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)

(Stock Code：02601)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Chairman's statement

Dear shareholders:

The past year was a milestone in many ways for China and CPIC. The international political and economic environment became increasingly complicated and challenging, with profound changes of the world intertwined with a once-in-a-century pandemic. China embarked on a new journey of development under the 14th Five-year Development Programme, with socio-economic stability on an upward trend. The insurance industry entered a critical stage of transformation, facing an uphill struggle in the reshaping of its value chain. In the face of increasing uncertainties of the market, we persisted in high-quality development, focused on key areas and levers, pressed ahead with reform, strived to stabilise the fundamentals of our business whilst focussing upon emerging high-potential areas, and achieved both stability and progress in our business operation.

Life insurance initiated the Changhang Action Programme in an all-around way. CPIC Life took the lead in launching the reform of its agency channel in a bid to build a career-based, professional and digitalised agency force. The restructuring of sales team seeks to shift away from short-termism towards long-term development; we undertook to put in place a new mode of value-oriented bancassurance, forging new partnerships with banks, optimising resource allocation and upgrading customer services; we deepened integration of products and services, promoted deployment in health care and retirement, launched a health management programme of our own proprietary brand, rolled out 10 retirement community projects, with those in Chengdu and Dali opening for business, lending strong support to the core business of insurance.

P/C insurance continued to enhance capabilities for sustainable development. In the face of multiple challenges of automobile insurance comprehensive reform, reshaping of the supply chain, and rising risk of climate change, we deepened the closed-loop business management based on customer segmentation, further enhanced capabilities of direct customer engagement and acquisition, and boosted differentiated business management, with continued improvement in on-line ratio of individual customers and auto insurance renewal rate; for corporate clients, we made further progress in professional capacity-building specific to industries and areas, leading in industry. We responded to the flooding in He'nan in a timely manner, and offered professional and efficient claims service, winning recognition of the society.

We demonstrated professionalism in asset management. Based on characteristics of insurance liabilities, we continued to optimise Strategic Asset Allocation (SAA) across macro-economic cycles, effectively controlled credit risk, seized market opportunities, and delivered solid investment results.

CPIC Service fully played an enabling role. We established the institution of Service Officers, which enabled 800 of our employees from all levels to reach out to customers, so as to present a more tangible and accessible CPIC Service. In 2021, Group total customers increased by nearly 20 million in one year, with over 10 million individual customers holding policies from multiple subsidiaries of the Group, more than 4 times that of 5 years ago. CPIC Cloud entered the stage of large-scale production, providing high-level computing support for technological innovations, which in turn will lead to better customer experience in targeted customer acquisition, underwriting & pricing, and smart claims management.

Corporate governance paved way for long-term development. We fully leveraged the advantage of the board of directors in diversity, professionalism and international vision, enhanced capabilities in making strategic and forward-looking decisions, and solidified prudence and stability in corporate governance, winning recognition from many communities. We introduced ESG philosophies, completed the ESG top-level design and management structure, signed into UN Principles for Sustainable Insurance (PSI) and UN Supported Principles for Responsible Investment (PRI), marking a new chapter in sustainable development.

On this occasion, I'd like to extend my sincere gratitude to all CPIC employees who have worked hard, side by side, to make these accomplishments possible. I particularly want to say thank you to all our customers, investors and the general public for their unstinting support.

Looking ahead into 2022, the international environment will be fraught with even greater uncertainties, compounded by China's demographic shift and cyclical factors such as economic re-balancing and industrial upgrading. People's needs for a healthier and better life will continue to grow; customers expect more personalised and diversified insurance service. Technological innovation changes the traditional risk landscape, with a lot of emerging issues to be addressed. Financial regulation also requires enhanced business management and increased compliance on the part of insurers.

We believe that drastic changes of the environment more than before test the resolve of transformation. We launched Transformation 2.0 5 years ago, instilled new elements of "embracing changes" into our DNA. While adhering to the basics of insurance and staying true to our original aspirations, we sought changes for the better in response to trends and dynamics of the industry and the market in a new era, so as to drive sustainable development. We are glad to see that the effort in the past 5 years has translated into increased dynamism, innovation and tenacity, which will inject new vitality into our long-term development.

The next 30 years mark a new stretch of journey, which will continue to centre on customer needs, and this will elevate us onto a new level of high-quality development.

Strengthening organisational health. In compliance with government policies and regulatory requirements, we will improve the modern enterprise system with Chinese characteristics, continue to enhance market-based mechanisms of business operation, put in place a scientific and effective corporate governance; plan for talent strategy under new circumstances, deepen reform of the system of professional managers, expanding its coverage, and optimise the long-term incentive system to stimulate organisational vitality; improve the training system for high-end professionals and young talent, and optimise people mix.

Enhancing the core insurance business. Life insurance will respond to the upgrading of insurance consumption, diversify product supply, and improve customer protection;

accelerate diversification of distribution channels, focusing on building a career-based agency force which grows with the Company in long-term partnerships; roll out new models of bancassurance and group channel to reshape our core competitiveness. **P/C insurance** will enhance underwriting profitability, and secure the business fundamentals; seize opportunities arising from the Dual Circulation, and strive for more breakthroughs in low carbon, clean energy, rural invigoration, and social administration. **Asset management** will step up alignment and coordination with liabilities, further improve asset liability management (ALM), strengthen SAA and professional investment capabilities under the new regulatory regime, seize opportunities in new energy, new infrastructure, integrated regional development, green financing, so as to contribute more to our earnings.

Deepening collaboration. We will proceed with the building of the self-sustained health and retirement ecosystem, step up service capability covering the entire life cycle of customers, and push for more in-depth integration of insurance products and health management services, achieving their "seamless connection" with life scenarios; broaden the vision for collaboration with strategic clients, realising effective alignment of various value chains and cementing the relationship of cooperation and mutual existence; seize structural opportunities in the country's implementation of key regional development initiatives and its pursuit of balanced development across regions, and foster regionally differentiated development patterns.

More breakthroughs in innovation along the right direction. We will improve the technology governance system encapsulating "management, research and use" to unleash the productivity of technology, and nurture the ecosystem for competitive insurance technology applications; enhance professional capacity-building for core R & D of insurance frontier technologies, further leverage our strengths in institutions and talent attraction via the establishment of CPIC Technology, in a bid to improve timely response to customer needs and agile upgrading, and formulate integrated solutions in key application areas; optimise deployment of the R & D centres in Shanghai, Chengdu and Wuhan, and the Technology Innovation Centre in the Greater Bay Area, push for in-depth integration of technology innovation and front-line business development and local characteristics, so as to enhance digital empowerment in an all-around way.

Enhancing integrated governance. The risk management system and tools under the new circumstances will be strengthened. In particular, on the occasion of implementation of C-ROSS II, we will improve risk management so that it could be more professional, differentiated and smarter; utilise the Finance Sharing Platform in centralised management, and enhance integrated control of finance risk in an all-around way; incorporate ESG into business management, establish industry-leading sustainable financial services system and capabilities, and continuously improve the supply of environmental-friendly financial services that are conducive to people's well-being and public administration.

Now is early spring, a season of hope. In spite of COVID resurgence, and the many challenges facing the international community and global economic recovery, we still believe that over time, the pursuit of peace and development will remain the common aspirations of all mankind. In the recently-concluded Winter Olympics, we watched the fireworks display with a theme of "One World, One Family", which sent a resonating message around the world about building a human community with a shared future and the power of unity. As the official partner of the 2022 Hangzhou Asian Games, CPIC will always stand side by side with our customers, "Heart to heart, @future", work up courage and strive for new breakthroughs in high-quality development.

Review and analysis of operating results

Business overview

I. Key businesses

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

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

In 2021, China's insurance market realised a primary premium income of RMB4.49 trillion, up by 4.0% from 2020. Of this, premiums from life/health insurance companies amounted to RMB3.12 trillion, a growth of 5.0%, and that from property and casualty insurance companies RMB1.37 trillion, up by 1.9%. 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. Core competitiveness

We are a leading integrated insurance group in China, and the first insurer simultaneously listed in Shanghai, Hong Kong and London, ranking 158th among Fortune Global 500 released in 2021. We are committed to long-term value growth, stay focused on the core business of insurance, pursue reform and transformation especially in key areas and levers, and strive for continued progress in high-quality development. We boast steady growth of business results, secure market standings, sustained improvement of overall strength, and increased contribution to China's social and economic development.

Focus

We persist in the focus on insurance, and have obtained a full range of insurance-related licences covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management. With balanced development of business segments along the insurance value chain, we have fostered top-notch competitiveness in specialised insurance business operation. Our life/health insurance business centres on protection, launches the Changhang Action Programme, undertakes to transition toward a career-based agency force, optimises channel mix, deepens customer resource management (CRM), and diversifies the "product + service" system. The property and casualty insurance persists in enhancement of capabilities for underwriting profitability, proactively adapts to the automobile insurance comprehensive reform, deepens individual customer relations management, seize strategic development opportunities of non-auto business, enhances risk selection, and improves capabilities to serve national initiatives and the real economy in an all-around way. As for investment, we continue to optimise the system of ALM through economic cycles, adhere to prudent, value and long-term investing, with sustained improvement in industry-leading, liability-based SAA capabilities and specialised investment expertise. CPIC P/C and CPIC Life were awarded the top A rating at the Business Management Evaluation of Insurance Institutions by China Insurance Association for 6 years on end.

Prudence

We are committed to prudent business operation, upholding "protection for people" as the central insurance value proposition. We boast a professional and competent board of directors, an experienced management team and a group-centralised platform of management, with modernised corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms. Leveraging the advantage of a diversified, international and professional board of directors, we put in place a modern, international corporate governance system which is market-oriented and rule-based. We have also put in place industry-leading risk, compliance and internal control systems, with a smart risk control platform, which ensures sustained and healthy development of the Company.

Innovation

We persist in customer orientation and forge ahead with transformation in a bid to foster new drivers for high-quality development. In response to industry trends and dynamics, we deploy in health care and retirement sectors, with substantial progress in tele-medicine, rehabilitation care and high-end care through systematic equity industrial investments, marking initial success in the establishment of a full life-cycle health care and insurance ecosystem. We build long-term technology capabilities: established a multi-tiered data governance structure and governance system and set up CPIC Technology to explore market-based mechanisms of operation and conduct forwarding-looking research into frontier technologies and incubation of new technology applications. We accelerated infrastructure building such as the data centre in Luojing and CPIC Cloud. We focus on synergistic development of key regions, putting in place and optimising relevant mechanisms, and help key regions to play an exemplary, supportive and enabling role in high-quality development. We deepen human resources reform, optimise talent mix, recruit leading professionals in new business areas, improve the training and development system for young employees to foster the talent "high ground".

Responsibility

Committed to our responsibility to employees, customers, shareholders and society, we vigourously participate in national initiatives, serve the needs of the real economy and peoples' aspirations for a better life. We make full use of insurance to fulfil our social responsibilities, pioneering in the fight against the pandemic, in boosting rural invigoration and the relief effort during flooding. We promote the brand image of "Responsible, Smart and Caring" CPIC Service, established the 4-level "Service Officers" institution, and deepened the closed-loop management of customer experience. We implement ESG philosophies, improve the ESG governance system, promote sustainable insurance, responsible investment and green operation to contribute to the low-carbon social and economic development. We care for people's well-being, vigourously participating in the building of China's social security system. We conduct charitable activities as part of our branding, showing care for the vulnerable and underprivileged communities. At the same time, we strive to generate sound returns to our shareholders so that they can benefit from the growth of the Company.

Performance overview

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

I. Performance highlights

During the reporting period, Group operating income[note 1] amounted to RMB440.643 billion, of which, gross written premiums (GWPs) reached RMB366.782 billion, a growth of 1.3% compared with that of 2020. Group net profit[note 2] reached RMB26.834 billion, up by 9.2%, with Group OPAT[notes 2,3] of RMB35.346 billion, a growth of 13.5%. Group EV amounted to RMB498.309 billion, an increase of 8.5% from the end of 2020. Of this, value of in-force business[note 4] reached RMB211.096 billion, up by 4.5%. Life insurance business delivered RMB13.412 billion in new business value (NBV), down by 24.8% compared with that of 2020, with an NBV margin of 23.5%, down by 15.4pt. Property and casualty insurance business[note 5] recorded a combined ratio of 99.1%, up by 0.1pt. Growth rate of Group investments' net asset value[note 6] went down by 2.0pt to 5.4%. As of the end of the reporting period, Group total number of customers[note 7] amounted to 168.39 million, an increase of 19.45 million from the end of 2020.

Steady growth of OPAT, with NBV growth under prolonged pressure.

- CPIC Life GWPs amounted to RMB211.685 billion, down by 0.1%. Of this, regular-pay new business from the agency channel grew by 11.6%.
- CPIC Life realised RMB13.412 billion in NBV, down by 24.8%, with an NBV margin of 23.5%, down by 15.4pt.
- OPAT of life insurance reached RMB28.265 billion, up by 9.2%; the residual margin of life insurance amounted to RMB348.272 billion, down by 0.8% from the end of 2020.

Property and casualty business[note 5] reported a largely stable combined ratio, with improved business quality and rapid top-line growth of non-auto business.

- The combined ratio was 99.1%, up by 0.1pt. Of this, expense ratio stood at 29.3%, down by 8.2pt, and loss ratio 69.8%, up by 8.3pt.
- GWPs amounted to RMB154.611 billion, an increase of 3.3%. Of this, non-auto business grew by 16.8% and accounted for 40.6% of total property and casualty insurance GWPs, up by 4.7pt.
- Automobile insurance enhanced customer retention to push for a shift of growth drivers. Non-auto business achieved underwriting profitability, with emerging business lines such as health, agricultural and liability insurance maintaining rapid development.

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

- The share of fixed income investments stood at 75.7%, down by 2.6pt from the end of 2020; that of equity investments 21.2%, up by 2.4pt, and of this, core equity investments[note 8] accounted for 11.1% of total investment assets, an increase of 0.9pt from the end of 2020.
- Growth rate of Group investments' net asset value[note 6] reached 5.4%, down by 2.0pt from 2020. Total investment yield was 5.7%, down by 0.2pt, with net investment yield of 4.5%, down by 0.2pt.
- Group AuM amounted to RMB2,601.537 billion, an increase of 6.8% from the end of 2020. Of this, third-party AuM amounted to RMB789.468 billion, an increase of 0.2%.

Notes:
1. Based on PRC GAAP.
2. Attributable to shareholders of the parent.
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. Figures for the same period of 2020 have been restated.
7. Figures as at the end of 2020 have been restated.
8. Stocks and equity funds included.

II. Key performance indicators

Unit: RMB million

Indicators	As at 31 December 2021/for the period between January and December in 2021	As at 31 December 2020/for the period between January and December in 2020	Changes (%)
Key value indicators			
Group embedded value	498,309	459,320	8.5
Value of in-force business[note 1]	211,096	201,942	4.5
Group net assets[note 2]	226,741	215,224	5.4
NBV of CPIC Life	13,412	17,841	(24.8)
NBV margin of CPIC Life (%)	23.5	38.9	(15.4pt)
Combined ratio of CPIC P/C (%)	99.0	99.0	-
Growth rate of Group investments' net asset value (%)[note 3]	5.4	7.4	(2.0pt)
Key operating indicators			
GWPs	366,782	362,064	1.3
CPIC Life	211,685	211,952	(0.1)
CPIC P/C	152,643	147,734	3.3
Group number of customers ('000)[notes 4,5]	168,393	148,938	13.1
Average number of insurance policies per customer[note 5]	2.28	2.13	7.0
Monthly average agent number ('000)	525	749	(29.9)
Surrender rate of CPIC Life (%)	1.7	1.2	0.5pt
Total investment yield (%)	5.7	5.9	(0.2pt)
Net investment yield (%)	4.5	4.7	(0.2pt)
Third-party AuM	789,468	788,073	0.2
CPIC AMC	267,120	253,227	5.5
Changjiang Pension	452,191	483,060	(6.4)
Key financial indicators			
Net profit attributable to shareholders of the parent	26,834	24,584	9.2
CPIC Life	18,905	18,642	1.4
CPIC P/C	6,352	5,209	21.9

Basic earnings per share (RMB yuan)note 2	2.79	2.63	6.1
Net assets per share (RMB yuan)note 2	23.57	22.37	5.4
Comprehensive solvency margin ratio (%)			
CPIC Group	266	288	(22pt)
CPIC Life	218	242	(24pt)
CPIC P/C	288	276	12pt

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Attributable to shareholders of the parent.
3. Figures for the same period of the previous year have been restated.
4. 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.
5. Figures as at the end of the previous year have been restated.

Life/health insurance business

CPIC Life delivered stable top-line growth, with NBV growth under prolonged pressure. It pushed forward the Changhang Action Programme in an all-around way, seeking to establish a more diversified channel mix with the agency channel at the core, and provide comprehensive insurance solutions with in-depth integration of products and services. CPIC Health vigourously pursued transformation, explored new business model, focused on core capability-building to enhance foundation of development.

I. CPIC Life

(I) Business analysis

In 2021, in the face of the resurgence of COVID-19 around the world, complicated economic environment and profound adjustments of the domestic insurance industry, CPIC Life met the challenges head-on, adhered to high-quality development, and maintained stable business performance. It reported RMB211.685 billion in GWPs, a decrease of 0.1% compared with that of 2020. Of this, primary insurance premiums grew by 0.6% to RMB209.610 billion; OPAT amounted to RMB28.265 billion, a growth of 9.2%, and net profit RMB18.905 billion, an increase of 1.4%, pointing to resilience in spite of the headwinds.

Due to a challenging market environment and the shift of business mix, NBV fell by 24.8% to RMB13.412 billion, with NBV margin of 23.5%, down by 15.4pt from 2020. In the face of formidable challenges, we took actions based on trends and dynamics of the life insurance business, persisted in customer-oriented strategies, and strived for healthy, sustainable development through transformation and reform. In 2021, we launched the Changhang Action Programme, which set out the vision of "becoming a life insurer focusing on the long term and offering the best customer experience". To deepen its implementation, we formulated the Road-map for Phase I of the Changhang Action Programme, which encompassed a series of projects such as Career Agency Force, Service-based Marketing, Value-oriented Bancassurance, and Products + Services Systems, in a bid to push for the paradigm shift of development.

1. Analysis by channels

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

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
Gross written premiums	**211,685**	**211,952**	**(0.1)**
Agency channel	**188,629**	**194,831**	**(3.2)**
New policies	29,227	29,294	(0.2)
Regular premium business	24,761	22,190	11.6
Renewed policies	159,402	165,537	(3.7)
Bancassurance channel	**7,457**	**2,305**	**223.5**
New policies	6,668	1,546	331.3
Renewed policies	789	759	4.0
Group channel	**13,514**	**11,323**	**19.3**
New policies	13,011	10,933	19.0
Renewed policies	503	390	29.0
Other channelsnote	**2,085**	**3,493**	**(40.3)**

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

(1) Agency channel

CPIC Life continued to nurture an enabling culture for high performance, enhanced succession plans for high-performing agents, diversified platforms for CRM, adopted accommodating product promotion strategies, rolled out basic training and basic management. These efforts effectively helped to raise agent income and boost agency force restructuring. In 2021, CG (equivalent of MDRT) headcount grew by 170.1% from the level in 2020; monthly average FYP per agent reached RMB4,638, up by 42.3%; monthly average FYC per agent RMB791, up by 16.3%; regular-pay new business from the agency channel amounted to RMB24.761 billion, a growth of 11.6% versus that of 2020.

Under the guidance of the Changhang Action Programme, the company undertakes to build an agency force with “3 Directions and 5 Mosts”. The former refers to career-based development, professionalism and digitalisation; while the latter means space for the most generous income, the most powerful entrepreneurial platform, the most caring CPIC Service, the most professional career advancement system, and the most comfortable work environment. In October 2021, we completed design of the new Basic Law (rules on compensation and management of agents) and professional sales supportive platforms based on the Career Agency Force Project, introduced world-leading training courses so as to empower agents in a systematic manner. The amended Basic Law and supportive platforms were officially launched in January 2022. We will leverage the new Basic Law to drive core manpower growth and productivity gains, enhance business quality control, and upgrade the agency force in an all-around way.

For 12 months ended 31 December	2021	2020	Changes (%)
Monthly average agent number ('000)	525	749	(29.9)
Monthly average performing ratio of agents (%)	52.1	57.8	(5.7pt)
Monthly average FYP per agent (RMB)	4,638	3,259	42.3
Average number of new long-term life insurance policies per agent per month	1.38	1.58	(12.7)

(2) Bancassurance channel

We continued to build the value-oriented bancassurance channel underpinned by banking outlets, products and personnel, boosted strategic co-operation with key partners, deployed resources in key areas, and accelerated the building of underlying supportive capabilities and systems. As a result, we reported rapid premium growth from bancassurance during the reporting period, with RMB7.457 billion in GWPs from the channel, up by 223.5%, and of this, new business premiums amounted to RMB6.668 billion, a growth of 331.3%.

(3) Group channel

In 2021, GWPs from the channel reached RMB13.514 billion, up by 19.3%.

CPIC Life vigourously contributed to China’s social security system by engaging in government-sponsored business such as city-specific customised commercial insurance programmes, long-term care, medical insurance for major diseases programmes, third-party administration of social insurance and supplementary medical insurance. As of the end of the reporting period, programmes in operation covered over 150 million people, which cumulatively responded to nearly 30 million service requests, and paid out a total of RMB29 billion in claims; the subsidiary was the lead underwriter of Huiminbao in Shanghai, a city-specific customised commercial insurance programme, with participation of over 7 million people, accounting for 38% of eligible applicants in the city, setting the record for the number of first-year participants for programme of the kind. At the same time, it stepped up effort to explore new models such as Work-site Marketing, with further improvement in CRM capabilities.

2. Analysis by product types

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

In 2021, we further diversified product offering, launched “Jindian Rensheng”, an upgraded whole-life CI product under the New CI Definitions with comprehensive cover against multiple illnesses, through the entire treatment cycle and during the full lifetime of customers; there was also the debut of “Haoshi Chengshuang”, a whole-life CI product integrating health management and elderly care, balancing between retirement savings and health protection. These new products acquired more than 500,000 individual customers, with over RMB90 billion in total SA. In the meantime, we continued to deepen deployment in health management and elderly care, rolling out 10 retirement communities in 9 cities, and of them, those in Chengdu and Dali already went operational. CPIC Blue Passports, a health management programme, covered nearly 18 million customers cumulatively.

We focus on both traditional and participating products. For the reporting period, traditional business generated RMB107.062 billion in GWPs, up by 11.7%. Of this, long-term health insurance contributed RMB48.134 billion, up by 4.4%. Participating business delivered RMB86.737 billion in GWPs, down by 10.9%, due to lower guaranteed interest rates in the context of market-oriented pricing.

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
GWPs	**211,685**	**211,952**	**(0.1)**
Traditional	107,062	95,864	11.7
Long-term health	48,134	46,106	4.4
Participating	86,737	97,318	(10.9)
Universal	98	101	(3.0)
Tax-deferred pension	75	75	-
Short-term accident and health	17,713	18,594	(4.7)

Information of the top five products in 2021

Unit: RMB million

For 12 months ended 31 December

Ranking	Name	Type	GWPs	Main channel
1	Jin You Ren Sheng Whole Life A (2014) 金佑人生終身壽險（分紅型）A 款（2014 版）	Participating	15,531	Agency channel
2	Xin Xiang Shi Cheng (anniversary celebration) Endowment 鑫享事誠（慶典版）兩全保險產品	Traditional	7,200	Agency channel
3	Jin Nuo Ren Sheng Critical Illness (2018) 金諾人生重大疾病保險（2018 版）	Traditional	7,199	Agency channel
4	Group medical insurance for major disease of rural and urban residents (A) 城鄉居民大病團體醫療保險（A 型）	Traditional	6,113	Group channel
5	Jin You Ren Sheng Whole Life A (2017) 金佑人生終身壽險（分紅型）A 款（2017 版）	Participating	6,101	Agency channel

3. Policy persistency ratio

The 13-month and 25-month policy persistency ratios of individual customers both declined, due to higher agent turnover and the impact of the pandemic.

