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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 2022**

Chairman's statement

Dear shareholders,

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

Looking back, we have consistently maintained solid business performance and secure market standings in spite of market conditions, thanks to the hard work, pioneering spirit, and the determination of reform of all my colleagues, which passes on from generation to generation. Our ascendancy to industry leadership epitomises the core values of CPIC: Honesty, Prudence,

Pursuit of Excellence, Innovation and winning for all. Today, CPIC has become a leading composite insurance group in China, which not only controls insurance subsidiaries along the entire insurance value chain, but also has deployed in related sectors upstream and downstream, such as health care and elderly care. Over the decades, we have undergone profound transformation, but our core values remain unchanged. We take matters into our own stride, and do what we believe are the right things. Given our commitment to the long-termism, we have made steady progress in establishing the “benchmark” for high-quality development.

We stay focused on value and high-quality development. We adapted to market conditions at different stages, made well-thought-out planning, and identified the best path of sustained value growth across economic cycles. For P/C insurance, we pursued rapid business development on the basis of business quality improvement and sound underwriting profitability, and this business philosophy helped us meet challenges of the auto insurance comprehensive reform, and seize opportunities of new energy vehicles and emerging business areas; on the life insurance front, in the face of slow-down of NBV growth, we strived to diversify distribution channels with the agency channel at the core, which enabled us to capture opportunities of bancassurance; in the face of capital market volatility and deterioration of credit risk, we adhered to asset allocation based on profiles of liabilities and across macro-economic cycles, with sound and resilient investment performance. At the same time, we continuously optimised the KPI system, giving even more priority to value growth, with steady EV growth and sound return on assets.

We believe in the long-termism, base our business philosophies on fortitude and altruism. We think about the long term and the future when making choices. We respect the inherent development patterns of insurance, make sound strategic planning, explore new development drivers and prepare us strategically for the future. We launched the Changhang Transformation of life insurance business, rolled out the Amended Basic Law. Such measures were intended to resolve precisely the kind of short-termism in agency force management, drive for paradigm shift of the agency force development mode, and promote long-term cooperation, common development of the Company and agents. Since the inception of the transformation, the agency channel has shown encouraging signs, with steady improvement in core manpower productivity and income, and broad-based support for the direction of the reform, namely, career-based

development, professionalism and digital empowerment. We uphold sustainable development, implemented corporate social responsibility, pushed for integration of ESG philosophy into corporate values, and for integration of green insurance, green investment and green operation into business practices. In particular, we built the social responsibility “spectrum” of CPIC Blue, CPIC Red, and CPIC Green, doing our part in promoting public welfare of the society.

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

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

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

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

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

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

Review and analysis of operating results

Business overview

I. Key businesses

We are a leading integrated insurance group in China, providing, through our subsidiaries and along the insurance value chain, a broad range of risk protection solutions, wealth management and asset management services.

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

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

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

Unit: RMB million

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

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

III. Core Competitiveness

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

Focus

We persist in the focus on insurance, and have obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management. With balanced development of business segments along the insurance value chain, we re-engineer the insurance value chain of "products + services", with enhanced capabilities in specialised insurance business operation. Our life/health insurance business deepens the Changhang Transformation to drive the shift of development model, with steady progress of the new Basic Law (i.e., Rules on Management and Compensation of Life Insurance Agents), and roll-out of Career-based Agency Force and Value-oriented Bancassurance in an orderly manner. The property and casualty insurance serves the New Development Pattern, enhances risk selection, deepens management of individual customer resources, and improves the business model for government/corporate clients, with steady improvement in customer

resources management (CRM). As for investment, we adhere to value, long-term, prudent and responsible investing, optimise asset liability management (ALM), strengthen investment research capabilities, with industry-leading capabilities in liability-driven strategic asset allocation (SAA) and professional investment expertise.

Prudence

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

Innovation

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

Responsibility

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

Performance overview

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

I. Market environment and steps taken

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

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

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

II. Performance highlights

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

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

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

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

- The combined ratio was 97.3%, down by 1.8pt. Of this, expense ratio stood at 28.9%, down by 0.4pt, and loss ratio 68.4%, down by 1.4pt.
- GWPs amounted to RMB172.583 billion, an increase of 11.6%. Of this, non-auto business grew by 18.8% and accounted for 43.2% of total property and casualty insurance GWPs, up by 2.6pt.
- Automobile insurance enhanced CRM capabilities, with improved customer retention; non-auto business achieved improvement in business quality, with emerging business lines such as liability insurance, health insurance and agricultural insurance maintaining rapid development.

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

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

Notes:

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

III. Key performance indicators

Unit: RMB million

Indicators	As at 31 December 2022 /for the period between January and December in 2022	As at 31 December 2021 /for the period between January and December in 2021	Changes (%)
Key value indicators			
Group embedded value	519,621	498,309	4.3
Value of in-force business ^{note 1}	221,479	211,096	4.9
Group net assets ^{note 2}	228,446	226,741	0.8
NBV of CPIC Life	9,205	13,412	(31.4)
NBV margin of CPIC Life (%)	11.6	23.5	(11.9pt)
Combined ratio of CPIC P/C (%)	97.3	99.0	(1.7pt)
Growth rate of Group investments' net asset value (%)	2.3	5.4	(3.1pt)
Key operating indicators			
GWPs	398,818	366,782	8.7
CPIC Life	225,343	211,685	6.5
CPIC P/C	170,377	152,643	11.6
Group number of customers ('000) ^{notes 3}	170,527	168,393	1.3
Average number of insurance policies per customer	2.29	2.28	0.4
Monthly average agent number ('000)	279	525	(46.9)
Surrender rate of CPIC Life (%)	1.5	1.7	(0.2pt)
Total investment yield (%)	4.2	5.7	(1.5pt)
Net investment yield (%)	4.3	4.5	(0.2pt)
Third-party AuM	697,947	789,468	(11.6)
CPIC AMC	272,412	267,120	2.0
Changjiang Pension	354,349	452,191	(21.6)
Key financial indicators			
Net profit attributable to shareholders of the parent	24,609	26,834	(8.3)
CPIC Life	16,479	18,905	(12.8)
CPIC P/C	8,285	6,352	30.4
Basic earnings per share (RMB yuan) ^{note 2}	2.56	2.79	(8.3)
Net assets per share (RMB yuan) ^{note 2}	23.75	23.57	0.8
Comprehensive solvency margin ratio (%) ^{note 4}			
CPIC Group	256	266	(10pt)
CPIC Life	218	218	-
CPIC P/C	202	288	(86pt)

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Attributable to shareholders of the parent.
3. Group number of customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.
4. On 30 December 2021, CBIRC promulgated Solvency Regulatory Standards (II) of Insurance Companies, which entered into force on 1 January 2022. Figures as of 31 December 2022 were based on C-ROSS II, while those as at the end of 2021 were based on previous solvency standards.

Life/health insurance business

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

I. CPIC Life

(I) Business analysis

In 2022, in the face of challenging market environment, CPIC Life stayed confident, adhered to high-quality development, focused on the long term, stepped up supply-side reform, and deepened the Changhang Transformation, with resilience in its development and continued improvement in its business quality. During the reporting period, it reported RMB225.343 billion in GWPs, an increase of 6.5% compared with that of 2021. Of this, new business premiums grew by 35.8%, with growth momentum picking up quarter by quarter; OPAT amounted to RMB30.835 billion, a growth of 9.1%. 13-month policy persistency for individual customers improved by 7.7pt year-on-year, and the surrender ratio down by 0.2pt.

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

CPIC Life persist in customer-oriented strategies, and strive for a paradigm shift in development through transformation and reform. During the reporting period, we implemented projects such as Career Agency Force, Value-oriented Bancassurance, and Products + Services Systems, with initial success in transformation: first, built a new model for the agency channel, with improvement in business quality and agency force development, as well as core manpower productivity and income; second, effectively implemented the strategy of diversified distribution channels, with exponential growth of bancassurance new business premiums, increase in the proportion of regular pay premiums and increased effort to explore cross-sell and up-sell between

channels; third, upgraded the “Golden Triangle” product system centering on customer needs in health protection, wealth management and retirement provision, and enhanced capability for supply of “products and services”.

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

1. Analysis by channels

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

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

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

(1) Agency channel

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

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

For 12 months ended 31 December	2022	2021	Changes (%)
Monthly average agent number ('000)	279	525	(46.9)
Monthly average performing ratio of agents (%)	63.4	52.1	11.3pt
Monthly average FYP per agent (RMB)	6,844	4,638	47.6
Average number of new long-term life insurance policies per agent per month	1.26	1.38	(8.7)

(2) Bancassurance channel

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

(3) Group channel

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

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

2. Analysis by product types

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

In health protection, we launched "Jinfu-Hejiahuan", an upgraded whole-life CI product with expanded cover for more competitive prices benefiting more than 330,000 customers; we innovated "Aixiang Jinsheng", a medical insurance product against cancer, helping our customers to mitigate financial risks associated with cancer and providing them with access to targeted treatment. In retirement and wealth inheritance, we promoted "Chang Xiang Ban", a product suite positioned to meet customers' diverse needs for risk protection, wealth inheritance, and long-term savings, covering about 390,000 customers. In terms of wealth management, there were mid-term annuity and endowment products such as "Xin Cong Rong" to meet customer demand in mid and long-term wealth planning, such as the provision for education.

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

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

guaranteed interest rates in the context of pricing liberalisation.

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

Information of the top five products in 2022

For 12 months ended 31 December					Unit: RMB million
Ranking	Name	Type	GWPs	Main channel	
1	Xin Hong Li endowment 鑫紅利兩全保險 (分紅型)	Participating	23,862	Bancassurance	
2	Jin You Ren Sheng whole life A (2014) 金佑人生終身壽險 (分紅型) A 款 (2014 版)	Participating	14,607	Agency channel	
3	Chang Xiang Ban (anniversary celebration) whole life 長相伴 (慶典版) 終身壽險	Traditional	11,677	Agency channel	
4	Xin Xiang Shi Cheng (anniversary celebration) Endowment 鑫享事誠 (慶典版) 兩全保險	Traditional	10,989	Agency channel	
5	Group medical insurance for major diseases of rural and urban residents (A) 城鄉居民大病團體醫療保險 (A 型)	Short-term health	7,169	Group channel	

3. Policy persistency ratio

We intensified business quality control, and as a result, the 13-month policy persistency ratio of individual customers improved by 7.7pt to 88.0%; while the 25-month policy persistency ratio declined, due to higher agent turnover from earlier.

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

Notes:

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

(II) Financial analysis

		Unit: RMB million		
For 12 months ended 31 December	2022	2021	Changes (%)	
Net premiums earned	217,808	203,446	7.1	
Investment income ^{note 1}	73,743	82,418	(10.5)	
Exchange gains/(losses)	200	(50)	(500.0)	
Other operating income	1,718	1,852	(7.2)	
Gains on disposal of assets	2	9	(77.8)	
Other income	39	25	56.0	
Operating income	293,510	287,700	2.0	
Surrenders	(21,433)	(22,330)	(4.0)	
Claims	(46,255)	(54,190)	(14.6)	
Less: claim recoveries from reinsurers	4,572	4,777	(4.3)	
Net change in insurance contract reserves	(163,779)	(143,123)	14.4	
Commission and brokerage expenses	(14,102)	(17,174)	(17.9)	
Operating and administrative expenses	(14,524)	(14,780)	(1.7)	
Other expenses ^{note 2}	(24,284)	(21,586)	12.5	
Operating expenses	(279,805)	(268,406)	4.2	
Operating profit	13,705	19,294	(29.0)	
Net of non-operating income and expenses	(49)	(34)	44.1	
Income tax	2,823	(355)	(895.2)	
Net profit	16,479	18,905	(12.8)	

Notes:

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

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

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

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

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

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

Income tax for the reporting period was -RMB2.823 billion, down by 895.2%, mainly due to increase in tax deductible income and decrease in pre-tax profits.

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

II. CPIC Health

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

In May 2022, it completed a capital increase of RMB1.9 billion, which further boosted its capital position.

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

Property and casualty insurance

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

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

I. CPIC P/C

(I) Business analysis

In the face of multiple challenges, CPIC P/C persisted in high-quality development, adopted a targeted approach in its strategies, pro-actively seized development opportunities, stepped up business quality control, and recorded solid business performance for the year, including rapid top-line growth and continued improvement in the combined ratio. During the reporting period,

it posted GWPs of RMB170.377 billion, up by 11.6%, with a combined ratio of 97.3%, down by 1.7pt from 2021. Of this, loss ratio stood at 68.5%, down by 1.1pt, and expense ratio 28.8%, down by 0.6pt.

1. Analysis by lines of business

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

(1) Automobile insurance

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

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

(2) Non-automobile insurance

In 2022, CPIC P/C seized opportunities arising from national strategies and industrial policies, accelerated the pace of business transformation and innovation, continued to foster emerging business lines, and optimised business quality and mix. It recorded GWPs of RMB72.385 billion for the year, up by 19.0%, with a combined ratio of 98.1%, down by 1.4pt. Of the major business lines, emerging business such as liability insurance, health insurance and agricultural insurance

maintained strong momentum of growth, with the combined ratios largely stable. Property insurance, accident insurance and construction & engineering insurance saw continued improvement in the combined ratio, due to improved business quality.

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

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

Agricultural insurance stayed true to its mission of serving agriculture, rural areas and farmers, capitalised on its first-mover advantage in technology and product innovation, vigorously participated in the trials of full-cost indemnity insurance of the 3 staple food crops and sugar-canes and of the crop insurance for hybrid growing of corn and soy beans, promoted regional specific agricultural insurance, played its due role in supporting Rural Invigoration, in safeguarding national food safety, and in promoting agricultural production, continued to increase the level of protection, and consolidated the foundation of its business operation. During the reporting period, the business line delivered RMB13.753 billion in GWPs, up by 32.7%, with a combined ratio of 97.7%, down by 1.9pt, pointing to continued improvement in profitability.

Guarantee insurance followed the guideline of “value-driven operation, integrated development, compliance and prudence”, continued to strengthen technological empowerment and digital, smart operation, upgraded Smart Risk Control 5.0 in an all-around way, and achieved steady development while ensuring effective risk control. In 2022, it reported GWPs of RMB7.692 billion,

up by 6.1%, with a combined ratio of 95.5%, pointing to stable and decent underwriting profitability.

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

(3) Key financials of major business lines

Unit: RMB million

For 12 months ended 31 December 2022

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

2. Top 10 regions for GWPs

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

Unit: RMB million

For 12 months ended 31 December	2022	2021	Changes (%)
GWPs	170,377	152,643	11.6
Guangdong	21,611	19,110	13.1
Jiangsu	18,950	16,629	14.0
Zhejiang	16,901	14,507	16.5
Shanghai	11,995	11,754	2.1
Shandong	9,558	8,734	9.4
Hubei	6,614	5,771	14.6
Beijing	6,466	6,388	1.2
Hebei	6,301	5,415	16.4

Sichuan	6,290	5,219	20.5
Henan	6,134	5,306	15.6
Subtotal	110,820	98,833	12.1
Others	59,557	53,810	10.7

(II) Financial analysis

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

Notes:

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

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

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

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

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

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

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

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

II. CPIC Anxin Agricultural

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

III. CPIC HK

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

Asset management

We persisted in value, long-term, prudent and responsible investing and put in place a sustainable ALM system. Within the SAA framework, we conducted Tactical Asset Allocation (TAA) with flexibility, while pro-actively managing equity assets. While ensuing strict control of credit risk, we continued to extend the duration of fixed income assets, so as to lower interest rate risk and reinvestment risk, delivering solid investment performance. At the same time, Group AuM maintained steady growth, with further enhancement of market competitiveness.

I. Group AuM

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

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

II. Group in-house investment assets

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

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

In investment concentration, our investments are concentrated in financial services, communications & transport, infrastructure, new energy sector, and consumption, with relatively strong resilience in the face of risks. Our equity investments spread across a wide range of instruments; as for fixed income assets, the debt issuers boasted strong overall strength, and in addition to government bonds, our main counter-parties included China State Railway Group

Co., Ltd., large state-owned commercial banks and government-sponsored banks.

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

(I) Group consolidated investment portfolios

Unit: RMB million

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

Notes:

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

1. By investment category

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

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

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB432.135 billion, accounting for 21.3% of total investment assets, down by 0.4pt from the end of 2021. While ensuring full compliance with regulatory requirements and internal risk control standards, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects. The underlying projects spread across sectors like infrastructure, real estate, communications & transport and non-bank

financial institutions, which were geographically concentrated in China's prosperous areas such as Beijing, Sichuan, Hubei, Shandong and Jiangsu.

Overall, the credit risk of our NPMI holdings is in the comfort zone. 99.4% of NPMIs had external credit-ratings, and of these, the share of AAA reached 96.8%, and that of AA+ and above 99.6%. 57.7% of NPMIs were exempt from debt issuer external credit-ratings, with the rest secured with credit-enhancing measures such as guarantee or pledge of collateral, with the overall credit risk under control.

Mix and distribution of yields of non-public financing instruments

Sectors	Share of investments (%)	Nominal yield (%)	Average duration (year)	Average remaining duration (year)
Infrastructure	40.4	4.8	7.8	5.5
Real estate	16.3	4.9	6.6	4.1
Communications & transport	16.2	4.7	9.0	6.2
Non-bank financial institutions	11.6	4.9	5.0	2.2
Energy and manufacturing	5.6	5.0	6.3	3.6
Others	9.9	4.3	7.1	4.9
Total	100.0	4.8	7.3	4.8

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

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit and loss grew by 112.2% from the end of the preceding year, mainly due to increased investments in wealth management products and bonds classified in this category; AFS financial assets increased by 10.8% from the end of 2021, mainly as a result of increased allocation in stocks and other equity investments; HTM financial assets grew by 29.7%, mainly due to increased investments in government bonds; long-term equity investments fell by 4.3% from the end of 2021, mainly due to decreased investments in associates; loans and other investments rose by 1.9%, largely attributable to increased allocation in debt investment plans and term deposits classified in this category.

(II) Group consolidated investment income

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

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

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

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

Notes:

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

(III) Total investment yield on a consolidated basis

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

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

III. Third-party AuM

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

(I) CPIC AMC

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

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

In 2022, the subsidiary focused on institutional clients, vigorously developed portfolio-based asset management business while solidifying existing product lines. Centering on strategies with CPIC characteristics, the subsidiary stepped up market development of “signature” products and core strategies which are based on its core investment capabilities, such as liquidity management, short-term notes, FOF, target yield “fixed income +”. It explored emerging business opportunities, such as companies with “specialties”, health care, domestic consumption, and specialty resources, etc, so as to diversify its product offering. Its equity product, known as Zhuoyue Caifu Share Dividend Value, after 10 years of operation, has been gradually recognised by third-party clients, thanks to its focus on value and long-term, stable performance, and high performance rankings among comparable products in 2022. As at the end of the year, the product

had over RMB6.0 billion under its management. CPIC AMC explored deployment in ESG product suites, and issued a series of asset management products with mandates in low-carbon, carbon neutrality and ESG bonds. As of the end of the reporting period, CPIC AMC reported RMB221.162 billion in third-party asset management products and AuM combined, an increase of 5.5% from the end of 2021.

(II) Changjiang Pension

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

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

Customer resource management

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

I. Individual customer

We are customer-oriented, committed to provide convenient, efficient product/service solutions to our customers, with constant improvement in the scope and penetration of customer service in recent years. As of the end of 2022, number of individual customers of the Group amounted to 168 million, up by 1.2% from the end of 2021; the number of customers with 2 insurance policies and above stood at 37.05 million, up by 13.8%. We diversified ecosystems for intra-Group collaboration to generate increased value per customer. In recent years, cross-sell across different business segments within the Group made continued progress, and as of the end of 2022, the number of individual customers holding insurance policies of multiple Group subsidiaries amounted to 10.61 million, up by 2.8% from the end of 2021; CPIC Life saw growing numbers of long-term life insurance customers with annualised premiums of over RMB15,000 and increased share of premiums from such customers; as for CPIC P/C, 94.0% of policy holders of compulsory automobile insurance for family private vehicles took out commercial insurance, with the average SA on Third-party Liability (TPL) reaching RMB2.194 million, and of this, the number of customers with SA of RMB1 million and above stood at 22.87 million, up by 4.0% from the end of 2021.

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

Note: Number of customers was based on insurance applicants.

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

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

II. Group customer

We continuously pushed forward the collaborative mode of market development under “One CPIC” targeting strategic accounts and key accounts, with the network of strategic accounts covering 802 companies/institutions, an increase of 211 from the end of 2021. In line with national strategies such as Healthy China Initiative, Rural Invigoration, and Green Development, we heightened cooperation with governments at various levels, improving comprehensive supply

capabilities in areas of terminal illness insurance, long-term care, supplementary medical insurance, rural comprehensive insurance, and green insurance; to support the real economy, we deepened strategic cooperation with firms under direct supervision of the central government and industry champions, while enhancing capability in providing insurance and funding solutions for emerging areas. As of the end of 2022, there were 124 partners under in-force strategic cooperation agreements with the Group, and of this, over 50% of them were in agreements with multiple CPIC subsidiaries, testifying to growing value from collaboration and sharing.

