022
Core capital	303,337	332,414
Actual capital	455,932	479,073
Minimum required capital	190,256	187,333
Core solvency margin ratio	159%	177%
Comprehensive solvency margin ratio	240%	256%

CPIC Property	30 June 2023	31 December 2022
Core capital	45,331	45,266
Actual capital	61,159	55,154
Minimum required capital	30,952	27,246
Core solvency margin ratio	146%	166%
Comprehensive solvency margin ratio	198%	202%

CPIC Life	30 June 2023	31 December 2022
Core capital	178,092	207,848
Actual capital	314,264	344,222
Minimum required capital	159,165	157,802
Core solvency margin ratio	112%	132%
Comprehensive solvency margin ratio	197%	218%

CPIC Health	30 June 2023	31 December 2022
Core capital	3,062	3,089
Actual capital	3,361	3,225
Minimum required capital	1,365	1,216
Core solvency margin ratio	224%	254%
Comprehensive solvency margin ratio	246%	265%

PAAIC	30 June 2023	31 December 2022
Core capital	2,781	2,759
Actual capital	3,078	3,020
Minimum required capital	837	818
Core solvency margin ratio	332%	337%
Comprehensive solvency margin ratio	368%	369%

XIII. 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.

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, term deposits, available-for-sale financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income, held-to-maturity financial assets, investments classified as loans and receivables and restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase 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 financial assets at amortised cost, and bonds payable (31 December 2022: held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable) whose fair values are not presented in the consolidated balance sheet.

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	-	-	514,250	557,800
Investments classified as loans and receivables	-	-	397,270	400,272
Financial assets at amortised cost	86,485	88,867	-	-
Financial liabilities:				
Bonds payable	15,333	15,444	9,999	10,382

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

XIV. 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");

(3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

XIV. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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.

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.

XIV. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	30 June 2023			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Term deposits measured at fair value	-	-	135,448	135,448
Financial assets at fair value through profit or loss				
- Stocks	160,864	12	2,047	162,923
- Funds	51,947	14,551	-	66,498
- Bonds	6,373	122,503	602	129,478
- Others	7,712	8,231	113,918	129,861
	226,896	145,297	116,567	488,760
Debt investments at fair value through other comprehensive income				
- Bonds	518	863,790	3,048	867,356
- Others	-	629	312,768	313,397
	518	864,419	315,816	1,180,753
Equity investments at fair value through other comprehensive income				
- Stocks	23,474	-	3,227	26,701
- Preferred stocks	-	12,635	-	12,635
- Others	-	23,341	27,594	50,935
	23,474	35,976	30,821	90,271
Derivative financial assets	-	79	-	79
Liabilities measured at fair value				
Derivative financial liabilities	-	98	-	98
Assets for which fair values are disclosed				
Financial assets at amortised cost (Note XIII)	488	29,204	59,175	88,867
Investment properties	-	-	15,915	15,915
Liabilities for which fair values are disclosed (Note XIII)				
Bonds payable	-	-	15,444	15,444

XIV. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	9	-	-	9
- Funds	474	3,251	-	3,725
- Bonds	3,394	3,084	-	6,478
- Others	-	6,502	9,846	16,348
	3,877	12,837	9,846	26,560
Available-for-sale financial assets				
- 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
	246,175	336,075	132,835	715,085
Derivative financial assets	-	197	-	197
Liabilities measured at fair value				
Derivative financial liabilities	-	8	-	8
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XIII)	160	557,640	-	557,800
Investments classified as loans and receivables (Note XIII)	-	-	400,272	400,272
Investment properties	-	-	16,100	16,100
Liabilities for which fair values are disclosed (Note XIII)				
Bonds payable	-	-	10,382	10,382

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 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.

XV. EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant post balance sheet events.

XVI. COMPARATIVE FIGURES

Certain comparative figures have been reorganized to conform to the presentation of the current period.

XVII. APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements have been approved for issue by the board of directors of the Company on 25 August 2023.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	For the six months ended 30 June 2023		
	Weighted average return on net assets	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	7.6%	1.91	1.91
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	7.6%	1.89	1.89

The Company had no dilutive potential ordinary shares during the six-month period ended 30 June 2023.

	For the six months ended 30 June 2022		
	Weighted average return on net assets	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	10.1%	2.09	2.09
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	10.1%	2.08	2.08

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Net profit attributable to shareholders of the parent	18,332	20,074
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(176)	(78)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(1)	-
Custody fees of entrusted operation	(27)	(15)
Other net non-operating income and expenses other than aforesaid items	45	34
Effect of income tax relating to non-recurring profit or loss	43	17
Net profit less non-recurring gains	18,216	20,032
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	18,217	20,033

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