For 12 months ended 31 December	2021	2020	Changes
Individual customers 13-month persistency ratio (%)[note 1]	80.3	85.7	(5.4pt)
Individual customers 25-month persistency ratio (%)[note 2]	78.7	85.1	(6.4pt)

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 GWPs

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

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
GWPs	**211,685**	**211,952**	**(0.1)**
Henan	22,332	24,118	(7.4)
Jiangsu	21,795	21,301	2.3
Shandong	17,746	17,616	0.7
Zhejiang	16,090	14,953	7.6
Hebei	12,649	13,087	(3.3)
Guangdong	11,321	11,759	(3.7)
Heilongjiang	9,144	8,962	2.0
Hubei	8,759	8,971	(2.4)
Shanxi	8,165	8,500	(3.9)
Shanghai	7,139	6,416	11.3
Subtotal	135,140	135,683	(0.4)
Others	76,545	76,269	0.4

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
Net premiums earned	203,446	203,848	(0.2)
Investment income[note]	78,714	71,848	9.6
Other operating income	1,948	2,355	(17.3)
Total income	**284,108**	**278,051**	**2.2**
Net policyholders' benefits and claims	(227,242)	(214,641)	5.9
Finance costs	(2,751)	(2,617)	5.1
Interest credited to investment contracts	(4,007)	(3,344)	19.8
Other operating and administrative expenses	(30,848)	(37,150)	(17.0)
Total benefits, claims and expenses	**(264,848)**	**(257,752)**	**2.8**
Profit before tax	19,260	20,299	(5.1)
Income tax	(355)	(1,657)	(78.6)
Net profit	**18,905**	**18,642**	**1.4**

Note: Investment income includes investment income and share of profit / (loss) in equity accounted investees on financial statements.

Investment income for the reporting period was RMB78.714 billion, up by 9.6%, mainly because of increase in gains from securities trading and interest income on bond investments.

Net policyholders' benefits and claims amounted to RMB227.242 billion, up by 5.9%, largely due to growth of changes in long-term life insurance contract liabilities.

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
Net policyholders' benefits and claims	**227,242**	**214,641**	**5.9**
Life insurance death and other benefits paid	61,427	61,848	(0.7)
Claims incurred	10,926	9,186	18.9
Changes in long-term life insurance contract liabilities	142,513	132,095	7.9
Policyholder dividends	12,376	11,512	7.5

Other operating and administrative expenses for the reporting period amounted to RMB30.848 billion, down by 17.0%.

Income tax for the reporting period was RMB355 million, down by 78.6%, mainly due to increase in tax deductible income and decrease in pre-tax profits.

As a result, CPIC Life recorded a net profit of RMB18.905 billion, up by 1.4%.

II. CPIC Health

In 2021, CPIC Health completed its shareholding restructuring and renaming. With the new vision of "building an open, high-tech health insurance company", the subsidiary re-calibrated its development objectives, vigourously explored "new channels, new products and new technology", and initiated transformation on all fronts. For the reporting period, it realised RMB6.263 billion in GWPs and health management fee income, and net profit of RMB125 million. As of the end of the reporting period, its core and comprehensive solvency margin ratios both stood at 138%.

Going forward, CPIC Health will continue to boost core capacity-building as a specialised health insurance company, extend the service network nationwide, and enhance capabilities for sustainable development. It will deepen collaboration with CPIC Life and CPIC P/C to better empower their business development; establish a closed-loop model for Internet business to drive its high-quality development, underpinned by channel roll-out, product launches, brand promotion, system development and model integration; continuously expand in-depth co-operation with care providers, drug manufacturers and medical professionals, so as to provide multi-levelled, personalised health management services; put in place a product R & D centre for innovative health insurance products catering for those with prior conditions to narrow their protection gap; strengthen cooperation with the health ecosystem, focus on disease prevention and health service for the juvenile to foster competitive edge in health management.

Property and casualty insurance

CPIC P/C[note] deepened transformation, enhanced business quality control, and delivered steady premium growth and a stable combined ratio. Automobile insurance, in the face of the comprehensive reform, stepped up capabilities of customer acquisition and retention and maintained underwriting profitability; non-auto business maintained rapid growth of emerging business lines, with improved business quality and turnaround in underwriting profits.

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

I. CPIC P/C

(I) Business analysis

In the face of the resurgence of the pandemic, the comprehensive reform of automobile insurance and severe natural disasters such as the flooding in He'nan Province, CPIC P/C persisted in high-quality development, seized development opportunities, deepened transformation, continuously enhanced business quality control and customer acquisition & retention, and further consolidated the foundation of high-quality development. During the reporting period, it recorded GWPs of RMB152.643 billion, up by 3.3%, with a combined ratio of 99.0%, the same as that for 2020. Of this, loss ratio stood at 69.6%, up by 8.2pt, and expense ratio 29.4%, down by 8.2pt.

1. Analysis by lines of business

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
GWPs	**152,643**	**147,734**	**3.3**
Automobile insurance	91,799	95,670	(4.0)
Compulsory automobile insurance	25,268	23,906	5.7
Commercial automobile insurance	66,531	71,764	(7.3)
Non-automobile insurance	60,844	52,064	16.9
Health insurance	12,198	8,886	37.3
Liability insurance	10,948	8,784	24.6
Agricultural insurance	10,363	8,649	19.8
Guarantee insurance	7,253	6,682	8.5
Others	20,082	19,063	5.3

(1) Automobile insurance

CPIC P/C proactively adapted to challenges of the comprehensive reform of automobile insurance and major natural disasters, persisted in high-quality development, deepened customer acquisition & retention and building of platforms, enhanced risk screening and risk management, improved business quality, and recorded underwriting profitability for the business line.

In 2021, CPIC P/C reported GWPs of RMB91.799 billion from automobile business, a decline of 4.0%, due to the impact of the comprehensive reform. The combined ratio was 98.7%, up by 0.8pt from 2020. Of this, loss ratio stood at 71.1%, up by 10.6pt and expense ratio fell by 9.8pt to 27.6%. The subsidiary made further progress in customer penetration, renewal ratio and on-line ratio.

Going forward, it will continue to consolidate the progress of its transformation and strengthen customer acquisition & retention; closely follow the developments of the automobile market to explore new operational mode for automobile insurance; increase the use of technology, improve claims management to enhance customer experience.

(2) Non-automobile insurance

In 2021, CPIC P/C seized opportunities arising from the Dual Circulation national strategy, optimised business mix, continuously enhanced business management, and recorded GWPs of RMB60.844 billion, up by 16.9%, with a combined ratio of 99.5%, down by 2.4pt. Of the major business lines, emerging business such as health insurance, liability insurance and agricultural insurance maintained strong momentum of growth, with improved business quality.

Health insurance accelerated innovation of personal lines products and services, continued to diversify the ecosystem of niche products; while stabilising the current platform of cooperation for government-sponsored insurance, it particularly expanded the geographical coverage of the business, promoted the development of existing business in medical insurance for major diseases, accident medical and poverty reduction, and strived to tap the potential of emerging business such as long-term care, chronic illness insurance and third-party administration of basic medical insurance. In 2021, health insurance reported RMB12.198 billion in GWPs, a growth of 37.3%.

Liability insurance stepped up support for the modernisation of China's governance, carried out strategic cooperation with local governments, deepened its first-mover advantage in serving social well-being and administration, supporting industrial chain upgrading and promoting local economic development, strived for rapid development of liability insurance business in work-place safety, environmental protection, food safety, social welfare and life sciences. The business line delivered RMB10.948 billion in GWPs for 2021, up by 24.6%.

Agricultural insurance seized opportunities of the Rural Invigoration Strategy, continuously pushed for "expansion of coverage, diversification of product offering and improvement of standards", vigourously participated in the trials of full cost indemnity insurance and income protection insurance of the 3 staple food crops to safeguard national food security. It enhanced innovation in products, technology and service, supported the development of local speciality agriculture to contribute to the modernisation of the countryside and agriculture and higher income of farmers. In 2021, the business line delivered RMB10.363 billion in GWPs, up by 19.8%, with a combined ratio of 99.6%, maintaining stable business operation.

Guarantee insurance realised high-quality development while ensuring effective control of risks. In 2021, it reported GWPs of RMB7.253 billion, up by 8.5%, with a combined ratio of 95.1%, pointing to improved underwriting profitability.

Going forward, CPIC P/C will increase deployment toward green and low-carbon insurance, step up support for the Rural Invigoration Strategy, enhance risk management capacity-building, deepen digital empowerment in a bid to further strengthen its capabilities for high-quality development.

(3) Key financials of major business lines

Unit: RMB million

For 12 months ended 31 December 2021

Name of insurance	GWPs	Amounts insured	Claims	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	91,799	58,300,724	61,406	67,144	1,077	98.7
Health insurance	12,198	74,008,501	7,251	6,598	(199)	101.9
Liability insurance	10,948	150,753,042	4,779	9,137	104	98.5
Agricultural insurance	10,363	370,703	7,106	4,004	28	99.6
Guarantee insurance	7,253	148,110	2,151	11,627	266	95.1

2. Top 10 regions for GWPs

CPIC P/C is committed to improving capabilities for integrated regional development, and pursues upgrading along the line.

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
GWPs	**152,643**	**147,734**	**3.3**
Guangdong	19,110	17,539	9.0
Jiangsu	16,629	15,940	4.3
Zhejiang	14,507	13,764	5.4
Shanghai	11,754	10,945	7.4
Shandong	8,734	8,313	5.1
Beijing	6,388	6,928	(7.8)
Hubei	5,771	5,236	10.2
Hunan	5,496	5,303	3.6
Hebei	5,415	5,505	(1.6)
Henan	5,306	5,306	-
Subtotal	99,110	94,779	4.6
Others	53,533	52,955	1.1

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
Net premiums earned	128,803	121,835	5.7
Investment income[note]	7,533	6,485	16.2
Other operating income	461	338	36.4
Total income	**136,797**	**128,658**	**6.3**
Claims incurred	(89,642)	(74,904)	19.7
Finance costs	(625)	(581)	7.6
Other operating and administrative expenses	(38,328)	(46,285)	(17.2)
Total benefits, claims and expenses	**(128,595)**	**(121,770)**	**5.6**
Profit before tax	8,202	6,888	19.1
Income tax	(1,850)	(1,679)	10.2
Net profit	**6,352**	**5,209**	**21.9**

Note: Investment income includes investment income and share of profit / (loss) in equity accounted investees on financial statements.

Investment income for the reporting period amounted to RMB7.533 billion, up by 16.2%, mainly as a result of seizing equity market opportunities while improving asset-liability matching.

Other operating and administrative expenses amounted to RMB38.328 billion, down by 17.2%.

In balance, the subsidiary posted a net profit of RMB6.352 billion in 2021, an increase of 21.9% from 2020.

II. CPIC Anxin Agricultural

In 2021, under the guidelines of "one agricultural insurance firm within the Group, boosting development via full integration", CPIC Anxin Agricultural stayed focused on the core business of agricultural insurance, pursued strategies of "improving existing business, expanding incremental business and optimising business quality", to promote healthy and steady development. It delivered RMB1.651 billion in GWPs, up by 12.1%. Of this, agricultural insurance reported GWPs of RMB1.082 billion, a growth of 17.0%, with a combined ratio of 106.9%, rising by 10.7pt, due to the impact of natural disasters such as typhoons. Net profit amounted to RMB84 million, down by 44.4%.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2021, its total assets stood at RMB1.530 billion, with net assets of RMB425 million. GWPs for the reporting period amounted to RMB523 million, with a combined ratio of 114.3%, and a net loss of RMB35 million.

Asset management

We persisted in long-term, value and prudent investing and further optimised the ALM system. Within the SAA framework, we continued to extend the duration of assets, while seizing market opportunities and dynamically adjusting Tactical Asset Allocation (TAA). As a result, we delivered solid investment performance, with Group AuM on steady increase.

I. Group AuM

As of the end of 2021, Group AuM totalled RMB2,601.537 billion, rising 6.8% from the end of 2020. Of this, Group in-house investment assets amounted to RMB1,812.069 billion, a growth of 10.0%, and third-party AuM RMB789.468 billion, an increase of 0.2%, with a management fee income of RMB2.673 billion, up by 12.1% from 2020.

Unit: RMB million

	31 December 2021	31 December 2020	Changes (%)
Group AuM	**2,601,537**	**2,436,080**	**6.8**
Group in-house investment assets	1,812,069	1,648,007	10.0
Third-party AuM	789,468	788,073	0.2
CPIC AMC	267,120	253,227	5.5
Changjiang Pension	452,191	483,060	(6.4)

II. Group in-house investment assets

During the reporting period, China's economic recovery remained on track, with overall stable employment and rapid growth of imports and exports, demonstrating sound resilience. However, the economy also faced the pressure of demand contraction, supply disruption, and weakening expectations. As for the capital markets, the stock market experienced volatility within a narrow range, interest rates fell sharply, and credit risk rose considerably.

With the guidance of SAA, we conducted TAA with flexibility, seized market opportunities and achieved investment results which were higher than the cost of liabilities. In the face of lower interest rates and rising defaults, we persisted in the "dumb-bell shaped" asset allocation strategy, increasing allocation into long-term T-bonds and local government bonds to extend asset duration and control reinvestment risk, and on the other hand moderately increasing investments in equity assets including private equity to increase long-term returns. We maintained prudence in credit risk exposure, enhanced credit risk control and took effective steps to mitigate the risk.

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

(I) Group Consolidated investment portfolios

Unit: RMB million

	31 December 2021	Share (%)	Share change from the end of 2020 (pt)	Changes (%)
Group investment assets (total)	**1,812,069**	**100.0**	**-**	**10.0**
By investment category				
Fixed income investments	1,370,861	75.7	(2.6)	6.2
- Debt securities	691,369	38.2	(1.1)	6.6
- Term deposits	196,519	10.8	(0.9)	1.8
- Debt investment plans	230,829	12.7	1.3	23.1
- Wealth management products[note 1]	142,312	7.9	(1.7)	(9.8)
- Preferred shares	32,000	1.8	(0.1)	-
- Other fixed income investments[note 2]	77,832	4.3	(0.1)	8.1
Equity investments	384,506	21.2	2.4	23.9
- Equity funds	46,218	2.6	0.1	12.9
- Bond funds	23,743	1.3	0.1	24.1

- Stocks	154,355	8.5	0.8	21.3
- Wealth management products[note 1]	2,470	0.1	-	70.8
- Preferred shares	12,519	0.7	(0.1)	(4.7)
- Other equity investments[note 3]	145,201	8.0	1.5	34.1
Investment properties	7,514	0.4	(0.1)	(4.5)
Cash, cash equivalents and others	49,188	2.7	0.3	25.3
By investment purpose				
Financial assets at fair value through profit or loss[note 4]	12,612	0.7	-	-
Available-for-sale financial assets	645,381	35.6	(0.6)	8.3
Held-to-maturity financial assets	396,428	21.9	1.9	20.4
Interests in associates	17,090	0.9	-	17.4
Investment in joint ventures	9,894	0.6	-	0.1
Loans and other investments[note 5]	730,664	40.3	(1.3)	6.6

Notes:

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

1. By investment category

As of the end of the reporting period, the share of debt securities was 38.2%, a drop of 1.1pt from the end of 2020. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored banks made up 22.1% of total investment assets, up by 4.6pt from the end of 2020. With this, the average duration on fixed income assets reached 7.1 years, extended by 0.9 years versus the end of 2020. Moreover, 99.1% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-1 or above. Of this, the share of AAA reached 93.4%. We boasted a professional internal credit-rating team and sound credit risk management systems covering the entire debt securities investment process, namely, before, during and after the investment. We continued to improve the Group-wise integrated credit-rating management system, evaluated the credit-ratings of both the debt and debt issuers and identified the credit risk based on our internal credit-rating systems, while considering other factors such as macroeconomic conditions, and external credit-ratings in order to make well-informed investment decisions. At the same time, to pro-actively control the credit risk of the stock of bond holdings, we followed a uniform and standardised set of regulations and procedures, combining both regular and unscheduled follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors with good diversification effect; we set great store by credit risk management, strictly controlling the exposure to the real estate sector, and carefully select targets to ensure that the risk is manageable. Overall, the debt issuers of our investments all reported sound financial strength, with credit risk under control.

The share of equity investments stood at 21.2%, up by 2.4pt from the end of 2020. Of this, stocks and equity funds accounted for 11.1% of total investment assets, up by 0.9pt from the end of 2020. On the back of disciplined TAA processes and outstanding market research capabilities, we realised solid investment performance amid market volatility.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB392.840 billion, accounting for 21.7% of total investment assets, rising 0.1pt from the end of 2020. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects. 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 the comfort zone. 98.8% of NPFIs had external credit-ratings, and of these, the share of AAA reached 94.7%, and that of AA+ and above 98.8%. 55.4% 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	39.6	5.1	7.6	5.4
Real estate	19.3	5.1	6.5	4.2
Communications & transport	14.5	5.2	9.1	6.1
Non-bank financial institutions	13.4	5.0	4.9	3.0
Energy and manufacturing	5.5	5.3	6.9	4.0
Others	7.7	5.3	8.4	6.1
Total	100.0	5.1	7.3	4.9

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

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, AFS financial assets increased by 8.3% from the end of 2020, mainly as a result of increased investments in listed and private stocks. HTM financial assets grew by 20.4%, mainly due to increased investments in government bonds. Interests in associates grew by 17.4% from the end of 2020, mainly due to increased investments in associates and structured entities. Loans and other investments rose by 6.6%, largely attributable to increased allocation in debt investment plans.

(II) Group consolidated investment income

For the reporting period, net investment income totalled RMB73.061 billion, up by 8.8%. This stemmed mainly from increased interest income on fixed income investments. Net investment yield reached 4.5%, down by 0.2pt compared with that of 2020.

Total investment income amounted to RMB93.184 billion, up by 10.9%, mainly attributable to increase in gains from securities trading and interest income on fixed income investments, with total investment yield at 5.7%, down by 0.2pt.

Growth rate of investments’ net asset value fell by 2.0pt to 5.4%, largely due to decrease in net of fair value movement of AFS assets booked as other comprehensive income.

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
Interest income from fixed income investments	63,259	59,624	6.1
Dividend income from equity investments	9,060	6,790	33.4
Rental income from investment properties	742	745	(0.4)
Net investment income	**73,061**	**67,159**	**8.8**
Realised gains	21,899	19,462	12.5
Unrealised gains	1,163	81	1,335.8
Charge of impairment losses on investment assets	(4,178)	(4,242)	(1.5)
Other income[note 1]	1,239	1,537	(19.4)
Total investment income	**93,184**	**83,997**	**10.9**
Net investment yield (%)[note 2]	4.5	4.7	(0.2pt)
Total investment yield (%)[note 2]	5.7	5.9	(0.2pt)
Growth rate of investments’ net asset value (%)[notes 2,3,4]	5.4	7.4	(2.0pt)

Notes:
1. Other income includes interest income on cash and short-term time deposits, securities purchased under agreements to resell, share of profit/(loss) in equity accounted investees , and investment income through the step acquisition of a subsidiary, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets as the denominator in the calculation of net/total investment yield and growth rate of investments' net asset value are computed based on the Modified Dietz method.
3. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive income/(loss) / average investment assets.
4. Figures for the same period of the previous year have been restated.

(III) Total investment yield on a consolidated basis

Unit: %

For 12 months ended 31 December	2021	2020	Changes
Total investment yield	**5.7**	**5.9**	**(0.2pt)**
Fixed income investments[note 1]	4.9	4.9	-
Equity investments[note 1]	8.6	10.1	(1.5pt)
Investment properties[notes 1,2]	7.3	7.3	-
Cash, cash equivalents and others[note 1]	1.1	1.3	(0.2pt)

Notes:
1.The impact of securities sold under agreements to repurchase was not considered.
2.Figures for the same period of the previous year have been restated.

III. Third-party AuM

(I) CPIC AMC

In 2021, CPIC AMC pursued “market-based, product-based and systematic development”, vigourously stepped up professional investment capacity-building, and made steady progress in third-party asset management business. As of the end of the reporting period, its third-party AuM amounted to RMB267.120 billion, an increase of 5.5% from the end of 2020.

In alternative investments, while stepping up credit risk control, it continued to support key national initiatives and the development of the real economy. It adopted a business strategy focusing on enhancing credit-worthiness while pro-actively adjusting business mix, with new debt investment schemes boasting higher credit-ratings. New projects were mainly in infrastructure-related sectors such as communications & transport, energy, and urban construction, with reduced exposure to commercial property. In 2021, the company provided RMB8.4 billion in financing to major infrastructural projects including the subway systems in Ji’nan, Wuhan, Zhengzhou, the Yellow River Bridge in Ji’nan, and the Highway between Shanghai and Shaanxi. To promote the development of Central and Western China, and in response to the national strategy of “closing gaps in infrastructure”, it registered 10 debt investment schemes in He’nan, Hubei and Sichuan, raising a total of RMB32.9 billion. In 2021, it registered a total of 29 alternative investment products involving an amount of RMB72.3 billion.

As for portfolio asset management products, the company focused on institutional clients, enhanced its current product line-up with insurance asset management characteristics to promote its brand-name. To secure its advantage, it improved existing product offering based on traditional strategies. The scale of both fixed income and liquidity management business increased steadily, with stable investment performance which was leading among comparable products. On the other hand, the subsidiary steadily built its own FOF product suite across the gamut of risks and reward ratios, and achieved initial success in market branding. As of the end of the reporting period, CPIC AMC reported RMB209.694 billion in third-party asset management products and AuM combined, an increase of 9.6% from the end of 2020.

(II) Changjiang Pension

Changjiang Pension stayed focused on the core business of pension fund management. As at 31 December 2021, its third-party assets under trustee management amounted to RMB307.713 billion, up by 26.6% from the end of 2020; third-party assets under investment management reached RMB452.191 billion, down by 6.4%.

Committed to serving the national retirement provision system, the company vigourously participated in the building of the “insurance + health + retirement” ecosystem of CPIC Group, and continued to deepen its presence in the pension fund management business. It continued to deliver solid results in investment management of social security pension fund, maintaining leadership in both scale and investment performance among pension firms. As for the second pillar, the company was selected as trustee of occupational annuity schemes of government agencies and not-for-profit institutions of the Tibetan Autonomous Region, setting the record of “all success” in the bid for the trustee qualifications of the 33 occupational annuity coordinated areas. It also passed the first industry-wise, standardised review of qualifications for enterprise annuity fund management, with renewal of qualifications in trustee, investment management and account management. At the same time, it strived for further development of group collective retirement provision business.

Customer resource management

We persisted in customer-centric business philosophies, deepened CPIC Service, forged differentiating edge, fully leveraged our advantage as an insurer with a full range of insurance-related licenses and deployment in asset management, health and retirement business, continued to enhance customer experience and strived for steady growth of customer value contribution with the vision of “integrated service to one customer via one interface”.

I. Individual customer

We are committed to building premier service capabilities so as to provide convenient, efficient and tailor-made product/service solutions to our customers. The width and depth of service provided to individual customers have been continuously improving in recent years. CPIC Life enhanced CRM capacity-building, with tangible results in up-selling, which covered 8.7% of existing customers, rising 2.7pt from 2020. It continued to optimise CRM through customer segmentation. While securing the platform of mass market customers, it strengthened penetration of mid and high-end customers via services of health management, elderly care, and wealth management, with growing numbers of customers with FYP of over RMB15,000 and increased premium contribution from such customers. The life subsidiary also pushed for upgrading of the sales model through CRM programmes, with rapid growth of customers using health management service. Of this, the CPIC Blue Passports Programme cumulatively covered nearly 18 million people. CPIC P/C deepened customer segmentation to facilitate the transition from a product-driven towards a customer-driven paradigm. As of the end of 2021, 93.5% of policy holders of compulsory automobile insurance for family private vehicles took out commercial insurance, the average SA on Third-party Liability (TPL) reached RMB1.711 million, and of this, the number of customers with SA of RMB1 million and above stood at 21.99 million, up by 28.2% from the end of 2020. The company focused on typical life scenarios of customers like staying at home, travelling, going to the doctor or doing shopping, vigourously promoted cross-sell of auto and non-auto insurance, with a marked growth of the share of individual auto insurance customers who also purchased non-auto insurance.

	2021	2020	Change (%)
Number of customers with SA exceeding RMB300,000 on CI products of CPIC Life (million)	4.71	4.73	(0.4)
Number of customers with SA of a million yuan and above on TPL of automobile insurance of CPIC P/C (million)	21.99	17.15	28.2

We persisted in a data-driven mode, deepened insights into customers' diverse needs, and recommended personalised solutions based on customer segmentation, innovated integrated off-line and on-line services, with steady growth of average number of insurance policies per customer and number of customers with multiple insurance policies, pointing to enhanced customer value contribution. As of the end of 2021, Group average number of insurance policies per individual customer reached 2.28, an increase of 7.0% from the end of 2020; the number of customers with 2 insurance policies and above stood at 32.57 million, up by 2.9%. We pushed for innovation of the collaboration mode, shifting from product-based collaboration to more comprehensive service-driven collaboration, while promoting business development through branding events. This helped to increase value contribution from collaboration. In recent years, cross-sell across different business segments within the Group made continued progress, and as of the end of 2021, the number of individual customers holding insurance policies of multiple Group subsidiaries amounted to 10.32 million, up by 0.8% from the end of 2020.