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

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

ESG

I. ESG management

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

(I) ESG vision

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

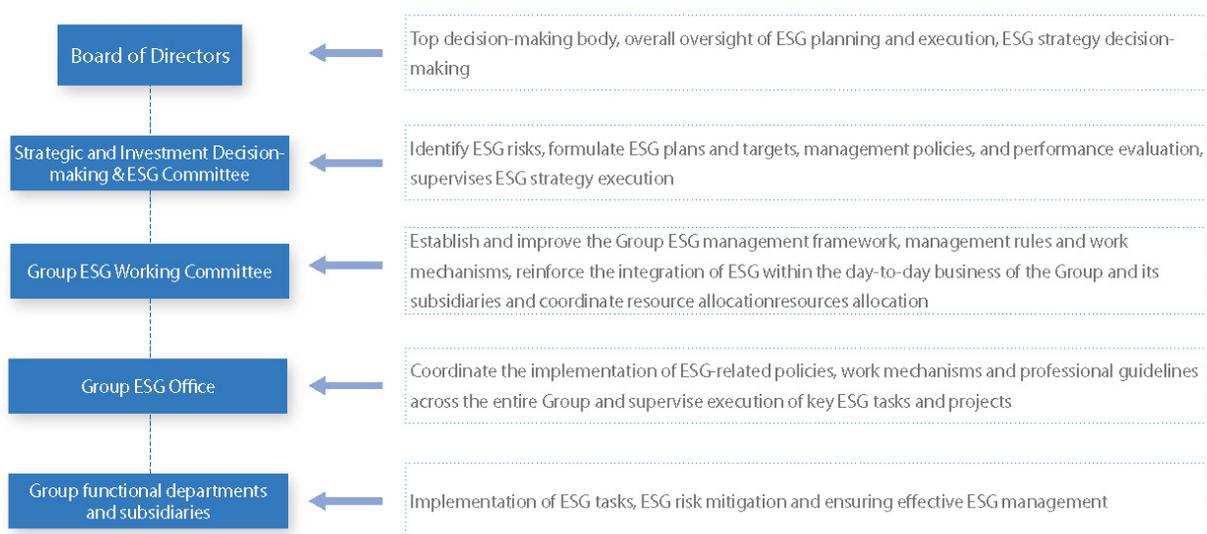
We persist in high-quality development, adopt a systematic approach, uphold opening-up and collaboration and set great store by the prevention of major risks. We establish and improve the ESG governance system and enhance capabilities to serve national initiatives, the real economy and people’s aspiration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

(II) ESG objectives

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

(III) ESG governance

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



II. ESG practice

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

(I) Environmental

Green insurance



In 2022, the Company pushed forward innovation in insurance products and services to help with the country’s construction of a clean and efficient energy system, the reduction of pollution and energy consumption, and the mitigation of climate change risks. As of the end of 2022, we provided cover against environment pollution risks with total SA exceeding RMB11 billion to more than 7,000 companies across the country; provided cover for clean energy projects with total cumulative SA exceeding RMB1 trillion, for new energy vehicles with auto insurance SA totaling more than RMB3 trillion; underwrote catastrophe insurance with SA of about RMB700 billion; successively rolled out innovative carbon sink insurance products such as the grassland carbon sink remote sense index insurance, the wetland carbon sink ecological value insurance, and the single tree carbon sink insurance, all of which are first of their kind in the country; and underwrote wild life liability insurance in Yunnan Province with cumulative claims of RMB360 million, benefiting more than 162,000 rural households.

Green investment



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

Green operation



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

(II) Social

Supporting national initiatives



We supported China International Import Expo (CIIE) for 5 years on end, and cumulatively provided comprehensive risk solutions covering P/C, life and health insurance with SA totalling RMB3.8 trillion, and in particular, contributed to a carbon-zero 5th CIIE; provided integrated risk solutions to China International Fair for Trade in Services (CIFTIS) for 3 years in a row, involving SA of more than RMB460 billion; built a “Belt and Road” smart cloud platform incorporating “satellite+security” technologies, and providing risk cover with SA of more than a trillion RMB yuan to more than 100 Chinese firms in 120-plus countries across Asia, Africa and Latin America; supported projects in emerging fields, providing all-round, full-process insurance services as the lead underwriter to a number of leading domestic chip factories; and provided all-round risk protection to the KZ-1A Launch Vehicle Project as the exclusive underwriter, supporting the country’s aerospace industry.

Health and elderly care



We vigorously implemented the blueprint of the development of health business. In May 2022, we launched Jia An Xin, an innovative medical insurance product for sub-standard risks that can provide health protection for not only healthy populations but also people with certain chronic diseases; and in November 2022, we launched Yuanshen Rehabilitation, a rehabilitation programme, officially initiating the building of the rehab care system. As of the end of 2022, we were involved in various government-sponsored medical insurance projects covering more than 300 million participants across 31 provinces (or provincial-level cities and autonomous regions), with Huiminbao programmes covering more than 90 cities of 15 provinces. Our “CPIC Family

Doctor” programme boasted a service team comprising up to 1,000 in-house doctors and outsourced specialists, providing on-line health management service to more than 3 million people; and “CPIC Blue Passport”, a health management programme, covered 2,800 public hospitals in nearly 400 cities.

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

Rural invigoration



In 2022, CPIC innovated insurance products and service to support the country’s rural invigoration strategy. As of the end of 2022, we built 3,806 “san nong” (meaning agriculture, rural areas and farmers)-related service stations across the country; provided agricultural insurance in more than 8.62 million insurance policies to rural households in 380-plus major grain-producing counties, safeguarding the country’s food security; cumulatively developed more than 3,500 agricultural insurance products; carried out 400-plus “insurance+futures” pilot projects, serving more than 1.5 million rural household times; “Fang Pin Bao”, an anti-poverty insurance programme, covered 1,175 counties and prefectures across the country, with cumulative SA exceeding RMB36.5 trillion, and cumulative pay-out of more than RMB2 billion.

Donations



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

Consumer rights protection



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

(III) Governance

Corporate governance



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

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

Employee rights and development



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

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

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

ESG risk management



We identify, analyse and assess risks in climate change, population ageing, emerging health and urbanisation issues in light of ESG risk management requirements. Incorporated ESG risks into Regulations on Enterprise Risk Management, and rules on major risk categories, conducted assessment and monitoring of ESG risks such as the catastrophe risk. Proactively coped with physical risks and transitioning risk arising from climate change, integrated indicators such as Share of Sum Assured on Property and Casualty Insurance in Typhoon-prone Regions into Group

Risk Limit Indicator System, monitored relevant data in climate change vulnerable areas, so as to prevent concentrated claims payments due to natural catastrophes like typhoons.

Anti-corruption



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

Data security



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

Supply chain management



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

choosing appropriate selection mechanisms based on concrete circumstances of the project and in compliance with laws and regulations.

Analysis of specific items

I. Consolidated income statement

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

II. Liquidity analysis

(I) Cash flow statement

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

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

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

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

(II) Gearing ratio

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

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

(III) Liquidity analysis

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

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

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

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

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

III. Items concerning fair value accounting

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

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

The financial instruments measured at fair value are detailed in notes XV and XVI of financial statements.

IV. Structured entities controlled by the Group

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

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

	31 December 2022/ 2022	31 December 2021/ 2021	Changes (%)	Unit: RMB million Main reasons
Total assets	2,176,299	1,946,164	11.8	Business expansion
Total liabilities	1,942,171	1,713,759	13.3	Business expansion
Total equity	234,128	232,405	0.7	Profit for the period and fair value changes of AFS financial assets
Operating profit	25,233	30,794	(18.1)	Decrease in investment income
Net profit attributable to shareholders of the parent	24,609	26,834	(8.3)	Decrease in investment income

VI. Solvency

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

CPIC Health, and CPIC Anxin Agricultural were all well above regulatory minimum levels.

Unit: RMB million

	31 December 2022	31 December 2021	Reasons for change
CPIC Group			
Core capital	332,414	496,620	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	479,073	506,620	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	187,333	190,794	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	177	260	
Comprehensive solvency margin ratio (%)	256	266	
CPIC Life			
Core capital	207,848	368,570	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	344,222	368,570	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	157,802	168,912	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	132	218	
Comprehensive solvency margin ratio (%)	218	218	
CPIC P/C			
Core capital	45,266	47,808	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Actual capital	55,154	57,808	Adoption of C-ROSS II, profit distribution to shareholders, profit for the period, and change of fair value of investment assets
Minimum required capital	27,246	20,072	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	166	238	
Comprehensive solvency margin ratio (%)	202	288	
CPIC Health			
Core capital	3,089	1,286	Adoption of C-ROSS II, capital increase, profit for the period and change of fair value of investment assets
Actual capital	3,225	1,286	Adoption of C-ROSS II, capital increase, profit for the period and change of fair value of investment assets
Minimum required capital	1,216	934	Adoption of C-ROSS II, growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	254	138	
Comprehensive solvency margin ratio (%)	265	138	

CPIC Anxin Agricultural

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

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

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

VII. Sensitivity analysis

Sensitivity analysis of price risk

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

Unit: RMB million

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

Notes:

1. After policyholder participation.

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

VIII. Insurance contract reserves

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

As at 31 December 2022, insurance contract reserves of CPIC Life amounted to RMB1,419.233

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

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

Unit: RMB million

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

IX. Reinsurance business

In 2022, premiums ceded to reinsurers are shown below:

Unit: RMB million

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

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

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

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

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

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

Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd., Swiss Reinsurance Company Ltd and Munich Reinsurance Company.

X. Main subsidiaries & associates and equity participation

As of the end of 2022, the Company's main subsidiaries, associates and equity participation are set out as below:

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding ^{note 2}	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd. ^{note 3}	Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,470	98.5%	232,667	50,344	8,285
China Pacific Life Insurance Co., Ltd.	Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life/health insurance; agency and business relationships with domestic and overseas insurers and organisations, loss adjustment, claims and other business entrusted from overseas insurance organisations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as	8,628	98.3%	1,822,907	103,332	16,479

	approved; other business as approved by CBIRC.					
Changjiang Pension Insurance Co., Ltd. ^{note 4}	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management 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%	6,339	4,024	300
Pacific Asset Management Co., Ltd. ^{note 4}	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	5,075	4,279	665
Pacific Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds	3,600	99.7%	10,039	3,305	66

	investment as approved by relevant laws and regulations; other business as approved by CBIRC.					
China Pacific Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.	1,080	66.8%	6,674	2,860	213
CPIC Fund Management Co., Ltd. ^{note 5}	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	834	644	83

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to "Review and analysis of operating results" of this report, and "Scope of consolidation" and "Long-term Equity Investments" in Notes to the Financial Statements.
2. Figures for Group shareholding include direct and indirect shareholdings.
3. CPIC P/C obtained approval of CBIRC (CBIRC Approval [2023] No. 87) in February 2023 for change of registered capital to RMB19,948,087,650, with CPIC Group holding 98.5% of its stake.
4. As per Circular on Implementing New Accounting Standards on Financial Instruments by the Ministry of Finance and CBIRC (Caikuai [2020] No.22), Changjiang Pension and CPIC AMC began to implement new accounting standards pertaining to financial instruments as set out in Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (Caikuai [2017] No.7) and other new accounting standards on financial instruments on 1 January 2021. Figures listed in the table are based on the new accounting standards.
5. As per Circular on Implementing Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (2017) and Other Related New Accounting Standards by Fund Management Firms issued by the Accounting Department and the Department of Securities and Fund Supervision of CSRC, CPIC Fund began to implement new accounting standards pertaining to financial instruments on 1 January 2020. Figures listed in the table are based on the new accounting standards.

XI. Top five customers

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

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

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

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

Outlook

I. Market environment and business plan

China's economy boasts strong resilience, big potential and great dynamism. In the medium and long term, rising resident income and heightened consumer confidence will bring about more demand for insurance; industrial upgrading, rural invigoration, green insurance, inclusive insurance, health and elderly care services, personal pension programme will lend sustainable impetus to the industry; insurance funds will seize investment opportunities in the building of a modern industrial system and major projects; the regulator sets great store by risk control, continues to enhance supervision of corporate governance and institutional conduct, which will facilitate with steady and healthy development of China's insurance market.

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

II. Major risks and mitigating measures

In 2023, the market environment will pose greater challenges for risk management of the Company. On the international front, with restructuring of the industrial value chain, high inflation which curbs economic growth and international trade, world economic recovery will face

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

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

Change in accounting estimates

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

As at 31 December 2022, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB11,929 million as at 31 December 2022 and profit before tax decreased by approximately RMB11,929 million for 2022.

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 2022, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2022 at a risk discount rate of 11%.

Unit: RMB million

Valuation Date	31 December 2022	31 December 2021
Group Adjusted Net Worth	298,142	287,213
Adjusted Net Worth of CPIC Life	172,865	161,880
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	241,471	227,624
Cost of Required Capital Held for CPIC Life	(16,144)	(12,861)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	225,326	214,763
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	221,479	211,096
Group Embedded Value	519,621	498,309
CPIC Life Embedded Value	398,191	376,643

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

Notes:

- 1: Figures may not be additive due to rounding.
- 2: Results in column "31 December 2021" are those reported in the 2021 annual report.

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

New Business Volumes and Value of One Year's Sales

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

of 11% for year 2022.

Unit: RMB million

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

Analysis of change in embedded value

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

Unit: RMB million

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

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

Note: Figures may not be additive due to rounding.

Adoption of the CAS to prepare financial statements and appointment of auditors

The Company had been preparing financial statements in accordance with the China Accounting Standards for Business Enterprises (“CAS”) and Hong Kong Financial Reporting Standards respectively and disclosing corresponding financial information since the listing of its H shares on the SEHK. In order to improve efficiency, save information disclosure costs and audit fees, as approved by the 2021 annual general meeting (“AGM”), the Company has adopted the CAS to prepare financial statements and disclose corresponding financial reports starting from 2022. As approved by the 2021 AGM, Ernst & Young Hua Ming LLP was appointed as the auditor of the Company’s financial statements and the auditor for the internal control for the year ended 31 December 2022, whilst undertaking duties required of auditors in accordance with Hong Kong Listing Rules.

Compliance of the Corporate Governance Code

During the reporting period, the Company has complied with all the code provisions set out in Part 2 of Corporate Governance Code and substantially all of the recommended best practices in Part 2 of the Corporate Governance Code except for the deviation from code provision C.1.6. Pursuant to code provision C.1.6, generally, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. HUANG Dinan and Mr. ZHOU Donghui, the non-executive Directors, did not attend the 2021 annual general meeting of the Company due to other business arrangements. However, there were sufficient Directors, including executive Directors,

independent non-executive Directors and non-executive Directors, present to enable the Board to develop a balanced understanding of the views of the shareholders.

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 24 March 2023, the Board recommended annual cash dividend of RMB1.02 per share (tax included), amounting to RMB9,812,748,284.10 in aggregate. The proposed profit distribution is subject to the approval of shareholders at the 2022 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 29 June 2023 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》(財稅[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 RMB0.918 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 2022 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 2022 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 2022 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., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Capital"	CPIC Capital Company Limited, a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Technology"	Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"C-ROSS II"	China Risk Oriented Solvency System Phase II
"CBIRC"	China Banking and Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"LSE"	London Stock Exchange
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards

“Corporate Code”	Governance	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, 26 March 2023

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. 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 Yih, Elizabeth, Mr. WOO Ka Biu, Jackson and Mr. JIANG Xuping.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Contents

	Pages
I AUDITOR'S REPORT	1-8
II FINANCIAL STATEMENTS	
Consolidated balance sheet	9-10
Consolidated income statement	11-12
Consolidated statement of changes in equity	13-14
Consolidated cash flow statement	15-16
Company balance sheet	17
Company income statement	18
Company statement of changes in equity	19
Company cash flow statement	20
Notes to the financial statements	21-201
 APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS	
Net asset return and earnings per share	A1

Auditor's Report

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

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

(I) Opinion

We have audited the accompanying financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the consolidated and company balance sheets as at 31 December 2022, the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CPIC as at 31 December 2022, and the consolidated and company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("CASs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of CPIC in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Key audit matters

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

(III) Key audit matters (continued)

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

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

(III) Key audit matters (continued)

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

(III) Key audit matters (continued)

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

(III) Key audit matters (continued)

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

(IV) Other information

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

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

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

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

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

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

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

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

(VI) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Auditor's Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No.60603963_B01
China Pacific Insurance (Group) Co., Ltd.

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

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

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

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

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

Ernst & Young Hua Ming LLP Chinese Certified Public Accountant: Guo Hangxiang
(Engagement partner)

Chinese Certified Public Accountant: Wang Ziqing

Beijing,
The People's Republic of China

24 March 2023

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

I. GENERAL INFORMATION

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

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

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION

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

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

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

Standards effective but not yet adopted for the current year

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

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

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

	As at 31 December 2022 Fair value	2022 Changes in the fair value
Financial assets held for trading (A)	4,989	100
Financial assets managed and assessed for performance on a fair value basis (B)	21,571	(108)
Financial assets other than A or B		
- Financial assets that meet SPPI (C)	1,225,360	9,764
- Financial assets that do not meet SPPI	447,797	(34,407)
Total	1,699,717	(24,651)
Credit risk rating grades of financial assets that meet SPPI (C)		As at 31 December 2022 Carrying Amount
Domestic		
Exempt from rating ^{Note}		563,591
AAA		588,263
AA+		22,708
AA (inclusive) or below		3,121
Overseas		
A- (inclusive) or above		723
BBB+		125
BBB		105
BBB-		198
BB+ (inclusive) or below		17
Total		1,178,851

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

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

Classification and measurement

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

Impairment

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

Hedge accounting

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

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

Standards issued but not yet effective for the current period

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

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

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

II. BASIS OF PREPARATION (continued)

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of December 31, 2022, and their financial performance, cash flows and other information for the year then ended.

Financial information in the financial statements of the Company and the Group for the year ended 31 December 2022 are prepared in accordance with the following significant accounting policies and accounting estimates as determined under the Accounting Standards for Business Enterprises.

The Group determines its accounting policies and accounting estimates that best reflect its operating characteristics, mainly in relation to the recognition and measurement of financial instruments (Note III 17), testing of significant insurance risks (Note III 22), measurement of insurance contract reserves (Notes III 23), and recognition of revenue (Note III 28).

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

1. Accounting year

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

2. Reporting currency

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

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

3. Basis of accounting and measurement bases

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

4. Business combinations

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control

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

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

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

- (1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment.

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

(All amounts expressed in RMB million unless otherwise specified)

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

4. Business combinations(continued)

- (2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

5. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including structured entities) over which the Company has control. Structured entities are entities where voting rights or other similar rights are not used as factors to determine the controlling party, such as when voting rights only relate to administrative tasks while related operation activities are arranged according to contractual agreements.

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

5. Consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

6. Cash equivalents

Cash equivalents comprise short-term, highly liquid investments, which are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and have a short maturity of generally within three months from the date of purchase.

7. Foreign currency transactions

Foreign currency transactions are converted into the reporting currency.

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

Securities purchased under agreements to resell refer to funds duly lent to finance repurchase transactions, and are recorded at the actual cost of the securities purchased, with income from securities purchased under agreements to resell accrued using the effective interest method over the period from the acquisition date to the maturity date and recognised in profit or loss for the current period. The Group does not take physical possession of securities purchased under agreements to resell. In case of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

Securities sold under agreements to repurchase refer to funds duly borrowed to enter into repurchase transactions, and are recorded at the actual amount received from the sale of the securities, with an expense for securities sold under agreements to repurchase accrued using the effective interest method over the period from the selling date to the maturity date and recognised in profit or loss for the current period. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be presented on the balance sheet.

9. Policy loans

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

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

10. Long-term equity investments

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

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

When the Company directly or indirectly holds half or less of the voting rights or similar rights of the investee, the Group comprehensively considers all relevant facts and circumstances to judge whether the investor has power over the investee, including:

- (1) Contractual arrangements with other holders of voting rights of the investee;
- (2) The power of other contractual arrangements; and
- (3) Voting rights and potential voting rights of the Group.

Long-term equity investments are measured at initial investment cost, and cash dividends or profits distribution declared by the investee are recognised as investment income for the current period. The Group recognises the cash dividends or profits distributed to the investee in accordance with the above provisions and considers whether the long-term equity investments are impaired.

Considering whether the long-term equity investments are impaired, the Group shall pay attention to whether the carrying amount of the long-term equity investment is higher than the share of the carrying amount of the net assets (including relevant goodwill) of the investee and other situations.