	2021	2020	Change (%)
Average number of insurance policies per individual customer[note]	2.28	2.13	7.0
Number of individual customers holding 2 insurance policies and above[note] (million)	32.57	31.66	2.9
Number of individual customers holding insurance policies of multiple Group subsidiaries[note] (million)	10.32	10.24	0.8

Note: Based on applicants of in-force insurance policies of one year or above.

We continued to improve the supportive system for CPIC Service, and put in place a 4-tiered institution of "Service Officers" from Group headquarters to key sub-branches. We set up the Department of Consumer Rights Protection at the Group level, optimised the supply of services that are "by your side, throughout your life-time and in response to your needs", so as to enhance customer experience. At the same time, we sought to enhance service efficiency by way of digitalisation and smart operation. CPIC P/C established a smart operational platform for individual customers, and as of the end of the reporting period, the on-line ratio of individual automobile insurance customers reached 90.3%, up by 29.5pt; CPIC Life built the platform for smart underwriting and claims management, with the average turnaround of insurance application reduced by 12%; CPIC Health achieved full on-line operational coverage, with claims handling turnaround improving by 15.2%. A service quality rating of insurance companies for the 1st half of 2021 conducted by China Banking and Insurance Information Technology

Management Co. Ltd., an independent outfit, CPIC Life and CPIC P/C ranked No.1 respectively among life/health and P/C insurance companies.

II. Group customer

We continuously pushed forward comprehensive CRM of group customers, adopted an integrated and collaborative mode of market development based on segmentation between strategic accounts and key accounts, and strived to enhance capabilities to provide needs-based solutions for them. In line with national initiatives, we formed partnership with strategic clients and formulated joint action plans. We promoted full on-line processes for group customers, and tailor-made dedicated “channels” for strategic clients based on sharing and application of in-house customer data, developed mobile apps for business cooperation between strategic clients, building a community like the WeChat Moments.

At the Group level, we set up the cluster of key accounts, including government agencies like central government ministries and commissions, provincial/municipal governments, companies such as enterprises under the direct administration of central government, SOEs, firms listed among China’s Top 500, industry champions, and financial institutions like major state-owned banks, exchanges, joint-stock banks with nationwide business, securities firms, urban and rural commercial banks. The list continued to grow in 2021, with expanded industry and geographical coverage. As of the end of 2021, in-force agreements of strategic cooperation covered 121 clients, up by 17.5% from the end of 2020; we entered into strategic partnerships with 78% of provinces/municipalities (provinces, autonomous regions, municipalities under the central government, cities with vice-provincial status), an increase of 3pt from the end of 2020.

ESG

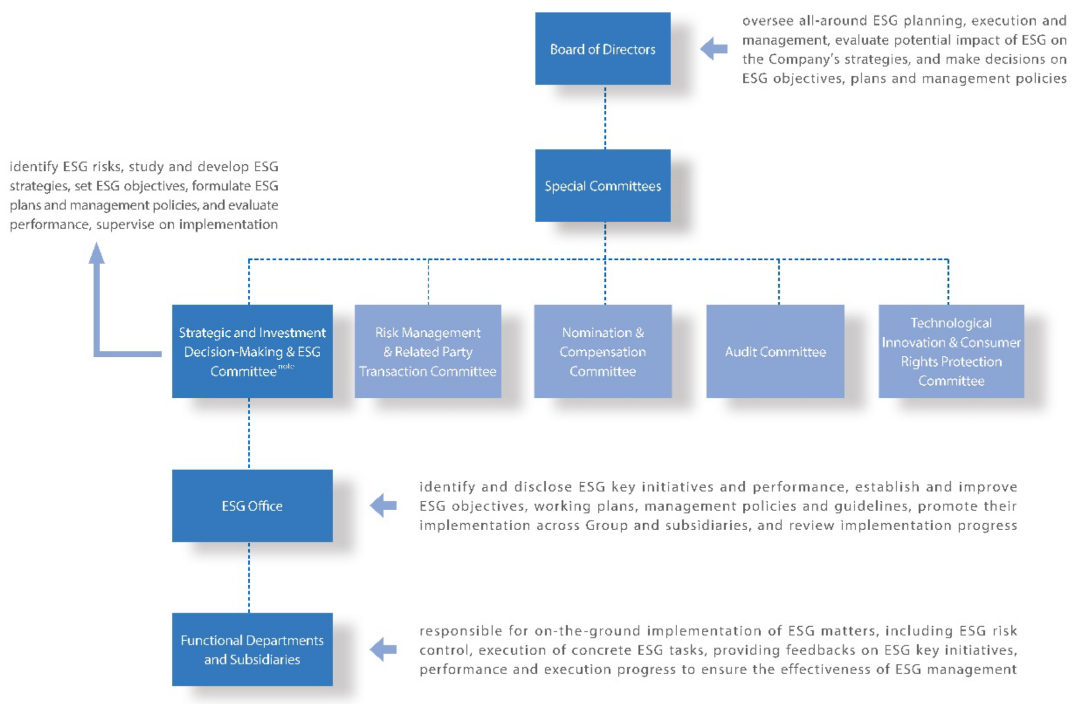
I. ESG vision

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

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

II. ESG governance

We incorporated ESG philosophies into business management, set up ESG top-level design and governance structure. With the Board as the top decision-making body, we pushed for the integration of ESG philosophies into day-to-day business operation by functional departments and subsidiaries, to ensure the effectiveness of ESG management.



III. ESG practice

In September 2015, the United Nations passed the 2030 Sustainable Development Agenda, floating 17 Sustainable Development Goals (SDGs), which mapped out the blueprint for a better and more sustainable future for mankind. Guided by SDGs, we rolled out actions along multiple dimensions such as society, economy and environment.

Sustainable insurance

We officially signed into PSI in 2021, becoming the second enterprise in mainland China to sign PSI. We made progress in innovation of insurance products and services to support the building of a clean and efficient energy system, reduce energy consumption and pollution, and mitigate climate change risks. We developed multiple weather-index insurance and catastrophe insurance products, built scientific modelling for evaluation of catastrophe risk; offered cover against environmental pollution worth over RMB9.6 billion in SA to more than 6,000 companies; underwrote over RMB50 billion in SA for hydro-power, nearly RMB100 billion for photovoltaic, and participated in 8 domestic offshore wind power projects; wrote water quality liability insurance for the Taipu River and conducted, on a regular basis, water quality analysis; carried out cooperation of "carbon quotas + pledge as collateral + insurance" and launched China's first guarantee insurance product for loans against pledge of carbon quotas; underwrote wildlife liability insurance in Yunnan, with CPIC P/C Yunnan Branch becoming the only insurance partner of the 15th Conference of the Parties (COP) of the UN Convention on Biological Diversity.

Responsible investment

We acceded into the PRI in 2021 as both an asset owner and an investment manager, becoming the 4th domestic asset owner signing the PRI. In January 2022, CPIC P/C signed the Green Investment Principles (GIP) under the Belt & Road Initiative. We were directly involved in investments of green projects spanning clean transport, clean energy, energy conservation, recycling and pollution treatment via channels of debt investment schemes, equity investment schemes, asset-backed plans and industry equity funds. As of the end of 2021, our cumulative investments in green areas amounted to RMB23.3 billion. Of this, we raised a total of nearly RMB15 billion through green debt and equity investment schemes since 2018.

Green operation

We strictly implemented the Work Programme on Control of Green-house Gases (GHG) during the 13th 5-Year Plan Period issued by the State Council, stepped up management of exhaust gases, GHG and waste disposal; vigourously boosted green operation and upgraded full-process on-line capabilities, with online substitution rate of life insurance contract endorsement exceeding 90%; promoted paperless operation via electronic endorsement, insurance policies, and letters, with subscription rate of electronic letters reaching 83%; vigourously advocated the use of energy-efficient technologies and products, and phased out energy-intensive equipment or facilities; advocated green travelling and a low-carbon lifestyle; promoted green buildings such as the construction of green data centres and green retirement communities.

Supporting national initiatives

We supported the China International Import Expo (CIIE) for 4 years on end, and cumulatively provided comprehensive risk solutions and full life-cycle risk management services with SA totalling RMB2.6 trillion, and in particular, contributed to a carbon-zero 4th CIIE; provided integrated risk solutions to China International Fair for Trade in Services (CIFTIS) for 2 years in a row, involving SA of more than RMB260 billion; customised insurance package with SA exceeding RMB350 billion for the 10th China Flower Expo; cumulatively offered a risk cover involving nearly RMB1 trillion in SA to Chinese firms going overseas, underwriting nearly 700 milestone projects in over 100 countries .

Social medical and pension insurance

We vigourously implemented the blueprint of the development of health business. In April 2021, we set up Guangci CPIC On-line Hospital, launched “CPIC Family Doctor”, an independently developed tele-medicine brand, and established a dedicated off-line team of 400 medical professionals. As of the end of 2021, we were involved in 35 *Huiminbao* programmes, covering over 21 million people, accounting for nearly 1/5 of total participants nationwide; took on 61 medical insurance for major diseases, covering more than 100 million people in 54 cities of 15 provinces (or provincial-level cities and autonomous regions), with SA totalling RMB6.1 billion; participated in the national pilot programmes of long-term care in 21 cities designated for national-level trials and 18 cities for local trials, benefitting over 48 million people, with more than 2.9 million claims payments; “CPIC Blue Passports”, a health management programme, cumulatively covered nearly 18 million customers; 10 projects of retirement communities under “CPIC Home” were up and running in 9 cities, with a total of 12,000 beds.

Rural invigoration

In response to China’s rural invigoration strategy, we are committed to reducing disparity in economic development between urban and rural areas, and deepening the supply-side reform of agricultural insurance. As of the end of 2021, we developed a total of 3,355 agricultural insurance products, covering more than 240 crops, deployed 3,750 CPIC “San Nong” (i.e., farmers, agriculture and the rural areas) service stations in 31 provinces, autonomous regions and provincial-level cities, with a team of about 10,000 part-time assistants providing service across the year; innovated 619 products catering for local needs under the principle of “One county, one product”; launched e-Agriculture system and introduced the model of “insurance + futures + order-based agriculture”; conducted an all-around upgrading of the Anti-Poverty Insurance, which covered nearly 400,000 vulnerable people in more than 1,000 counties, with cumulative SA exceeding RMB23 trillion, and cumulative pay-out of RMB1.339 billion.

Donations

We established a charity platform to mobilise charitable activities by employees, customers, and other stakeholders; formulated Policies on Donations to better help areas affected by natural disasters, poverty-stricken areas, regions receiving assistance, and under-privileged communities. In 2021, we donated a total of RMB78.2134 million. CPIC Blue, a charitable foundation, launched its first flag-ship project “Protecting your memory”, conducted a series of dementia-related charitable activities, and issued the initiative for recruitment of volunteers; lent help to more than 60 primary schools and focused public attention on the education of children in impoverished areas; donated to the Shanghai Orphanage for 26 years in a row; initiated Phase II of the Sanjiangyuan Ecological Park, which in total covered 100 hectares, with areas earmarked for employees and business partners.

Consumer rights protection

We fully implemented laws and regulations such as The Guiding Opinions on Enhancement of Consumer Rights Protection by Banking and Insurance Institutions and Administration Rules on Handling of Customer Complaints by Banking and Insurance Institutions issued by CBIRC; have established a sound consumer rights protection system including Management Rules on Consumer Rights Protection, Policies on Customer Complaints Handling, and Provisional Regulations on Operational Processes on the Review of Documentation relating to Consumer Rights Protection. We value customer voices, and put in place efficient complaints-handling mechanisms to ensure timely response to customer comments or suggestions; set up a system for open and transparent information disclosure on product responsibilities, deepened advocacy of financial risks, and performed our primary responsibility in consumer rights protection. In 2021, the Department of Consumer Rights Protection was established to coordinate the protection of consumer rights and interests.

Corporate governance

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

We drafted policies on board diversity, and as of the end of 2021, the board consisted of 15 members, with the share of non-executive directors of 87% and that of women directors 27%. We offer effective protection to shareholder, and particularly minor shareholder interests via insititutionalised arrangements and procedures; fully comply with rules and regulations on information disclosure and steadily improve its quality.

Employee rights, benefits and development

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

We strive to provide a comfortable work-place environment for employees. We formulated Rules on Management of Work-places, Provisional Regulations on Ban of Smoking and other policies relating to work-place safety, work-place hygiene and smoking control; conducted inspection of work-place safety and environment to identify and resolve gaps; provided caring and insurance programmes, and employees and their family members may access "CPIC Family Doctor", a health management platform, for family doctors service, live-stream medical consulting, health management and outpatient appointment booking.

We give priority to career development of young talent, organising on-the-job training and tutor coaching of management trainees, drawing up a learning road-map for management trainees at headquarters, and putting in place a closed loop of management covering oversight, training and learning. We set up an innovative learning centre, organised training camps for top-notch young talent, and established an integrated training system encompassing the company, functions/departments and voluntary study by employees.

Risk management

We identify and assess risks in climate change, retirement & health care, insurance and investment in light of risk management requirements concerning climate and environment, and formulate risk management measures. While incorporating climate risk into our corporate governance framework, we further integrated it into risk management and internal control processes. In management of climate risk, we not only identified challenges from climate change, but also paid attention to potential impact of physical risks and transitioning risk.

Anti-corruption

We strictly abide by national laws and regulations, and adopt "zero-tolerance" of corruption and frauds. We formulated Provisional Regulations on Anti-fraud Work, setting out priority areas, key levers, duties and responsibilities of relevant institutions and departments, and processes for whistle-blowing, investigation, handling, reporting and accountability assignment of frauds. We obtain leads of frauds through multiple channels, such as whistle-blowing, daily risk monitoring, internal auditing and self-review, so that such leads can be pursued in a timely manner. We also conducted compliance training and publicity, with 17,131 enrollments for anti-corruption training in 2021.

Data security

We drafted a series of policies on data security, including Provisional Regulations on Data Security, Rules on Management of Customer Information, Negative List of Cyber-security, Negative List of Customer Data, Rules on Management of Data Leakage, and Operational Standards on Graded Protection of IT Systems, which set out explicit stipulations on confidentiality, completeness and usability of customer information. We adopted targeted measures in data collection, storage, transmission, use and destruction. In 2021, we received no administrative penalty due to breaches of customer information policies.

Supply chain management

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

Analysis of specific items

I. Key consolidated results

Unit: RMB million

	31 December 2021/Year 2021	31 December 2020/Year 2020	Changes (%)	Main reasons
Total assets	1,946,164	1,771,004	9.9	Business expansion
Total liabilities	1,713,759	1,550,169	10.6	Business expansion
Total equity	232,405	220,835	5.2	Profit for the period and fair value change on AFS financial assets
Net profit attributable to shareholders of the parent	26,834	24,584	9.2	Increase in investment income

II. Liquidity analysis

(I) Cash flow statement

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
Net cash flows from operating activities	108,407	108,063	0.3
Net cash flows used in investing activities	(66,094)	(136,068)	(51.4)
Net cash flows (used in) / from financing activities	(31,371)	21,448	(246.3)

(II) Gearing ratio

	31 December 2021	31 December 2020	Changes
Gearing ratio (%)	88.3	87.8	0.5pt

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

(III) Liquidity analysis

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

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

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

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

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

III. Items concerning fair value accounting

Unit: RMB million

	31 December 2021	31 December 2020	Changes	Impact of fair value changes on profits[note]
Financial assets at fair value through profit or loss	12,353	12,473	(120)	1,045
Available-for-sale financial assets	645,381	596,158	49,223	(4,195)
Derivative financial assets	259	140	119	119
Sub-total of financial assets	**657,993**	**608,771**	**49,222**	**(3,031)**
Derivative financial liabilities	1	-	1	(1)
Sub-total of financial liabilities	**1**	**-**	**1**	**(1)**
Net value	**657,992**	**608,771**	**49,221**	**(3,032)**

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

IV. Solvency

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

Unit: RMB million

	31 December 2021	31 December 2020	Reasons for change
CPIC Group			
Core capital	496,620	500,766	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	506,620	510,766	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	190,794	177,288	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	260	282	
Comprehensive solvency margin ratio (%)	266	288	
CPIC Life			
Core capital	368,570	377,203	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	368,570	377,203	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	168,912	155,860	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	218	242	
Comprehensive solvency margin ratio (%)	218	242	
CPIC P/C			
Core capital	47,808	44,208	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	57,808	54,208	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	20,072	19,672	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	238	225	
Comprehensive solvency margin ratio (%)	288	276	
CPIC Health			
Core capital	1,286	1,294	Profit for the period and change of fair value of investment assets
Actual capital	1,286	1,294	Profit for the period and change of fair value of investment assets
Minimum required capital	934	949	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	138	136	
Comprehensive solvency margin ratio (%)	138	136	
CPIC Anxin Agricultural			
Core capital	2,863	1,821	Profit for the period, capital increase, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	2,863	1,821	Profit for the period, capital increase, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	673	614	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	425	297	
Comprehensive solvency margin ratio (%)	425	297	

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

V. Sensitivity analysis

Sensitivity analysis of price risk

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

Unit: RMB million

Market value	2021 / 31 December 2021	
	Impact on profit before tax	Impact on equity
+10%	4	13,637
-10%	(4)	(13,637)

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

VI. Insurance contract liabilities

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

As at 31 December 2021, insurance contract liabilities of CPIC Life amounted to RMB1,264.597 billion, representing an increase of 13.1% from the end of 2020. Those of CPIC P/C amounted to RMB118.052 billion, up by 13.0% from the end of 2020. The rise in insurance contract reserves was mainly caused by business growth and accumulation of insurance liabilities.

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

Unit: RMB million

	31 December 2021	31 December 2020	Changes (%)
CPIC Life			
Unearned premium reserves	3,175	4,100	(22.6)
Claim reserves	6,012	5,287	13.7
Long-term life insurance contract liabilities	1,255,410	1,108,983	13.2
CPIC P/C			
Unearned premium reserves	67,328	63,706	5.7
Claim reserves	50,724	40,772	24.4

VII. Investment contract liabilities

Investment contract liabilities mainly cover the non-insurance portion of insurance contracts, and those contracts which failed to pass the testing of significant insurance risk.

Unit: RMB million

	31 December 2020	Increase for the period			Decrease for the period		31 December 2021
		Deposits received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	87,056	21,328	4,007	1,265	(10,501)	(382)	102,773

VIII. Reinsurance business

In 2021, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
CPIC Life	**8,822**	**8,643**	**2.1**
Traditional	5,229	3,481	50.2
Long-term health	4,446	2,583	72.1
Participating	284	332	(14.5)
Universal	53	59	(10.2)
Tax-deferred pension	-	-	/
Short-term accident and health	3,256	4,771	(31.8)
CPIC P/C	**20,347**	**20,244**	**0.5**
Automobile	5,295	6,315	(16.2)
Non-automobile	15,052	13,929	8.1

In 2021, premiums from reinsurance assumed are set out below:

Unit: RMB million

For 12 months ended 31 December	2021	2020	Changes (%)
CPIC Life	**2,076**	**3,493**	**(40.6)**
Traditional	2,076	3,493	(40.6)
Long-term health	1	1	-
Participating	-	-	/
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	-	-	/
CPIC P/C	**1,173**	**1,017**	**15.3**
Automobile	-	-	/
Non-automobile	1,173	1,017	15.3

As at the end of 2021, assets under reinsurance are set out below:

Unit: RMB million

	31 December 2021	31 December 2020	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	864	1,206	(28.4)
Claim reserves	495	379	30.6
Long-term life insurance contract liabilities	14,030	12,938	8.4
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	7,821	7,692	1.7
Claim reserves	9,123	6,853	33.1

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

IX. Main subsidiaries & associates and equity participation

As of the end of 2021, the Company's main subsidiaries, associates and equity participation are set out as below:

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,470	98.5%	207,598	48,929	6,352
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	8,420	98.3%	1,631,054	101,100	18,905

	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.					
Changjiang Pension Insurance Co., Ltd.note 3	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	6,312	4,175	765
Pacific Asset Management Co., Ltd.note 3	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	4,660	3,914	532
Pacific Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	1,700	99.7%	10,356	1,410	125
China Pacific Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory	1,080	66.8%	5,241	2,740	84

	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.					
CPIC Fund Management Co., Ltd.[note 4]	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	771	609	91

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 "Interests in Associates", "Investment in Joint Ventures" in Notes to the Financial Statements.
2. Figures for Group shareholding include direct and indirect shareholdings.
3. As per Circular on Implementing New Accounting Standards on Financial Instruments by the Ministry of Finance and CBIRC (Caikuai [2020] No.22), Changjiang Pension and CPIC AMC began to implement new accounting standards pertaining to financial instruments as set out in Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (Caikuai [2017] No.7) and other new accounting standards on financial instruments on 1 January 2021. Figures listed in the table are based on the new accounting standards.
4. As per Circular on Implementing Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (2017) and Other Related New Accounting Standards by Fund Management Firms issued by the Accounting Department and the Department of Securities and Fund Supervision of CSRC, CPIC Fund began to implement new accounting standards pertaining to financial instruments on 1 January 2020. Figures listed in the table are based on the new accounting standards.

X. Top five customers

During the reporting period, the top 5 customers accounted for approximately 0.6% of the Company's GWPs. Given its business nature, the Company does not have any supplier that is directly related to its business.

XI. Environmental policies, employee engagement and customer relations

For information of environmental policies and employee relations of the Company, please refer to the section "Report of the Board of Directors and significant events" of the annual report of the Company.

In 2021, the Company persisted in customer orientation and valued and maintained good customer relations.

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

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

Outlook

I. Market environment and business plan

The world has seen profound changes and the spread of a pandemic never seen before in the past century, which will remain so in the foreseeable future. So the market environment will be fraught with formidable challenges and even greater uncertainties going forward. Looking ahead into 2022, in spite of resurgence of COVID-19, escalation of geo-political conflicts and pressures from demand contraction, supply disruption and weakening expectation, China's economic development will overall stay on track, and its social development will be stable. In the long term, economic development, rising per capita income, demographic shifts, change of government roles, innovation in public administration and the reform of the capital market will continue to drive sustainable development of China's insurance industry. China remains one of the most dynamic and fastest-growing insurance markets of the world.

Going forward, with a 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", the Company will abide by high-quality development, strive for breakthroughs in the 3 priority areas of health business, regional integration and big data; continue to strengthen talent development, improve capabilities of CPIC Service, incorporate ESG sustainable development philosophies, enhance core competitiveness; ensure the prevention of major risks to safeguard long-term development.

II. Major risks and mitigating measures

Firstly, in terms of macroeconomic environment, COVID-19 will remain a challenge for global economic recovery, which has been patchy across economies. Inflation stays elevated in developed economies, which means higher risk of stagflation. The ultra-loose monetary policies of many countries may soon stage a reversal, which may stoke turmoil in financial markets. Global economic development still faces a grave and complicated situation. On the domestic front, economic slow-down is aggravated by mounting pressure from economic restructuring and the uncertainty arising from the pandemic. The secular decline of interest rate, rising credit defaults will materially impact insurance and asset management business.

Secondly, in terms of industry development, China's insurance market is in a critical stage of development with shifting cycles and reshaping of growth engines, posing challenges to premium growth and profitability of both P/C and life insurance business. Economic restructuring and upgrading would press the industry to accelerate supply-side reform, which requires higher supply efficiency and quality. The asset management sector is increasingly opened up, fuelling intense domestic competitions. With the implementation of Corporate Governance Standards, C-ROSS II, Administration Rules on Supervision of Insurance Group Companies, and a series of major laws and regulations at the national level, regulation will continue to tighten, seeking to discipline marker order and prevent business risk. As such, insurance companies will face more stringent regulatory requirements and need to do more to ensure compliance in their business operation.

Thirdly, in respect of business operation, the Company is facing the catastrophe risk and risk of large claims arising from extreme weather events, severe natural disasters and major accidents, with emerging risks starting to have potential impact on the stability of its business performance. Demographic shift, the deepening transformation of life insurance, the promotion of reform in auto insurance, digitalisation and insurance technology have brought more uncertainties to traditional insurance operations. The Company is implementing strategies in 3 key areas, i.e., health business, regional integration and big data. Business transformation and the pursuit of high-quality development require optimisation of Risk Appetite and "look-through" management, and enhancement of capabilities in monitoring, early warning and mitigation of major risks. All these would increase requirements for sound corporate governance, risk management and investment capabilities.

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

Change in accounting estimates

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

As at 31 December 2021, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB14,621 million as at 31 December 2021 and profit before tax decreased by approximately RMB14,621 million for 2021.

Embedded value

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

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2021, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2021 at a risk discount rate of 11%.

Unit: RMB million

Valuation Date	31 December 2021	31 December 2020
Group Adjusted Net Worth	**287,213**	**257,378**
Adjusted Net Worth of CPIC Life	161,880	135,898
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	227,624	217,617
Cost of Required Capital Held for CPIC Life	(12,861)	(12,167)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	214,763	205,451
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	**211,096**	**201,942**
Group Embedded Value	**498,309**	**459,320**
CPIC Life Embedded Value	376,643	341,348

Valuation Date	31 December 2021	31 December 2020
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	15,518	20,058
Cost of Required Capital Held	(2,107)	(2,217)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**13,412**	**17,841**

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

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

New Business Volumes and Value of One Year's Sales

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

Unit: RMB million

	First Year Annual Premium		Value of One Year's Sales After Cost of Required Capital Held	
	2021	**2020**	**2021**	**2020**
Total	**57,119**	**45,903**	**13,412**	**17,841**
Of which: Agency channel	30,657	28,892	13,074	17,661
Bancassurance channel	9,398	2,758	313	117

Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2020 to 31 December 2021.

Unit: RMB million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2020**	**341,348**	
2	Expected Return on Embedded Value	31,253	Expected returns on the 2020 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2021
3	Value of One Year's Sales	13,412	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2021

4	Investment Experience Variance	(1,535)	Reflects the difference between actual and assumed investment return in 2021
5	Operating Experience Variance	(4,918)	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	3,361	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	1,387	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	2,419	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(10,104)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	19	
11	**Embedded Value of the life business at 31 December 2021**	**376,643**	
12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2020**	**127,820**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	16,710	
14	Shareholder dividends	(12,506)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	57	Reflects the change in value of assets not valued on a market value basis
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2021**	**132,080**	
17	Minority interests relating to equity and market value adjustments	(10,415)	Minority interests on Embedded Value as at 31 December 2021
18	**Group Embedded Value as at 31 December 2021**	**498,309**	
19	**Embedded Value as at 31 December 2021 per share (RMB)**	**51.80**	

Note: Figures may not be additive due to rounding.

Compliance of the Corporate Governance Code

During the reporting period, the Company has complied with all the code provisions and substantially all of the recommended best practices of the Corporate Governance Code.

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.

Proposed final dividend

On 25 March 2022, the Board recommended annual cash dividend of RMB1.0 per share (tax included), amounting to RMB9,620,341,455 in aggregate. The proposed profit distribution is subject to the approval of shareholders at the 2021 annual general meeting of the Company ("AGM"). If approved, it is expected that the payment of the final dividend will be made on or about Tuesday, 28 June 2022 to the shareholders.

Withholding of dividend income tax

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (PRC) and its implementation rules enacted in 2008, the Company is required to withhold and pay 10% of corporate income tax when it distributes the final dividend to H Share shareholders eligible for the proposed final dividend.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC and its implementation rules and confirmed by the relevant tax authorities in the PRC after consulting with them by the Company, the Company will withhold and pay individual income tax at the tax rate of 10% when it distributes the final dividend to H Share shareholders eligible for the proposed final dividend. However, if it is otherwise stated in the tax regulations and relevant tax treaties, the Company will withhold and pay individual income tax in accordance with the required tax rate and procedures set out in the relevant regulations and treaties. If the applicable dividend tax rate is less than 10%, the individual H Share shareholders are entitled to apply for refund of the over-deducted amount on their own or appoint an agent to act on their behalf according to the tax treaty entered into between their countries of domicile and the PRC and the regulations of the relevant PRC tax authorities. The Company will withhold and pay the enterprise income tax as well as the individual income tax as required by law. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes over the withholding and payment mechanism or arrangements.

Withholding of Income Tax for Holders of H Shares via the Hong Kong Stock Connect

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81 號)) promulgated on 17 November 2014:

● In respect of the dividends received by mainland individual investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by Mainland securities investment funds that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;

● In respect of the dividends received by mainland corporate investors that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the mainland corporate investors shall file the tax returns on their own.

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Interconnected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127 號)) implemented on 5 December 2016:

● In respect of the dividends received by mainland individual investors who invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by mainland securities investment funds that invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;

● In respect of the dividends received by mainland corporate investors that invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the mainland corporate investors shall file the tax returns on their own.

Withholding of Income Tax for Holders of A Shares via the Shanghai Stock Connect

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on SSE (the "Shanghai Stock Connect"), the dividends received by them will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited as the nominee account holding such A shares. Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知

》(财税[2014]81 號)), the Company will withhold income tax at the rate of 10% on behalf of those investors and will undertake the reporting procedures on the tax withholding and payment with the tax authorities, and the after-tax cash dividend will be RMB0.9 per share. For investors of Shanghai Stock Connect who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

All investors should read this announcement carefully. Shareholders are recommended to consult their tax advisors on the PRC, Hong Kong and other tax effects regarding their holding and disposing of H shares of the Company.

The eligibility for attending the AGM and eligibility for proposed final dividend and closure of H share register of members

The Company will announce further details in relation to the eligibility for attending the AGM, the eligibility for the proposed final dividend and the closure of register of member for H Shares after the arrangement of AGM is finalised.

The Company will announce details on A Share shareholders' qualification for attending the annual general meeting and the payment of the final dividend for the year 2021 to A Share shareholders on SSE.

Review of accounts

The audit committee of the Company has reviewed the principal accounting policies of the Company and the audited financial statements for the year ended 31 December 2021 in the presence of internal and external auditors.

Publication of results on the websites of SEHK and the Company

The annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders of the Company and will be published on the websites of SEHK (www.hkexnews.hk) and the Company (www.cpic.com.cn) in due course.

DEFINITIONS

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC P/C"	China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC AMC"	Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Fund"	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Anxin Agricultural"	China Pacific Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Health"	Pacific Health Insurance Co., Ltd. (former CPIC Allianz Health Insurance Co., Ltd., renamed in March 2021), a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Technology"	Pacific Insurance Technology Co., Ltd, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"C-ROSS II"	China Risk Oriented Solvency System Phase II
"CBIRC"	China Banking and Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"LSE"	London Stock Exchange
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"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
"ESG"	Environmental, Social and Governance
"RMB"	Renminbi
"pt"	Percentage point

By Order of the Board

China Pacific Insurance (Group) Co., Ltd.

KONG Qingwei

Chairman

Hong Kong, 27 March 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. FU Fan; the Non-executive Directors of the Company are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LIANG Hong, Ms. LU Qiaoling and Mr. John Robert DACEY; and the Independent Non-executive Directors of the Company are Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yhi, Elizabeth, Mr. WOO Ka Biu, Jackson and Mr. JIANG Xuping.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 9 to 144, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:
- Valuation of life insurance contract liabilities
- Valuation of non-life insurance contract liabilities
- Valuation of level 3 investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of life insurance contract liabilities Refer to note 2.2(23) Summary of principal accounting policies - Insurance contract liabilities and note 40 Insurance contract liabilities to the consolidated financial statements. Refer to note 3.2(1) Estimation uncertainty - Valuation of insurance contract liabilities to the consolidated financial statements. The Group had significant long-term life insurance contract liabilities stated at RMB 1,255.4 billion as at 31 December 2021, representing 73% of the Group's total liabilities. The valuation of long-term life insurance contract liabilities involves complex models and a high degree of judgment by management in setting assumptions. Key assumptions used in measuring long-term life insurance contract liabilities include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions, etc.	We (including our actuarial experts) performed the following audit procedures: • We obtained an understanding of management's assessment process of valuation of life insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. • We understood, evaluated and tested management's internal controls over valuation of life insurance contract liabilities including management's determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change, etc. • We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types and distribution channels; and we checked the best estimate liabilities, risk margin and residual margin respectively at the point of policy issuance and evaluation.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of life insurance contract liabilities (continued) We focused on this area due to the significant quantum amount of long-term life insurance contract liabilities to the consolidated financial statements and because the relevant key assumptions applied in valuation involved significant judgments and estimates and the inherent risk in relation to the valuation of life insurance contract liabilities was considered significant.	• We evaluated key actuarial assumptions such as discount rates, mortality, morbidity, surrender rates, expense assumptions and policy dividend assumptions considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of the long-term life insurance contract liabilities by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results. Based on our audit work, we found methodologies applied appropriate and key assumptions adopted supportable by the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of non-life insurance contract liabilities Refer to note 2.2(23) Summary of principal accounting policies - Insurance contract liabilities and note 40 Insurance contract liabilities to the consolidated financial statements. Refer to note 3.2(1) Estimation uncertainty-Valuation of insurance contract liabilities to the consolidated financial statements. The Group had claim reserves which was included in non-life insurance contract liabilities stated at RMB 58.4 billion as at 31 December 2021, representing 3% of the Group's total liabilities. We focused on this area because the valuation of claim reserves involved a high degree of judgment by management in selecting the models and setting the assumptions including the development of paid and incurred losses and ultimate loss ratios, and the inherent risk in relation to the valuation of non-life insurance contract liabilities was considered significant.	We (including our actuarial experts) performed the following audit procedures: We obtained an understanding of management's assessment process of valuation of non-life insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We understood, evaluated and tested management's internal controls over valuation of non-life insurance contract liabilities including data collection and analysis, and management's assumptions setting processes, etc. We performed independent modelling analysis for claim reserves by performing below procedures. • For the underlying data used in actuarial models, we compared the data with source systems, such as earned premiums to accounting records and reported claims to the claims system. • We set up independent actuarial assumptions including claims development, loss ratio, etc., by considering both the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of the Group's claim reserves by comparing management's result to the results from our independent modelling analysis. Based on our audit work, we found management judgments in the valuation of claim reserves supportable by the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of level 3 investments Refer to note 3.2(2) Estimation uncertainty - Fair values of financial assets and derivative financial instruments determined using valuation techniques and note 49 Fair value measurement to the consolidated financial statements. The Group's investment measured at fair value that were classified in level 3 stated at RMB 127.3 billion as at 31 December 2021, representing 7% of the Group's total assets. We focused on this area because level 3 investments were valued based on models and inputs and assumptions that are not observable by third parties. The valuation involved significant management judgment and the inherent risk in relation to the valuation of level 3 investments was considered significant.	We obtained an understanding of management's assessment process of valuation of level 3 investments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We understood, evaluated and tested management's internal controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuation inputs provided by data vendors. We (including our valuation experts) performed the following audit procedures over the measurement of level 3 investments: • We assessed valuation model methodologies against industry practice and valuation guidelines. • We performed independent checks by using unobservable inputs from external sources where available for illiquid investments. • We compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields. Based on our audit work, we found that the valuation methodologies applied were consistent with industry practice and that the inputs and assumptions used were supportable by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor’s report is CHAN KWONG TAK.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2022

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2021	2020
Gross written premiums	6(a)	366,782	362,064
Less: Premiums ceded to reinsurers	6(b)	(24,934)	(24,741)
Net written premiums	6(c)	341,848	337,323
Net change in unearned premium reserves		(2,313)	(5,684)
Net premiums earned		339,535	331,639
Investment income	7	91,643	82,740
Other operating income		5,153	4,585
Other income		96,796	87,325
Total income		436,331	418,964
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(61,431)	(61,848)
Claims incurred	8	(104,824)	(87,377)
Changes in long-term life insurance contract liabilities	8	(143,223)	(132,678)
Policyholder dividends	8	(12,376)	(11,512)
Finance costs	9	(3,441)	(3,405)
Interest credited to investment contracts		(4,007)	(3,344)
Other operating and administrative expenses		(77,032)	(90,074)
Total benefits, claims and expenses		(406,334)	(390,238)
Share of profit in equity accounted investees		799	512
Profit before tax	10	30,796	29,238
Income tax	14	(3,178)	(3,886)
Net profit for the year		27,618	25,352
Attributable to:			
Shareholders of the parent		26,834	24,584
Non-controlling interests		784	768
		27,618	25,352
Basic earnings per share	15	RMB 2.79	RMB 2.63
Diluted earnings per share	15	RMB 2.79	RMB 2.63

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

Group	**Notes**	**2021**	**2020**
Net profit for the year		27,618	25,352
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations	16	(17)	(34)
Available-for-sale financial assets	16	(3,600)	12,909
Income tax relating to these items	16	890	(3,259)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(2,727)	9,616
Other comprehensive income/(loss) for the year	16	(2,727)	9,616
Total comprehensive income for the year		24,891	34,968
Attributable to:			
Shareholders of the parent		24,149	33,975
Non-controlling interests		742	993
		24,891	34,968

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED BALANCE SHEET
31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

Group	**Notes**	**31 December 2021**	**31 December 2020**
ASSETS			
Goodwill	17	1,372	1,357
Property and equipment	18	20,142	19,293
Right-of-use assets	19	5,505	5,168
Investment properties	20	7,514	7,866
Other intangible assets	21	3,479	3,323
Interests in associates	22	17,090	14,554
Investment in joint ventures	23	9,894	9,889
Held-to-maturity financial assets	24	396,428	329,360
Investments classified as loans and receivables	25	406,276	380,174
Restricted statutory deposits	26	7,428	6,858
Term deposits	27	196,519	192,966
Available-for-sale financial assets	28	645,381	596,158
Financial assets at fair value through profit or loss	29	12,353	12,473
Derivative financial assets	30	259	140
Securities purchased under agreements to resell	31	13,432	14,327
Policy loans		66,950	62,364
Interest receivables	32	20,427	20,563
Reinsurance assets	33	30,872	27,719
Deferred income tax assets	34	1,998	845
Insurance receivables	35	36,894	29,872
Other assets	36	13,406	14,857
Cash and short-term time deposits	37	32,545	20,878
Total assets		1,946,164	1,771,004

The accompanying notes form an integral part of these consolidated financial statements.

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Issued capital	38	9,620	9,620
Reserves	39	123,952	124,071
Retained profits	39	93,169	81,533
Equity attributable to shareholders of the parent		226,741	215,224
Non-controlling interests		5,664	5,611
Total equity		232,405	220,835
Liabilities			
Insurance contract liabilities	40	1,385,333	1,225,176
Investment contract liabilities	41	102,773	87,056
Policyholders' deposits		70	70
Bonds payable	42	9,995	9,991
Securities sold under agreements to repurchase	43	73,441	90,825
Lease liabilities		3,105	3,430
Derivative financial liabilities	30	1	-
Deferred income tax liabilities	34	3,601	5,055
Income tax payable		2,353	1,396
Premium received in advance		25,154	27,983
Policyholder dividend payable		24,176	24,351
Payables to reinsurers		7,638	5,501
Other liabilities	44	76,119	69,335
Total liabilities		1,713,759	1,550,169
Total equity and liabilities		1,946,164	1,771,004

KONG Qingwei
Director

FU Fan
Director

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

Group

	2021									
	Attributable to shareholders of the parent									
		Reserves								
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2021	9,620	79,788	5,114	16,829	22,377	(37)	81,533	215,224	5,611	220,835
Total comprehensive income	-	-	-	-	(2,668)	(17)	26,834	24,149	742	24,891
Dividend declared [1]	-	-	-	-	-	-	(12,506)	(12,506)	-	(12,506)
Equity transactions with non-controlling interests	-	(131)	-	-	-	-	-	(131)	(315)	(446)
Impact of capital injection to subsidiaries, etc.	-	(17)	-	-	-	-	-	(17)	51	34
Share of other changes in equity of investees accounted for using the equity method	-	22	-	-	-	-	-	22	-	22
Appropriations to general reserves	-	-	-	2,692	-	-	(2,692)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(425)	(425)
At 31 December 2021	9,620	79,662	5,114	19,521	19,709	(54)	93,169	226,741	5,664	232,405

[1] Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2020, amounting to RMB 12,506 million (RMB 1.30 per share).

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

Group

	2020									
	Attributable to shareholders of the parent									
		Reserves								
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2020	9,062	66,650	4,835	14,329	12,952	(3)	70,602	178,427	4,893	183,320
Total comprehensive income	-	-	-	-	9,425	(34)	24,584	33,975	993	34,968
Dividend declared [1]	-	-	-	-	-	-	(10,874)	(10,874)	-	(10,874)
Issue of shares (Note 1)	558	13,148	-	-	-	-	-	13,706	-	13,706
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	145	145
De-registration of subsidiaries	-	(15)	-	-	-	-	-	(15)	-	(15)
Share of other changes in equity of investees accounted for using the equity method	-	5	-	-	-	-	-	5	-	5
Appropriations to general reserves	-	-	-	2,500	-	-	(2,500)	-	-	-
Appropriations to surplus reserves	-	-	279	-	-	-	(279)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(420)	(420)
At 31 December 2020	9,620	79,788	5,114	16,829	22,377	(37)	81,533	215,224	5,611	220,835

[1] Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2019, amounting to RMB 10,874 million (RMB 1.20 per share).

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2021

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2021	2020
OPERATING ACTIVITIES			
Cash generated from operating activities	50	111,832	113,490
Income tax paid		(3,425)	(5,427)
Net cash inflows from operating activities		108,407	108,063
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(3,688)	(3,628)
Proceeds from disposal of property and equipment, intangible assets and other assets		26	21
Purchases of investments, net		(132,962)	(196,317)
Acquisition of subsidiaries and other business entities, net		(6,368)	(4,031)
Proceeds from disposal of subsidiaries and other business entities, net		3,646	318
Interest received		64,198	60,715
Dividends received from investments		9,128	6,863
Other cash paid related to investing activities		(74)	(9)
Net cash outflows from investing activities		(66,094)	(136,068)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		(16,876)	12,433
Proceeds from the issue of asset-backed securities		9,975	10,890
Proceeds from the issue of share capital		-	13,915
Transaction costs of share issuance		-	(209)
Capital repayment to non-controlling interests of subsidiaries		-	(229)
Repayment of borrowings		(11,340)	(2,290)
Interest paid		(2,779)	(2,530)
Dividends paid		(12,931)	(11,294)
Principal elements of lease payments		(1,846)	(1,579)
Cash received related to non-controlling interests of consolidated structured entities, net		4,341	2,341
Other cash received related to financing activities		85	-
Net cash (outflows)/inflows from financing activities		(31,371)	21,448
Effects of exchange rate changes on cash and cash equivalents		(82)	(1,222)
Net increase/(decrease) in cash and cash equivalents		10,860	(7,779)
Cash and cash equivalents at the beginning of year		34,767	42,546
Cash and cash equivalents at the end of year		45,627	34,767
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		28,941	18,203
Time deposits with original maturity of no more than three months		2,487	1,132
Other monetary assets		767	1,105
Investments with original maturity of no more than three months		13,432	14,327
Cash and cash equivalents at the end of year		45,627	34,767

The accompanying notes form an integral part of these consolidated financial statements.

(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the “Company”) was established in Shanghai, the People’s Republic of China (the “PRC”) in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the former China Insurance Regulatory Commission (the “CIRC”), the Company was restructured as a joint stock limited company in October 2001 with an issued capital of RMB 2,006.39 million. The Company increased its issued capital to RMB 6,700 million through issuing new shares to its then existing shareholders and new shareholders in 2002 and 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares in the PRC. Upon the completion of the A share offering, the issued capital was increased to RMB 7,700 million. The Company’s A shares were listed on the Shanghai Stock Exchange and trading of its A shares commenced on 25 December 2007.

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. The Company’s H shares were listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

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, which was approved by the former CIRC in December 2012.

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

The 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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. These consolidated financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

(2) New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was illuminated in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use[2]
Amendments to HKFRSs	Annual improvements to HKFRS standards 2018–2020 Cycle[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1	Disclosure of accounting policies[3]
Amendments to HKFRS 1 and HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

None of these HKFRSs is expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group will not adopt the HKFRS 9 until 1 January 2023 and the Group makes additional disclosures as below:

The Group is defined as an insurer with its activities predominantly connected with insurance, with the percentage of the total carrying amounts of its liabilities connected with insurance relative to the total carrying amounts of all its liabilities greater than 90%.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

Financial assets meet SPPI are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

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

	As at 31 December 2021 Fair value	2021 Change in the fair value
Financial assets held for trading(A)	2,255	114
Financial assets managed and assessed for performance on a fair value basis (B)	10,098	931
Financial assets other than A or B		
——Financial assets that meet SPPI(C)	1,105,758	24,999
——Financial assets that do not meet SPPI	379,349	(12,444)
Total	1,497,460	13,600

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

Credit risk rating grades of financial assets that meet SPPI(C)	As at 31 December 2021 Carrying amount
Domestic	
Exempt from rating[Note]	400,437
AAA	633,839
A-1	101
AA+	31,478
AA(inclusive) or below	2,186
Overseas	
A-(inclusive) or above	504
BBB+	43
BBB	113
BB+(inclusive) or below	77
Total	1,068,778

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

	As at 31 December 2021	
Financial assets not have low credit risk	Carrying amount	Fair value
Domestic	2,186	2,186
Overseas	77	56
Total	2,263	2,242

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows,
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

In October 2020, the Amendments to HKFRS 17 was issued. The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The impact is expected to be significant, and the Group is in the process of assessing the impact of adoption of HKFRS 17.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Summary of principal accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these consolidated financial statements is set out below.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(1) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2021. The financial statements of the subsidiaries for the purpose of preparing the consolidated financial statements are prepared for the same reporting period, using consistent accounting policies. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. However, when non-controlling interests arise through the non-controlling interest in consolidated structured entities, they are recognised as a liability reflecting the net assets of the consolidated entity. Losses within a subsidiary are attributed to the non-controlling interests even if this results in a deficit balance.

The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. The changes in the Company's ownership interest in a subsidiary that do not result in the change of control are accounted for as equity transactions (i.e., transactions between owners acting in their capacity as owners), whereby the carrying amounts of the non-controlling interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognised directly in equity (as capital reserves). If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(2) Foreign currency translation

These consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement or other comprehensive income.

The functional currencies of certain overseas operations are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these overseas operations are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences arising on the retranslation are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas operations are translated into RMB at the weighted average exchange rates for the period.

(3) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(3) Subsidiaries(continued)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

Structured entities include trust products, debt investment plans, equity investment plans, asset backed plans and wealth management products, etc. Trust products, equity investment plans and asset backed plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Wealth management products are managed by affiliated or unaffiliated asset managers and invest in negotiation deposits and public investment funds. Debt investment plans are managed by affiliated or unaffiliated asset managers and their major investment objectives are infrastructure and real estate funding projects. Trust products, debt investment plans, equity investment plans, asset backed plans and wealth management products finance their operations by signing contracts and entitle the holders to a proportional stake in the respective trust products', debt investment plans', equity investment plans', asset backed plans' and wealth management products' income. The Group holds contracts in each of its trust products, debt investment plans, equity investment plans, asset backed plans and wealth management products.

(4) Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(4) Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it reassesses all assets and liabilities acquired to determine their classification or designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. However, no reclassification of leases and insurance contracts is required for business combination unless the contractual terms are modified at the acquisition date.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any related amount that was previously recognised in other comprehensive income shall be reclassified to profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised as measurement period adjustments if new information is obtained about facts and circumstances that existed as of the acquisition date. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (groups of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (groups of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (groups of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

(6) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or its parent.

or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(7) Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.39% to 4.04%
Motor vehicles	12.13% to 32.33%
Office furniture and equipment	10% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each year end.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

(8) Investment properties

The Group's investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(8) Investment properties (continued)

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment properties is 30 to 70 years.

The residual value, the useful life and the depreciation method are reviewed at least at each year end to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

(9) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each year end. Intangible assets are amortised over their estimated useful lives of three to ten years.

The period for which the franchise license can bring economic benefits to the Group is not certain, so it is recognised as intangible asset with indefinite useful lives. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(10) Leases

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

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(10) Leases (continued)

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(11) Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require receipt or delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise different kinds of account receivables, policy loans, term deposits, investments classified as loans and receivables, restricted statutory deposits and securities purchased under agreements to resell. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement as “Investment income” when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(11) Investments and other financial assets (continued)

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement as “Investment income” when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserves until the investments are derecognised or until the investments are determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment revaluation reserves. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Investment income”.

(12) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(13) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors’ best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(13) Fair value measurement (continued)

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

(14) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(14) Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group usually considers a significant decline to be one in which the fair value is below the weighted average cost by more than 50% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;
- Adverse changes relative to the investee’s technology, market, customer base, macroeconomic indicators relative to the business, and significant legal or regulatory matters.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(15) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

(16) Offsetting of financial instruments

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

(17) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(18) Impairment of non-financial assets other than deferred tax assets and goodwill

Where an indication of impairment exists, or when impairment testing for an asset is required at least at each year end (other than deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset (other than goodwill) is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(19) Reinsurance (continued)

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(20) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(21) Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(22) Significant insurance risk test

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: whether the contract transfers insurance risk; whether the contract has commercial substance; whether the insurance risk transferred is significant.

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves.

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

When measuring property and casualty and short-term life insurance contract liabilities, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group's property and casualty and short-term life insurance contracts are classified into certain measurement units by type of insurance.

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Margins for long-term life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortised over the life of the contract in a systematic manner. For non-life insurance contracts, the Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortises the residual margin on the basis of the sums insured, sums at risk or other appropriate carriers during the whole insurance coverage period. Upon initial recognition, the residual margin is separately measured from expected future cash outflows and the risk adjustment, and will not be adjusted for future changes in assumptions.