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

(All amounts expressed in RMB million unless otherwise specified)

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

10. Long-term equity investments (continued)

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

11. Investment properties

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

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

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

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

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

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

12. Fixed assets

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

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

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

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

Category	Useful lives	Estimated net residual values	Annual depreciation rates
Buildings	24-70 years	3%	1.39% to 4.04%
Transportation equipment	3-8 years	3%-5%	12.13% to 32.33%
Other equipment	3-10 years	0%-5%	9.70% to 33.33%

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

13. Construction in progress

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

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

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

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

The useful lives of major intangible assets are as follows:

<u>Category</u>	<u>Useful lives</u>
Land use rights	30-50 years
Software use rights	1-10 years
License	Uncertain

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

14. Intangible assets (continued)

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

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (b) Its intention to complete the intangible asset and use or sell it;
- (c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or for the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

15. Long-term deferred expenses

Long-term deferred expenses are amortised by straight lines, with the amortisation period as follows:

<u>Category</u>	<u>Amortisation period</u>
Lease Improvement	Contracted lease term or 5 years (whichever is shorter)

16. Debt assets

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

If the Group has transferred the right to collect the cash flow of the financial assets or signed a "pass-through" arrangement, but has neither transferred or retained the majority of risks and returns of the asset, nor transferred the control of the asset, the asset will be recognised to the extent the Group is involved in the asset. In the above circumstances, the Group recognises the relevant liabilities accordingly. The assets and liabilities are measured based on the rights and obligations retained by the Group.

If the Group continues to be involved by providing a guarantee for the transferred assets, it is measured by the original book value or the cap of the consideration amount that might be repayable by the Group, whichever is less.

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

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

Classification and measurement of financial assets

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Classification and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivative financial instruments

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Impairment of financial assets

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets at amortised cost

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

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

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

Available-for-sale financial assets

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

17. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

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

Transfer of financial assets

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

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

Offsetting of financial assets and financial liabilities

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

18. Asset impairment

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

18. Asset impairment (continued)

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

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

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

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

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

19. Insurance security fund

The Group draws insurance security funds in accordance with the Administrative Measures for Insurance security funds.

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

(All amounts expressed in RMB million unless otherwise specified)

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

20. Policyholders' deposits and investments

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

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

21. Definition of insurance contract

Insurance contracts are those contracts under which the Group assumes significant insurance risk arising from the policyholders by compensating the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders' interests. Insurance contracts are classified as direct insurance contracts and reinsurance contracts.

Contracts under which the Group assumes the insurance risk after signing with the policyholders are treated as insurance contracts. If the contracts signed by the Group and the policyholders make the Group bears the insurance risks and also other risks, the treatments would depend on the following conditions:

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

22. Significant insurance risk test

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

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

23. Insurance contract reserves

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

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

23. Insurance contract reserves (continued)

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

The risk adjustment for non-life insurance contract reserves is determined by reference to the industry benchmark and the Group's experience. When measuring insurance contract reserves as at the balance sheet date, time value of money is considered. The related future cash flows should be discounted when the impact of time value of money is significant. The discount rate used in the measurement of time value of money should be determined with reference to information currently available as at the balance sheet date.

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

23. Insurance contract reserves (continued)

Non-life unearned premium reserves are those provisions when insurance liabilities have not been terminated at the assessment date, including the unearned premium reserves and premium deficiency reserves.

Unearned premium reserves are measured based on reserves for undue premiums received minus relevant undue acquisition costs of the insurance policies. The Group makes assessment by using the 365ths method, risk distribution method, etc.

The Group performs liability adequacy tests during the assessment of unearned premium reserves, additional insurance premium reserves should be made as part of the unearned premium reserves according to the test results.

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

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

IBNR reserves represent insurance contract provisions for the claims incurred but not reported to the Group, claims reported but not recorded, claims recorded but the loss is underestimated while the final compensation is expected to exceed the original estimated loss, and the claims related to insured accident that has been paid but it is possible to file a claim again. The Group considers factors including nature and distribution of insurance risks, claims developments, experience data, etc. and uses chain ladder method, average claim per case method, loss ratio method, Bornhuetter-Ferguson method, etc., to measure IBNR reserves based on a reasonable estimate of the ultimate claim amount and the margin factor.

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

24. Reinsurance

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

Ceded reinsurance

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

An impairment test is performed for reinsurance assets at each balance sheet date. Impairment is recognised when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact can be measured reliably. The impairment loss is recorded in profit or loss.

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

Reinsurance assumed

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

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

25. Non-insurance contract

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

26. Provisions

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

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

When the discounting effect is material, the amount of a provision is the present value at the balance sheet date of the future cash flow expected to be required to settle the obligation. The increase in the discounted present value arising from the passage of time is included in interest expenses.

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

27. Dividend distribution

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

28. Revenue

Premium income

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

28. Revenue (continued)

Initial policy fee and account management fee

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

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

Interest income

Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others. Effective interest rate is applied to discounts the estimated future cash flows through the expected life of the financial asset to the net carrying amount of the financial assets.

Management fee income

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

29. Policy dividend expenditure

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

30. Leases

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

30. Leases (continued)

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

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

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

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

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

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

31. Government grants

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

31. Government grants (continue)

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

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

32. Income tax

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

The Group measures the current income tax liabilities or assets formed in the current period and previous periods according to the income tax amount which is required to pay or return expectedly under the regulations of tax law. It is based on tax rates applicable in the countries or regions where the Group operates at the balance sheet date, taking into consideration interpretations and practices prevailing in the countries or regions in which the Group operates.

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

32. Income tax (continued)

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

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

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

33. Employee benefits

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

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

The Group's obligation to the above social securities is to pay social pooling insurance fees to social insurance authorities in accordance with the prescribed percentage of total wages. The contribution shall be managed and paid to retired employees through labour and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the social security plans. Forfeited contributions by those employees are not used to reduce the existing level of contributions.

The Group's employees in some regions of China have also participated in the employer-sponsored enterprise annuity plan (the "Annuity Plan"). The Group shall contribute to the Annuity Fund in accordance with agreed base and percentage. Forfeited contributions by those employees who quit the Annuity Plan prior to the full vesting of their contributions are not used to reduce the existing level of contributions but are transferred to the public account of the Annuity Plan to be allocated to the members of the Annuity Plan after fulfilling the approval procedures by the Group.

In addition, the Group is not liable for any significant legal obligation or constructive obligation to further pay employee retirement benefits. Above expenses are recognised in profit or loss as incurred. The above retirement benefit plan falls into the defined contribution plan.

The Group pays various benefit expenses for employees who accept voluntary retirement before the normal retirement date stipulated by the state as approved by the Group from the month after the early retirement through the normal retirement date stipulated by the state, including the retirement pensions, and various insurance coordination fees to local social insurance authorities, etc. For early retirement benefits qualified for recognition, the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised by the Group as liabilities and charged to profit or loss for the current period.

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

34. Fair value measurement

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

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

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

35. Contingent liabilities

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

36. Summary of significant accounting judgements and accounting estimates

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

Significant judgements

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

Significant judgements (continued)

(1) Classification of financial assets

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

(2) Unbundling and classification of hybrid contracts

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

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

(3) Measurement unit for insurance contracts

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

(4) Provision for impairment of available-for-sale equity financial instruments

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

(5) Determination of control over structured entities

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

Estimation uncertainty

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

(1) Measurement of insurance contract reserves

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

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

Unearned premium reserves

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

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium in consideration of the time value of money. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2021 were from 2.84% to 4.80% and as at 31 December 2022 were from 2.64% to 4.80%.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the corresponding investment portfolio in consideration of the time value of money. Discount rates used as at 31 December 2021 and 2022 were both 5.00%.

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(b) Mortality and morbidity

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

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

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

(c) Loss ratios

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

(d) Surrender rates

Surrender rate assumptions are determined based on product types, the Group's historical experiences, and estimates on current and future expectations, and vary by interest rate, product type and sale channel. The surrender rate assumption is affected by uncertain factors, such as future macro-economy and market competition. The Group determines surrender rate assumption based on the information available as at the balance sheet date and risk margin is considered.

(e) Expense

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

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

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

Estimation uncertainty (continued)

(1) Measurement of insurance contract reserves (continued)

Unearned premium reserves (continued)

(f) Policy dividend

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

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

Claim reserves

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING ESTIMATES

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

As at 31 December 2022, the Group used information currently available to determine the above assumptions. Mainly due to change of the benchmark yield curve of discount rate for life and long-term health insurance reserves, life and long-term health insurance reserves after reinsurance increased by approximately RMB 11,929 million as at 31 December 2022 and profit before tax decreased by approximately RMB 11,929 million for 2022.

V. TAXES

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

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
CPIC Property	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Joint stock limited company	Life and health insurance	Shanghai	The PRC	8,628,200	8,628,200	98.29	-	98.29	(1)
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited liability company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd. ("CPIC H.K.")	Limited liability company	Property and casualty insurance	Hong Kong	Hong Kong	HK\$ 250,000 thousand	HK\$ 250,000 thousand	100.00	-	100.00	
Shanghai Pacific Insurance Real Estate Management Co., Ltd. ("CPIC Real Estate")	Limited liability company	Real estate management	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Joint stock limited company	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited liability company	Investment management	Hong Kong	Hong Kong	HK\$ 200,000 thousand	HK\$ 200,000 thousand	12.25	87.46	100.00	
City Island Developments Limited ("City Island")	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 1,000	-	98.29	100.00	
Great Winwick Limited*	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Newscott Investments Limited *	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$ 50,000	US\$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK\$ 10,000	HK\$ 1	-	98.29	100.00	
Shanghai Xin Hui Property Development Co., Ltd. * ("Xin Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 15,600 thousand	US\$ 15,600 thousand	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts in RMB million unless otherwise stated)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/r egistration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Shanghai He Hui Property Development Co., Ltd. * ("He Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US\$ 46,330 thousand	US\$ 46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited liability company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited liability company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited liability company	Senior living property investment and management, etc.	Shanghai	Shanghai	5,000,000	5,000,000	-	98.29	100.00	(2)
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	Shanghai	3,600,000	3,600,000	85.05	14.69	100.00	(3)
China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	Shanghai	1,080,000	1,080,000	-	66.76	67.78	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited liability company	Medical consulting services, etc.	Shanghai	Shanghai	1,000,000	1,000,000	-	98.29	100.00	(4)
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited liability company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited liability company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited liability company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	987,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	1,000,000	-	98.29	100.00	
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited liability company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	900,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited liability company	Seniors and disabled care, etc.	Chengdu	Chengdu	60,000	43,000	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts in RMB million unless otherwise stated)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/r egistration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
CPIC Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company")	Limited liability company	Senior living property investment and construction, etc.	Nanjing	Nanjing	220,000	220,000	-	98.29	100.00	
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	Limited liability company	" Migrant-style" senior living, etc.	Dali	Dali	608,000	523,000	-	74.70	76.00	
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Limited liability company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	250,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Limited liability company	Seniors and disabled care, etc.	Hangzhou	Hangzhou	60,000	20,200	-	98.29	100.00	
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Wuhan	Wuhan	980,000	713,078	-	98.29	100.00	
CPIC Capital Company Limited. ("CPIC Capital")	Limited liability company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	
Shanghai Fankun Real Estate Development Co., Ltd. ("Shanghai (Chongming) Project Company")	Limited liability company	Real estate development and operation, own house rental service, etc.	Shanghai	Shanghai	1,253,000	800,000	-	98.29	100.00	
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited liability company	Seniors and disabled care, etc.	Shanghai	Shanghai	30,000	10,000	-	98.29	100.00	
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited liability company	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00	
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited liability company	Life and health insurance	Hong Kong	Hong Kong	HK\$ 1,000,000 thousand	HK\$ 1,000,000 thousand	-	98.29	100.00	
CPIC Senior Living Development (Qingdao) Co., Ltd. ("Qingdao Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	63,000	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts in RMB million unless otherwise stated)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd ("Pacific Care Home at Xiamen")	Limited liability company	Seniors and disabled care, etc. Elderly service, real estate	Xiamen	Xiamen	40,000	3,500	-	98.29	100.00	(5)
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	development and operation, etc. Elderly service, real estate	Zhengzhou	Zhengzhou	650,000	258,500	-	98.29	100.00	(6)
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	development and operation, etc. Technical services, cloud computing	Beijing	Beijing	800,000	597,000	-	98.29	100.00	(7)
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	services, big data services, Business service, property management, and lease of non-residential real estate	Shanghai	Shanghai	700,000	700,000	100.00	-	100.00	(8)
Xinbaoyu (Guangzhou) Co., Ltd ("Xinbaoyu")	Limited liability company	Technical services, technical consulting services	Guangzhou	Guangzhou	3,650,000	3,649,990	-	98.46	100.00	(9)
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Elderly service, Health advisory services etc.	Wuhan	Wuhan	100,000	100,000	-	100.00	100.00	(10)
Pacific Health Management (Sanya) Co., Ltd. ("Pacific Care Management at Sanya")	Limited liability company	Elderly service, Institutional pension services, Health advisory services etc	Sanya	Sanya	490,000	218,880	-	98.29	100.00	(11)
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd ("Pacific Care Home at Nanjing")	Limited liability company	Health advisory services etc	Nanjing	Nanjing	30,000	2,000	-	98.29	100.00	(12)

* Subsidiaries of City Island

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

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

(1) CPIC Life

Upon the approval of the 2021 annual general meeting of shareholders of CPIC Life, The Company signed the Capital Increase and Share Expansion Agreement with CPIC Life. The Company subscribed about 205 million shares, with a subscription amount of about RMB 2.458 billion, and in August 2022 it was approved by the CBIRC. After the capital increase, the registered capital of CPIC Life changed from RMB 8.420 billion to RMB 8.628 billion, and the shareholding ratio of the Company was 98.29%.

(2) CPIC Senior Living Investment

Approved by the resolution of the first Extraordinary General Meeting of Shareholders of CPIC Life in 2022, CPIC Life and CPIC Senior Living Investment signed a Capital Increase Agreement to increase the capital of RMB 2.000 billion to CPIC Senior Living Investment. And in May 2022, it was approved by the CBIRC. After the completion of the capital increase, the registered capital of CPIC Senior Living Investment was changed from RMB 3.000 billion to RMB 5.000 billion, and the shareholding ratio of CPIC Life Insurance was 100%.

(3) CPIC Health

Approved by the resolution of the Fourth Extraordinary General Meeting of Shareholders of Pacific Health Insurance in 2021, the Company and CPIC Life Insurance intend to increase the capital of Pacific Health Insurance by RMB 1.900 billion, which was approved by the CBIRC on 11 May 2022. After the completion of the capital increase, the registered capital of CPIC Health Insurance was changed from RMB 1.700 billion to RMB 3.600 billion, and the Company held 85.05% of the shares of Pacific Health Insurance and CPIC Life Insurance held 14.95% of the shares of Pacific Health Insurance.

(4) Pacific Medical Healthcare

After deliberation and approval at the 19th (regular) meeting of the 7th Board of Directors of CPIC Life, CPIC Life signed a Capital Increase Agreement with Pacific Medical & Healthcare to increase its capital to Pacific Medical & Healthcare by RMB 0.500 billion, which was approved by the CBIRC on 22 September, 2022. After the capital increase, the registered capital of Pacific Medical & Healthcare was changed from RMB 0.500 billion to RMB 1.000 billion, and the shareholding ratio of CPIC Life was 100%.

(5) Pacific Care Home at Xiamen

Pacific Care Home at Xiamen, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91350200MA8URKE69D in March 2022, with a registered capital of RMB 0.040 billion. As of 31 December 2022, CPIC Senior Living Investment has paid up the investment amount of approximately RMB 0.004 billion.

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

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December, 2022 are as follows (continued):

(6) Zhengzhou Project Company

In January 2022, Zhengzhou Project Company, a wholly-owned subsidiary funded by CPIC Life Insurance, obtained the business license for the legal entity with a unified social credit code of 91410100MA9KQ2A88M with a registered capital of RMB 650 million. As of 31 December 2022, CPIC Life had paid up approximately RMB 259 million in investment.

(7) Beijing Project Company

In February 2022, Beijing Project Company, a wholly-owned subsidiary funded by CPIC Life Insurance, obtained the business license for the legal entity with a unified social credit code of 91110400MA7JAAAB20 with a registered capital of RMB 800 million. As of 31 December 2022, CPIC Life had paid up approximately RMB 597 million in investment.

(8) CPIC Technology

In March 2022, CPIC Technology, a wholly-owned subsidiary of the Company, obtained the business license for the legal entity with a unified social credit code of 91310101MA7LFKCR23 with a registered capital of RMB 700 million. As of 31 December 2022, CPIC Technology has actually invested RMB 700 million.

(9) Xinbaoyu

The Company, CPIC Life Insurance and CPIC Real Estate, through CPIC Xinyi No. 1 Private Equity Investment Fund (Shanghai) Partnership (Limited Partnership) (hereinafter referred to as "Xinyi No.1"), jointly with CPIC Capital invested in the establishment of Xinbaoyu and obtained the business license for the legal entity with a unified social credit code of 91440101MA9Y9P5K7C on 11 January 2022, with a registered capital of RMB 3.650 billion. As of 31 December 2022, Xinyi No.1 had actually invested approximately RMB 3.650 billion.

(10) CPIC Technology (Wuhan)

In May 2022, CPIC Technology (Wuhan), a wholly-owned subsidiary of CPIC Technology, obtained the business license for the legal entity with a unified social credit code of 91420105MABPJ897X0 with a registered capital of RMB 100 million. As of 31 December 2022, CPIC Technology has actually invested RMB 100 million.

(11) Pacific Care Management at Sanya

In July 2022, Pacific Care Management at Sanya obtained the business license for the legal entity with a unified social credit code of 91460000MABUQ57Y2Y with a registered capital of RMB 490 million. As of 31 December 2022, CPIC Life has actually invested RMB 219 million.

(12) Pacific Care Home at Nanjing

In September 2022, Pacific Care Home at Nanjing obtained the business license for the legal entity with a unified social credit code of 91320113MA27PCQ52X with a registered capital of RMB 30 million. As of 31 December 2022, CPIC Senior Living Investment has actually invested RMB 2 million.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VI. SCOPE OF CONSOLIDATION (continued)

2. As of 31 December 2022, material consolidated structured entities material to the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	77.72	8,331,273	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	7,428,828	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Shanxi Coking Coal Debt Investment Plan	69.93	7,150,000	Investing in Shanxi Li-Liu Mining Area Pangpangta Coal Mine Project operated by Shanxi Coking Coal Group Co., Ltd. through a debt investment plan.
CPIC Health Industry Private Investment Fund (Shanghai) Partnership (Limited Partnership) ("CPIC Health Fund")	90.90	4,951,000	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the CSRC) (except for projects subject to approval according to law, independently carry out business activities independently with business license).
Pacific-Henan Communications Investment Shanghai-Shaanxi Expressway Debt Investment Plan	86.46	4,800,000	Investing in Xinyang-Biyang Expressway Project and Biyang-Nanyang Expressway Project operated by Henan Transport Investment Group Co., Ltd. through debt investment plan.

CPIC Asset Management, CPIC Funds, Changjiang Pension, CPIC Capital etc. are the asset managers of these consolidated structured entities included in the scope of the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

		31 December 2022		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	23,353	1.00000	23,353
	USD	1,174	6.96460	8,175
	HKD	846	0.89327	756
	Others			1
	Sub-total			<u>32,285</u>
Other cash balances	RMB	849	1.00000	849
	Sub-total			<u>849</u>
Total				<u><u>33,134</u></u>

		31 December 2021		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	23,966	1.00000	23,966
	USD	1,078	6.37570	6,873
	HKD	1,149	0.81760	939
	Sub-total			<u>31,778</u>
Other cash balances	RMB	760	1.00000	760
	HKD	9	0.81760	7
	Sub-total			<u>767</u>
Total				<u><u>32,545</u></u>

As of 31 December 2022, the Group's cash at bank and on hand deposited overseas amounted equivalent to RMB 2,157 million (31 December 2021: amounted equivalent to RMB 3,036 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

As of 31 December 2022, RMB 825 million in the Group's other cash balances are recorded as minimum settlement deposits (31 December 2021: RMB 742 million).

As of 31 December 2022, RMB 659 million are term deposits with original maturity of no more than three months (31 December 2021: RMB 2,487 million).

As of 31 December 2022, RMB 449 million in the Group's cash at bank and on hand balance are restricted for special-purpose use (31 December 2021: RMB 350 million).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Cash at bank and on hand (continued)

Bank deposits comprise current deposits and short-term time deposits. Current deposits earn interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash at bank and on hand approximate their fair values.

2. Financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Listed		
Equity investments		
- Stocks	9	19
- Funds	2	-
Debt investments		
- Government bonds	6	39
- Finance bonds	524	276
- Corporate bonds	2,919	1,275
Sub-total	<u>3,460</u>	<u>1,609</u>
Unlisted		
Equity investments		
- Funds	3,723	271
- Wealth management products	6,502	404
- Other equity investments	9,813	9,663
Debt investments		
- Government bonds	320	-
- Corporate bonds	99	365
- Finance bonds	2,610	10
- Wealth management products	3	15
- Debt investment plans	30	16
Sub-total	<u>23,100</u>	<u>10,744</u>
Total	<u>26,560</u>	<u>12,353</u>

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as of 31 December 2022 amounted to RMB 21,571 million (31 December 2021: RMB 10,098 million). The rest is trading assets, with no material limitation in realisation.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Derivative financial instruments

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

	31 December 2022		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	<u>3,612</u>	<u>197</u>	<u>8</u>

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

4. Securities purchased under agreements to resell

	31 December 2022	31 December 2021
Securities - bonds		
Inter-bank market	17,909	11,860
Stock exchange	<u>3,215</u>	<u>1,572</u>
Total	<u>21,124</u>	<u>13,432</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables

	31 December 2022	31 December 2021
Premium receivables	32,371	26,665
Less: Provision for bad debts	<u>(1,180)</u>	<u>(862)</u>
Net value	<u><u>31,191</u></u>	<u><u>25,803</u></u>

Premium receivables are analysed by category as follows:

	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	32,370	100%	(1,179)	4%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>1</u>	<u>0%</u>	<u>(1)</u>	<u>100%</u>
Total	<u><u>32,371</u></u>	<u><u>100%</u></u>	<u><u>(1,180)</u></u>	<u><u>4%</u></u>
	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	26,657	100%	(854)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>8</u>	<u>0%</u>	<u>(8)</u>	<u>100%</u>
Total	<u><u>26,665</u></u>	<u><u>100%</u></u>	<u><u>(862)</u></u>	<u><u>3%</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022***(All amounts expressed in RMB million unless otherwise specified)***VII. NOTES TO THE FINANCIAL STATEMENTS (continued)**

5. Premium receivables (continued)

Premium receivables include premium receivables from policyholders or agents. The credit terms for premium receivables from life insurance policyholders are 60 days. CPIC Property generally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums are collected by CPIC Property in instalments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group's premium receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Premium receivables are non-interest-bearing.

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

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

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,860	27%	(36)	8,824
3 months to 1 year (inclusive)	16,213	50%	(88)	16,125
Over 1 year	7,298	23%	(1,056)	6,242
Total	32,371	100%	(1,180)	31,191

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	7,542	28%	(25)	7,517
3 months to 1 year (inclusive)	12,891	49%	(56)	12,835
Over 1 year	6,232	23%	(781)	5,451
Total	26,665	100%	(862)	25,803

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

Premium receivables are analysed by line of products as follows:

Category	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	12,876	40%	(615)	12,261
Agricultural insurance	6,594	20%	(263)	6,331
Liability insurance	2,294	7%	(44)	2,250
Engineering insurance	1,979	6%	(64)	1,915
Health insurance	1,808	6%	(14)	1,794
Commercial property insurance	1,046	3%	(49)	997
Speciality insurance	401	1%	(15)	386
Other insurances	990	3%	(104)	886
Sub-total	27,988	86%	(1,168)	26,820
Life and health insurance:				
Long-term insurance	2,464	8%	-	2,464
Short-term insurance	1,919	6%	(12)	1,907
Sub-total	4,383	14%	(12)	4,371
Total	32,371	100%	(1,180)	31,191
Category	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Property and casualty insurance:				
Guarantee insurance	11,529	44%	(403)	11,126
Agricultural insurance	4,390	16%	(176)	4,214
Engineering insurance	2,156	8%	(53)	2,103
Health insurance	1,370	5%	(14)	1,356
Liability insurance	1,321	5%	(47)	1,274
Commercial property insurance	864	3%	(56)	808
Speciality insurance	312	1%	(21)	291
Other insurances	940	4%	(88)	852
Sub-total	22,882	86%	(858)	22,024
Life and health insurance:				
Long-term insurance	2,254	8%	-	2,254
Short-term insurance	1,529	6%	(4)	1,525
Sub-total	3,783	14%	(4)	3,779
Total	26,665	100%	(862)	25,803

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Premium receivables (continued)

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

	31 December 2022	31 December 2021
Total amount of the top five premium receivables	<u>908</u>	<u>455</u>
Total provision for bad debts	<u>(8)</u>	<u>(14)</u>
% of total balance of premium receivables	<u>3%</u>	<u>2%</u>

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

6. Reinsurance receivables

	31 December 2022	31 December 2021
Reinsurance receivables	9,398	11,289
Less: Provision for bad debts	<u>(210)</u>	<u>(198)</u>
Net value	<u>9,188</u>	<u>11,091</u>

Reinsurance receivables are analysed by category as follows:

	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	9,278	99%	(90)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>120</u>	<u>1%</u>	<u>(120)</u>	<u>100%</u>
Total	<u>9,398</u>	<u>100%</u>	<u>(210)</u>	<u>2%</u>
	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	10,857	96%	(153)	1%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	<u>432</u>	<u>4%</u>	<u>(45)</u>	<u>10%</u>
Total	<u>11,289</u>	<u>100%</u>	<u>(198)</u>	<u>2%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

Reinsurance receivables are receivables from reinsurers. The Group and reinsurers generally settle receivables and payables on a quarterly basis. The Group's reinsurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Reinsurance receivables are non-interest-bearing.

The above reinsurance receivables are not individually significant but provisions for impairment are made on the individual basis mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

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

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,198	88%	-	8,198
3 months to 1 year (inclusive)	790	8%	-	790
Over 1 year	410	4%	(210)	200
Total	<u>9,398</u>	<u>100%</u>	<u>(210)</u>	<u>9,188</u>

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	9,328	83%	-	9,328
3 months to 1 year (inclusive)	1,575	14%	-	1,575
Over 1 year	386	3%	(198)	188
Total	<u>11,289</u>	<u>100%</u>	<u>(198)</u>	<u>11,091</u>

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

Reinsurer/Broker	31 December 2022		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Munich Reinsurance Company	1,298	14%	-
China Property & Casualty Reinsurance Company Ltd.	1,171	12%	-
Swiss Reinsurance Company Ltd	1,163	12%	-
China Agricultural Reinsurance Co., Ltd.	957	10%	-
China Life Reinsurance Company Ltd.	897	10%	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Reinsurance receivables (continued)

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

Reinsurer/Broker	31 December 2021		
	Ending balance (including accrual)	% of total balance	Provision for bad debts
Munich Reinsurance Company	3,235	29%	-
China Property & Casualty Reinsurance Company Ltd.	1,323	12%	-
China Life Reinsurance Company Ltd.	1,163	10%	-
Swiss Reinsurance Company Ltd	1,024	9%	-
China Agricultural Reinsurance Co., Ltd.	639	6%	-

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

7. Interest receivables

	31 December 2022	31 December 2021
Interest receivables from debt investments	13,220	12,807
Interest receivables from deposits	6,482	5,829
Interest receivables from loans	2,060	1,830
Interest receivables from securities purchased under agreements to resell	10	5
Sub-total	21,772	20,471
Less: Provision for bad debts	(57)	(44)
Net value	21,715	20,427

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Term deposits

	31 December 2022	31 December 2021
Term to maturity		
Within 3 months (inclusive)	30,034	252
3 months to 1 year (inclusive)	47,181	23,585
1 to 2 years (inclusive)	47,749	75,220
2 to 3 years (inclusive)	23,388	48,357
3 to 4 years (inclusive)	27,005	21,900
4 to 5 years (inclusive)	29,160	27,205
	<u>204,517</u>	<u>196,519</u>
Total	<u>204,517</u>	<u>196,519</u>

9. Available-for-sale financial assets

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

	31 December 2022	31 December 2021
Listed		
Equity investments		
- Stocks	182,173	154,336
- Funds	12,192	8,710
- Other equity investments	4,548	88
Debt investments		
- Government bonds	8,782	8,474
- Finance bonds	4,601	5,058
- Corporate bonds	53,133	56,426
- Wealth management products	1,797	403
Sub-total	<u>267,226</u>	<u>233,495</u>
Unlisted		
Equity investments		
- Funds	70,968	64,191
- Wealth management products	757	2,066
- Other equity investments	133,993	108,207
- Preferred shares	12,335	12,519
Debt investments		
- Government bonds	99,563	89,352
- Finance bonds	52,244	34,613
- Corporate bonds	76,403	97,103
- Debt investment plans	700	-
- Wealth management products	896	3,835
Sub-total	<u>447,859</u>	<u>411,886</u>
Total	<u><u>715,085</u></u>	<u><u>645,381</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Available-for-sale financial assets (continued)

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

	31 December 2022	31 December 2021
Debt investments		
Fair value	298,119	295,264
Including: Amortised cost	287,635	283,870
Accumulated amount recognised in other comprehensive income	12,755	13,298
Total impairment provisions	<u>(2,271)</u>	<u>(1,904)</u>
Equity investments		
Fair value	416,966	350,117
Including: Cost	423,209	322,938
Accumulated amount recognised in other comprehensive income	1,707	33,680
Total impairment provisions	<u>(7,950)</u>	<u>(6,501)</u>
Total		
Fair value	715,085	645,381
Including: Amortised cost/Cost	710,844	606,808
Accumulated amount recognised in other comprehensive income	14,462	46,978
Total impairment provisions	<u>(10,221)</u>	<u>(8,405)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Held-to-maturity financial assets

	31 December 2022	31 December 2021
Listed		
Debt investments		
- Government bonds	2,353	1,754
- Finance bonds	5,570	5,556
- Corporate bonds	6,910	7,763
- Wealth management products	62	50
Sub-total	<u>14,895</u>	<u>15,123</u>
Unlisted		
Debt investments		
- Government bonds	414,700	263,622
- Finance bonds	35,719	60,034
- Corporate bonds	48,981	57,866
Sub-total	<u>499,400</u>	<u>381,522</u>
Less: Impairment provisions	<u>(45)</u>	<u>(217)</u>
Net value	<u><u>514,250</u></u>	<u><u>396,428</u></u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investments classified as loans and receivables

	31 December 2022	31 December 2021
Debt investments		
Finance bonds	500	2,000
Debt investment plans	241,072	230,813
Wealth management products	120,580	138,289
Preferred shares	32,000	32,000
Loans	4,339	3,454
	<hr/>	<hr/>
Sub-total	398,491	406,556
Less: Provision for impairment	(1,221)	(280)
	<hr/>	<hr/>
Net value	397,270	406,276

As at 31 December 2022, CPIC Asset Management, a subsidiary of the Company, had 106 existing debt investment plans issued by it with a total value of RMB 168.585 billion. Among these, the existing of investments classified as loans and receivables with a book value of approximately RMB 87.630 billion were recognised in the Group's consolidated financial statement. (As at 31 December 2021, CPIC Asset Management had 108 existing debt investment plans issued by it with a total value of RMB 163.368 billion. Among these, book value of approximately RMB 79.632 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). As at 31 December 2022, Changjiang Pension, a subsidiary of the Company, had 54 existing debt investment plans issued by it with a total value of RMB 79.897 billion, and the book value of RMB 32.406 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets (As at 31 December 2021, Changjiang Pension had 68 existing debt investment plans issued by it with a total value of RMB 111.683 billion. Among these, book value of approximately RMB 47.531 billion was recognised on the Group's consolidated financial statement as investments classified as loans and receivables assets). Meanwhile, the Group also had invested in debt investment plans launched by other insurance asset management companies with book value of approximately RMB 121.036 billion (As at 31 December 2021: approximately RMB 103.650 billion). In the debt investment plans invested by the Group, the amount guaranteed by a third party or by pledge is RMB 168.182 billion. For debt investment plans launched by CPIC Asset Management and Changjiang Pension and other debt investment plans invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure in the debt investment plans is limited to their carrying amounts.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	31 December 2022								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method:									
Joint venture									
Shanghai Ruiyongjing Real Estate Development Co., Ltd. ("Ruiyongjing Real Estate")	9,835	9,823	-	(11)	-	-	-	9,812	-
Others	61	71	-	(7)	-	-	-	64	-
Sub-total	9,896	9,894	-	(18)	-	-	-	9,876	-
Associate									
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan")	2,500	2,552	-	326	-	-	(8)	2,870	-
Yangtze River Delta Synergy Industry Investment Fund ("Yangtze River Delta Fund")	1,970	2,515	(14)	198	-	-	(25)	2,674	-
Ningbo Zhilin Investment Management LLP. ("Ningbo Zhilin")	2,416	2,639	-	115	-	-	(131)	2,623	-
Shanghai Hi-Tech Park United Development Co., Ltd. ("Hi-Tech")	1,856	1,873	-	33	-	-	(33)	1,873	-
China Insurance Rongxin Private Equity Fund Co., Ltd. ("China Insurance Rongxin ")	1,500	1,500	-	(345)	(47)	-	-	1,108	-
Shanghai Lingang GLP International Logistics Development Co., Ltd. ("Lingang GLP")	1,057	1,053	-	50	-	-	(50)	1,053	-
Shanghai Biomedical Industry Equity Investment Fund LLP. ("Shanghai Biomedical ") (Note 1)	940	-	940	24	-	-	-	964	-
Shanghai Sci-Tech Innovation Centre Capital II LLP ("Sci-Tech Innovation II") (Note 2)	900	449	450	70	-	-	(10)	959	-

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

	31 December 2022								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method(continued):									
Associate(continued)									
Jiaxing Yishang Equity Investment LLP (“Jiaxing Yishang ”)	901	909	-	32	-	-	-	941	-
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Plan (“CHEMCHINA Debt Investment Plan”) (Note 3)	-	2,164	(2,160)	34	-	-	(38)	-	-
Others	1,611	1,436	(150)	(118)	-	10	(16)	1,162	(274)
Sub-total	15,651	17,090	(934)	419	(47)	10	(311)	16,227	(274)
Total	25,547	26,984	(934)	401	(47)	10	(311)	26,103	(274)

Note 1: CPIC Life entered into the agreement of Shanghai Biomedical agreement with Shanghai Shangshi (Group) Co., Ltd. and other companies, and CPIC Life subscribed RMB 1.000 billion, representing 12.21% of investment share. As at 31 December, 2022, CPIC Life has paid up the capital contribution of approximately RMB 0.940 billion, representing 12.84% of investment share.

Note 2: In 2022, CPIC Life made an additional capital contribution of approximately RMB 0.450 billion to Sci-Tech Innovation II, and its ownership interest increased to 25.00%.

Note 3: CHEMCHINA Debt Investment Plan, invested by CPIC Life and its subsidiary Changjiang Pension, was terminated on 20 April, 2022. The capital cost of approximately RMB 2.160 billion has been repaid to CPIC Life and Changjiang Pension.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

As at 31 December 2022, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Ge Qing	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	-	68.80	57.14

As at 31 December 2022, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal representative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Taijiashan (Note 2)	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	5,050,000	91310000MA1FL7MH5H	-	97.32	Not applicable
Yangtze River Delta Fund	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	6,785,074	91310000MA1FL62E0U	-	27.28	Not applicable
Ningbo Zhilin (Note 3)	Limited liability partnership	Ningbo	Not applicable	Investment management and asset management	Not applicable	2,684,798	91330206MA290G5B4K	-	88.46	Not applicable
Hi-Tech	Limited liability company	Shanghai	Gu Lun	Business services	453,250	453,250	913100006072011086	-	19.65	20.00
China Insurance Rongxin	Limited liability company	Shanghai	Jia Biao	Capital market services	14,800,000	14,800,000	91310000MA7CQLY57Q	-	9.97	12.50
Lingang GLP.	Limited liability company	Shanghai	Zhao Mingqi	Real estate	119,990	119,990	913100007709009105	-	19.65	20.00
Shanghai Biomedical	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	7,730,036	91310000MA1FL7HY2Y	-	12.62	Not applicable
Sci-Tech Innovation II	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	6,001,000	91310000MA1FL7X9X1	-	24.57	Not applicable
Jiaxing Yishang (Note 4)	Limited liability partnership	Jiaxing	Not applicable	Equity investment	Not applicable	950,501	91330402MA2BCWUX4C	-	93.18	Not applicable
CHEMCHINA Debt Investment Plan	Debt investment plan	Not applicable	Not applicable	Debt investment plan	Not applicable	Not applicable	Not applicable	-	Not applicable	Not applicable

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

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

Note 2: CPIC Life holds over 50% shares of Taijiashan. Since CPIC Group cannot unilaterally dominate the relevant activities of Taijiashan according to the partnership agreement of Taijiashan, Taijiashan is accounted under equity method as an associate.

Note 3: CPIC Life holds over 50% shares of Ningbo Zhilin. Since CPIC Group cannot unilaterally dominate the relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method as an associate.

Note 4: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot unilaterally dominate the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method as an associate.

Summarised financial information for major joint ventures:

	31 December 2022			31 December 2021		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Ruiyongjing Real Estate	<u>18,532</u>	<u>4,514</u>	<u>14,018</u>	<u>17,728</u>	<u>3,695</u>	<u>14,033</u>

Summarised financial information for other joint ventures:

	31 December 2022			31 December 2021		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Others	<u>2,358</u>	<u>1,944</u>	<u>414</u>	<u>2,340</u>	<u>1,928</u>	<u>412</u>

Net (loss)/profit of joint ventures:

	2022	2021
Net (loss)/profit of joint ventures	<u>(12)</u>	<u>18</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

Summarised financial information for major associates:

	As at 31 December 2022/For the year ended 31 December 2022			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Taijiashan	2,919	1	416	349
Yangtze River Delta Fund	9,783	147	643	575
Ningbo Zhilin	3,034	54	137	128
CHEMCHINA Debt Investment Plan	Not applicable	Not applicable	39	34

Summarised financial information for other associates:

	For the year 2022	For the year 2021
Net loss	(3,449)	(277)
Other comprehensive income/(loss)	(467)	-
Total comprehensive loss	(3,916)	(277)
Total comprehensive loss attributable to the Group	(302)	(87)
Total carrying amount of the Group's investment as at the year end	7,786	7,220

As at 31 December 2022, the Group's long-term equity investments had impairment of RMB 274 million yuan. (As at 31 December 2021: None).