The risk adjustment for property and casualty and short-term life insurance contract liabilities is determined by reference to the industry benchmark and the Group's experience.

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

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

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

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

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

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group measures claim expense reserves based on a reasonable estimate of necessary claim expenses in the future. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

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

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in profit or loss, but the residual margin is calibrated to offset the impacts of the relevant acquisition costs incurred.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(24) Discretionary participation features ("DPF") in long-term life insurance contracts and investment contract

DPF are contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. A shadow adjustment is applied to recognise the unrealised gains or losses on available-for-sale financial assets that are attributable to policyholders in OCI. The surplus owed to policyholders is recognised as the long-term life insurance contract reserves and investment contract liabilities as long as it has not been declared and paid. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group.

(25) Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognised in the statement of income. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortised cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognised as transaction costs in the initial amount of the liabilities.

(26) Financial liabilities

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities at amortised cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement as finance costs.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(26) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

(27) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(28) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortised cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the balance sheet.

(29) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(29) Provisions (continued)

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognised for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

(30) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(30) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(31) Revenue recognition

(a) Gross premiums

Premium income and reinsurance premium income is recognised when all of the following criteria are met:

- The insurance contracts are issued;
- The related insurance risk is undertaken by the Group;
- It is probable that the related economic benefits will flow to the Group; and
- The related income can be reliably measured.

Premiums from direct life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(31) Revenue recognition (continued)

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognised as revenue in the period in which they are collected unless they relate to services to be provided in future periods which would be deferred and recognised as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortised cost and are mainly recognised through an adjustment to the effective yield.

Income from investment contracts is included in other operating income.

(c) Investment income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Dividends are recognised when the shareholders' right to receive payment is established.

(32) Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension schemes principally organised by municipal and provincial governments (the "Social Security Plans"). The Group contributes for employees based on a certain percentage of their salary and within the limit prescribed by the government to the pension scheme on a monthly basis. The contribution shall be managed and paid to retired employees through labor and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the Social Security Plans.

In addition to the above-mentioned pension scheme, certain employees participate in the employer-sponsored enterprise annuity fund (the "Annuity Fund") as well. The Group shall contribute to the Annuity Fund in accordance with agreed bases and percentages. Forfeited contributions by those employees who leave the Annuity Fund prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recorded in the public account of the Annuity Fund to be attributed to the members of the Annuity Fund after fulfilling the approval procedures.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(32) Employee benefits (continued)

(a) Pension schemes (continued)

Pursuant to these schemes, the Group has no other significant legal or constructive obligations for retirement benefits beyond the above contributions, which are expensed as incurred. The above-mentioned pension schemes are defined contribution plans.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

(b) Housing benefits

The employees of the Company and its subsidiaries which operate in the PRC are entitled to participate in various government-sponsored housing funds. The Company and these subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(d) Deferred bonus plans

The Group also operates deferred bonus plans for senior management and some of the key employees. The employee benefits under the deferred bonus plans are accrued during the periods when employees provide services and are paid gradually.

(33) Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

(34) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Significant judgements

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

(1) Classification of financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the directors. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of HKAS 39 and their implications to the presentation in the financial statements.

(2) Unbundling and classification of hybrid contracts

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

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

(3) Measurement unit for insurance contracts

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

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.1 Significant judgements (continued)

(4) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement of directors. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

(5) Determination of control over structured entities

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

3.2 Estimation uncertainty

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

(1) Valuation of insurance contract liabilities

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

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

Unearned premium and long-term life insurance contract reserves

The main assumptions used in measuring unearned premium reserves and long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense and policy dividend assumptions, etc.

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and long-term life insurance contract reserves (continued)

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2020 and 2021 were from 3.05% to 4.80% and from 2.84% to 4.80%, respectively.

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

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

(b) Mortality and morbidity

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

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

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

(c) Loss ratios

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

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and long-term life insurance contract reserves (continued)

(d) Surrender rates

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

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

(e) Expense

The Group develops its expense assumptions based on its expense analysis and future expectation, including assumptions of acquisition costs, maintenance expenses and claim expenses.

The Group's expense assumption is affected by uncertain factors, such as inflation, and market competition. The Group uses information currently available as at the balance sheet date to determine expense assumptions and a risk adjustment is considered.

(f) Policy dividend

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

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

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Claim reserves

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.3 Change in accounting estimates

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

As at 31 December 2021, the Group used information currently available to determine above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 14,621 million as at 31 December 2021 and profit before tax decreased by approximately RMB 14,621 million for 2021.

4. 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 China Pacific Life Insurance Co.,Ltd. ("CPIC Life") and Pacific Health Insurance Co.,Ltd. ("CPIC Health") offers a wide range of RMB life and health insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment mainly provides corporation management and assets management services, etc.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

In 2021, gross written premiums from transactions with the top five external customers amounted to 0.56% (2020: 0.59%) of the Group's total gross written premiums.

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2021

	Life and health insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Gross written premiums	213,514	154,237	523	(149)	154,611	-	(1,343)	366,782
Less: Premiums ceded to reinsurers	(5,520)	(20,627)	(273)	143	(20,757)	-	1,343	(24,934)
Net written premiums	207,994	133,610	250	(6)	133,854	-	-	341,848
Net change in unearned premium reserves	1,083	(3,473)	67	-	(3,406)	-	10	(2,313)
Net premiums earned	209,077	130,137	317	(6)	130,448	-	10	339,535
Investment income	78,320	7,658	23	-	7,681	21,724	(16,082)	91,643
Other operating income	2,031	477	3	-	480	7,191	(4,549)	5,153
Other income	80,351	8,135	26	-	8,161	28,915	(20,631)	96,796
Segment income	289,428	138,272	343	(6)	138,609	28,915	(20,621)	436,331
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(61,431)	-	-	-	-	-	-	(61,431)
Claims incurred	(13,861)	(90,777)	(262)	-	(91,039)	-	76	(104,824)
Changes in long-term life insurance contract liabilities	(142,516)	-	-	-	-	-	(707)	(143,223)
Policyholder dividends	(12,376)	-	-	-	-	-	-	(12,376)
Finance costs	(2,758)	(633)	-	-	(633)	(92)	42	(3,441)
Interest credited to investment contracts	(4,007)	-	-	-	-	-	-	(4,007)
Other operating and administrative expenses	(34,027)	(38,625)	(116)	-	(38,741)	(8,009)	3,745	(77,032)
Segment benefits, claims and expenses	(270,976)	(130,035)	(378)	-	(130,413)	(8,101)	3,156	(406,334)
Segment results	18,452	8,237	(35)	(6)	8,196	20,814	(17,465)	29,997
Share of profit in equity accounted investees	780	22	-	-	22	24	(27)	799
Profit before tax	19,232	8,259	(35)	(6)	8,218	20,838	(17,492)	30,796
Income tax	(389)	(1,841)	-	-	(1,841)	(833)	(115)	(3,178)
Net profit for the year	18,843	6,418	(35)	(6)	6,377	20,005	(17,607)	27,618

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2021

	Life and health insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Investment in associates	14,865	261	-	-	261	1,964	-	17,090
Investment in joint ventures	9,828	101	-	-	101	27	(62)	9,894
Financial assets *	1,244,507	104,349	385	-	104,734	111,456	-	1,460,697
Term deposits	151,435	30,010	-	-	30,010	15,074	-	196,519
Others	153,214	76,399	1,145	(142)	77,402	82,013	(50,665)	261,964
Segment assets	1,573,849	211,120	1,530	(142)	212,508	210,534	(50,727)	1,946,164
Insurance contract liabilities	1,266,090	119,677	784	(76)	120,385	-	(1,142)	1,385,333
Investment contract liabilities	102,773	-	-	-	-	-	-	102,773
Policyholders' deposits	7	63	-	-	63	-	-	70
Bonds payable	-	9,995	-	-	9,995	-	-	9,995
Securities sold under agreements to repurchase	70,122	-	-	-	-	3,319	-	73,441
Others	95,134	31,403	320	(43)	31,680	27,796	(12,463)	142,147
Segment liabilities	1,534,126	161,138	1,104	(119)	162,123	31,115	(13,605)	1,713,759

* Financial assets comprise 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.

Other segment information for the year ended 31 December 2021

	Life and health insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Depreciation and amortisation	2,093	1,474	-	-	1,474	966	-	4,533
Capital expenditure	887	783	-	-	783	2,783	-	4,453
Impairment loss charges	3,713	511	-	-	511	217	-	4,441
Interest income	55,241	5,519	29	-	5,548	2,842	-	63,631
Unrealised gains from financial assets at fair value through profit or loss	686	1	-	-	1	476	-	1,163

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2020

	Life and health insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Gross written premiums	213,980	149,153	724	(155)	149,722	-	(1,638)	362,064
Less: Premiums ceded to reinsurers	(5,885)	(20,410)	(258)	174	(20,494)	-	1,638	(24,741)
Net written premiums	208,095	128,743	466	19	129,228	-	-	337,323
Net change in unearned premium reserves	224	(5,729)	(93)	-	(5,822)	-	(86)	(5,684)
Net premiums earned	208,319	123,014	373	19	123,406	-	(86)	331,639
Investment income	71,628	6,552	39	-	6,591	25,036	(20,515)	82,740
Other operating income	2,458	352	3	-	355	6,046	(4,274)	4,585
Other income	74,086	6,904	42	-	6,946	31,082	(24,789)	87,325
Segment income	282,405	129,918	415	19	130,352	31,082	(24,875)	418,964
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(61,848)	-	-	-	-	-	-	(61,848)
Claims incurred	(11,283)	(75,798)	(221)	-	(76,019)	-	(75)	(87,377)
Changes in long-term life insurance contract liabilities	(132,101)	-	-	-	-	-	(577)	(132,678)
Policyholder dividends	(11,512)	-	-	-	-	-	-	(11,512)
Finance costs	(2,623)	(584)	-	-	(584)	(87)	(111)	(3,405)
Interest credited to investment contracts	(3,344)	-	-	-	-	-	-	(3,344)
Other operating and administrative expenses	(40,044)	(46,537)	(183)	-	(46,720)	(7,375)	4,065	(90,074)
Segment benefits, claims and expenses	(262,755)	(122,919)	(404)	-	(123,323)	(7,462)	3,302	(390,238)
Segment results	19,650	6,999	11	19	7,029	23,620	(21,573)	28,726
Share of profit/(loss) in equity accounted investees	525	41	-	-	41	(38)	(16)	512
Profit before tax	20,175	7,040	11	19	7,070	23,582	(21,589)	29,238
Income tax	(1,695)	(1,695)	(5)	-	(1,700)	(408)	(83)	(3,886)
Net profit for the year	18,480	5,345	6	19	5,370	23,174	(21,672)	25,352

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2020

	Life and health insurance	Property and casualty insurance: Mainland China	Property and casualty insurance: Hong Kong	Property and casualty insurance: Elimina-tions	Property and casualty insurance: Subtotal	Corporate and others	Elimina-tions	Total
Investment in associates	10,745	268	-	-	268	3,541	-	14,554
Investment in joint ventures	9,840	73	-	-	73	-	(24)	9,889
Financial assets *	1,137,718	98,688	395	-	99,083	81,504	-	1,318,305
Term deposits	144,560	26,131	-	-	26,131	22,275	-	192,966
Others	149,737	62,223	1,150	(134)	63,239	54,068	(31,754)	235,290
Segment assets	1,452,600	187,383	1,545	(134)	188,794	161,388	(31,778)	1,771,004
Insurance contract liabilities	1,120,050	105,871	708	(80)	106,499	-	(1,373)	1,225,176
Investment contract liabilities	87,056	-	-	-	-	-	-	87,056
Policyholders' deposits	7	63	-	-	63	-	-	70
Bonds payable	-	9,991	-	-	9,991	-	-	9,991
Securities sold under agreements to repurchase	87,847	257	-	-	257	2,721	-	90,825
Others	99,492	24,894	323	(44)	25,173	24,472	(12,086)	137,051
Segment liabilities	1,394,452	141,076	1,031	(124)	141,983	27,193	(13,459)	1,550,169

* Financial assets comprise 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.

Other segment information for the year ended 31 December 2020

	Life and health insurance	Property and casualty insurance: Mainland China	Property and casualty insurance: Hong Kong	Property and casualty insurance: Elimina-tions	Property and casualty insurance: Subtotal	Corporate and others	Elimina-tions	Total
Depreciation and amortisation	1,145	979	1	-	980	2,278	-	4,403
Capital expenditure	1,018	962	-	-	962	1,375	-	3,355
Impairment loss charges	3,713	503	-	-	503	178	-	4,394
Interest income	51,843	5,229	36	-	5,265	2,978	-	60,086
Unrealised gains/(losses) from financial assets at fair value through profit or loss	93	(1)	-	-	(1)	(11)	-	81

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 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")	Limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Limited company	Life and health insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Limited 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.	Limited company	Real estate	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	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 company	Investment management	Hong Kong	Hong Kong	HK$ 200,000 thousand	HK$ 200,000 thousand	12.25	87.46	100.00	(1)
City Island Developments Limited ("City Island")	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	-	98.29	100.00	

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 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(%) Direct	Percentage of equity attributable to the Company(%) Indirect	Percentage of voting rights attributable to the Company(%)	Note
Great Winwick Limited*	Limited 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 company	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Newscott Investments Limited*	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited*	Limited company	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd.*	Limited company	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd.*	Limited company	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd.	Limited company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd.	Limited 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 company	Senior living properties investment and management, etc	Shanghai	Shanghai	3,000,000	3,000,000	-	98.29	100.00	

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 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 Health	Limited company	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	85.05	14.69	100.00	(2)
China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Limited company	Property and casualty insurance	Shanghai	Shanghai	1,080,000	1,080,000	-	66.76	67.78	(3)
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited company	Medical consulting services, etc.	Shanghai	Shanghai	500,000	500,000	-	98.29	100.00	
Pacific Insurance Agency Co., Ltd.("Pacific Insurance Agency")	Limited company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd.("CPIC Funds")	Limited company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	972,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd.	Limited company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	875,000	-	98.29	100.00	
CPIC Senior Living Development (Xiamen) Co., Ltd.	Limited company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	510,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd.	Limited company	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	20,000	-	98.29	100.00	

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 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(%) Direct	Percentage of equity attributable to the Company(%) Indirect	Percentage of voting rights attributable to the Company(%)	Note
CPIC Senior Living Development (Nanjing) Co., Ltd.	Limited company	Senior living property investment and construction, etc.	Nanjing	Nanjing	220,000	129,000	-	98.29	100.00	
Pacific Care Home (Dali) Co., Ltd.	Limited company	"Migrant-style" senior living, etc.	Dali	Dali	608,000	418,000	-	74.70	76.00	
CPIC (Shanghai) Senior Care Development Co., Ltd.	Limited company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	230,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd.	Limited company	Seniors and disabled care, etc.	Hangzhou	Hangzhou	60,000	8,200	-	98.29	100.00	
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited company	Elderly service, real estate development and operation, etc.	Wuhan	Wuhan	980,000	563,078	-	98.29	100.00	(4)
CPIC Private Equity Fund Management Co., Ltd. ("CPIC Capital")	Limited company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	(5)

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 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(%) Direct	Percentage of equity attributable to the Company(%) Indirect	Percentage of voting rights attributable to the Company(%)	Note
Shanghai (Chongming) Real Estate Development Co., Ltd. ("Shanghai (Chongming) Project Company")	Limited company	Real estate development and operation, own house rental service, etc.	Shanghai	Shanghai	800,000	563,500	-	98.29	100.00	(6)
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited company	Seniors and disabled care, etc.	Shanghai	Shanghai	30,000	4,500	-	98.29	100.00	(7)
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited company	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00	(8)
China Pacific Life Insuarance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited company	Life and health insurance	Hong Kong	Hong Kong	HK$ 1,000,000 thousand	HK$ 1,000,000 thousand	-	98.29	100.00	(9)
Qingdao Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Qingdao")	Limited company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	-	-	98.29	100.00	(10)

* Subsidiaries of City Island

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows (continued):

(1) CPIC Investment (H.K.)

Pursuant to the resolution of the first extraordinary general meeting of shareholders of CPIC Asset Management held in 2020, CPIC Asset Management entered into a contract with CPIC Investment (H.K.) to inject capital in the amount of HKD 150 million to CPIC Investment (H.K.), and the approval was obtained from China Banking and Insurance Regulatory Commission (the "CBIRC") in January 2021. After this capital injection, the registered capital of CPIC Investment (H.K.) increased from HKD 50 million to HKD 200 million. The Company has a shareholding of 12.25% in CPIC Investment (H.K.). CPIC Asset Management has a shareholding of 87.75% in CPIC Investment (H.K.).

(2) CPIC Health

The Company and CPIC Life purchased 8% and 14.949% shares of the former CPIC Allianz Health Insurance Co., Ltd. ("CPIC Allianz Health") from Allianz SE respectively by entering into the "Agreement on Transfer of Shares in CPIC Allianz Health" in 2020. After this transaction, the Company's and CPIC Life's shareholding in CPIC Allianz Health increased to 85.051% and 14.949% respectively. In January 2021, CPIC Allianz Health completed the relevant company registration for the shareholding change. In March 2021, CPIC Allianz Health obtained the approval from the CBIRC, and changed its name to Pacific Health Insurance Co., Ltd. and completed the relevant company registration.

(3) PAAIC

Pursuant to the resolutions of the 2020 general meeting of shareholders and the 20th meeting of the 3rd Board of Directors of PAAIC, PAAIC approved the "Proposal of Changing the Registered Capital of Pacific Anxin Agricultural Insurance Co., Ltd.". PAAIC entered into the capital injection agreement with CPIC Property and Shanghai Fengxian District Public Assets Operation Co., Ltd. in June 2021, and obtained the approval of the CBIRC in November 2021. After the capital injection, the total registered capital of PAAIC increased from RMB 700 million to RMB 1,080 million, and CPIC Property's shareholding in PAAIC increased to 67.78%.

(4) Wuhan Project Company

Wuhan Project Company, a wholly-owned subsidiary set up by CPIC Life, obtained the business license of legal entity with the unified social credit code of 91420105MA49NYBP50 in February 2021. The registered capital is RMB 980 million. CPIC Life had injected capital of approximately RMB 563 million as at 31 December 2021.

(5) CPIC Capital

CPIC Capital, a wholly-owned subsidiary set up by CPIC Asset Management, obtained the business license of legal entity with the unified social credit code of 91310000MA1H3LCJX9 on 12 March 2021. The registered capital is RMB 100 million. CPIC Asset Management had injected capital of RMB 100 million as at 31 December 2021.

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2021 are as follows (continued):

(6) Shanghai (Chongming) Project Company

In April 2021, CPIC Senior Living Investment entered into an equity transaction contract with Shanghai Industrial Pension Development Co., Ltd. ("Shanghai Industrial Pension") to acquire 100% shares of Shanghai (Chongming) Project Company. Shanghai (Chongming) Project Company obtained its business license of legal entity with the unified social credit code of 91310230MA1JX45D53 and the registered capital is RMB 800 million. The Paid-up capital of Shanghai (Chongming) Project Company is approximately RMB 564 million as at 31 December 2021.

(7) Pacific Care Home at Shanghai (Putuo)

Pacific Care Home at Shanghai (Putuo), a wholly-owned subsidiary set up by CPIC Senior Living Investment, obtained the business license of legal entity with the unified social credit code of 91310107MA1G1CMP6Q in July 2021. The registered capital is RMB 30 million. CPIC Senior Living Investment had injected capital of RMB 4.50 million as at 31 December 2021.

(8) Borui Heming

CPIC Life entered into an equity transaction contract with Beijing Newbanker Technology Consulting Co., Ltd. to acquire 100% shares of Borui Heming with a consideration of approximately RMB 53 million. Borui Heming obtained its business license of legal entity with the unified social credit code of 91110105569493540Y and the registered capital is RMB 52 million. As at 31 December 2021, the transaction had been completed and Borui Heming had become a subsidiary of CPIC Life.

(9) CPIC Life (H.K.)

CPIC Life (H.K.), a wholly-owned subsidiary set up by CPIC Life, obtained its certificate of authorisation from Hong Kong Insurance Authority in November 2021. CPIC Life (H.K.) is authorised to carry on the long term insurance business in or from Hong Kong. The registered capital is HKD 1,000 million. CPIC Life had injected capital of HKD 1,000 million as at 31 December 2021.

(10) Pacific Care Home at Qingdao

Pacific Care Home at Qingdao, a wholly-owned subsidiary set up by CPIC Senior Living Investment, obtained the business license of legal entity with the unified social credit code of 91370202MA7F6KNQX8 in December 2021. The registered capital is RMB 227 million. CPIC Senior Living Investment had not injected capital as at 31 December 2021.

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(b) As at 31 December 2021, consolidated structured entities material to the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	77.05	8,079,777	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 debt investment plan.
CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	7,144,116	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Jiangsu Communications Holdings Co., Ltd. Debt Investment Plan (Phase I)	100.00	4,000,000	Investing in Taizhou Yangtze River Highway Bridge Project operated by Jiangsu Communications Holdings Co., Ltd. through debt investment plan.
Fullgoal Rongtai Three-month Regularly Open Mixed Type Launching Securities Investment Fund	99.74	3,778,596	Investing in financial instruments with high liquidity including main board, SME, GEM and other stocks allowed to be listed by the CSRC, depositary receipts, bonds (including national bonds, local treasury bonds, government backed bonds, government backed institutional bonds, financial bonds, enterprise bonds, corporate bonds, subordinated bonds, Central Bank bills, medium term notes, short-term commercial paper (including super short-term commercial paper), convertible bonds, bonds with warrants, exchangeable bonds, etc.), asset-backed securities, bonds repo, bank deposits (including term deposits, agreement deposits, notice deposits, etc.), NCDs, cash, derivatives (including treasury bond futures and stock index futures) and 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).

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

(All amounts expressed in RMB million unless otherwise specified)

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2021	2020
Long-term life insurance premiums	193,992	193,361
Short-term life insurance premiums	18,179	18,981
Property and casualty insurance premiums	154,611	149,722
	366,782	362,064

(b) Premiums ceded to reinsurers

	2021	2020
Long-term life insurance premiums ceded to reinsurers	(5,566)	(3,872)
Short-term life insurance premiums ceded to reinsurers	46	(2,013)
Property and casualty insurance premiums ceded to reinsurers	(19,414)	(18,856)
	(24,934)	(24,741)

(c) Net written premiums

	2021	2020
Net written premiums	341,848	337,323

7. INVESTMENT INCOME

	2021	2020
Interest and dividend income (a)	72,759	66,935
Realised gains (b)	21,899	19,966
Unrealised gains (c)	1,163	81
Charge of impairment losses on financial assets, net	(4,178)	(4,242)
	91,643	82,740

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2021	2020
Financial assets at fair value through profit or loss		
- Fixed maturity investments	47	64
- Funds	7	15
- Stocks	49	10
- Other equity investments	318	29
	421	118
Held-to-maturity financial assets		
- Fixed maturity investments	16,705	14,456
Loans and receivables		
- Fixed maturity investments	34,270	32,393
Available-for-sale financial assets		
- Fixed maturity investments	12,609	13,173
- Funds	1,563	1,437
- Stocks	3,114	2,759
- Other equity investments	4,077	2,599
	21,363	19,968
	72,759	66,935

(b) Realised gains

	2021	2020
Financial assets at fair value through profit or loss		
- Fixed maturity investments	215	197
- Funds	(64)	(5)
- Stocks	(44)	(71)
- Other equity investments	8	9
- Derivative instruments	48	24
	163	154
Available-for-sale financial assets		
- Fixed maturity investments	259	266
- Funds	3,645	1,838
- Stocks	17,822	16,717
- Other equity investments	30	487
	21,756	19,308
Held-to-maturity financial assets		
- Fixed maturity investments	(20)	-
Others	-	504
	21,899	19,966

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(c) Unrealised gains

	2021	2020
Financial assets at fair value through profit or loss		
- Fixed maturity investments	77	(144)
- Funds	1	1
- Derivative instruments	118	140
- Stocks	36	74
- Wealth management products and other equity investments	931	10
	1,163	81

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	2021		
	Gross	Ceded	Net
Life insurance death and other benefits paid	64,438	(3,007)	61,431
Claims incurred			
- Short-term life insurance	13,217	(417)	12,800
- Property and casualty insurance	104,432	(12,408)	92,024
Changes in long-term life insurance contract liabilities	144,088	(865)	143,223
Policyholder dividends	12,376	-	12,376
	338,551	(16,697)	321,854

	2020		
	Gross	Ceded	Net
Life insurance death and other benefits paid	64,179	(2,331)	61,848
Claims incurred			
- Short-term life insurance	10,977	(616)	10,361
- Property and casualty insurance	87,027	(10,011)	77,016
Changes in long-term life insurance contract liabilities	133,273	(595)	132,678
Policyholder dividends	11,512	-	11,512
	306,968	(13,553)	293,415

(All amounts expressed in RMB million unless otherwise specified)

9. FINANCE COSTS

	2021	2020
Current liabilities		
- Interest expense on securities sold under agreements to repurchase	1,812	1,907
- Interest expense on policyholder dividends	590	645
- Lease liabilities	9	9
	2,411	2,561
Non-current liabilities		
- Interest expense on bonds payable	503	508
- Interest expense on asset-backed securities	414	208
- Lease liabilities	113	125
- Others	-	3
	1,030	844
	3,441	3,405

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021	2020
Employee benefit expense (including directors' and supervisors' emoluments) (Note 11)	26,016	24,388
Auditors' remuneration	29	36
Short-term and low-value leases payments	89	117
Depreciation of property and equipment (Note 18)	1,835	1,791
Depreciation of investment properties (Note 20)	329	335
Depreciation of right-of-use assets (Note 19)	1,532	1,534
Amortisation of other intangible assets (Note 21)	819	725
Amortisation of other assets	18	18
Gains on disposal of items of property and equipment, intangible assets and other long-term assets	(10)	(4)
Charge of impairment loss on insurance receivables and other assets	263	152
Charge of impairment loss on financial assets, net (Note 7)	4,178	4,242
Foreign exchange loss, net	417	1,428

(All amounts expressed in RMB million unless otherwise specified)

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	2021	2020
Salaries, allowances and other short-term benefits	20,701	20,869
Contributions to defined contribution plans (1)	4,880	3,277
Early retirement benefit obligation	435	242
	26,016	24,388

(1) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

(in RMB thousand)	**2021**	**2020**
Fees	1,238	950
Other remuneration		
- Salaries, allowances and other short-term benefits	5,487	3,722
- Contributions to defined contribution plans	1,268	799
- Deferred bonus (1)	-	-
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
	6,755	4,521
	7,993	5,471

(1) In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

Included in the fees is an amount of RMB 1,238 thousand paid to independent non-executive directors for the year ended 31 December 2021 (2020: RMB 950 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2021.