13. Restricted statutory deposits

	31 December 2022	31 December 2021
Opening balance	7,428	6,858
Movements for current year	(138)	570
Ending balance	7,290	7,428

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

	31 December 2022		
	Amount	Storage	Period
<u>CPIC Property</u>			
China Zheshang Bank	1,040	Term deposits	5 years
China Minsheng Bank	594	Term deposits	5 years
Agricultural Bank of China	500	Term deposits	3 years
Bank of Communications	368	Term deposits	5 years
Shanghai Pudong Development Bank	288	Term deposits	3 years
Industrial Bank	280	Term deposits	5 years
China Minsheng Bank	274	Term deposits	5 years and 1 month
China CITIC Bank	250	Term deposits	3 years
Bank of Shanghai	200	Term deposits	5 years
China CITIC Bank	100	Term deposits	5 years
Sub-total	3,894		
<u>CPIC Life</u>			
China Guangfa Bank	500	Term deposits	5 years
China Construction Bank	364	Term deposits	3 years
Bank of Communications	320	Term deposits	3 years
Industrial Bank	260	Term deposits	5 years and 1 month
China Minsheng Bank	240	Term deposits	5 years and 1 month
Shanghai Pudong Development Bank	42	Term deposits	3 years
Sub-total	1,726		
<u>Changjiang Pension</u>			
Bank of Hangzhou	300	Term deposits	5 years and 1 month
Bank of Nanjing	200	Term deposits	5 years and 1 month
China CITIC Bank	100	Term deposits	5 years and 1 month
Sub-total	600		
<u>CPIC Health</u>			
Industrial Bank	500	Term deposits	5 years
China Zheshang Bank	200	Term deposits	5 years
Bank of Communications	140	Term deposits	5 years
Sub-total	840		
<u>PAAIC</u>			
China Minsheng Bank	130	Term deposits	5 years
Shanghai Pudong Development Bank	40	Term deposits	3 years
Agricultural Bank of China	30	Term deposits	3 years
Bank of Shanghai	20	Term deposits	3 years
Bank of Communications	10	Term deposits	3 years
Sub-total	230		
Total	7,290		

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Restricted statutory deposits (continued)

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investment properties

	Buildings
Cost	
1 January 2021	10,558
Additions	26
Transfer to fixed assets, net	<u>(41)</u>
31 December 2021	10,543
Additions	3,074
Transfer from fixed assets, net	1,130
Disposal	<u>(1)</u>
31 December 2022	<u>14,746</u>
Accumulated depreciation	
1 January 2021	(2,692)
Charge for the year	(329)
Transfer from fixed assets, net	<u>(8)</u>
31 December 2021	(3,029)
Charge for the year	(502)
Transfer from fixed assets, net	<u>(13)</u>
31 December 2022	<u>(3,544)</u>
Carrying amount	
31 December 2022	<u>11,202</u>
31 December 2021	<u>7,514</u>

The fair values of investment properties of the Group as at 31 December 2022 amounted to RMB 16,100 million (31 December 2021: RMB 11,538 million), which were estimated by the Group based on the independent appraisers' valuations.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2021	19,049	1,133	5,727	25,909
Procurement	67	26	433	526
Transfer from construction in progress	1,880	-	-	1,880
Transfer from investment properties, net	41	-	-	41
Decrease	(5)	(47)	(347)	(399)
31 December 2021	21,032	1,112	5,813	27,957
Procurement	1,003	53	571	1,627
Transfer from construction in progress	865	-	-	865
Transfer to investment properties, net	(1,130)	-	-	(1,130)
Decrease	(16)	(47)	(402)	(465)
31 December 2022	<u>21,754</u>	<u>1,118</u>	<u>5,982</u>	<u>28,854</u>
Accumulated depreciation				
1 January 2021	(4,733)	(835)	(3,816)	(9,384)
Depreciation charge	(643)	(90)	(721)	(1,454)
Transfer to investment properties, net	8	-	-	8
Decrease	5	45	336	386
31 December 2021	(5,363)	(880)	(4,201)	(10,444)
Depreciation charge	(657)	(76)	(648)	(1,381)
Transfer to investment properties, net	13	-	-	13
Decrease	2	45	385	432
31 December 2022	<u>(6,005)</u>	<u>(911)</u>	<u>(4,464)</u>	<u>(11,380)</u>
Provision for impairment loss				
1 January 2021, 31 December 2021, and 31 December 2022	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Carrying amount				
31 December 2022	<u>15,740</u>	<u>207</u>	<u>1,518</u>	<u>17,465</u>
31 December 2021	<u>15,660</u>	<u>232</u>	<u>1,612</u>	<u>17,504</u>

As at 31 December 2022, the Group's motor vehicles and other equipment with a cost of approximately RMB 3,666 million (31 December 2021: RMB 3,281 million) are fully depreciated but still in use.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Construction in progress

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

31 December 2022									
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	1,863	466	317	(21)	-	-	-	762	42%
Fujian	1,639	268	449	-	-	-	-	717	44%
Hubei	1,620	69	203	-	-	-	-	272	17%
Jiangsu	414	99	150	(1)	-	-	(14)	234	60%
Liaoning	175	157	1	-	-	-	-	158	90%
Yunnan	831	12	47	-	-	-	-	59	7%
Henan	1,060	-	17	-	-	-	-	17	2%
Guizhou	35	13	-	-	-	-	-	13	37%
Beijing	1,330	-	4	-	-	-	-	4	0%
Zhejiang	2,010	567	193	(759)	-	-	-	1	38%
Others	2,895	63	115	(84)	(37)	(3)	-	54	6%
		<u>1,714</u>	<u>1,496</u>	<u>(865)</u>	<u>(37)</u>	<u>(3)</u>	<u>(14)</u>	<u>2,291</u>	

31 December 2021									
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Zhejiang	699	223	347	(3)	-	-	-	567	82%
Shanghai	1,083	35	494	(1)	-	(62)	-	466	49%
Fujian	816	7	261	-	-	-	-	268	33%
Liaoning	166	158	-	(1)	-	-	-	157	95%
Jiangsu	312	25	86	(12)	-	-	-	99	36%
Hubei	833	-	69	-	-	-	-	69	8%
Guizhou	35	10	3	-	-	-	-	13	37%
Yunnan	462	83	107	(178)	-	-	-	12	41%
Sichuan	1,363	353	392	(745)	-	-	-	-	55%
Chengdu	57	27	15	(42)	-	-	-	-	74%
Others	1,117	901	107	(898)	(47)	-	-	63	90%
		<u>1,822</u>	<u>1,881</u>	<u>(1,880)</u>	<u>(47)</u>	<u>(62)</u>	<u>-</u>	<u>1,714</u>	

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2021	6,099	6	17	6,122
Increase	1,182	-	8	1,190
Decrease	(938)	(2)	(5)	(945)
31 December 2021	6,343	4	20	6,367
Increase	1,568	4	4	1,576
Decrease	(1,611)	(3)	(6)	(1,620)
31 December 2022	<u>6,300</u>	<u>5</u>	<u>18</u>	<u>6,323</u>
Accumulated depreciation				
1 January 2021	(2,317)	(3)	(4)	(2,324)
Depreciation charge	(1,479)	(3)	(3)	(1,485)
Decrease	914	2	1	917
31 December 2021	(2,882)	(4)	(6)	(2,892)
Depreciation charge	(1,365)	(3)	(3)	(1,371)
Decrease	965	3	2	970
31 December 2022	<u>(3,282)</u>	<u>(4)</u>	<u>(7)</u>	<u>(3,293)</u>
Carrying amount				
31 December 2022	<u>3,018</u>	<u>1</u>	<u>11</u>	<u>3,030</u>
31 December 2021	<u>3,461</u>	<u>-</u>	<u>14</u>	<u>3,475</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Intangible assets

	Land use rights	Software use rights	License	Total
Cost				
1 January 2021	1,420	7,329	646	9,395
Increase	707	928	-	1,635
Transfers from construction in progress	-	47	-	47
Decrease	-	(6)	-	(6)
31 December 2021	2,127	8,298	646	11,071
Increase	968	1,132	-	2,100
Transfers from construction in progress	-	37	-	37
31 December 2022	<u>3,095</u>	<u>9,467</u>	<u>646</u>	<u>13,208</u>
Accumulated Amortisation				
1 January 2021	(50)	(4,652)	-	(4,702)
Amortisation	(47)	(819)	-	(866)
Decrease	-	6	-	6
31 December 2021	(97)	(5,465)	-	(5,562)
Amortisation	(70)	(910)	-	(980)
31 December 2022	<u>(167)</u>	<u>(6,375)</u>	<u>-</u>	<u>(6,542)</u>
Carrying amount				
31 December 2022	<u>2,928</u>	<u>3,092</u>	<u>646</u>	<u>6,666</u>
31 December 2021	<u>2,030</u>	<u>2,833</u>	<u>646</u>	<u>5,509</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Goodwill

	31 December 2022			Ending balance
	Opening balance	Increase	Decrease	
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	15	-	-	15
Sub-total	1,372	-	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,372			1,372

	31 December 2021			Ending balance
	Opening balance	Increase	Decrease	
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	-	15	-	15
Sub-total	1,357	15	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,357	15	-	1,372

The Group performs impairment test to goodwill annually. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. As at 31 December 2022, there is no indication that the recoverable amount of an asset group or a group of asset groups is less than its carrying amount, thus no impairment loss is recognised.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Deferred income tax assets and liabilities

	31 December 2022		31 December 2021	
	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Deferred income tax assets				
Insurance contract reserves	5,019	20,076	1,989	7,956
Changes in fair value of financial instruments	(2,439)	(9,756)	(974)	(3,896)
Commission and brokerage expenses	522	2,088	-	-
Provision for asset impairment	3,219	12,876	275	1,100
Deductible loss	1,383	5,532	-	-
Others	1,199	4,796	708	2,832
Sub-total	8,903	35,612	1,998	7,992
Deferred income tax liabilities				
Insurance contract reserves	11	44	1,038	4,152
Changes in fair value of financial instruments	(192)	(791)	(5,867)	(23,468)
Commission and brokerage expenses	(6)	(24)	360	1,440
Provision for asset impairment	(126)	(504)	2,014	8,056
Adjustment in fair value arising from acquisition of subsidiaries	(828)	(3,312)	(858)	(3,432)
Others	309	1,236	(288)	(1,152)
Sub-total	(832)	(3,351)	(3,601)	(14,404)
Net value	8,071	32,261	(1,603)	(6,412)

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

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

	Insurance contract reserves	Fair value	Commission and brokerage expenses	Provision for asset impairments	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
1 January 2021	1,684	(7,468)	402	1,491	-	(892)	573	(4,210)
Recognised in profit or loss	1,343	(263)	(42)	798	-	34	(153)	1,717
Recognised in equity	-	890	-	-	-	-	-	890
31 December 2021	3,027	(6,841)	360	2,289	-	(858)	420	(1,603)
Recognised in profit or loss	2,003	(351)	156	804	1,383	30	1,088	5,113
Recognised in equity	-	4,561	-	-	-	-	-	4,561
31 December 2022	5,030	(2,631)	516	3,093	1,383	(828)	1,508	8,071

As at 31 December 2022, there were no significant deductible temporary differences and deductible losses those were not recognised as deferred income tax assets.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets

		31 December 2022	31 December 2021
Other receivables	(1)	10,018	11,413
Improvements of right-of-use assets	(2)	982	924
Others		<u>2,799</u>	<u>1,993</u>
Total		<u>13,799</u>	<u>14,330</u>

(1) Other receivables

		31 December 2022	31 December 2021
Due from related parties*		1,775	1,774
Due from external undertakings		1,558	1,976
Receivable from securities sold but not settled		732	2,469
Deposits		209	186
Due from agents		134	205
Co-insurance receivables		65	93
Prepaid tax		-	779
Others		<u>5,702</u>	<u>4,114</u>
Sub-total		10,175	11,596
Less: Provision for bad debts		<u>(157)</u>	<u>(183)</u>
Net value		<u>10,018</u>	<u>11,413</u>

* As at 31 December 2022, the payments made by the Group on behalf of Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") for the purchase of land and related taxes and expenses amounted to approximately RMB 1,775 million (31 December 2021: RMB 1,774 million), which accounting for 17% (31 December 2021: 15%) of the total other receivables.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,320	52%	(142)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	4,855	48%	(15)	0%
Total	10,175	100%	(157)	2%
	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	4,809	41%	(157)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	6,787	59%	(26)	0%
Total	11,596	100%	(183)	2%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(1) Other receivables (continued)

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

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	5,398	53%	-	5,398
3 months to 1 year (inclusive)	2,033	20%	(4)	2,029
1 to 3 years (inclusive)	860	8%	(32)	828
Over 3 years	1,884	19%	(121)	1,763
Total	10,175	100%	(157)	10,018

Aging	31 December 2021			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	8,087	70%	-	8,087
3 months to 1 year (inclusive)	1,337	12%	(15)	1,322
1 to 3 years (inclusive)	403	3%	(36)	367
Over 3 years	1,769	15%	(132)	1,637
Total	11,596	100%	(183)	11,413

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

	31 December 2022	31 December 2021
Total amount of the top five other receivables	2,587	2,168
Total provision for bad debts	-	(4)
% of total other receivables	25%	19%

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Other assets (continued)

(2) Improvement of right-of-use assets

	Improvement of right-of-use assets
Cost	
At 1 January 2021	3,811
Additions	288
Transfer from construction in progress	<u>62</u>
At 31 December 2021	4,161
Additions	450
Transfer from construction in progress	<u>3</u>
At 31 December 2022	<u>4,614</u>
Accumulated amortisation	
At 1 January 2021	(2,856)
Amortisation charge	<u>(381)</u>
At 31 December 2021	(3,237)
Amortisation charge	<u>(395)</u>
At 31 December 2022	<u>(3,632)</u>
Carrying amount	
At 31 December 2022	<u>982</u>
At 31 December 2021	<u>924</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets

	31 December 2022				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	1,287	383	(43)	(23)	1,604
- Premium receivables	862	349	(26)	(5)	1,180
- Reinsurance receivables	198	14	-	(2)	210
- Interest receivables	44	13	-	-	57
- Other receivables	183	7	(17)	(16)	157
Provision for impairment of available-for-sale financial assets	8,405	4,745	(487)	(2,442)	10,221
- Debt instruments	1,904	871	(487)	(17)	2,271
- Equity instruments	6,501	3,874	-	(2,425)	7,950
Provision for impairment of held-to-maturity financial assets	217	-	(173)	1	45
Provision for impairment of investments classified as loans and receivables	280	1,050	(109)	-	1,221
Provision for losses on loans	5	-	-	-	5
Provision for impairment of long-term equity investments	-	274	-	-	274
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	25	-	-	-	25
Total	10,248	6,452	(812)	(2,464)	13,424
	31 December 2021				
	Opening balance	Charge for the year	Reversal	Written-off and others	Ending balance
Provision for bad debts	1,041	293	(30)	(17)	1,287
- Premium receivables	655	242	(18)	(17)	862
- Reinsurance receivables	165	33	-	-	198
- Interest receivables	44	-	-	-	44
- Other receivables	177	18	(12)	-	183
Provision for impairment of available-for-sale financial assets	5,134	4,396	(201)	(924)	8,405
- Debt instruments	1,895	285	(201)	(75)	1,904
- Equity instruments	3,239	4,111	-	(849)	6,501
Provision for impairment of held-to-maturity financial assets	191	26	-	-	217
Provision for impairment of investments classified as loans and receivables	323	-	(43)	-	280
Provision for losses on loans	5	-	-	-	5
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	41	-	-	(16)	25
Total	6,764	4,715	(274)	(957)	10,248

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provision for impairment of assets (continued)

In 2022, the provision for impairment written off due to disposal of available-for-sale financial assets approximately amounted to RMB 2,442 million (in 2021: RMB 924 million). The ending balance of the provision for impairment of available-for-sale financial assets has been included in the carrying amount of available-for-sale financial assets.

23. Securities sold under agreements to repurchase

	31 December 2022	31 December 2021
Securities - bonds		
Inter-bank market	99,895	63,591
Stock exchange	<u>19,770</u>	<u>9,850</u>
Total	<u><u>119,665</u></u>	<u><u>73,441</u></u>

As at 31 December 2022, the Group's bonds with par value of approximately RMB 111,987 million (31 December 2021: approximately RMB 67,942 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2022, the Group's bonds with par value of approximately RMB 19,770 million (31 December 2021: approximately RMB 9,850 million) were pledged for the stock exchange securities sold under agreements to repurchase.

Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

24. Reinsurance payables

	31 December 2022	31 December 2021
Within 1 year (inclusive)	7,979	7,122
Over 1 year	<u>471</u>	<u>516</u>
Total	<u><u>8,450</u></u>	<u><u>7,638</u></u>

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

Reinsurer/Broker	31 December 2022	
	Ending balance (including accrual)	% of total balance
China Property & Casualty Reinsurance Company Ltd.	1,299	15%
Munich Reinsurance Company	1,258	15%
China Life Reinsurance Company Ltd	935	11%
Swiss Reinsurance Company Ltd	760	9%
Hannover Reinsurance Company	<u>509</u>	<u>6%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Reinsurance payables (continued)

Reinsurer/Broker	31 December 2021	
	Ending balance (including accrual)	% of total balance
Munich Reinsurance Company China Property & Casualty Reinsurance Company Ltd.	1,027	13%
China Life Reinsurance Company Ltd	952	12%
Swiss Reinsurance Company Ltd	915	12%
Qianhai Reinsurance Co., Ltd.	788	10%
	<u>613</u>	<u>8%</u>

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

25. Employee benefits payable

	1 January 2022	Increase	Decrease	31 December 2022
Wages and salaries, bonus, allowances and subsidies	5,789	19,212	(18,151)	6,850
Staff welfare	3	918	(909)	12
Social security contributions	78	3,816	(3,770)	124
Housing funds	9	1,314	(1,312)	11
Labour union funds	55	357	(358)	54
Employee education funds	737	192	(57)	872
Deferred bonus to management	53	-	-	53
Early retirement benefits	662	449	(452)	659
Total	<u>7,386</u>	<u>26,258</u>	<u>(25,009)</u>	<u>8,635</u>

	1 January 2021	Increase	Decrease	31 December 2021
Wages and salaries, bonus, allowances and subsidies	5,446	19,274	(18,931)	5,789
Staff welfare	7	886	(890)	3
Social security contributions	77	3,637	(3,636)	78
Housing funds	9	1,243	(1,243)	9
Labour union funds	61	345	(351)	55
Employee education funds	614	196	(73)	737
Deferred bonus to management	67	-	(14)	53
Early retirement benefits	430	435	(203)	662
Total	<u>6,711</u>	<u>26,016</u>	<u>(25,341)</u>	<u>7,386</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Taxes payable

	31 December 2022	31 December 2021
Corporate income tax	3,301	2,353
Unpaid VAT	652	550
Withholding individual income tax	153	125
Others	1,060	1,110
Total	<u>5,166</u>	<u>4,138</u>

27. Policyholders' deposits and investment contract liabilities

	31 December 2022	31 December 2021
Opening balance	102,843	87,126
Deposits received	26,788	21,328
Interest credited	4,418	4,007
Deposits withdrawn	(11,134)	(10,501)
Fees deducted for initial policy charge and account management	(366)	(382)
Others	(2,520)	1,265
Ending balance	<u>120,029</u>	<u>102,843</u>
	31 December 2022	31 December 2021
Expire within 1 year (inclusive)	1,050	2,562
Expire within 1 to 3 years (inclusive)	3,141	1,467
Expire within 3 to 5 years (inclusive)	8,947	5,748
Expire within more than 5 years	106,891	93,066
Total	<u>120,029</u>	<u>102,843</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Unearned premium reserves/ Reinsurers' share of unearned premium reserves

(1) Movement of short-term life insurance contracts

	Unearned premium reserves			Reinsurers' share of unearned premium reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	4,206	-	4,206	358
Increase	18,179	-	18,179	(46)
Decrease	(19,076)	-	(19,076)	11
At 31 December 2021	3,309	-	3,309	323
Increase	18,294	-	18,294	566
Decrease	(18,425)	-	(18,425)	(671)
At 31 December 2022	3,178	-	3,178	218

(2) Movement of property and casualty insurance contracts

	Unearned premium reserves			Reinsurers' share of unearned premium reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	64,096	498	64,594	7,179
Increase	153,289	1,322	154,611	19,414
Decrease	(149,710)	(1,311)	(151,021)	(19,002)
At 31 December 2021	67,675	509	68,184	7,591
Increase	171,094	1,489	172,583	20,793
Decrease	(165,403)	(1,292)	(166,695)	(19,788)
At 31 December 2022	73,366	706	74,072	8,596

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

	31 December 2022		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	59,961	382	60,343
Over 1 year	16,583	324	16,907
Total	76,544	706	77,250

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Unearned premium reserves/ Reinsurers' share of unearned premium reserves (continued)

(2) Movement of property and casualty insurance contracts (continued)

	31 December 2021		Total
	Direct insurance contracts	Assumed reinsurance contracts	
Term to maturity			
Within 1 year (inclusive)	56,013	238	56,251
Over 1 year	14,971	271	15,242
Total	<u>70,984</u>	<u>509</u>	<u>71,493</u>

29. Claim reserves/ Reinsurers' share of outstanding claims reserves

(1) Movement of short-term life insurance contracts

	Claim reserves			Reinsurers' share of outstanding claims reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	5,482	-	5,482	709
Increase	13,217	-	13,217	417
Decrease - claims	(12,478)	-	(12,478)	(682)
At 31 December 2021	6,221	-	6,221	444
Increase	14,557	-	14,557	622
Decrease - claims	(13,325)	-	(13,325)	(703)
At 31 December 2022	<u>7,453</u>	<u>-</u>	<u>7,453</u>	<u>363</u>

(2) Movement of property and casualty insurance contracts

	Claim reserves			Reinsurers' share of outstanding claims reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
At 1 January 2021	40,960	944	41,904	6,544
Increase	103,800	658	104,458	12,447
Decrease - claims	(93,556)	(607)	(94,163)	(10,271)
At 31 December 2021	51,204	995	52,199	8,720
Increase	112,446	330	112,776	12,959
Decrease - claims	(100,969)	(22)	(100,991)	(10,563)
At 31 December 2022	<u>62,681</u>	<u>1,303</u>	<u>63,984</u>	<u>11,116</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Claim reserves/ Reinsurers' share of outstanding claims reserves (continued)

(2) Movement of property and casualty insurance contracts (continued)

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

	31 December 2022		Total
	Direct insurance contracts	Assumed reinsurance contracts	
Term to maturity			
Within 1 year (inclusive)	56,557	815	57,372
Over 1 year	13,577	488	14,065
Total	<u>70,134</u>	<u>1,303</u>	<u>71,437</u>
	31 December 2021		Total
	Direct insurance contracts	Assumed reinsurance contracts	
Term to maturity			
Within 1 year (inclusive)	43,443	637	44,080
Over 1 year	13,982	358	14,340
Total	<u>57,425</u>	<u>995</u>	<u>58,420</u>

The claim reserves under direct insurance contracts are as follows:

	31 December 2022	31 December 2021
Incurred and reported claim reserves	38,047	36,105
IBNR reserves	29,967	19,813
Claim expense reserves	<u>2,120</u>	<u>1,507</u>
Total	<u>70,134</u>	<u>57,425</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Life insurance reserves/ Reinsurers' share of life insurance reserves

	Life insurance reserves			Reinsurers' share of life insurance reserves
	Direct insurance contracts	Assumed reinsurance contracts	Total	
1 January 2021	1,008,254	1,940	1,010,194	1,812
Increase	169,273	2,128	171,401	540
Decrease				
- Claims	(31,609)	-	(31,609)	(442)
- Early termination	(18,420)	(1,944)	(20,364)	-
31 December 2021	1,127,498	2,124	1,129,622	1,910
Increase	168,435	3,371	171,806	476
Decrease				
- Claims	(23,337)	(60)	(23,397)	(367)
- Early termination	(19,090)	-	(19,090)	-
31 December 2022	1,253,506	5,435	1,258,941	2,019

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

	31 December 2022		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	15,515	-	15,515
1 to 5 years (inclusive)	52,443	-	52,443
Over 5 years	1,185,548	5,435	1,190,983
Total	1,253,506	5,435	1,258,941
	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	31,555	-	31,555
1 to 5 years (inclusive)	29,048	-	29,048
Over 5 years	1,066,895	2,124	1,069,019
Total	1,127,498	2,124	1,129,622

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Long-term health insurance reserves/ Reinsurers' share of long-term health insurance reserves

	Long-term health insurance reserves			Reinsurers' share of long-term health insurance
	Direct insurance contracts	Assumed reinsurance contracts	Total	
1 January 2021	98,796	-	98,796	11,117
Increase	39,467	-	39,467	3,332
Decrease				
- Claims	(10,499)	-	(10,499)	(2,565)
- Early termination	(1,966)	-	(1,966)	-
31 December 2021	125,798	-	125,798	11,884
Increase	37,270	-	37,270	2,360
Decrease				
- Claims	(10,434)	-	(10,434)	(2,160)
- Early termination	(2,344)	-	(2,344)	-
31 December 2022	150,290	-	150,290	12,084

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

	31 December 2022		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	275	-	275
1 to 5 years (inclusive)	538	-	538
Over 5 years	149,477	-	149,477
Total	150,290	-	150,290
	31 December 2021		
	Direct insurance contracts	Assumed reinsurance contracts	Total
Term to maturity			
Within 1 year (inclusive)	458	-	458
1 to 5 years (inclusive)	453	-	453
Over 5 years	124,887	-	124,887
Total	125,798	-	125,798

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Bonds payable

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 5.10% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%. According to the Announcement on the Exercise of the Redemption Right of the First Phase of Capital Replenishment Bond in 2018 issued by CPIC Property on 16 February, 2023, CPIC Property redeemed the capital replenishment bond in full on 23 March, 2023.