(in RMB thousand)	2021					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan[1]	313	-	-	-	-	313
WOO Ka Biu, Jackson[2]	225	-	-	-	-	225
	1,238	-	-	-	-	1,238

[1] Independent non-executive director since January 2021.
[2] Independent non-executive director since March 2021.

(in RMB thousand)	2020					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	329	-	-	-	-	329
GAO Shanwen[1]	146	-	-	-	-	146
LI Jiashi[1]	125	-	-	-	-	125
	950	-	-	-	-	950

[1] Resigned from independent non-executive director in May 2020.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

(in RMB thousand)	2021				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei[1]	-	857	317	-	1,174
FU Fan[2]	-	1,186	317	-	1,503
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
CHEN Ran[3]	-	275	-	-	275
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
ZHOU Donghui[3]	-	-	-	-	-
LIANG Hong[4]	-	-	-	-	-
John Robert Dacey[5]	-	-	-	-	-
LU Qiaoling[5]	-	225	-	-	225
	-	2,843	634	-	3,477

[1] The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
[2] The final amount of remuneration of Mr. FU Fan is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
[3] Non-executive director since January 2021.
[4] Non-executive director since February 2021.
[5] Non-executive director since March 2021.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

(in RMB thousand)	2020				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei	-	799	249	-	1,048
FU Fan	-	1,000	217	-	1,217
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
SUN Xiaoning[1]	-	-	-	-	-
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
KONG Xiangqing[1]	-	125	-	-	125
LI Qiqiang[1]	-	125	-	-	125
CHEN Xuanmin[1]	-	-	-	-	-
	-	2,349	466	-	2,815

[1] Resigned from non-executive director in May 2020.

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao ,Mr. ZHOU Donghui, Ms. LIANG Hong and Mr.John Robert Dacey, the non-executive director, waived remuneration during 2021 (2020: HUANG Dinan, SUN Xiaoning, WU Junhao, CHEN Xuanmin), Mr.CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2021 (2020: CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr.John Robert Dacey and Mr.CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2021.

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

(in RMB thousand)	2021				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	-
JI Zhengrong[1]	-	720	317	-	1,037
LU Ning	-	-	-	-	-
GU Qiang[2]	-	1,924	317	-	2,241
	-	2,644	634	-	3,278

[1] The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
[2] Supervisor since January 2021.

(in RMB thousand)	2020				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	-
JI Zhengrong	-	719	249	-	968
LU Ning	-	-	-	-	-
JIN Zaiming[1]	-	654	84	-	738
ZHANG Xinmei[1]	-	-	-	-	-
	-	1,373	333	-	1,706

[1] Resigned from supervisor in May 2020.

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB 300,000 (before tax) per year. MR. ZHU Yonghong and MR. LU Ning, the supervisor, had waived remuneration during 2021. Except for MR. ZHU Yonghong and MR. LU Ning, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2021 (2020: ZHU Yonghong, LU Ning and ZHANG Xinmei).

(All amounts expressed in RMB million unless otherwise specified)

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(d) Directors' retirement benefits

There were no retirement benefits paid to directors during 2021 and 2020.

(e) Directors' termination benefits

There were no termination benefits paid to directors during 2021 and 2020.

(f) Consideration provided to third parties for making available directors' services

There were no payments to third parties for making available directors' services during 2021 and 2020.

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2021 and 2020.

(h) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(All amounts expressed in RMB million unless otherwise specified)

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration were the highest for the year ended 31 December 2021 in the Group include no director (2020: no director) whose emoluments were reflected in the analysis presented in Note 12.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	2021	2020
HKD 5,500,001 to HKD 6,000,000	-	4
HKD 6,000,001 to HKD 6,500,000	2	-
HKD 6,500,001 to HKD 7,000,000	1	-
HKD 7,000,001 to HKD 7,500,000	-	-
HKD 7,500,001 to HKD 8,000,000	-	-
HKD 8,000,001 to HKD 8,500,000	-	-
HKD 8,500,001 to HKD 9,000,000	-	1
HKD 9,000,001 to HKD 9,500,000	1	-
HKD 9,500,001 to HKD 10,000,000	-	-
HKD 10,000,001 to HKD 10,500,000	-	-
HKD 10,500,001 to HKD 11,000,000	-	-
HKD 11,000,001 to HKD 11,500,000	-	-
HKD 11,500,001 to HKD 12,000,000	-	-
HKD 12,000,001 to HKD 12,500,000	-	-
HKD 12,500,001 to HKD 13,000,000	-	-
HKD 13,000,001 to HKD 13,500,000	1	-
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	**2021**	**2020**
Salaries, allowances and other short-term benefits	13,669	11,606
Discretionary bonuses	19,684	15,740
Contributions to defined contribution plans	1,713	950
	35,066	28,296
The number of non-director individuals for the above remuneration	5	5

(All amounts expressed in RMB million unless otherwise specified)

14. INCOME TAX

(a) Income tax

	2021	2020
Current income tax	4,895	4,986
Deferred income tax (Note 34)	(1,717)	(1,100)
	3,178	3,886

(b) Tax recorded in other comprehensive income/(loss)

	2021	2020
Deferred income tax (Note 34)	(890)	3,259

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising 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.

A reconciliation of the tax expense applicable to profit before tax using the PRC statutory income tax rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	2021	2020
Profit before tax	30,796	29,238
Tax computed at the statutory tax rate	7,699	7,310
Adjustments to income tax in respect of previous periods	(135)	(181)
Income not subject to tax	(4,922)	(3,801)
Expenses not deductible for tax	264	431
Others	272	127
Tax expense at the Group's effective rate	3,178	3,886

(All amounts expressed in RMB million unless otherwise specified)

15. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2021	2020
Consolidated net profit for the year attributable to shareholders of the parent	26,834	24,584
Weighted average number of ordinary shares in issue (million)	9,620	9,353
Basic earnings per share	RMB 2.79	RMB 2.63

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2021.

In 2020, diluted earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the adjusted weighted average number of ordinary shares based on assuming full exercise of the over-allotment option as below.

	2021	2020
Consolidated net profit for the year attributable to shareholders of the parent	26,834	24,584
Weighted average number of ordinary shares in issue (million)	9,620	9,353
Adjustment for:		
Assumed vesting of the over-allotment option	-	-
Weighted average number of ordinary shares for diluted earnings per share	9,620	9,353
Diluted earnings per share	RMB 2.79	RMB 2.63

(All amounts expressed in RMB million unless otherwise specified)

16. OTHER COMPREHENSIVE INCOME/(LOSS)

	2021	2020
Exchange differences on translation of foreign operations	(17)	(34)
Available-for-sale financial assets		
Gains arising during the year	12,062	37,132
Transfer out of other comprehensive income/(loss)	(21,756)	(19,308)
Fair value change on available-for-sale financial assets attributable to policyholders	1,899	(8,840)
Impairment charges reclassified to the income statement	4,195	3,925
	(3,600)	12,909
Income tax relating to these items	890	(3,259)
Other comprehensive income/(loss)	(2,727)	9,616

17. GOODWILL

	As at 31 December 2021			
	Beginning of year	Additions	Disposals	End of year
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	-	15	-	15
	1,357	15	-	1,372
Less: Impairment provision	-	-	-	-
	1,357	15	-	1,372

	As at 31 December 2020			
	Beginning of year	Additions	Disposals	End of year
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
	1,357	-	-	1,357
Less: Impairment provision	-	-	-	-
	1,357	-	-	1,357

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 31 December 2021, the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is greater than its carrying amount, thus no impairment provision is recognised.

(All amounts expressed in RMB million unless otherwise specified)

18. PROPERTY AND EQUIPMENT

	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2020	18,143	1,987	1,147	5,632	3,485	30,394
Additions	72	732	61	616	326	1,807
Transfer	863	(897)	-	-	-	(34)
Transfer from investment properties, net (Note 20)	102	-	-	-	-	102
Decrease	(131)	-	(75)	(521)	-	(727)
At 31 December 2020	19,049	1,822	1,133	5,727	3,811	31,542
Additions	67	1,881	26	433	288	2,695
Transfer	1,880	(1,989)	-	-	62	(47)
Transfer from investment properties, net (Note 20)	41	-	-	-	-	41
Decrease	(5)	-	(47)	(347)	-	(399)
At 31 December 2021	21,032	1,714	1,112	5,813	4,161	33,832
Accumulated depreciation and impairment						
At 1 January 2020	(4,157)	-	(810)	(3,577)	(2,485)	(11,029)
Depreciation charge	(589)	-	(97)	(734)	(371)	(1,791)
Transfer to investment properties, net (Note 20)	2	-	-	-	-	2
Decrease	2	-	72	495	-	569
At 31 December 2020	(4,742)	-	(835)	(3,816)	(2,856)	(12,249)
Depreciation charge	(643)	-	(90)	(721)	(381)	(1,835)
Transfer to investment properties, net (Note 20)	8	-	-	-	-	8
Decrease	5	-	45	336	-	386
At 31 December 2021	(5,372)	-	(880)	(4,201)	(3,237)	(13,690)
Net book value						
At 31 December 2020	14,307	1,822	298	1,911	955	19,293
At 31 December 2021	15,660	1,714	232	1,612	924	20,142

(All amounts expressed in RMB million unless otherwise specified)

19. RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Prepaid land lease payment	Other equipmen	Total
Cost					
1 January 2020	5,386	4	705	17	6,112
Additions	1,295	3	715	2	2,015
Disposals	(582)	(1)	-	(2)	(585)
31 December 2020	6,099	6	1,420	17	7,542
Additions	1,182	-	707	8	1,897
Disposals	(938)	(2)	-	(5)	(945)
31 December 2021	6,343	4	2,127	20	8,494
Accumulated depreciation					
1 January 2020	(1,273)	(1)	(25)	(3)	(1,302)
Depreciation charge	(1,504)	(2)	(25)	(3)	(1,534)
Disposals	460	-	-	2	462
31 December 2020	(2,317)	(3)	(50)	(4)	(2,374)
Depreciation charge	(1,479)	(3)	(47)	(3)	(1,532)
Disposals	914	2	-	1	917
31 December 2021	(2,882)	(4)	(97)	(6)	(2,989)
Carrying amount					
31 December 2020	3,782	3	1,370	13	5,168
31 December 2021	3,461	-	2,030	14	5,505

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

(All amounts expressed in RMB million unless otherwise specified)

20. INVESTMENT PROPERTIES

Cost	
At 1 January 2020	10,638
Additions	22
Transfer to property and equipment, net	(102)
At 31 December 2020	10,558
Additions	26
Transfer to property and equipment, net	(41)
At 31 December 2021	10,543
Accumulated depreciation	
At 1 January 2020	(2,355)
Depreciation charge	(335)
Transfer from property and equipment, net	(2)
At 31 December 2020	(2,692)
Depreciation charge	(329)
Transfer from property and equipment, net	(8)
At 31 December 2021	(3,029)
Carrying amount	
At 31 December 2020	7,866
At 31 December 2021	7,514

The fair values of investment properties of the Group as at 31 December 2021 amounted to approximately RMB 11,538 million (31 December 2020: RMB 11,470 million), respectively, which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health and Pacific Insurance Agency charges rentals based on the areas occupied by the respective entities. These properties are categorised as property and equipment of the Group in the consolidated balance sheet.

(All amounts expressed in RMB million unless otherwise specified)

21. OTHER INTANGIBLE ASSETS

	Software	Franchise License	Total
Cost			
At 1 January 2020	6,254	646	6,900
Additions	1,046	-	1,046
Transfer	34	-	34
Decrease	(5)	-	(5)
At 31 December 2020	7,329	646	7,975
Additions	928	-	928
Transfer	47	-	47
Decrease	(6)	-	(6)
At 31 December 2021	8,298	646	8,944
Accumulated amortisation			
At 1 January 2020	(3,928)	-	(3,928)
Amortisation	(725)	-	(725)
Decrease	1	-	1
At 31 December 2020	(4,652)	-	(4,652)
Amortisation	(819)	-	(819)
Decrease	6	-	6
At 31 December 2021	(5,465)	-	(5,465)
Carrying amount			
At 31 December 2020	2,677	646	3,323
At 31 December 2021	2,833	646	3,479

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES

		31 December 2021						
	Historical Cost	At 1 January 2021	Increase / (Decrease)	Share of profit	Adjustment of other comprehensive income/(loss)	Other equity movement	Dividend declared	At 31 December 2021
Shanghai Juche Information Technology Co., Ltd. ("Juche")	3	11	-	1	-	-	-	12
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	17	39	-	3	-	-	-	42
Shanghai Proton and Heavy Ion Hospital ("Zhizhong Hospital")	100	70	-	19	-	-	-	89
Shanghai Dedao Co., Ltd. ("Dedao")	5	1	-	(1)	-	-	-	-
Shanghai Better Sharing Technology Co., Ltd. ("Better Sharing")	81	58	-	(5)	-	-	-	53
Shanghai Heji Business Management LLP. ("Heji")	200	173	-	(4)	-	-	-	169
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Plan ("CHEMCHINA Debt Investment Plan")	2,160	2,164	-	116	-	-	(116)	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Plan ("Sichuan Railway Investment Plan")	250	250	-	14	-	-	(14)	250
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Plan ("Yunnan Energy Investment Plan") (Note 1)	-	3,617	(3,610)	19	-	-	(26)	-
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,568	-	193	-	-	(122)	2,639
Beijing More Health Technology Group Co., Ltd. ("Beijing Miaoyijia")	413	350	-	(46)	-	5	-	309
Jiaxing Yishang Equity Investment LLP. ("Jiaxing Yishang") (Note 2)	901	515	427	(33)	-	-	-	909
Lianren Digital Health Technology Co., Ltd. ("Lianren Digital Health")	500	442	-	(87)	-	-	-	355
Zhejiang Xin'an Shuzhi Technology Co., Ltd. ("Xin'an Technology")	9	10	-	1	-	-	-	11
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund") (Note 3)	1,984	1,227	789	530	-	-	(31)	2,515
Shanghai Lingang GLP International Logistics Development Co.,Ltd. ("Lingang GLP")	1,057	1,057	-	54	-	-	(58)	1,053
Shanghai Hi-Tech Park United Development Co.,Ltd. (Hi-Tech)	1,856	1,856	-	17	-	-	-	1,873
Shanghai Lingang Yunhui Economic Development Co.,Ltd. (Lingang Yunhui)	55	55	-	-	-	-	-	55
Shanghai Guangci Memorial Hospital Co.,Ltd. ("Guangci Hospital")	91	91	-	-	-	-	-	91
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare") (Note 4)	40	-	40	(40)	-	-	-	-
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan") (Note 5)	2,500	-	2,500	59	-	-	(7)	2,552

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

	31 December 2021							
	Historical Cost	At 1 January 2021	Increase / (Decrease)	Share of profit	Adjustment of other comprehensive income/(loss)	Other equity movement	Dividend declared	At 31 December 2021
Shanghai Sci-Tech Innovation Center Capital II LLP. ("Sci-Tech Innovation II") (Note 6)	450	-	450	1	-	-	(2)	449
China Insurance Rongxin Private Equity Fund Co., Ltd. ("China Insurance Rongxin") (Note 7)	1,500	-	1,500	-	-	-	-	1,500
Total	16,588	14,554	2,096	811	-	5	(376)	17,090

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

Note 2: In 2021, CPIC Life made an additional capital contribution of approximately RMB 427 million and its ownership interest of Jiaxing Yishang became 94.80%.

Note 3: CPIC Life entered into the agreement of Yangtze River Delta Fund with Shanghai Guofang FOF Equity Investment Management Co., Ltd. and some other investment companies. CPIC Life subscribed capital contribution of RMB 2,000 million, representing 27.75% of ownership interest of Yangtze River Delta Fund. In 2021, CPIC Life made an additional capital contribution of RMB 800 million. At the same year, during the earnings distribution and return of capital, Yangtze River Delta Fund returned the capital approximately in the amount of RMB 11 million to CPIC Life, and the investment cost of CPIC Life changed to approximately RMB 1,984 million.

Note 4: CPIC Life entered into the agreement of setting up Shantai Healthcare with Sequoia Yuanchen Equity Investment (Xiamen) LLP. and Chuangcheng Huilian Equity Investment (Xiamen) LLP. The approved operating period of Shantai Healthcare is 30 years with the registered capital of RMB 100 million. CPIC Life holds 40.00% of Shantai Healthcare's shareholding with the subscribed capital of RMB 40 million. As at 31 December 2021, CPIC Life had paid up the subscribed capital.

Note 5: CPIC Life entered into a partnership agreement of Taijiashan with Shenzhen Sequoia Antai Equity Investment LLP. CPIC Life holds 99.01% of Taijiashan's ownership interest with the subscribed capital of RMB 5,000 million. As at 31 December 2021, CPIC Life had paid RMB 2,500 million as capital subscribed.

Note 6: CPIC Life entered into a partnership agreement of Sci-Tech Innovation II with Shanghai International Group Co., Ltd. and some other investment companies, and subscribed capital of RMB 1,500 million. As at 31 December 2021, CPIC Life had paid RMB 450 million, representing 25.86% of ownership interest of Sci-Tech Innovation II.

Note 7: CPIC Life invested in China Insurance Rongxin Fund managed by China Insurance Investment Co., Ltd. with a subscribed capital of RMB 1,500 million, representing 10.14% of ownership interest of the fund. As at 31 December 2021, CPIC Life had paid up the subscribed capital.

22. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 31 December 2021

Name	Place of incorporation	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Percentage of voting power	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Principal activity
Juche	Shanghai	-	37.42%	37.80%	5,882	5,882	Internet
Zhongdao	Shanghai	-	26.37%	26.67%	63,000	63,000	Road rescue
Zhizhong Hospital	Shanghai	-	19.95%	20.00%	500,000	500,000	Oncology,medical laboratory, clinical fluid, etc.
Dedao	Shanghai	-	25.00%	25.00%	20,000	20,000	Computer information technology, technical development in the field of automotive software technology, etc.
Better Sharing [1]	Shanghai	-	6.73%	6.82%	60,000	60,000	Technical development in the field of computer information technology, technical consulting, etc.
Beijing Miaoyijia	Beijing	-	19.03%	18.18%	77,489	71,670	Information transmission, software and information technology services
Lianren Digital Health	Shanghai	-	24.57%	25.00%	2,000,000	2,000,000	Information technology services
Xin'an Technology [2]	Quzhou	-	8.85%	9.00%	13,354	13,354	Network technology development services
Lingang GLP	Shanghai	-	19.65%	20.00%	US$ 119,990 thousand	US$ 119,990 thousand	Real estate
Hi-Tech	Shanghai	-	19.65%	20.00%	453,250	453,250	Business services
Lingang Yunhui	Shanghai	-	19.65%	20.00%	275,000	275,000	Real estate
Guangci Hospital	Shanghai	-	40.00%	40.00%	26,433	26,433	Health care services: internal medicine, surgery, Obstetrics and Gynecology, pediatrics,etc.
Shantai Healthcare	Shanghai	-	39.32%	40.00%	100,000	70,000	Health technology related industries
China Insurance Rongxin [3]	Shanghai	-	9.97%	12.50%	14,800,000	14,800,000	Capital market services
Heji [4]	Shanghai	-	97.53%		N/A	202,000	Enterprise management, industrial investment, investment management, assets management and consulting, etc.
CHEMCHINA Debt Investment Plan [5]	N/A	-	70.55%		N/A	3,000,000	Debt investment plan

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 31 December 2021 (continued)

Name	Place of incorporation	Percentage of ownership interest: Direct	Percentage of ownership interest: Indirect	Percentage of voting power	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Principal activity
Sichuan Railway Investment Plan [(6)]	N/A	-	38.17%		N/A	600,000	Debt investment plan
Ningbo Zhilin [(7)]	Ningbo	-	88.46%		N/A	2,684,798	Investment management, assets management
Jiaxing Yishang [(8)]	Jiaxing	-	93.18%		N/A	950,501	Equity investment
Yangtze River Delta Fund	Shanghai	-	27.28%		N/A	6,924,521	Equity investment
Taijiashan [(9)]	Shanghai	-	97.32%		N/A	2,525,000	Equity investment
Sci-Tech Innovation II	Shanghai	-	25.42%		N/A	1,740,300	Equity investment

Notes:

(1) CPIC Property has significant influence over Better Sharing by accrediting a director to the company. Therefore, Better Sharing is accounted under equity method.

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

(3) CPIC Life has significant influence over China Insurance Rongxin by accrediting a director to the company. Therefore, China Insurance Rongxin is accounted under equity method.

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

22. INTERESTS IN ASSOCIATES (continued)

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

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

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

Summarised financial information for principal associates

	31 December 2021/2021			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit in current year
Ningbo Zhilin	3,025	41	198	183
CHEMCHINA Debt Investment Plan	3,007	2	177	161
Yangtze River Delta Fund	9,065	2	1,703	1,641
Taijiashan	2,578	-	124	59

Summarised financial information for other associates

	2021	2020
Net (loss)/profit	(277)	557
Other comprehensive income/(loss)	-	-
Total comprehensive (loss)/income	(277)	557
Total comprehensive loss attributable to the Group	(87)	(12)
Total carrying amount of the Group's investment as at the year end	7,220	6,205

(All amounts expressed in RMB million unless otherwise specified)

23. INVESTMENT IN JOINT VENTURES

	31 December 2021	31 December 2020
Share of net assets		
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,823	9,833
Others	71	56
	9,894	9,889

Particulars of the joint venture as at 31 December 2021 are as follows:

Name	Place of incorporation	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui")	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi (Shanghai) Information Technology Co., Ltd.	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Hangzhou Dayu Internet Technology Co., Ltd.	Hangzhou	-	18.02%	18.02%	14,979	14,979	Technical development, technical service and technical consulting
Aizhu (Shanghai) Information Technology Co., Ltd.	Shanghai	-	35.00%	35.00%	10,000	6,950	Network technology, technical consulting and technical service
Pacific Euler Hermes Insurance Sales Co., Ltd.	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales
Shanghai Dabaoguisheng Information Technology Co., Ltd.	Shanghai	-	33.42%	34.00%	100,000	22,200	Third party operation services of insurance industry
Ruiyongjing Real Estate (1)	Shanghai	-	68.80%	57.14%	14,050,000	14,050,000	Real estate
Pacific Orpea (Shanghai) Senior Care Management Co., Ltd. ("Pacific Orpea") (2)	Shanghai	-	55.04%	60.00%	10,000	10,000	Operation and management of pension industry, technical consulting

(All amounts expressed in RMB million unless otherwise specified)

23. INVESTMENT IN JOINT VENTURES (continued)

Note:

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

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

The main financial information of the Group's joint ventures:

	2021 **(RMB thousand)**	**2020** **(RMB thousand)**
The joint ventures' net profit	17,593	25,357

As at 31 December 2021, the Group's investment in joint ventures had no impairment.