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

Issuer	31 December 2021	Issuance	Amortisation of bond premium or discount	Redemption in current year	31 December 2022
CPIC Property	9,995	-	4	-	9,999

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Other liabilities

		31 December 2022	31 December 2021
Other payables	(1)	29,763	35,713
Accrued expenses		2,215	2,238
Insurance security fund		544	1,138
Dividends payable		4	551
Others		1,348	1,363
Total		<u>33,874</u>	<u>41,003</u>

(1) Other payables

		31 December 2022	31 December 2021
Payables to third-party investors of consolidated structured entities		20,854	13,033
Payables to be claimed by customers		1,641	1,957
Payables for purchases		1,491	1,311
Payables for construction and purchasing office building		1,153	674
Co-insurance payable		820	875
Deposits		812	922
Compulsory automobile insurance rescue fund		273	377
Payables for securities purchased but not settled		206	2,699
Reimbursement payables		60	300
Payables related to asset-backed securities		-	11,775
Others		2,453	1,790
Total		<u>29,763</u>	<u>35,713</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

34. Issued capital

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

	1 January 2022		Increase of number of shares		31 December 2022	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with trading restrictions						
Shares held by domestic non-state owned legal persons	-	0%	-	-	-	0%
Sub-total	-	0%	-	-	-	0%
II. Shares without trading restrictions						
Ordinary shares denominated in RMB	6,844	71%	-	-	6,844	71%
Foreign shares listed overseas	2,776	29%	-	-	2,776	29%
Sub-total	9,620	100%	-	-	9,620	100%
III. Total	9,620	100%	-	-	9,620	100%

As at 31 December 2022, the number of shares which the Company issued and fully paid at RMB 1 per share is 9,620 million. As at 31 December 2021, the number of shares which the Company issued and fully paid at RMB 1 per share is 9,620 million.

35. Capital reserves

	31 December 2022	31 December 2021
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,110
Impact of equity transactions with non-controlling interests	(131)	(131)
Impact of other changes in the equity of investees accounted for using the equity method	66	58
Transaction with non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,665	79,662

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed on the LSE in 2020 which also increased the capital reserves.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Surplus reserves

	Statutory surplus reserve (the “SSR”)
1 January 2021	5,114
Appropriations	<u>-</u>
31 December 2021 and 31 December 2022	<u>5,114</u>

37. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group’s subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

	General reserves
1 January 2021	16,829
Appropriations	<u>2,692</u>
31 December 2021	19,521
Appropriations	<u>2,953</u>
31 December 2022	<u>22,474</u>

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

38. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the amount determined under CASs, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

- (1) Making up for losses brought forward from prior years;
- (2) Appropriating to SSR at 10% of the net profit;
- (3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
- (4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company does not set aside SSR in 2022.

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company does not set aside DSR in 2022.

Pursuant to the resolution of the 23rd meeting of the 9th Board of Directors of the Company held on 24 March 2023, a final dividend of approximately RMB 9,813 million (equivalent to annual cash dividend of RMB 1.02 per share (including tax)) was proposed. The profit distribution plan is subject to the approval of the general shareholders' meeting.

Of the Group's retained profits in the consolidated financial statements, RMB 20,566 million as at 31 December 2022 (31 December 2021: RMB 16,388 million) represents the Company's share of its subsidiaries' surplus reserve fund.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

39. Non-controlling interests

	31 December 2022	31 December 2021
CPIC Property	763	737
CPIC Life	1,745	1,735
Changjiang Pension	1,523	1,580
CPIC Funds	554	539
PAAIC	959	931
Pacific Care Home at Dali	138	142
Total	<u>5,682</u>	<u>5,664</u>

40. Gross written premiums

(1) The breakdown of the Group's insurance business income by line of products is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Property and casualty insurance:		
Automobile insurance	98,062	91,800
Liability insurance	15,331	11,032
Agricultural insurance	14,926	10,551
Health insurance	14,658	13,283
Guarantee insurance	7,699	7,334
Other insurances	21,907	20,611
Sub-total	<u>172,583</u>	<u>154,611</u>
Long-term life insurance:		
Individual insurance		
- Life insurance	121,461	106,629
- Participating insurance	85,818	86,737
- Universal insurance	100	98
Group insurance		
- Life insurance	562	528
Sub-total	<u>207,941</u>	<u>193,992</u>
Short-term life insurance:		
Individual insurance		
- Short-term accident and health insurance	4,430	6,094
Group insurance		
- Short-term accident and health insurance	13,864	12,085
Sub-total	<u>18,294</u>	<u>18,179</u>
Total	<u>398,818</u>	<u>366,782</u>

(2) The Group's gross written premiums with the top five customers is listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Gross written premiums of the top five customers	<u>2,172</u>	<u>2,066</u>
% of gross written premiums	<u>0.54%</u>	<u>0.56%</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Gross written premiums (continued)

(3) Premiums ceded to reinsurers

	For the year ended 31 December 2022	For the year ended 31 December 2021
Long-term life insurance premiums ceded to reinsurers	(3,725)	(5,566)
Short-term life insurance premiums ceded to reinsurers	(566)	46
Property and casualty insurance premiums ceded to reinsurers	<u>(20,793)</u>	<u>(19,414)</u>
Total	<u><u>(25,084)</u></u>	<u><u>(24,934)</u></u>

(4) Net written premiums

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net written premiums	<u>373,734</u>	<u>341,848</u>

41. Net change in unearned premium reserves

	For the year ended 31 December 2022	For the year ended 31 December 2021
Unearned premium reserves		
- Direct insurance contracts	5,559	2,679
- Assumed reinsurance contracts	<u>197</u>	<u>11</u>
Sub-total	<u>5,756</u>	<u>2,690</u>
Unearned premium reserves recovered from reinsurers		
- Direct insurance contracts	(916)	(434)
- Assumed reinsurance contracts	<u>16</u>	<u>57</u>
Sub-total	<u>(900)</u>	<u>(377)</u>
Net	<u><u>4,856</u></u>	<u><u>2,313</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net gains on disposal of stock investments	1,093	17,778
Net gains on disposal of fund investments	269	3,581
Net gains on disposal of bond investments	476	454
Interest on securities purchased under agreements to resell	173	191
Interest income from debt investments	51,648	50,680
Interest income from other fixed-interest investments	13,644	12,760
Fund dividend income	2,570	1,570
Stock dividend income	4,707	3,163
Income from other equity investments	6,253	4,433
Share of profits of associates and joint ventures	401	799
Others	(39)	48
Total	<u>81,195</u>	<u>95,457</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income (continued)

(1) Interest and dividend income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Financial assets at fair value through profit or loss		
- Fixed maturity investments	55	47
- Funds	35	7
- Stocks	-	49
- Other equity investments	525	318
Sub-total	615	421
Held-to-maturity financial assets		
- Fixed maturity investments	19,684	16,705
Loans and receivables		
- Fixed maturity investments	34,064	34,270
Available-for-sale financial assets		
- Fixed maturity investments	11,662	12,609
- Funds	2,535	1,563
- Stocks	4,709	3,114
- Other equity investments	5,706	4,077
Sub-total	24,612	21,363
Total	78,975	72,759

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

42. Investment income (continued)

(2) Realised gains

	For the year ended 31 December 2022	For the year ended 31 December 2021
Financial assets at fair value through profit or loss		
- Fixed maturity investments	86	215
- Funds	3	(64)
- Stocks	3	(44)
- Other equity investments	8	8
- Derivative instruments	(41)	48
Sub-total	59	163
Available-for-sale financial assets		
- Fixed maturity investments	390	259
- Funds	266	3,645
- Stocks	1,090	17,822
- Other equity investments	14	30
Sub-total	1,760	21,756
Held-to-maturity financial assets		
- Fixed maturity investments	-	(20)
Total	1,819	21,899

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

43. (Losses)/Gains arising from changes in fair value

	For the year ended 31 December 2022	For the year ended 31 December 2021
Bond investments	(178)	77
Fund investments	21	1
Derivatives	(69)	118
Stock investments	(3)	36
Wealth management products and other equity instruments	168	931
Total	(61)	1,163

44. Other operating income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Income from asset management fee	2,187	2,673
Rental income from investment properties	703	742
Amortisation of initial policy fee and account management fee	366	382
Others	657	917
Total	3,913	4,714

45. Gains on disposal of assets

	For the year ended 31 December 2022	For the year ended 31 December 2021
Gains on disposal of fixed assets	24	10

46. Surrenders

	For the year ended 31 December 2022	For the year ended 31 December 2021
Individual life insurance		
- Direct insurance contracts	21,409	20,349
- Reinsurance contracts	-	1,944
Group life insurance		
- Direct insurance contracts	25	37
Total	21,434	22,330

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Claims

	For the year ended 31 December 2022	For the year ended 31 December 2021
Indemnity		
- Direct insurance contracts	114,294	106,034
- Assumed reinsurance contracts	<u>22</u>	<u>607</u>
Sub-total	<u>114,316</u>	<u>106,641</u>
Payment upon maturity - direct insurance contracts	7,167	14,291
Payment upon maturity - reinsurance contracts	-	3
Payment of annuity - direct insurance contracts	13,580	14,641
Payment upon death, injury or medical treatment - direct insurance contracts	13,024	13,169
Payment upon death, injury or medical treatment - reinsurance contracts	<u>60</u>	<u>4</u>
Sub-total	<u>33,831</u>	<u>42,108</u>
Total	<u>148,147</u>	<u>148,749</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Claims (continued)

The breakdown of the Group's claims by types of insurance is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Property and casualty insurance:		
Automobile insurance	61,696	61,453
Agricultural insurance	11,116	8,086
Health insurance	9,877	7,293
Liability insurance	6,657	4,837
Commercial property insurance	3,259	4,198
Other insurances	8,386	8,296
Sub-total	<u>100,991</u>	<u>94,163</u>
Long-term life insurance:		
Individual insurance		
- Life insurance	18,004	18,172
- Participating insurance	15,038	23,216
- Universal insurance	70	69
Group insurance		
- Life insurance	627	562
- Participating insurance	90	87
- Universal insurance	2	2
Sub-total	<u>33,831</u>	<u>42,108</u>
Short-term life insurance:		
Individual insurance		
- Short-term accident and health insurance	2,463	2,980
Group insurance		
- Short-term accident and health insurance	10,862	9,498
Sub-total	<u>13,325</u>	<u>12,478</u>
Total	<u>148,147</u>	<u>148,749</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

48. Changes in insurance contract reserves

	For the year ended 31 December 2022	For the year ended 31 December 2021
Changes in claim reserves		
- Direct insurance contracts	12,686	10,983
- Assumed reinsurance contracts	257	25
Sub-total	<u>12,943</u>	<u>11,008</u>
Changes in life insurance reserves		
- Direct insurance contracts	134,628	116,902
- Assumed reinsurance contracts	3,311	184
Sub-total	<u>137,939</u>	<u>117,086</u>
Changes in long-term health insurance reserves		
- Direct insurance contracts	24,492	27,002
Total	<u>175,374</u>	<u>155,096</u>

The particulars of changes in claim reserves under direct insurance contracts are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Incurring and reported claim reserves	1,942	2,093
IBNR reserves	10,131	8,941
Claim expense reserves	613	(51)
Total	<u>12,686</u>	<u>10,983</u>

49. Insurance contract reserves recovered from reinsurers

	For the year ended 31 December 2022	For the year ended 31 December 2021
Recovery of claim reserves		
- Direct insurance contracts	2,404	2,137
- Assumed reinsurance contracts	(113)	(265)
Recovery of life insurance reserves		
- Direct insurance contracts	109	98
Recovery of long-term health insurance reserves		
- Direct insurance contracts	200	767
Total	<u>2,600</u>	<u>2,737</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

50. Taxes and surcharges

	For the year ended 31 December 2022	For the year ended 31 December 2021
City maintenance and construction tax	380	350
Educational surcharge	280	256
Others	461	419
Total	<u>1,121</u>	<u>1,025</u>

51. Commission and brokerage expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
<u>Fee</u>		
Property and casualty insurance		
Automobile insurance	6,782	7,011
Liability insurance	2,432	1,605
Commercial property insurance	1,020	978
Health insurance	848	963
Accident insurance	500	1,495
Other insurances	2,123	1,023
Sub-total	<u>13,705</u>	<u>13,075</u>
Life insurance	<u>2,351</u>	<u>1,265</u>
Total	<u>16,056</u>	<u>14,340</u>

Commission

Commission expenses for single premium policy	934	847
First-year commission expenses for regular premium policy	6,388	9,110
Renewal commission expenses for regular premium policy	4,551	6,007
Total	<u>11,873</u>	<u>15,964</u>
Total of fee and commission expenses	<u>27,929</u>	<u>30,304</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Operating and administrative expenses

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
Payroll and welfare benefits	23,589	23,179
Advertising expenses (including business publicity expenses)	5,951	5,019
Professional service fees	3,900	2,978
General office expenses	2,528	2,813
Outsourcing service fees	2,235	1,640
Prevention expenses	1,755	1,153
Depreciation of fixed assets	1,343	1,388
Depreciation of right-of-use assets	1,337	1,447
Insurance security funds withdrawal	1,335	1,260
Amortisation of intangible assets	940	823
Property management fees	808	779
Labour costs	720	751
Consulting fees	629	772
Amortisation of other long-term assets	423	396
Entrusted management fees	392	320
Compulsory automobile rescue fund	123	311
Travel expenses	106	179
Transportation expenses	87	87
Rent for short-term and low-value asset leases	84	89
Audit fees	25	29
Others	4,464	4,827
Total	<u>52,774</u>	<u>50,240</u>

53. Interest expenses

	<u>2022</u>	<u>2021</u>
Securities sold under agreements to repurchase	1,941	1,812
Policyholder dividends	570	590
Lease liabilities	101	122
Debts	508	503
Others	202	414
Total	<u>3,322</u>	<u>3,441</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54.	Other operating expenses	For the year ended 31 December 2022	For the year ended 31 December 2021
	Interest expenses for policyholders' investment contract liabilities	4,418	4,007
	Depreciation of investment properties	448	329
	Amortisation of fee and commission for acquiring policyholders' investment contract	112	95
	Others	554	2,015
	Total	5,532	6,446
55.	Asset impairment losses	For the year ended 31 December 2022	For the year ended 31 December 2021
	Provision for available-for-sale financial assets impairment, net	4,258	4,195
	Provision for held-to-maturity financial assets impairment, net	(173)	26
	Provision for investments classified as loans and receivables impairment, net	941	(43)
	Provision for bad debts, net	340	263
	Provision for long-term equity investments impairment	274	-
	Total	5,640	4,441
56.	Non-operating income	For the year ended 31 December 2022	For the year ended 31 December 2021
	Custody fees of entrusted operation	55	71
	Government subsidies unrelated to ordinary activities	13	25
	Others	79	152
	Total	147	248

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

57. Non-operating expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Charitable donations and commercial sponsorship	55	81
Government fines & confiscations and liquidated damages	32	30
Overdue tax payment and fines	5	7
Others	112	128
Total	<u>204</u>	<u>246</u>

58. Income tax

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax	5,049	4,895
Deferred income tax	(5,113)	(1,717)
Total	<u>(64)</u>	<u>3,178</u>

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
Total profit	<u>25,176</u>	<u>30,796</u>
Taxes calculated at the statutory tax rate of 25%	6,294	7,699
Income tax adjustment for prior years	(208)	(135)
Non-taxable income	(6,779)	(4,922)
Non-deductible expenses	334	264
Others	295	272
Income tax calculated at applicable tax rates	<u>(64)</u>	<u>3,178</u>

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

59. Earnings per share

(1) Basic earnings per share

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
Consolidated net profit for the year attributable to shareholders of the parent	<u>24,609</u>	<u>26,834</u>
Weighted average number of ordinary shares in issue (million)	<u>9,620</u>	<u>9,620</u>
Basic earnings per share (RMB Yuan)	<u>2.56</u>	<u>2.79</u>

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2022 and 2021.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

60. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2022	Attributable to the Company - net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	19,709	(13,338)	6,371	(34,026)	(2,019)	4,258	13,617	4,561	(13,338)	(271)
Share of other comprehensive income/(loss) to be reclassified to profit or loss of investees accounted for using the equity method	-	(47)	(47)	(47)	-	-	-	-	(47)	-
Exchange differences on translation of foreign operations	(54)	98	44	99	-	-	-	-	98	1
Total	19,655	(13,287)	6,368	(33,974)	(2,019)	4,258	13,617	4,561	(13,287)	(270)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement						
	1 January 2021	Attributable to the Company - net of tax	31 December 2021	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Changes in fair value of available-for-sale financial assets attributable to policyholders	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss										
Gains or losses arising from changes in fair value of available-for-sale financial assets	22,377	(2,668)	19,709	12,062	(21,756)	4,195	1,899	890	(2,668)	(42)
Exchange differences on translation of foreign operations	(37)	(17)	(54)	(17)	-	-	-	-	(17)	-
Total	<u>22,340</u>	<u>(2,685)</u>	<u>19,655</u>	<u>12,045</u>	<u>(21,756)</u>	<u>4,195</u>	<u>1,899</u>	<u>890</u>	<u>(2,685)</u>	<u>(42)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

61. Notes to items in consolidated statement of cash flow

(1) Significant payments related to other operating activities are listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Surrenders	21,434	20,386
Advertising expenses (including business publicity expenses)	5,951	5,019
Professional service fees	3,900	2,978
General office expenses	2,528	2,813
Outsourcing service fees	2,235	1,640
Prevention expenses	1,755	1,153
Consulting fees	654	801
Property management fees	808	779
Labour costs	720	751
Entrusted management fees	392	320

(2) Significant receipts related to other financing activities are listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash proceeds from the issue of asset-backed securities	713	9,975
Cash received related to non-controlling interests of consolidated structured entities, net	11,672	4,341

(3) Significant payments related to other financing activities are listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash paid for principal elements of lease payments	1,686	1,846

62. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash:		
Cash at bank readily available for payments	31,836	31,428
Other cash balances readily available for payments	849	767
Cash equivalents:		
Investments with an initial term within 3 months	21,124	13,432
Total	53,809	45,627

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

63. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net profit	25,240	27,618
Add: Asset impairment losses	5,640	4,441
Net change in insurance contract reserves	172,774	152,359
Net change in unearned premium reserves	4,856	2,313
Changes in insurance premium reserves	109	-
Depreciation of right-of-use assets	1,371	1,485
Depreciation of fixed assets and investment properties	1,883	1,783
Amortisation of intangible assets	980	866
Amortisation of other long-term assets	428	399
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(24)	(10)
Investment income	(81,195)	(95,457)
Losses/(Gains) arising from changes in fair value	61	(1,163)
Interest expenses	2,752	2,851
Exchange (gains)/losses	(1,240)	417
Deferred income tax	(5,113)	(1,717)
Increase in operating receivables	(4,595)	(8,504)
Increase in operating payables	23,984	20,726
Net cash flows from operating activities	<u>147,911</u>	<u>108,407</u>

(2) Net increase in cash and cash equivalents:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash at the end of year	32,685	32,195
Less: Cash at the beginning of year	(32,195)	(20,440)
Cash equivalents at the end of year	21,124	13,432
Less: Cash equivalents at the beginning of year	(13,432)	(14,327)
Net increase in cash and cash equivalents	<u>8,182</u>	<u>10,860</u>

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

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION

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

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

The Group's operating segments are listed as follows:

- The life and health insurance segment (mainly including CPIC Life and CPIC Health) offers a wide range of life and health insurance in RMB;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of property and casualty insurance in RMB and foreign currencies;
- Other businesses segment mainly provides corporation management and asset management services, etc.