Commitments related to investment in joint ventures are disclosed in Note 52.

24. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are stated at amortised cost and comprise the following:

	31 December 2021	**31 December 2020**
Listed		
Debt investments		
- Government bonds	1,754	1,309
- Finance bonds	5,556	5,571
- Corporate bonds	7,763	8,343
- Wealth management products	50	-
Sub-total	15,123	15,223
Unlisted		
Debt investments		
- Government bonds	263,622	159,173
- Finance bonds	60,034	89,754
- Corporate bonds	57,866	65,401
Sub-total	381,522	314,328
Less: Impairment provisions	(217)	(191)
Net value	396,428	329,360

(All amounts expressed in RMB million unless otherwise specified)

25. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2021	31 December 2020
Debt investments		
- Finance bonds	2,000	1,999
- Debt investment plans	230,813	187,440
- Wealth management products	138,289	156,286
- Preferred shares	32,000	32,000
- Loans	3,454	2,772
Sub-total	406,556	380,497
Less: Impairment provisions	(280)	(323)
Net value	406,276	380,174

As at 31 December 2021, CPIC Asset Management, a subsidiary of the Company, had 108 existing debt investment plans issued by it with a total value of RMB 163.368 billion. Among these, book value of approximately RMB 79.632 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets (As at 31 December 2020, CPIC Asset Management, a subsidiary of the Company, had 91 existing debt investment plans issued by it with a total value of RMB 141.755 billion. Among these, book value of approximately RMB 67.491 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). As at 31 December 2021, Changjiang Pension, a subsidiary of the Company, had 68 existing debt investment plans issued by it with a total value of RMB 111.683 billion. Among these, book value of approximately RMB 47.531 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets (As at 31 December 2020, Changjiang Pension, a subsidiary of the Company, had 64 existing debt investment plans issued by it with a total value of RMB 112.714 billion. Among these, book value of approximately RMB 40.520 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). Meanwhile, as at 31 December 2021, the Group also had invested in debt investment plans classified as loans and receivables launched by other insurance asset management companies with book value of approximately RMB 103.650 billion (As at 31 December 2020: approximately RMB 79.429 billion). The amount of debt investment plans guaranteed by a third party or by pledge that invested by the Group is RMB 158.752 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and other debt investment plans held by the Group, the Group does not provide any guarantees or financial support. The Group's maximum exposure in the debt investment plans is limited to their carrying amounts.

26. RESTRICTED STATUTORY DEPOSITS

	31 December 2021	31 December 2020
At the beginning of the year	6,858	6,658
Movement	570	200
At the end of the year	7,428	6,858

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

(All amounts expressed in RMB million unless otherwise specified)

26. RESTRICTED STATUTORY DEPOSITS (continued)

	As at 31 December 2021		
	Amount	Storage	Period
CPIC Property			
China Minsheng Bank	1,162	Term deposits	5 years
China Zheshang Bank	1,040	Term deposits	5 years
Agricultural Bank of China	500	Term deposits	3 years
Industrial Bank	440	Term deposits	5 years and 1 month
Bank of Communications	368	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
Bank of Communications	250	Term deposits	5 years and 1 month
Bank of Shanghai	200	Term deposits	5 years
China CITIC Bank	100	Term deposits	5 years
Subtotal	4,334		
CPIC Life			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Bank of Communications	320	Term deposits	3 years
Bank of Nanjing	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
Subtotal	1,684		
Changjiang Pension			
Bank of Hangzhou	300	Term deposits	5 years and 1 month
Bank of Communications	200	Term deposits	5 years and 1 month
Bank of Nanjing	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Subtotal	800		
CPIC Health			
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Subtotal	340		
PAAIC			
China Minsheng Bank	130	Term deposits	5 years
Agricultural Bank of China	60	Term deposits	3 years
Shanghai Pudong Development Bank	50	Term deposits	3 years
Bank of Shanghai	20	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Subtotal	270		
Total	7,428		

(All amounts expressed in RMB million unless otherwise specified)

26. RESTRICTED STATUTORY DEPOSITS (continued)

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

(All amounts expressed in RMB million unless otherwise specified)

27. TERM DEPOSITS

Maturity Period	31 December 2021	31 December 2020
Within 3 months (including 3 months)	252	3,426
3 months to 1 year (including 1 year)	23,585	26,965
1 to 2 years (including 2 years)	75,220	16,550
2 to 3 years (including 3 years)	48,357	75,520
3 to 4 years (including 4 years)	21,900	48,355
4 to 5 years (including 5 years)	27,205	22,000
Over 5 years	-	150
Total	196,519	192,966

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	31 December 2021	31 December 2020
Listed		
Equity investments		
- Stocks	154,336	127,216
- Funds	8,710	6,511
- Other equity investments	88	-
Debt investments		
- Government bonds	8,474	7,526
- Finance bonds	5,058	5,589
- Corporate bonds	56,426	64,249
- Wealth management products	403	-
Sub-total	233,495	211,091
Unlisted		
Equity investments		
- Funds	64,191	57,223
- Wealth management products	2,066	1,218
- Other equity investments	108,207	75,071
- Preferred shares	12,519	13,131
Debt investments		
- Government bonds	89,352	84,040
- Finance bonds	34,613	32,017
- Corporate bonds	97,103	120,597
- Wealth management products	3,835	1,770
Sub-total	411,886	385,067
Total	645,381	596,158

(All amounts expressed in RMB million unless otherwise specified)

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Listed		
Equity investments		
- Stocks	19	70
- Funds	-	4
Debt investments		
- Government bonds	39	38
- Finance bonds	276	342
- Corporate bonds	1,275	2,328
Sub-total	1,609	2,782
Unlisted		
Equity investments		
- Funds	271	411
- Wealth management products	404	228
- Other equity investments	9,663	8,641
Debt investments		
- Corporate bonds	365	390
- Finance bonds	10	-
- Wealth management products	15	18
- Debt investment plans	16	3
Sub-total	10,744	9,691
Total	12,353	12,473

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 31 December 2021 amounted to RMB 10,098 million (31 December 2020: RMB 8,890 million). The rest are trading assets, with no material limitation in realisation.

30. DERIVATIVE FINANCIAL INSTRUMENTS

The contract notional amount and fair value of derivative financial instruments are as follows. The contract notional amount of derivative financial instruments is only the basis of comparing the fair value of assets or liabilities recognised in the balance sheet. It does not reflect the future cash flow nor present fair value, therefore cannot reflect the risk faced by the Group.

	31 December 2021		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	4,290	259	1

	31 December 2020		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	3,274	140	-

(All amounts expressed in RMB million unless otherwise specified)

31. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2021	31 December 2020
Securities - bonds		
Inter-bank market	11,860	9,886
Stock exchange	1,572	4,441
	13,432	14,327

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

32. INTEREST RECEIVABLES

	31 December 2021	31 December 2020
Interest receivables from debt investments	12,807	13,604
Interest receivables from deposits	5,829	5,386
Interest receivables from loans	1,830	1,616
Interest receivables from securities purchased under agreements to resell	5	1
Sub-total	20,471	20,607
Less: Bad debt provision	(44)	(44)
	20,427	20,563

33. REINSURANCE ASSETS

	31 December 2021	31 December 2020
Reinsurers' share of insurance contracts (Note 40)	30,872	27,719

(All amounts expressed in RMB million unless otherwise specified)

34. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	31 December 2021	**31 December 2020**
Net deferred income tax liabilities, at beginning of year	(4,210)	(2,051)
Recognised in profit or loss (Note 14(a))	1,717	1,100
Recognised in other comprehensive income/(loss) (Note 14(b))	890	(3,259)
Net deferred income tax liabilities, at end of year	(1,603)	(4,210)

	31 December 2021	**31 December 2020**
Insurance contract liabilities	3,027	1,684
Provision for asset impairment	2,289	1,491
Commission and brokerage expenses	360	402
Changes in fair value of financial instruments	(6,841)	(7,468)
Adjustment in fair value arising from acquisition of subsidiaries	(858)	(892)
Others	420	573
Net deferred income tax liabilities	(1,603)	(4,210)
Represented by:		
Deferred income tax assets	1,998	845
Deferred income tax liabilities	(3,601)	(5,055)

(All amounts expressed in RMB million unless otherwise specified)

35. INSURANCE RECEIVABLES

	31 December 2021	31 December 2020
Insurance receivables	37,954	30,692
Provision for impairment of insurance receivables	(1,060)	(820)
	36,894	29,872

An aging analysis of the insurance receivables is as follows:

	31 December 2021	31 December 2020
Within 3 months (including 3 months)	16,845	14,785
Over 3 months and within 1 year (including 1 year)	14,410	10,544
Over 1 year	5,639	4,543
	36,894	29,872

Insurance receivables include premium receivables from policyholders or agents and receivables from reinsurers.

The credit terms for premium receivables from life insurance policyholders are 60 days. CPIC Property normally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums are collected by CPIC Property in installments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group and reinsurers normally settle receivables and payables on a quarterly basis.

The Group's insurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

The following insurance receivables are individually determined to be impaired mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

	31 December 2021	31 December 2020
Insurance receivables that are individually determined to be impaired	63	63
Related provision for impairment	(53)	(53)
	10	10

(All amounts expressed in RMB million unless otherwise specified)

36. OTHER ASSETS

	31 December 2021	31 December 2020
Receivable for securities	2,469	5,133
Receivables from external parties	1,976	1,373
Due from a related-party (1)	1,774	1,614
Prepaid tax	779	1,292
Due from agents	205	278
Co-insurance receivables	93	101
Others	6,110	5,066
	13,406	14,857

(1) As at 31 December 2021, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB 1,774 million (31 December 2020: RMB 1,614 million).

37. CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2021	31 December 2020
Cash at banks and on hand	29,291	18,641
Time deposits with original maturity of no more than three months	2,487	1,132
Other monetary assets	767	1,105
	32,545	20,878

The Group's bank balances denominated in RMB amounted to RMB 24,726 million as at 31 December 2021 (31 December 2020: RMB 18,708 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.

Cash at banks earns interest at floating 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 the 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 and short-term time deposits approximate their fair values.

As at 31 December 2021, RMB 742 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2020: RMB 1,079 million).

As at 31 December 2021, RMB 350 million in the Group's cash and short-term time deposits balance were restricted for special-purpose use (31 December 2020: RMB 438 million).

(All amounts expressed in RMB million unless otherwise specified)

38. ISSUED CAPITAL

	31 December 2021	31 December 2020
Number of shares issued and fully paid at RMB 1 each (million)	9,620	9,620

39. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

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.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserves and the discretionary surplus reserves.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the Articles of Association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods ("PRC GAAP"), to the SSR until the balance reaches 50% of the respective registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company does not set aside SSR in 2021. Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

(All amounts expressed in RMB million unless otherwise specified)

39. RESERVES AND RETAINED PROFITS (continued)

(b) Surplus reserves (continued)

(ii) Discretionary surplus reserves (the "DSR")

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.

Of the Group's retained profits in the consolidated financial statements, RMB 16,388 million as at 31 December 2021 (31 December 2020: RMB 15,647 million) represents the Company's share of its subsidiaries' surplus reserve fund. The Company's share of surplus reserve fund appropriated by subsidiaries in the year 2021 amounted to RMB 741 million (2020: RMB 3,071 million).

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses, etc. Based on the applicable PRC financial regulations, the Company's insurance subsidiaries would need to make appropriations for such reserve based on their respective year-end net profits determined in accordance with PRC GAAP in their annual financial statements. The Company's subsidiaries operating in fund management should make appropriation for such reserve based on asset management product management fees. Such reserve is not available for profit distribution or transfer to issued capital.

Of the Group's reserves, RMB 19,521 million as at 31 December 2021 (31 December 2020: RMB 16,829 million) represents the Company's share of its subsidiaries' general reserves.

(All amounts expressed in RMB million unless otherwise specified)

39. RESERVES AND RETAINED PROFITS (continued)

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs, or PRC GAAP where the overseas listing place permits. Pursuant to the resolution of the 15th meeting of the 9th Board of Directors of the Company held on 25 March 2022, a final dividend of approximately RMB 9,620 million (RMB 1.0 per share (including tax)) was proposed. The profit distribution plan is subject to the approval of the general shareholders' meeting.

40. INSURANCE CONTRACT LIABILITIES

	31 December 2021		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
Long-term life insurance contracts	1,255,420	(13,794)	1,241,626
Short-term life insurance contracts			
- Unearned premiums	3,309	(323)	2,986
- Claim reserves	6,221	(444)	5,777
	9,530	(767)	8,763
Property and casualty insurance contracts			
- Unearned premiums	68,184	(7,591)	60,593
- Claim reserves	52,199	(8,720)	43,479
	120,383	(16,311)	104,072
	1,385,333	(30,872)	1,354,461
Incurred but not reported claim reserves	19,813	(2,643)	17,170

(All amounts expressed in RMB million unless otherwise specified)

40. INSURANCE CONTRACT LIABILITIES (continued)

	31 December 2020		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
Long-term life insurance contracts	1,108,990	(12,929)	1,096,061
Short-term life insurance contracts			
- Unearned premiums	4,206	(358)	3,848
- Claim reserves	5,482	(709)	4,773
	9,688	(1,067)	8,621
Property and casualty insurance contracts			
- Unearned premiums	64,594	(7,179)	57,415
- Claim reserves	41,904	(6,544)	35,360
	106,498	(13,723)	92,775
	1,225,176	(27,719)	1,197,457
Incurred but not reported claim reserves	10,872	(1,469)	9,403

(a) Long-term life insurance contract liabilities

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
At 1 January 2020	963,542	(12,334)	951,208
Increase	209,627	(2,926)	206,701
Decrease			
- Claims paid	(49,758)	2,331	(47,427)
- Surrender	(14,421)	-	(14,421)
At 31 December 2020	1,108,990	(12,929)	1,096,061
Increase	210,868	(3,872)	206,996
Decrease			
- Claims paid	(42,108)	3,007	(39,101)
- Surrender	(22,330)	-	(22,330)
At 31 December 2021	1,255,420	(13,794)	1,241,626

(All amounts expressed in RMB million unless otherwise specified)

40. INSURANCE CONTRACT LIABILITIES (continued)

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
At 1 January 2020	4,608	(317)	4,291
Premiums written	18,981	(2,013)	16,968
Premiums earned	(19,383)	1,972	(17,411)
At 31 December 2020	4,206	(358)	3,848
Premiums written	18,179	46	18,225
Premiums earned	(19,076)	(11)	(19,087)
At 31 December 2021	3,309	(323)	2,986

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
At 1 January 2020	4,587	(687)	3,900
Claims incurred	10,977	(616)	10,361
Claims paid	(10,082)	594	(9,488)
At 31 December 2020	5,482	(709)	4,773
Claims incurred	13,217	(417)	12,800
Claims paid	(12,478)	682	(11,796)
At 31 December 2021	6,221	(444)	5,777

(All amounts expressed in RMB million unless otherwise specified)

40. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
At 1 January 2020	57,367	(6,068)	51,299
Premiums written	149,722	(18,856)	130,866
Premiums earned	(142,495)	17,745	(124,750)
At 31 December 2020	64,594	(7,179)	57,415
Premiums written	154,611	(19,414)	135,197
Premiums earned	(151,021)	19,002	(132,019)
At 31 December 2021	68,184	(7,591)	60,593

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (Note 33)	Net
At 1 January 2020	37,917	(6,154)	31,763
Claims incurred	86,998	(9,997)	77,001
Claims paid	(83,011)	9,607	(73,404)
At 31 December 2020	41,904	(6,544)	35,360
Claims incurred	104,458	(12,447)	92,011
Claims paid	(94,163)	10,271	(83,892)
At 31 December 2021	52,199	(8,720)	43,479

41. INVESTMENT CONTRACT LIABILITIES

At 1 January 2020	75,506
Deposits received	14,994
Deposits withdrawn	(8,220)
Fees deducted	(262)
Interest credited	3,344
Others	1,694
At 31 December 2020	87,056
Deposits received	21,328
Deposits withdrawn	(10,501)
Fees deducted	(382)
Interest credited	4,007
Others	1,265
At 31 December 2021	102,773

(All amounts expressed in RMB million unless otherwise specified)

42. BONDS PAYABLE

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

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

	31 December 2020	Issuance	Premium amortisation	Redemption	31 December 2021
CPIC Property	9,991	-	4	-	9,995

43. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2021	**31 December 2020**
Bonds		
Inter-bank market	63,591	77,797
Stock exchange	9,850	13,028
	73,441	90,825

As at 31 December 2021, bond investments of approximately RMB 77,792 million (31 December 2020: RMB 97,065 million) were pledged as 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.

(All amounts expressed in RMB million unless otherwise specified)

44. OTHER LIABILITIES

	31 December 2021	31 December 2020
Annuity and other insurance payables	23,483	23,477
Payables to third-party investors of consolidated structured entities	13,033	4,411
Payables related to asset-backed securities	11,775	13,140
Salary and staff welfare payable	7,386	6,711
Commission and brokerage payable	3,695	4,003
Payables for securities purchased but not settled	2,699	4,182
Accrued expenses	2,238	2,839
Tax payable other than income tax	1,785	1,815
Payables for purchases	1,311	1,281
Insurance security fund	1,138	632
Deposits	922	1,021
Co-insurance payable	875	520
Interest payable	517	594
Reimbursement payables	300	785
Others	4,962	3,924
	76,119	69,335

45. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES

(a) Long-term life insurance contracts

Key assumptions

Judgements are required in the process of determining the liabilities and making the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Life insurance contract estimates are based on current assumptions or those made when signing contracts. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense and policy dividend assumptions.

(All amounts expressed in RMB million unless otherwise specified)

45. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities

The analysis below is performed to show the reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross long-term life insurance contract liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities; however, for the purpose of demonstrating the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	As at 31 December 2021			
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact on equity	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(26,002)	26,002	-2.11%
	-25 basis points	28,036	(28,036)	2.27%
Mortality rates	+10%	1,799	(1,799)	0.15%
	-10%	(1,782)	1,782	-0.14%
Morbidity rates	+10%	20,141	(20,141)	1.63%
	-10%	(20,677)	20,677	-1.68%
Surrender rates	+10%	(2,856)	2,856	-0.23%
	-10%	3,142	(3,142)	0.25%
Expense	+10%	7,246	(7,246)	0.59%
	-10%	(7,246)	7,246	-0.59%
Policy dividend	+5%	17,882	(17,882)	1.45%

(All amounts expressed in RMB million unless otherwise specified)

45. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities (continued)

	As at 31 December 2020			
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact on equity	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(23,901)	23,901	-2.20%
	-25 basis points	25,844	(25,844)	2.38%
Mortality rates	+10%	2,142	(2,142)	0.20%
	-10%	(2,130)	2,130	-0.20%
Morbidity rates	+10%	18,502	(18,502)	1.70%
	-10%	(19,017)	19,017	-1.75%
Surrender rates	+10%	(2,030)	2,030	-0.19%
	-10%	2,348	(2,348)	0.22%
Expense	+10%	7,176	(7,176)	0.66%
	-10%	(7,176)	7,176	-0.66%
Policy dividend	+5%	17,617	(17,617)	1.62%

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in an identical fashion.

(b) Property and casualty and short-term life insurance contracts

Key assumptions

The calculation for claim reserves is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk margin, delays in settlement, etc.

(All amounts expressed in RMB million unless otherwise specified)

45. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

To illustrate the sensitivities of ultimate claim costs, for example, a respective percentage change in average claim costs or the number of claims alone results in a similar percentage change in claim reserves. In other words, while other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short-term life insurance as at 31 December 2021 by approximately RMB 2,174 million and RMB 289 million (31 December 2020: approximately RMB 1,768 million and RMB 239 million), respectively.

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	59,974	64,450	71,637	81,244	101,908	
One year later	57,147	64,051	71,010	80,052		
Two years later	55,300	63,170	70,608			
Three years later	54,609	62,484				
Four years later	54,566					
Current estimate of cumulative claims	54,566	62,484	70,608	80,052	101,908	369,618
Cumulative payments to date	(53,645)	(61,496)	(67,907)	(72,218)	(65,261)	(320,527)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						3,108
Total gross claim reserves included in the consolidated balance sheet						52,199

(All amounts expressed in RMB million unless otherwise specified)

45. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	52,415	56,073	62,405	71,681	89,762	
One year later	50,539	55,809	61,783	70,520		
Two years later	48,720	55,001	61,350			
Three years later	48,058	54,379				
Four years later	48,030					
Current estimate of cumulative claims	48,030	54,379	61,350	70,520	89,762	324,041
Cumulative payments to date	(47,398)	(53,871)	(59,426)	(63,962)	(58,651)	(283,308)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						2,746
Total net claim reserves included in the consolidated balance sheet						43,479

Gross short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	3,301	4,112	4,628	4,696	4,913	
One year later	3,189	3,796	4,307	4,266		
Two years later	3,231	3,798	4,358			
Three years later	3,250	3,829				
Four years later	3,255					
Current estimate of cumulative claims	3,255	3,829	4,358	4,266	4,913	20,621
Cumulative payments to date	(3,255)	(3,817)	(4,297)	(3,983)	(3,267)	(18,619)
Risk adjustment and others						4,219
Total gross claim reserves included in the consolidated balance sheet						6,221

(All amounts expressed in RMB million unless otherwise specified)

45. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Net short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	3,068	3,355	3,058	3,440	3,967	
One year later	2,960	3,210	3,163	3,339		
Two years later	2,993	3,216	3,222			
Three years later	2,999	3,241				
Four years later	3,004					
Current estimate of cumulative claims	3,004	3,241	3,222	3,339	3,967	16,773
Cumulative payments to date	(3,003)	(3,231)	(3,170)	(3,099)	(2,702)	(15,205)
Risk adjustment and others						4,209
Total net claim reserves included in the consolidated balance sheet						5,777

46. RISK MANAGEMENT

(a) Insurance risk

(i) Category of insurance risks

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected;

Severity risk – the possibility that the cost of the events will differ from those expected;

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

(i) Category of insurance risks (continued)

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(ii) Concentration of insurance risks

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note 6.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the US Dollars or the HK Dollars. The Group manages currency risk by keeping foreign exchange positions under control.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

The following tables summarise the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorising financial assets, financial liabilities, reinsurance assets and insurance contract liabilities by major currency.

	As at 31 December 2021				
	RMB	**USD (in RMB)**	**HKD (in RMB)**	**Other Currencies (in RMB)**	**Total**
Held-to-maturity financial assets	396,242	186	-	-	396,428
Investments classified as loans and receivables	406,276	-	-	-	406,276
Term deposits	189,893	6,626	-	-	196,519
Available-for-sale financial assets	633,745	8,069	2,508	1,059	645,381
Derivative financial assets	-	254	-	5	259
Financial assets at fair value through profit or loss	11,755	598	-	-	12,353
Reinsurance assets	30,521	-	351	-	30,872
Cash and short-term time deposits	24,726	6,873	946	-	32,545
Others	155,808	1,429	490	-	157,727
	1,848,966	24,035	4,295	1,064	1,878,360
Insurance contract liabilities	1,384,625	-	708		1,385,333
Investment contract liabilities	102,773	-	-	-	102,773
Policyholders' deposits	70	-	-	-	70
Bonds payable	9,995	-	-	-	9,995
Derivative financial liabilities	-	1	-	-	1
Securities sold under agreements to repurchase	73,441	-	-	-	73,441
Lease liabilities	3,102	-	3	-	3,105
Others	92,946	557	313	-	93,816
	1,666,952	558	1,024	-	1,668,534

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

	As at 31 December 2020				
	RMB	USD (in RMB)	HKD (in RMB)	Other Currencies (in RMB)	Total
Held-to-maturity financial assets	329,119	241	-	-	329,360
Investments classified as loans and receivables	380,174	-	-	-	380,174
Term deposits	179,295	13,671	-	-	192,966
Available-for-sale financial assets	585,627	7,032	2,638	861	596,158
Derivative financial assets	-	140	-	-	140
Financial assets at fair value through profit or loss	11,850	600	23	-	12,473
Reinsurance assets	27,394	-	325	-	27,719
Cash and short-term time deposits	18,708	1,194	961	15	20,878
Others	146,350	1,439	471	-	148,260
	1,678,517	24,317	4,418	876	1,708,128
Insurance contract liabilities	1,224,548	-	628	-	1,225,176
Investment contract liabilities	87,056	-	-	-	87,056
Policyholders' deposits	70	-	-	-	70
Bonds payable	9,991	-	-	-	9,991
Securities sold under agreements to repurchase	90,825	-	-	-	90,825
Lease liabilities	3,420	-	10	-	3,430
Others	84,821	518	313	-	85,652
	1,500,731	518	951	-	1,502,200

The Group has no significant concentration of currency risk.

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in spot and forward exchange rates, and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities denominated in foreign currency as at the dates indicated.

Currency	Changes in exchange rate	31 December 2021	
		Impact on profit before tax	Impact on equity
USD, HKD and other currencies	+ 5%	650	1,203
USD, HKD and other currencies	- 5%	(650)	(1,203)

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivities (continued)

Currency	**Changes in exchange rate**	**31 December 2020**	
		Impact on profit before tax	Impact on equity
USD, HKD and other currencies	+ 5%	774	1,270
USD, HKD and other currencies	- 5%	(774)	(1,270)

The impact on equity arising from monetary financial assets and liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks arising from interest rate risk on interest-bearing financial instruments.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

	As at 31 December 2021					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Held-to-maturity financial assets	10,109	27,483	14,282	344,554	-	396,428
Investments classified as loans and receivables	29,910	77,456	115,181	183,729	-	406,276
Restricted statutory deposits	1,758	4,900	770	-	-	7,428
Term deposits	23,837	123,577	49,105	-	-	196,519
Available-for-sale debt investments	64,347	45,692	39,459	145,766	-	295,264
Debt investments at fair value through profit or loss	1,308	659	17	12	-	1,996
Securities purchased under agreements to resell	13,432	-	-	-	-	13,432
Policy loans	66,950	-	-	-	-	66,950
Deposits with original maturity of no more than three months	2,487	-	-	-	30,058	32,545
Financial liabilities:						
Investment contract liabilities	2,492	1,467	5,748	93,066	-	102,773
Policyholders' deposits	70	-	-	-	-	70
Bonds payable	-	-	-	9,995	-	9,995
Securities sold under agreements to repurchase	73,441	-	-	-	-	73,441

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	As at 31 December 2020					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Held-to-maturity financial assets	9,619	22,194	25,396	272,151	-	329,360
Investments classified as loans and receivables	27,238	55,098	135,163	162,675	-	380,174
Restricted statutory deposits	880	3,216	2,762	-	-	6,858
Term deposits	30,391	92,070	70,355	150	-	192,966
Available-for-sale debt investments	68,626	57,600	38,438	151,124	-	315,788
Debt investments at fair value through profit or loss	1,930	1,026	159	4	-	3,119
Securities purchased under agreements to resell	14,327	-	-	-	-	14,327
Policy loans	62,364	-	-	-	-	62,364
Deposits with original maturity of no more than three months	1,132	-	-	-	19,746	20,878
Financial liabilities:						
Investment contract liabilities	1,384	2,110	3,019	80,543	-	87,056
Policyholders' deposits	70	-	-	-	-	70
Bonds payable	-	-	-	9,991	-	9,991
Securities sold under agreements to repurchase	90,825	-	-	-	-	90,825

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivities (continued)

Sensitivities on fixed-rate financial instruments (continued)

	31 December 2021	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	(12)	(6,314)
-50 basis points	12	7,002

	31 December 2020	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	(18)	(6,273)
-50 basis points	18	6,916

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet dates.

	31 December 2021	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	112	112
-50 basis points	(112)	(112)

	31 December 2020	
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	88	88
-50 basis points	(88)	(88)

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(iii) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2021, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique was RMB 5,586 million (31 December 2020: RMB 5,394 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, premium receivables, reinsurance arrangements with reinsurers, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of the CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

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 as at 31 December 2021 and 31 December 2020. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

	As at 31 December 2021						
	Not due and not impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired		
Held-to-maturity financial assets	396,135	-	-	-	-	293	396,428
Investments classified as loans and receivables	406,110	-	-	-	-	166	406,276
Term deposits	196,519	-	-	-	-	-	196,519
Available-for-sale debt investments	289,559	-	-	-	-	5,705	295,264
Debt investments at fair value through profit or loss	1,996	-	-	-	-	-	1,996
Interest receivables	20,427	-	-	-	-	-	20,427
Reinsurance assets	30,872	-	-	-	-	-	30,872
Insurance receivables	33,748	-	-	-	-	3,146	36,894
Cash and short-term time deposits	32,545	-	-	-	-	-	32,545
Others	100,238	-	-	-	-	168	100,406
Total	1,508,149	-	-	-	-	9,478	1,517,627

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Credit risk (continued)

	As at 31 December 2020						
	Not due and not impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired		
Held-to-maturity financial assets	329,129	-	-	-	-	231	329,360
Investments classified as loans and receivables	380,033	-	-	-	-	141	380,174
Term deposits	192,966	-	-	-	-	-	192,966
Available-for-sale debt investments	312,546	-	-	-	-	3,242	315,788
Debt investments at fair value through profit or loss	3,119	-	-	-	-	-	3,119
Interest receivables	20,563	-	-	-	-	-	20,563
Reinsurance assets	27,719	-	-	-	-	-	27,719
Insurance receivables	27,538	-	-	-	-	2,334	29,872
Cash and short-term time deposits	20,878	-	-	-	-	-	20,878
Others	97,560	-	-	-	-	265	97,825
Total	1,412,051	-	-	-	-	6,213	1,418,264

Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

The tables below summarise the contractual and expected remaining undiscounted cash flows of the financial assets and financial liabilities, and maturity profiles of insurance contract liabilities of the Group:

	As at 31 December 2021					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Held-to-maturity financial assets	-	25,745	105,092	630,695	-	761,532
Investments classified as loans and receivables	-	42,878	255,655	219,533	-	518,066
Derivative financial assets	-	24	237	-	-	261
Restricted statutory deposits	-	2,062	6,087	-	-	8,149
Term deposits	-	31,930	187,531	-	-	219,461
Available-for-sale financial assets	330	45,814	145,309	282,073	322,163	795,689
Financial assets at fair value through profit or loss	61	798	1,215	1,989	8,441	12,504
Securities purchased under agreements to resell	-	13,443	-	-	-	13,443
Insurance receivables	7,045	18,285	11,818	806	-	37,954
Cash and short-term time deposits	30,053	2,492	-	-	-	32,545
Others	3,885	75,931	1,785	-	-	81,601
Total	41,374	259,402	714,729	1,135,096	330,604	2,481,205
Liabilities:						
Insurance contract liabilities	-	132,344	59,083	1,193,906	-	1,385,333
Investment contract liabilities	-	11,669	35,945	122,785	-	170,399
Policyholders' deposits	-	70	-	-	-	70
Bonds payable	-	505	2,376	10,855	-	13,736
Derivative financial liabilities	-	1	-	-	-	1
Securities sold under agreements to repurchase	-	73,546	-	-	-	73,546
Lease liabilities	-	1,244	1,964	187	-	3,395
Others	47,907	43,670	1,638	84	-	93,299
Total	47,907	263,049	101,006	1,327,817	-	1,739,779

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	As at 31 December 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Held-to-maturity financial assets	-	23,717	104,517	483,906	-	612,140
Investments classified as loans and receivables	-	38,025	255,852	198,146	-	492,023
Derivative financial assets	-	4	136	-	-	140
Restricted statutory deposits	-	1,201	6,525	-	-	7,726
Term deposits	-	42,809	173,326	156	-	216,291
Available-for-sale financial assets	241	40,927	167,704	285,804	258,720	753,396
Financial assets at fair value through profit or loss	61	542	2,854	1,396	7,846	12,699
Securities purchased under agreements to resell	-	14,334	-	-	-	14,334
Insurance receivables	5,111	14,474	10,382	725	-	30,692
Cash and short-term time deposits	19,742	1,136	-	-	-	20,878
Others	1,711	75,178	1,619	-	-	78,508
Total	26,866	252,347	722,915	970,133	266,566	2,238,827
Liabilities:						
Insurance contract liabilities	-	131,590	54,174	1,039,412	-	1,225,176
Investment contract liabilities	-	10,046	29,173	107,421	-	146,640
Policyholders’ deposits	-	70	-	-	-	70
Bonds payable	-	505	2,276	11,460	-	14,241
Securities sold under agreements to repurchase	-	91,024	-	-	-	91,024
Lease liabilities	-	1,434	2,206	285	-	3,925
Others	48,221	35,054	1,685	98	-	85,058
Total	48,221	269,723	89,514	1,158,676	-	1,566,134

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	12	113	327	690	1,142

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities.

	As at 31 December 2021		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	8,441	387,987	396,428
Investments classified as loans and receivables	22,662	383,614	406,276
Derivative financial assets	24	235	259
Term deposits	23,837	172,682	196,519
Available-for-sale financial assets	355,714	289,667	645,381
Financial assets at fair value through profit or loss	9,206	3,147	12,353
Cash and short-term time deposits	32,545	-	32,545
Others	77,761	1,785	79,546
Sub-total	530,190	1,239,117	1,769,307
Liabilities:			
Insurance contract liabilities	132,344	1,252,989	1,385,333
Investment contract liabilities	2,492	100,281	102,773
Policyholders' deposits	70	-	70
Bonds payable	-	9,995	9,995
Derivative financial liabilities	1	-	1
Securities sold under agreements to repurchase	73,441	-	73,441
Lease liabilities	1,194	1,911	3,105
Others	91,577	1,722	93,299
Sub-total	301,119	1,366,898	1,668,017

	As at 31 December 2020		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	8,156	321,204	329,360
Investments classified as loans and receivables	18,529	361,645	380,174
Derivative financial assets	4	136	140
Term deposits	30,391	162,575	192,966
Available-for-sale financial assets	285,952	310,206	596,158
Financial assets at fair value through profit or loss	8,944	3,529	12,473
Cash and short-term time deposits	20,878	-	20,878
Others	75,021	1,619	76,640
Sub-total	447,875	1,160,914	1,608,789
Liabilities:			
Insurance contract liabilities	131,590	1,093,586	1,225,176
Investment contract liabilities	1,384	85,672	87,056
Policyholders' deposits	70	-	70
Bonds payable	-	9,991	9,991
Securities sold under agreements to repurchase	90,825	-	90,825
Lease liabilities	1,299	2,131	3,430
Others	83,275	1,783	85,058
Sub-total	308,443	1,193,163	1,501,606

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

(d) Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of assets and liabilities matching.

(e) Capital management risks

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

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

Group	**31 December 2021**	**31 December 2020**
Core capital	496,620	500,766
Actual capital	506,620	510,766
Minimum required capital	190,794	177,288
Core solvency margin ratio	260%	282%
Comprehensive solvency margin ratio	266%	288%

CPIC Property	**31 December 2021**	**31 December 2020**
Core capital	47,808	44,208
Actual capital	57,808	54,208
Minimum required capital	20,072	19,672
Core solvency margin ratio	238%	225%
Comprehensive solvency margin ratio	288%	276%

CPIC Life	**31 December 2021**	**31 December 2020**
Core capital	368,570	377,203
Actual capital	368,570	377,203
Minimum required capital	168,912	155,860
Core solvency margin ratio	218%	242%
Comprehensive solvency margin ratio	218%	242%

(All amounts expressed in RMB million unless otherwise specified)

46. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

CPIC Health	**31 December 2021**	**31 December 2020**
Core capital	1,286	1,294
Actual capital	1,286	1,294
Minimum required capital	934	949
Core solvency margin ratio	138%	136%
Comprehensive solvency margin ratio	138%	136%

PAAIC	**31 December 2021**	**31 December 2020**
Core capital	2,863	1,821
Actual capital	2,863	1,821
Minimum required capital	673	614
Core solvency margin ratio	425%	297%
Comprehensive solvency margin ratio	425%	297%

47. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note 2.2(3) for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

(All amounts expressed in RMB million unless otherwise specified)

47. STRUCTURED ENTITIES (continued)

As at 31 December 2021, the size of unconsolidated structured entities and Group's funding and maximum exposure are shown below:

		31 December 2021				
		Size	Funding provided by the Group	Group's maximum exposure	Carrying amount of Group's investment	Interest held by the Group
Pension funds and endowment assurance products managed by affiliated parties		299,019	-	-	-	Management fee
Insurance asset management products managed by affiliated parties		348,109	136,452	137,204	136,542	Investment income and management fee
Securities Investment Fund managed by affiliated parties		72,530	9,999	10,231	10,231	Investment income and management fee
Insurance asset management products managed by third parties	Note 1		127,920	128,897	128,547	Investment income
Trust products managed by third parties	Note 1		134,531	134,599	134,289	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1		4,604	4,812	4,811	Investment income
Securities Investment Fund managed by third parties	Note 1		52,218	58,906	58,906	Investment income
Total			465,724	474,649	473,326	

Note 1: The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are included in wealth management products, funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products, funds and other equity investments under available-for-sale financial assets, debt investment plans and wealth management products under investments classified as loans and receivables, and investments in associates and joint ventures.

(All amounts expressed in RMB million unless otherwise specified)

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note 3.2(2)).

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities and bonds payable, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

	As at 31 December 2021	
	Carrying amount	Fair value
Financial assets:		
Held-to-maturity financial assets	396,428	433,415
Investments classified as loans and receivables	406,276	406,311
Financial liabilities:		
Bonds payable	9,995	11,037

	As at 31 December 2020	
	Carrying amount	Fair value
Financial assets:		
Held-to-maturity financial assets	329,360	348,481
Investments classified as loans and receivables	380,174	380,235
Financial liabilities:		
Bonds payable	9,991	10,571

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

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

(All amounts expressed in RMB million unless otherwise specified)

49. 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 consolidated 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:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

(All amounts expressed in RMB million unless otherwise specified)

49. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	19	-	-	19
- Funds	210	61	-	271
- Bonds	1,536	429	-	1,965
- Others	-	404	9,694	10,098
	1,765	894	9,694	12,353
Available-for-sale financial assets				
- Stocks	149,050	-	5,286	154,336
- Funds	41,739	31,162	-	72,901
- Bonds	21,477	267,473	2,076	291,026
- Others	-	16,884	110,234	127,118
	212,266	315,519	117,596	645,381
Derivative financial assets	-	259	-	259
Liabilities measured at fair value				
Derivative financial liabilities	-	1	-	1
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note 48)	5,988	427,427	-	433,415
Investments classified as loans and receivables (Note 48)	-	2,034	404,277	406,311
Investment properties (Note 20)	-	-	11,538	11,538
Liabilities for which fair values are disclosed				
Bonds payable (Note 48)	-	-	11,037	11,037

(All amounts expressed in RMB million unless otherwise specified)

49. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	70	-	-	70
- Funds	307	108	-	415
- Bonds	2,596	502	-	3,098
- Others	-	228	8,662	8,890
	2,973	838	8,662	12,473
Available-for-sale financial assets				
- Stocks	120,263	6,953	-	127,216
- Funds	37,688	26,046	-	63,734
- Bonds	16,661	295,319	2,038	314,018
- Others	-	9,752	81,438	91,190
	174,612	338,070	83,476	596,158
Derivative financial assets	-	140	-	140
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note 48)	6,452	342,029	-	348,481
Investments classified as loans and receivables (Note 48)	-	2,110	378,125	380,235
Investment properties (Note 20)	-	-	11,470	11,470
Liabilities for which fair values are disclosed				
Bonds payable (Note 48)	-	-	10,571	10,571

In 2021, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2021, the Group transferred the bonds with a carrying amount of approximately RMB 3,871 million from Level 1 to Level 2 and approximately RMB 10,867 million from Level 2 to Level 1. In 2020, the Group transferred the bonds with a carrying amount of approximately RMB 14,263 million from Level 1 to Level 2 and approximately RMB 9,139 million from Level 2 to Level 1.

(All amounts expressed in RMB million unless otherwise specified)

49. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	2021						
	Beginning of year	Increase	Decrease	Transferred to Level 3	Net unrealised gains/(losses) recognised in profit or loss	Net unrealised gains/(losses) recognised in other comprehensive income/(loss)	End of year
Financial assets at fair value through profit or loss							
- Wealth management products	18	-	(3)	-	-	-	15
- Debt investment plans	3	13	-	-	-	-	16
- Other equity investments	8,641	91	-	-	931	-	9,663
Available-for-sale financial assets							
- Stocks	-	3,658	-	-	-	1,628	5,286
- Preferred shares	13,131	13	(600)	-	-	(25)	12,519
- Other equity investments	68,307	29,147	(2,516)	-	(9)	839	95,768
- Finance bonds	2,038	-	-	-	9	29	2,076
- Wealth management products	-	1,947	-	-	-	-	1,947

	2020						
	Beginning of year	Increase	Decrease	Transferred to Level 3	Net unrealised gains/(losses) recognised in profit or loss	Net unrealised gains recognised in other comprehensive income/(loss)	End of year
Financial assets at fair value through profit or loss							
- Wealth management products	11	7	-	-	-	-	18
- Debt investment plans	3	-	-	-	-	-	3
- Other equity investments	595	8,034	-	-	12	-	8,641
Available-for-sale financial assets							
- Preferred shares	13,621	-	(499)	-	-	9	13,131
- Other equity investments	49,181	25,271	(7,870)	-	(157)	1,882	68,307
- Finance bonds	1,974	252	-	-	(197)	9	2,038

(All amounts expressed in RMB million unless otherwise specified)

49. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 3.13% to 7.22%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

50. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

	2021	2020
Profit before tax	30,796	29,238
Investment income	(91,643)	(82,740)
Foreign currency loss	417	1,428
Finance costs	2,851	2,760
Charge of impairment losses on insurance receivables and other assets, net	263	152
Depreciation of property and equipment	1,835	1,791
Depreciation of investment properties	329	335
Depreciation of right-of-use assets	1,532	1,534
Amortisation of other intangible assets	819	725
Amortisation of other assets	18	18
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(10)	(4)
	(52,793)	(44,763)
Increase in reinsurance assets	(3,153)	(2,159)
Increase in insurance receivables	(7,262)	(6,616)
Decrease/(increase) in other assets	938	(2,172)
Increase in insurance contract liabilities	157,786	145,020
Increase in other operating liabilities	16,316	24,180
Cash generated from operating activities	111,832	113,490

(All amounts expressed in RMB million unless otherwise specified)

51. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	2021	2020
Shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company	5	7

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

(b) Fund subscription and redemption transactions

	2021	2020
Hwabao WP Fund Management Co., Ltd.	819	1,289

(c) Dividends paid

	2021	2020
Shareholders who individually own more than 5% of voting rights of the Company	4,161	4,571

(d) Compensation of key management personnel

	2021	2020
Salaries, allowances and other short-term benefits	34	29
Deferred bonus (1)	-	-
Total compensation of key management personnel	34	29

(1) This represents the amount under the Group's deferred bonus plans mentioned in Note 12. This represents the amount under the Group's deferred bonus plans which in order to motivate senior management and certain key employees.

Further details of directors' emoluments are included in Note 12.

(All amounts expressed in RMB million unless otherwise specified)

51. RELATED PARTY TRANSACTIONS (continued)

(e) The Group had the following major transactions with the joint venture:

	2021	2020
Binjiang-Xiangrui		
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	160	-
Rental fees for leasing office buildings of Binjiang-Xiangrui	79	79
Total	239	79
Ruiyongjing Real Estate		
Grant loans	837	2,381

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(f) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organisations (collectively "government-related entities"). The Company is also a government-related entity.

In 2020 and 2021, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

Management considers that those transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are controlled, jointly controlled or significantly influenced by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

52. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

		31 December 2021	31 December 2020
Contracted, but not provided for	(1)(2)	7,756	9,508
Authorised, but not contracted for	(1)(2)	6,149	7,872
		13,905	17,380

(All amounts expressed in RMB million unless otherwise specified)

52. COMMITMENTS (continued)

(a) Capital commitments (continued)

As at 31 December 2021, major projects with capital commitments are as follows:

(1) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2021, the cumulative amount incurred by CPIC Life amounted to approximately RMB 13,289 million. Of the balance, approximately RMB 1,996 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.

(2) CPIC Life and CPIC Senior Living Investment obtained the use rights of eight parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up eight project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eight projects is approximately RMB 9,617 million. As at 31 December 2021, the cumulative amount incurred amounted to approximately RMB 3,558 million. Of the balance, approximately RMB 2,726 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 3,333 million was disclosed as a capital commitment authorised but not contracted for.

(All amounts expressed in RMB million unless otherwise specified)

52. COMMITMENTS (continued)

(b) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2021	31 December 2020
Within 1 year (including 1 year)	821	866
1 to 2 years (including 2 years)	604	589
2 to 3 years (including 3 years)	420	331
3 to 5 years (including 5 years)	448	397
More than 5 years	22	28
	2,315	2,211

53. CONTINGENT LIABILITIES

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

In addition to the legal proceedings of the above natures, as at 31 December 2021, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

(All amounts expressed in RMB million unless otherwise specified)

54. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Company	**31 December 2021**	**31 December 2020**
ASSETS		
Cash at bank and on hand	5,261	271
Financial assets at fair value through profit or loss	9	11
Securities purchased under agreements to resell	10	110
Interest receivables	631	648
Term deposits	14,278	21,190
Available-for-sale financial assets	29,442	32,369
Investments classified as loans and receivables	17,086	12,971
Long-term equity investments	64,985	65,072
Investment properties	2,992	3,289
Fixed assets	1,338	1,310
Construction in progress	3	59
Right-of-use assets	350	317
Intangible assets	236	330
Other assets	2,613	487
Total assets	139,234	138,434
LIABILITIES AND EQUITY		
Liabilities		
Securities sold under agreements to repurchase	1,120	1,272
Commissions and brokerage payable	1	1
Employee benefits payable	339	245
Taxes payable	8	11
Lease liabilities	362	330
Deferred income tax liabilities	356	432
Other liabilities	556	530
Total liabilities	2,742	2,821
Equity		
Issued capital	9,620	9,620
Capital reserves	79,312	79,312
Other comprehensive income	1,354	1,548
Surplus reserves	4,810	4,810
Retained profits	41,396	40,323
Total equity	136,492	135,613
Total liabilities and equity	139,234	138,434

KONG Qingwei	FU Fan
Director	Director

(All amounts expressed in RMB million unless otherwise specified)

54. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

The movements in reserves and retained profits of the Company are set out below:

Company	2021					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2021	9,620	79,312	1,548	4,810	40,323	135,613
Amount of change this year	-	-	(194)	-	1,073	879
Net profit	-	-	-	-	13,579	13,579
Other comprehensive income/(loss)	-	-	(194)	-	-	(194)
Total comprehensive income	-	-	(194)	-	13,579	13,385
Profit Distribution	-	-	-	-	(12,506)	(12,506)
Profit distribution to shareholders	-	-	-	-	(12,506)	(12,506)
At 31 December 2021	9,620	79,312	1,354	4,810	41,396	136,492

Company	2020					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2020	9,062	66,164	867	4,531	32,666	113,290
Amount of change this year	558	13,148	681	279	7,657	22,323
Net profit	-	-	-	-	18,810	18,810
Other comprehensive income/(loss)	-	-	681	-	-	681
Total comprehensive income	-	-	681	-	18,810	19,491
Capital contribution and withdrawal by shareholders	558	13,148	-	-	-	13,706
Capital contribution by shareholders	558	13,148	-	-	-	13,706
Profit Distribution	-	-	-	279	(11,153)	(10,874)
Appropriations to surplus reserves	-	-	-	279	(279)	-
Profit distribution to shareholders	-	-	-	-	(10,874)	(10,874)
At 31 December 2020	9,620	79,312	1,548	4,810	40,323	135,613

The balance sheet and reserve movement of the Company disclosed in this note are prepared in accordance with PRC GAAP, the primary GAAP for the Company to determine the amount of retained profits available for distribution.

There is no material difference in recognition and measurement between PRC GAAP and the significant accounting policies as disclosed in Note 2.2 in preparation of the above balance sheet and reserve movement of the Company, other than that the Company's investment in subsidiaries are stated at cost less any impairment losses and the results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

There is no difference between the consolidated financial statements prepared in accordance with HKFRS and PRC GAAP by the Group in the equity as at 31 December 2021 and 31 December 2020 and no difference in the net profit for the respective years then ended.

(All amounts expressed in RMB million unless otherwise specified)

55. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the 11th extraordinary board meeting of the 7th Board of Directors of CPIC Life, CPIC Senior Living Development (Zhengzhou) Co., Ltd. and CPIC Senior Living Development (Beijing) Co., Ltd. were set up with estimated capital contributions of RMB 1,060 million and RMB 1,330 million respectively. CPIC Life had made the capital contribution of RMB 184 million and RMB 117 million respectively as at the date of approving these financial statements.

Pursuant to the resolution of the 16th extraordinary board meeting of the 7th Board of Directors and the 1st general meeting of shareholders of CPIC Life held in 2022, CPIC Life injected capital in the amount of RMB 2,000 million into CPIC Senior Living Investment. The capital injection is subject to approval from the CBIRC.

Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary set up by the Company, obtained the business license of legal entity in March 2022. The registered capital is RMB 700 million.

The Group does not have other significant post balance sheet events.

56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorised for issue by the Company’s directors on 25 March 2022.