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

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

In 2022, gross written premiums from transactions with the top five external customers amounted to 0.54% (in 2021: 0.56%) of the Group's total gross written premiums (Note VII 40).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	For the year ended 31 December 2022							Total
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations		
		Mainland China	Hong Kong	Eliminations				
Gross written premiums	227,133	172,125	605	(147)	172,583	-	(898)	398,818
Less: Premiums ceded to reinsurers	(4,291)	(21,535)	(299)	143	(21,691)	-	898	(25,084)
Net change in unearned premium reserves	(29)	(4,982)	5	-	(4,977)	-	150	(4,856)
Net premiums earned	222,813	145,608	311	(4)	145,915	-	150	368,878
Including: Net premiums earned from third parties	221,970	146,693	215	-	146,908	-	-	368,878
Net premiums earned within the Group	843	(1,085)	96	(4)	(993)	-	150	-
Other income	39	40	-	-	40	104	-	183
Investment income	74,293	8,092	5	-	8,097	10,883	(12,078)	81,195
Including: Share of profits/(losses) of associates and joint ventures	557	54	-	-	54	(189)	(21)	401
(Losses)/Gains arising from changes in fair value	(245)	(95)	-	-	(95)	279	-	(61)
Exchange gains/(losses)	200	316	(12)	-	304	736	-	1,240
Other operating income	1,831	212	1	-	213	7,696	(5,827)	3,913
Gains on disposal of assets	2	2	-	-	2	20	-	24
Operating income	298,933	154,175	305	(4)	154,476	19,718	(17,755)	455,372
Surrenders	(21,434)	-	-	-	-	-	-	(21,434)
Claims	(47,155)	(101,263)	(293)	72	(101,484)	-	492	(148,147)
Less: Claim recoveries from reinsurers	3,230	11,100	119	(72)	11,147	-	(494)	13,883
Changes in insurance contract reserves	(164,443)	(11,672)	(39)	1	(11,710)	-	779	(175,374)
Less: Insurance contract reserves recovered from reinsurers	229	2,292	29	(1)	2,320	-	51	2,600
Others	(55,854)	(43,804)	(189)	-	(43,993)	(7,706)	5,886	(101,667)
Operating expenses	(285,427)	(143,347)	(373)	-	(143,720)	(7,706)	6,714	(430,139)
Operating profit	13,506	10,828	(68)	(4)	10,756	12,012	(11,041)	25,233
Add: Non-operating income	32	104	-	-	104	11	-	147
Less: Non-operating expenses	(84)	(80)	-	-	(80)	(40)	-	(204)
Profit before tax	13,454	10,852	(68)	(4)	10,780	11,983	(11,041)	25,176
Less: Income tax	2,811	(2,340)	-	-	(2,340)	(400)	(7)	64
Net profit for the year	16,265	8,512	(68)	(4)	8,440	11,583	(11,048)	25,240

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	For the year ended 31 December 2022							
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				Sub-total
Supplementary information:								
Capital expenditure	1,019	746	3	-	749	6,979	-	8,747
Depreciation and amortisation	2,348	1,565	5	-	1,570	711	-	4,629
Asset impairment losses	5,648	1,142	47	-	1,189	(1,197)	-	5,640
Interest income	57,516	5,758	20	-	5,778	2,171	-	65,465
31 December 2022								
Long-term equity investments	22,264	218	-	-	218	3,433	(86)	25,829
Financial assets	1,396,195	117,243	703	-	117,946	139,221	-	1,653,362
Term deposits	159,875	33,963	-	-	33,963	10,679	-	204,517
Others	172,525	84,909	921	(231)	85,599	102,209	(67,742)	292,591
Segment assets	1,750,859	236,333	1,624	(231)	237,726	255,542	(67,828)	2,176,299
Unearned premium reserves	3,547	73,942	175	(45)	74,072	-	(369)	77,250
Claim reserves	8,233	63,281	725	(22)	63,984	-	(780)	71,437
Life insurance reserves	1,258,941	-	-	-	-	-	-	1,258,941
Long-term health insurance reserves	150,290	-	-	-	-	-	-	150,290
Policyholders' deposits and investment contract liabilities	119,892	137	-	-	137	-	-	120,029
Bonds payable	-	9,999	-	-	9,999	-	-	9,999
Securities sold under agreements to repurchase	107,018	2,206	-	-	2,206	10,441	-	119,665
Others	74,870	35,209	384	(208)	35,385	30,123	(5,818)	134,560
Segment liabilities	1,722,791	184,774	1,284	(275)	185,783	40,564	(6,967)	1,942,171

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	For the year ended 31 December 2021							
	Life and health insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	213,514	154,237	523	(149)	154,611	-	(1,343)	366,782
Less: Premiums ceded to reinsurers	(5,520)	(20,627)	(273)	143	(20,757)	-	1,343	(24,934)
Net change in unearned premium reserves	1,083	(3,473)	67	-	(3,406)	-	10	(2,313)
Net premiums earned	209,077	130,137	317	(6)	130,448	-	10	339,535
Including: Net premiums earned from third parties	207,529	131,836	170	-	132,006	-	-	339,535
Net premiums earned within the Group	1,548	(1,699)	147	(6)	(1,558)	-	10	-
Other income	25	53	-	-	53	103	-	181
Investment income	82,125	7,947	23	-	7,970	21,471	(16,109)	95,457
Including: Share of profits of associates and joint ventures	780	22	-	-	22	24	(27)	799
Gains arising from changes in fair value	686	1	-	-	1	476	-	1,163
Exchange losses	(50)	(54)	(2)	-	(56)	(311)	-	(417)
Other operating income	1,935	296	3	-	299	7,029	(4,549)	4,714
Gains/(Losses) on disposal of assets	9	2	-	-	2	(1)	-	10
Operating income	293,807	138,382	341	(6)	138,717	28,767	(20,648)	440,643
Surrenders	(22,330)	-	-	-	-	-	-	(22,330)
Claims	(55,431)	(93,955)	(283)	75	(94,163)	-	845	(148,749)
Less: Claim recoveries from reinsurers	3,689	11,046	150	(75)	11,121	-	(850)	13,960
Changes in insurance contract reserves	(144,335)	(10,155)	(153)	43	(10,265)	-	(496)	(155,096)
Less: Insurance contract reserves recovered from reinsurers	599	2,287	24	(43)	2,268	-	(130)	2,737
Others	(56,731)	(39,384)	(114)	-	(39,498)	(7,929)	3,787	(100,371)
Operating expenses	(274,539)	(130,161)	(376)	-	(130,537)	(7,929)	3,156	(409,849)
Operating profit	19,268	8,221	(35)	(6)	8,180	20,838	(17,492)	30,794
Add: Non-operating income	61	125	-	-	125	62	-	248
Less: Non-operating expenses	(97)	(87)	-	-	(87)	(62)	-	(246)
Profit before tax	19,232	8,259	(35)	(6)	8,218	20,838	(17,492)	30,796
Less: Income tax	(389)	(1,841)	-	-	(1,841)	(833)	(115)	(3,178)
Net profit for the year	18,843	6,418	(35)	(6)	6,377	20,005	(17,607)	27,618

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

Item	2021							Total
	Life and health insurance	Property and casualty insurance			Corporate and others	Eliminations		
		Mainland China	Hong Kong	Eliminations				
Supplementary information:								
Capital expenditure	887	783	-	-	783	2,783	-	4,453
Depreciation and amortisation	2,093	1,474	-	-	1,474	966	-	4,533
Asset impairment losses	3,713	511	-	-	511	217	-	4,441
Interest income	55,241	5,519	29	-	5,548	2,842	-	63,631
31 December 2021								
Long-term equity investments	24,693	362	-	-	362	1,991	(62)	26,984
Financial assets	1,244,507	104,349	385	-	104,734	111,456	-	1,460,697
Term deposits	151,435	30,010	-	-	30,010	15,074	-	196,519
Others	153,214	76,399	1,145	(142)	77,402	82,013	(50,665)	261,964
Segment assets	1,573,849	211,120	1,530	(142)	212,508	210,534	(50,727)	1,946,164
Unearned premium reserves	3,622	68,068	174	(57)	68,185	-	(314)	71,493
Claim reserves	7,048	51,609	610	(19)	52,200	-	(828)	58,420
Life insurance reserves	1,129,622	-	-	-	-	-	-	1,129,622
Long-term health insurance reserves	125,798	-	-	-	-	-	-	125,798
Policyholders' deposits and investment contract liabilities	102,780	63	-	-	63	-	-	102,843
Bonds payable	-	9,995	-	-	9,995	-	-	9,995
Securities sold under agreements to repurchase	70,122	-	-	-	-	3,319	-	73,441
Others	95,134	31,403	320	(43)	31,680	27,796	(12,463)	142,147
Segment liabilities	1,534,126	161,138	1,104	(119)	162,123	31,115	(13,605)	1,713,759

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

	Currency	31 December 2022		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	78	1.00000	78
	USD	924	6.96460	6,434
	HKD	102	0.89327	91
	Sub-total			6,603
Other cash balances	RMB	7	1.00000	7
Total				6,610

	Currency	31 December 2021		
		Original currency	Exchange rate	RMB
Bank deposits	RMB	109	1.00000	109
	USD	806	6.37570	5,139
	HKD	9	0.81760	7
	Sub-total			5,255
Other cash balances	RMB	6	1.00000	6
Total				5,261

As of 31 December 2022, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 99 million (31 December 2021: amounted equivalent to RMB 7 million).

2. Financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Debt investments		
Finance bonds	-	7
Corporate bonds	2	2
Total	2	9

Financial assets at fair value through profit or loss are all financial assets held for trading, and there is no significant restriction on the realisation of investments.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Term deposits

	31 December 2022	31 December 2021
Term to maturity		
Within 1 year (inclusive)	4,699	6,278
1 to 2 years (inclusive)	1,500	3,700
2 to 3 years (inclusive)	2,800	1,500
3 to 4 years (inclusive)	-	2,800
Total	<u>8,999</u>	<u>14,278</u>

4. Available-for-sale financial assets

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

	31 December 2022	31 December 2021
Debt investments		
Government bonds	4,101	4,104
Finance bonds	7,169	2,085
Corporate bonds	11,645	14,964
Wealth management products	394	-
Equity investments		
Funds	10,108	5,999
Stocks	1,115	1,351
Investments in other equity instruments	3,160	939
Total	<u>37,692</u>	<u>29,442</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Available-for-sale financial assets (continued)

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

	31 December 2022	31 December 2021
Debt investments		
Fair value	23,309	21,153
Including: Amortised cost	22,900	20,645
Accumulated amount recognised in other comprehensive income/(loss)	545	717
Total impairment provisions	(136)	(209)
Equity investments		
Fair value	14,383	8,289
Including: Cost	14,356	7,278
Accumulated amount recognised in other comprehensive income/(loss)	183	1,088
Total impairment provisions	(156)	(77)
Total		
Fair value	37,692	29,442
Including: Amortised cost/Cost	37,256	27,923
Accumulated amount recognised in other comprehensive income/(loss)	728	1,805
Total impairment provisions	(292)	(286)

5. Investments classified as loans and receivables

	31 December 2022	31 December 2021
Debt investments		
Debt investment plans	10,875	11,898
Wealth management products	4,668	5,188
Total	15,543	17,086

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Long-term equity investments

	31 December 2022	31 December 2021
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	42,366	39,908
CPIC Asset Management	1,360	1,360
CPIC H.K.	240	240
CPIC Real Estate	115	115
CPIC Investment (H.K.)	21	21
CPIC Online Services	200	200
CPIC Health	3,081	1,465
CPIC Technology	700	-
Consolidated structured entities	1,093	1,252
Associate		
Shanghai Kangyang	300	-
Total	<u>69,900</u>	<u>64,985</u>

The Company does not have any other items that substantially constitute net investment in subsidiaries.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Investment properties

	Buildings
Cost:	
1 January 2021	4,638
Transfer to fixed assets, net	<u>(184)</u>
31 December 2021	4,454
Transfer from fixed assets, net	<u>532</u>
31 December 2022	<u><u>4,986</u></u>
Accumulated depreciation:	
1 January 2021	(1,349)
Provision	(143)
Transfer to fixed assets, net	<u>30</u>
31 December 2021	(1,462)
Provision	(154)
Transfer from fixed assets, net	<u>(96)</u>
31 December 2022	<u><u>(1,712)</u></u>
Carrying amount:	
31 December 2022	<u><u>3,274</u></u>
31 December 2021	<u><u>2,992</u></u>

The fair values of investment properties of the Company as at 31 December 2022 amounted to RMB 6,667 million (31 December 2021: RMB 6,146 million), which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health, Pacific Insurance Agency and CPIC Technology, and charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

8. Other assets

	31 December 2022	31 December 2021
Receivables from subsidiaries	268	2,325
Improvements of right-of-use assets	57	82
Dividends receivable	63	55
Prepayments for construction	-	13
Others	<u>176</u>	<u>138</u>
Total	<u><u>564</u></u>	<u><u>2,613</u></u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

9. Securities sold under agreements to repurchase

	31 December 2022	31 December 2021
Securities - bonds		
Inter-bank market	2,919	1,120
Stock exchange	1,000	-
Total	<u>3,919</u>	<u>1,120</u>

As at 31 December 2022, the Company's bond investments of approximately RMB 3,174 million (31 December 2021: RMB 1,224 million) were pledged for inter-bank securities sold under agreements to repurchase.

As at 31 December 2022, the Company's standardised bonds of approximately RMB 1,000 million (31 December 2021: none) were pledged for securities sold at stock exchange under agreements to repurchase.

10. Other liabilities

	31 December 2022	31 December 2021
Payables to subsidiaries	277	25
Payables for construction and purchasing office buildings	8	26
Others	601	505
Total	<u>886</u>	<u>556</u>

11. Capital reserves

	31 December 2022	31 December 2021
Capital premium	79,008	79,008
Asset evaluation appreciation	301	301
Others	3	3
Total	<u>79,312</u>	<u>79,312</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

12. Investment income

	2022	2021
Net gains on sales of stock investments	143	433
Net gains on sales of bond investments	16	8
Net gains on sales of fund investments	93	361
Interest income from securities purchased under agreements to resell	11	8
Interest income from debt investments	1,677	1,804
Interest income from other fixed-interest investments	399	458
Stock dividend income	40	26
Fund dividend income	187	47
Income from other equity investments	28	44
Dividend income from subsidiaries	<u>11,547</u>	<u>12,625</u>
Total	<u>14,141</u>	<u>15,814</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

13. Other comprehensive income/(loss)

	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2022	Attributable to the Company-net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for- sale financial assets in current year	Less: Income tax expenses	Attributable to the Company- net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	<u>1,354</u>	<u>(808)</u>	<u>546</u>	<u>(875)</u>	<u>(259)</u>	<u>57</u>	<u>269</u>	<u>(808)</u>
	Other comprehensive income/(loss) in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2021	Attributable to the Company-net of tax	31 December 2021	Amount incurred before income tax	Less: Transfer out of other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for- sale financial assets in current year	Less: Income tax expenses	Attributable to the Company- net of tax
Other comprehensive income/(loss) to be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	<u>1,548</u>	<u>(194)</u>	<u>1,354</u>	<u>398</u>	<u>(808)</u>	<u>150</u>	<u>66</u>	<u>(194)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2022	2021
Net profit	13,020	13,579
Add: Asset impairment losses	57	150
Depreciation of right-of-use assets	70	60
Depreciation of fixed assets and investment properties	304	368
Amortisation of intangible assets	105	134
Amortisation of other long-term assets	42	24
Investment income	(14,141)	(15,814)
Interest expenses	29	47
Exchange (gains)/losses	(738)	310
Deferred income tax	(28)	(10)
Decrease/(Increase) in operating receivables	433	(415)
Increase/(Decrease) in operating payables	281	(31)
	<u>(566)</u>	<u>(1,598)</u>
Net cash flows used in operating activities	<u>(566)</u>	<u>(1,598)</u>

(2) Net increase in cash and cash equivalents:

	2022	2021
Cash at the end of year	6,610	5,261
Less: Cash at the beginning of year	(5,261)	(271)
Cash equivalents at the end of year	-	10
Less: Cash equivalents at the beginning of year	(10)	(110)
	<u>1,339</u>	<u>4,890</u>
Net increase in cash and cash equivalents	<u>1,339</u>	<u>4,890</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

During the reporting period, the Company's major related parties comprise:

- (1) Subsidiaries of the Company;
- (2) Investors who exert significant influence on the Company;
- (3) Joint ventures and associates of the Company;
- (4) Key management personnel of the Company and close family members of such individuals;
- (5) Enterprise annuity fund established by the Group; and
- (6) Legal entities or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company is not a related party to the Company.

2. Related party relationships

(1) Related parties controlled by the Company

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

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

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2022	Movements for the current year	31 December 2022	1 January 2022	Movements for the current year	31 December 2022
CPIC Property	19,470	-	19,470	98.50%	-	98.50%
CPIC Life	8,420	208	8,628	98.29%	-	98.29%
CPIC Asset Management	2,100	-	2,100	99.67%	-	99.67%
Changjiang Pension	3,000	-	3,000	61.10%	-	61.10%
CPIC H.K.	HKD 250 million	-	HKD 250 million	100.00%	-	100.00%
CPIC Real Estate	115	-	115	100.00%	-	100.00%
CPIC Investment (H.K.)	HKD 200 million	-	HKD 200 million	99.71%	-	99.71%
City Island	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Newscott Investments Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Xin Hui Property	USD 15,600 thousand	-	USD 15,600 thousand	98.29%	-	98.29%
He Hui Property	USD 46,330 thousand	-	USD 46,330 thousand	98.29%	-	98.29%
CPIC Online Services	200	-	200	100.00%	-	100.00%
Tianjin Trophy	354	-	354	98.29%	-	98.29%
CPIC Senior Living Investment	3,000	2,000	5,000	98.29%	-	98.29%
CPIC Health	1,700	1,900	3,600	99.74%	-	99.74%
PAAIC	1,080	-	1,080	66.76%	-	66.76%
Pacific Medical & Healthcare	500	500	1,000	98.29%	-	98.29%
CPIC Funds	150	-	150	50.83%	-	50.83%
Pacific Insurance Agency	50	-	50	100.00%	-	100.00%
Chengdu Project Company	1,000	-	1,000	98.29%	-	98.29%
Hangzhou Project Company	1,200	-	1,200	98.29%	-	98.29%
Xiamen Project Company	900	-	900	98.29%	-	98.29%
Pacific Care Home at Chengdu	60	-	60	98.29%	-	98.29%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

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

Name of investee	Registered capital			Shares or equity held by the Company		
	Movements			Movements		
	1 January 2022	for the current year	31 December 2022	1 January 2022	for the current year	31 December 2022
Nanjing Project Company	220	-	220	98.29%	-	98.29%
Pacific Care Home at Dali	608	-	608	74.70%	-	74.70%
Shanghai (Putuo) Project Company	250	-	250	98.29%	-	98.29%
Pacific Care Home at Hangzhou	60	-	60	98.29%	-	98.29%
Wuhan Project Company	980	-	980	98.29%	-	98.29%
CPIC Capital	100	-	100	99.67%	-	99.67%
Shanghai (Chongming) Project Company	800	453	1,253	98.29%	-	98.29%
Pacific Care Home at Shanghai (Putuo)	30	-	30	98.29%	-	98.29%
Borui Heming	52	-	52	98.29%	-	98.29%
	HKD 1,000		HKD 1,000			
CPIC Life (H.K.)	million	-	million	98.29%	-	98.29%
Qingdao Project Company	227	-	227	98.29%	-	98.29%
Pacific Care Home at Xiamen	-	40	40	-	98.29%	98.29%
Zhengzhou Project Company	-	650	650	-	98.29%	98.29%
Beijing Project Company	-	800	800	-	98.29%	98.29%
CPIC Technology	-	700	700	-	100.00%	100.00%
Xinbaoyu	-	3,650	3,650	-	98.46%	98.46%
CPIC Technology Wuhan	-	100	100	-	100.00%	100.00%
Pacific Care Management at Sanya	-	490	490	-	98.29%	98.29%
Pacific Care Home at Nanjing	-	30	30	-	98.29%	98.29%

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Baoshan Iron & Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Gas Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Baowu Carbon Technology Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Baoxin Software Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Taiyuan Iron & Steel (Group) Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Ningbo Baoxin Stainless Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Asset Management Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Shanghai Juche Information Technology Co., Ltd. ("Juche")	Associate of the Company
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	Associate of the Company
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare")	Associate of the Company

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties (continued)

Name of entity	Relationship with the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Health's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment's enterprise annuity plan	Enterprise annuity fund established by the Group
PAAIC's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Insurance Agency enterprise annuity plan	Enterprise annuity fund established by the Group
Hwabao WP Fund Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Haitong Securities Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Shanghai Haiyan Investment Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Swiss Reinsurance Company Ltd	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Baosteel Group Finance Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

	2022	2021
Baoshan Iron & Steel Co., Ltd.	21	-
China Baowu Steel Group Corporation Limited	5	1
Shanghai International Group Co., Ltd.	2	2
Shanghai Gas Co., Ltd.	2	-
Shanghai International Group Asset Management Co., Ltd.	2	-
Shanghai State-Owned Assets Operation Co., Ltd.	1	2
Haitong Securities Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	-
Shanghai Baoxin Software Co., Ltd.	1	-
Taiyuan Iron & Steel (Group) Co., Ltd.	1	-
Ningbo Baoxin Stainless Steel Co., Ltd.	1	-
Shanghai Tobacco Group Co., Ltd. ^{Note}	-	11
Shanghai Rural Commercial Bank Co., Ltd. ^{Note}	-	5
	<u>38</u>	<u>22</u>
Total	<u>38</u>	<u>22</u>

Sale of insurance contracts to shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company was RMB 8 million for the year ended 2022 (For the year ended 2021: RMB 5 million).

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. For the year ended 2022, gross written premiums from related parties accounted for 0.01% (For the year ended 2021: 0.01%).

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

(2) Fund subscription and redemption transactions

	2022	2021
Hwabao WP Fund Management Co., Ltd.	<u>366</u>	<u>819</u>

(3) Transaction of asset management products

	2022	2021
Baosteel Group Finance Co., Ltd.	1,030	-
Hwabao Trust Co., Ltd.	<u>37</u>	<u>-</u>
Total	<u>1,067</u>	<u>-</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(4) Distribution of cash dividends

	2022	2021
Shenergy (Group) Company Limited	1,386	1,792
Hwabao Investments Co., Ltd.	1,284	1,670
Shanghai State-Owned Assets Operation Co., Ltd.	634	699
Shanghai Haiyan Investment Management Co., Ltd.	<u>516</u>	<u>659</u>
Total	<u><u>3,820</u></u>	<u><u>4,820</u></u>

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,304 million in 2022 (2021: RMB 4,161 million).

(5) Premiums ceded to reinsurers

	2022	2021
Swiss Reinsurance Company Ltd ^{Note}	<u>3,372</u>	<u>1,900</u>

(6) Expense recoveries from reinsurers

	2022	2021
Swiss Reinsurance Company Ltd ^{Note}	<u>1,048</u>	<u>775</u>

(7) Claim recoveries from reinsurers

	2022	2021
Swiss Reinsurance Company Ltd ^{Note}	<u>1,964</u>	<u>1,217</u>

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

(8) Remuneration of key management

	2022	2021
Salary and other benefits	<u>37</u>	<u>34</u>

(9) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2022	2021
Contribution to the enterprise annuity plan	<u>525</u>	<u>477</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(10) The major related transactions between the Group and joint ventures during the years are as follows:

	2022	2021
Binjiang-Xiangrui		
Rental fees for leasing office buildings of Binjiang-Xiangrui	86	79
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes	-	160
Total	<u>86</u>	<u>239</u>
Ruiyongjing Real Estate		
Grant loans	<u>885</u>	<u>837</u>

(11) The major related transactions between the Group and associates during the years are as follows:

	2022	2021
Purchase service		
Juche	130	185
Zhongdao	127	133
Shantai Healthcare	<u>143</u>	<u>54</u>
Total	<u>400</u>	<u>372</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the years are as follows:

	2022	2021
Purchase of insurance contracts		
CPIC Property	<u>10</u>	<u>9</u>
Rental income from office building		
CPIC Property	99	59
CPIC Technology	28	-
CPIC Life	20	15
Changjiang Pension	9	5
CPIC Senior Living Investment	4	4
CPIC Health	1	1
Pacific Insurance Agency	<u>-</u>	<u>1</u>
Total	<u>161</u>	<u>85</u>
Shared service centre fee		
CPIC Property	131	262
CPIC Life	121	258
CPIC Technology	21	-
CPIC Asset Management	8	16
CPIC Health	6	17
Changjiang Pension	1	4
CPIC Senior Living Investment	1	2
CPIC Online Services	1	1
CPIC Capital	1	-
PAAIC	<u>-</u>	<u>1</u>
Total	<u>291</u>	<u>561</u>
IT/Collaboration service fee		
Changjiang Pension	6	-
CPIC Asset Management	<u>5</u>	<u>-</u>
Total	<u>11</u>	<u>-</u>
Asset management fee		
CPIC Asset Management	<u>62</u>	<u>24</u>
Technology service fee		
CPIC Technology	<u>199</u>	<u>-</u>
Commission fee		
CPIC Real Estate	<u>12</u>	<u>-</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows (continued):

	2022	2021
Medical examination fee		
CPIC Health	<u>4</u>	<u>4</u>
Rental fee		
CPIC Real Estate	5	7
CPIC Property	3	4
CPIC Life	<u>1</u>	<u>1</u>
Total	<u>9</u>	<u>12</u>
Cash dividends received		
CPIC Life	6,869	9,932
CPIC Property	4,411	2,493
CPIC Asset Management	<u>240</u>	<u>200</u>
Total	<u>11,520</u>	<u>12,625</u>
Capital injection to subsidiaries		
CPIC Life	2,458	-
CPIC Health	<u>-</u>	<u>1,616</u>
Total	<u>2,458</u>	<u>1,616</u>
Investment of setting up subsidiaries		
CPIC Technology	<u>700</u>	<u>-</u>
Fixed assets transfer		
CPIC Technology	<u>9</u>	<u>-</u>

The rent of the office building charged by the Company from CPIC Property, CPIC Technology, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health and Pacific Insurance Agency is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Property, CPIC Life, CPIC Technology, CPIC Asset Management, CPIC Health, Changjiang Pension, CPIC Senior Living Investment, CPIC Online Services, CPIC Capital and PAAIC is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The IT service or collaboration service fees charged by the Company from Changjiang Pension and CPIC Asset Management is determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company is determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The technology service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties. The commission fee charged by CPIC Real Estate to the Company is determined at the price negotiated by both parties. The medical examination fee incurred between the Company and CPIC Health is determined at the price negotiated by both parties. The rent of the office building incurred among the Company, CPIC Real Estate, CPIC Property and CPIC Life is determined at the price negotiated by both parties.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

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

	2022	2021
Rental fees for leasing office buildings		
Binjiang-Xiangrui	42	39
Xinbaoyu	1	-
	<u>43</u>	<u>39</u>
Total	<u>43</u>	<u>39</u>

4. Receivables from and payables to related parties

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

	31 December 2022	31 December 2021
Dividends receivable		
CPIC H.K.	<u>45</u>	<u>41</u>
Other receivables		
CPIC Property	149	310
CPIC Life	76	358
CPIC Technology	36	-
CPIC Asset Management	4	14
CPIC Health	2	1,630
CPIC Senior Living Investment	1	3
CPIC Online Services	1	-
Changjiang Pension	-	10
	<u>269</u>	<u>2,325</u>
Total	<u>269</u>	<u>2,325</u>
Other payables		
CPIC Technology	207	-
CPIC Asset Management	65	23
CPIC Real Estate	5	-
Changjiang Pension	-	2
	<u>277</u>	<u>25</u>
Total	<u>277</u>	<u>25</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

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

	31 December 2022	31 December 2021
Other receivables		
Binjiang-Xiangrui	<u>1,775</u>	<u>1,774</u>
Other payables		
Binjiang-Xiangrui	<u>245</u>	<u>166</u>
Investments classified as loans and receivables		
Ruiyongjing Real Estate	<u>4,339</u>	<u>3,454</u>

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(3) Receivables and payables between the Group and other related parties are as follows:

	31 December 2022	31 December 2021
Reinsurance receivables		
Swiss Reinsurance Company Ltd	<u>1,163</u>	<u>1,024</u>
Reinsurance payables		
Swiss Reinsurance Company Ltd	<u>764</u>	<u>788</u>

XI. CONTINGENCIES

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

In addition to the legal proceedings of the above natures, as at 31 December 2022, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS

1. Major projects with capital commitments

		31 December 2022	31 December 2021
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)	13,772	7,756
Authorised, but not contracted for	(1)(2)	6,630	6,149
		<u>20,402</u>	<u>13,905</u>

As at 31 December 2022, major projects with capital commitments are as follows:

- (1) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2022, the cumulative amount incurred by CPIC Life amounted to approximately RMB 14,174 million. Of the balance, approximately RMB 1,111 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.
- (2) CPIC Life and CPIC Senior Living Investment obtained the use rights of thirteen parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up twelve project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eleven projects is approximately RMB 13,491 million. As at 31 December 2022, the cumulative amount incurred amounted to approximately RMB 6,226 million. Of the balance, approximately RMB 2,810 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 4,480 million was disclosed as a capital commitment authorised but not contracted for.
- (3) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,050 million. Among which CPIC Life subscribed capital contribution of 5,000 million, accounted for 99.01% of the capital. As at 31 December 2022, CPIC Life has cumulatively made a capital contribution of 2,500 million. Of the balance, RMB 2,500 million was disclosed as a capital commitment contracted but not provided for.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS (continued)

1. Major projects with capital commitments (continued)

(4) As at December 31, 2022, the Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As of December 31, 2022, CPIC Health Fund has invested in 13 equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 3.740 billion, paid-in contribution of approximately RMB 2.031 billion, and uncontributed capital of approximately RMB 1.709 billion, which are listed as signed but unallocated capital commitments.

(5) As at December 31, 2022, CPIC Life and CPIC Capital together subscribed 99.98% of the shares of China Pacific Changhang Equity Investment Fund (Wuhan) Partnership (Limited Partnership) (“China Pacific Changhang”). As of December 31, 2022, China Pacific Changhang has invested in 3 equity investment funds (not including consolidated structured entities included in the scope of the Group) with a total subscribed contribution of RMB 2.700 billion, paid-in contribution of 1.400 billion, and uncontributed capital of RMB 1.300 billion, which are listed as signed but unallocated capital commitments.

2. Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2022	31 December 2021
Within 1 year (inclusive)	854	821
1 to 2 years (inclusive)	458	604
2 to 3 years (inclusive)	351	420
3 to 5 years (inclusive)	203	448
More than 5 years	124	22
	<u>1,990</u>	<u>2,315</u>

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk

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

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

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

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

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

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

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risk (continued)

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

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

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

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

(2) Concentration of insurance risk

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

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note VII 40.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in determining insurance contract reserves and in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumption and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group has measured the impact on insurance contract reserves of long-term life insurance contract reserves using sensitivity analysis of certain independently varying assumptions under reasonable and possible circumstances.

	31 December 2022				
	Changes in assumptions	Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(18,932)	-1.52%	(9,440)	-6.28%
	- 25 basis points	20,388	1.64%	10,141	6.75%
Mortality rate	+10%	1,957	0.16%	(202)	-0.13%
	-10%	(1,966)	-0.16%	220	0.15%
Morbidity rate	+10%	424	0.03%	19,910	13.25%
	-10%	(460)	-0.04%	(20,419)	-13.59%
Surrender rate	+10%	(3,640)	-0.29%	62	0.04%
	-10%	3,801	0.30%	13	0.01%
Expenses	+10%	5,848	0.47%	1,386	0.92%
	-10%	(5,848)	-0.47%	(1,386)	-0.92%
Policy dividend	+5%	18,500	1.48%	(135)	-0.09%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Long-term life insurance contracts (continued)

Sensitivities (continued)

	Changes in assumptions	31 December 2021			
		Impact on long-term life insurance reserves Increase/ (Decrease)	Impact on long-term life insurance reserves (percentage)	Impact on long-term health insurance reserves Increase/ (Decrease)	Impact on long-term health insurance reserves (percentage)
Discount rates	+ 25 basis points	(17,152)	-1.55%	(8,850)	-7.04%
	- 25 basis points	18,497	1.67%	9,539	7.58%
Mortality rate	+10%	1,985	0.18%	(186)	-0.15%
	-10%	(1,985)	-0.18%	203	0.16%
Morbidity rate	+10%	501	0.05%	19,640	15.61%
	-10%	(538)	-0.05%	(20,139)	-16.01%
Surrender rate	+10%	(3,302)	-0.30%	446	0.35%
	-10%	3,518	0.32%	(376)	-0.30%
Expenses	+10%	5,914	0.53%	1,332	1.06%
	-10%	(5,914)	-0.53%	(1,332)	-1.06%
Policy dividend	+5%	18,006	1.63%	(124)	-0.10%

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts

Assumptions

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

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

Sensitivities

Changes in above key assumptions will affect the claim reserves for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

A respective percentage change in average claim costs or claim numbers alone results in a similar percentage change in claim reserves. When other assumptions remain unchanged, a 5% increase in average claim costs will result in an increase of approximately RMB 2,643 million and RMB 355 million in net outstanding claim reserves for property and casualty and short-term life insurance as at 31 December 2022(31 December 2021: approximately RMB 2,174 million and RMB 289 million).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

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

The development table of gross claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	64,450	71,637	81,244	101,908	109,894	
One year later	64,051	71,010	80,052	98,801		
Two years later	63,170	70,608	79,948			
Three years later	62,484	70,072				
Four years later	62,460					
Current estimate of cumulative claims	62,460	70,072	79,948	98,801	109,894	421,175
Cumulative payments to date	(61,860)	(68,816)	(76,243)	(87,806)	(66,829)	(361,554)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						4,363
Outstanding claim reserves						63,984

The development table of net claim reserves for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					Total
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	56,073	62,405	71,681	89,762	96,915	
One year later	55,809	61,783	70,520	87,173		
Two years later	55,001	61,350	70,334			
Three years later	54,379	60,897				
Four years later	54,378					
Current estimate of cumulative claims	54,378	60,897	70,334	87,173	96,915	369,697
Cumulative payments to date	(54,150)	(60,173)	(67,372)	(78,361)	(60,555)	(320,611)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						3,782
Outstanding claim reserves						52,868

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(3) Assumptions and sensitivities (continued)

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

The development table of gross claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					Total
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	4,112	4,628	4,696	4,913	4,075	
One year later	3,796	4,307	4,266	4,547		
Two years later	3,798	4,358	4,180			
Three years later	3,829	4,330				
Four years later	3,825					
Current estimate of cumulative claims	3,825	4,330	4,180	4,547	4,075	20,957
Cumulative payments to date	(3,825)	(4,321)	(4,102)	(4,236)	(2,695)	(19,179)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						5,675
Outstanding claim reserves						7,453

The development table of net claim reserves for the short-term life insurance of the Group:

	Short-term life insurance (Accident year)					Total
	2018	2019	2020	2021	2022	
Estimate of ultimate claim cost as of:						
End of current year	3,355	3,058	3,440	3,967	3,436	
One year later	3,210	3,163	3,339	3,733		
Two years later	3,216	3,222	3,244			
Three years later	3,241	3,195				
Four years later	3,238					
Current estimate of cumulative claims	3,238	3,195	3,244	3,733	3,436	16,846
Cumulative payments to date	(3,238)	(3,188)	(3,175)	(3,469)	(2,273)	(15,343)
Prior year adjustment, unallocated loss adjustment expenses, assumed business, discount and risk margin						5,587
Outstanding claim reserves						7,090

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk

Market risk

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

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

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

(1) Currency risk

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

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the foreign currency.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets, financial liabilities, reinsurers' share of reserves and reserve liabilities by major currency:

	31 December 2022				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Cash at bank and on hand	24,202	8,175	756	1	33,134
Financial assets at fair value through profit or loss	26,240	320	-	-	26,560
Derivative financial assets	-	197	-	-	197
Securities purchased under agreements to resell	21,124	-	-	-	21,124
Premium receivables	30,470	669	52	-	31,191
Reinsurance receivables	7,786	1,116	286	-	9,188
Reinsurers' share of unearned premium reserves	8,728	-	86	-	8,814
Reinsurers' share of claim reserves	11,154	-	325	-	11,479
Reinsurers' share of life insurance reserves	2,019	-	-	-	2,019
Reinsurers' share of long-term health insurance reserves	12,084	-	-	-	12,084
Interest receivables	21,687	28	-	-	21,715
Policy loans	69,825	-	-	-	69,825
Term deposits	203,096	1,421	-	-	204,517
Available-for-sale financial assets	700,410	12,001	2,409	265	715,085
Held-to-maturity financial assets	514,115	135	-	-	514,250
Investments classified as loans and receivables	397,270	-	-	-	397,270
Restricted statutory deposits	7,290	-	-	-	7,290
Others	11,043	82	477	7	11,609
Sub-total	<u>2,068,543</u>	<u>24,144</u>	<u>4,391</u>	<u>273</u>	<u>2,097,351</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2022				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Derivative financial liabilities	1	1	-	6	8
Securities sold under agreements to repurchase	119,665	-	-	-	119,665
Commission and brokerage payable	4,638	-	1	-	4,639
Reinsurance payables	7,682	581	187	-	8,450
Interest payable	469	-	-	-	469
Claims payable	22,067	8	-	-	22,075
Policyholder dividend payable	24,858	-	-	-	24,858
Unearned premium reserves	77,075	-	175	-	77,250
Claim reserves	70,712	-	725	-	71,437
Life insurance reserves	1,258,919	-	22	-	1,258,941
Long-term health insurance reserves	150,290	-	-	-	150,290
Policyholders' deposits and investment contract liabilities	120,029	-	-	-	120,029
Bonds payable	9,999	-	-	-	9,999
Lease liabilities	2,683	-	35	-	2,718
Others	29,453	176	138	-	29,767
Sub-total	<u>1,898,540</u>	<u>766</u>	<u>1,283</u>	<u>6</u>	<u>1,900,595</u>
Net amount	<u>170,003</u>	<u>23,378</u>	<u>3,108</u>	<u>267</u>	<u>196,756</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2021				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Cash at bank and on hand	24,726	6,873	946	-	32,545
Financial assets at fair value through profit or loss	11,755	598	-	-	12,353
Derivative financial assets	-	254	-	5	259
Securities purchased under agreements to resell	13,432	-	-	-	13,432
Premium receivables	25,299	460	44	-	25,803
Reinsurance receivables	10,024	862	205	-	11,091
Reinsurers' share of unearned premium reserves	7,833	-	81	-	7,914
Reinsurers' share of claim reserves	8,894	-	270	-	9,164
Reinsurers' share of life insurance reserves	1,910	-	-	-	1,910
Reinsurers' share of long-term health insurance reserves	11,884	-	-	-	11,884
Interest receivables	20,420	5	2	-	20,427
Policy loans	66,950	-	-	-	66,950
Term deposits	189,893	6,626	-	-	196,519
Available-for-sale financial assets	633,745	8,069	2,508	1,059	645,381
Held-to-maturity financial assets	396,242	186	-	-	396,428
Investments classified as loans and receivables	406,276	-	-	-	406,276
Restricted statutory deposits	7,428	-	-	-	7,428
Others	12,255	102	239	-	12,596
Sub-total	<u>1,848,966</u>	<u>24,035</u>	<u>4,295</u>	<u>1,064</u>	<u>1,878,360</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

	31 December 2021				Total
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	
Derivative financial liabilities	-	1	-	-	1
Securities sold under agreements to repurchase	73,441	-	-	-	73,441
Commission and brokerage payable	3,695	-	-	-	3,695
Reinsurance payables	7,060	307	271	-	7,638
Interest payable	517	-	-	-	517
Claims payable	21,526	-	-	-	21,526
Policyholder dividend payable	24,176	-	-	-	24,176
Unearned premium reserves	102,843	-	-	-	102,843
Claim reserves	71,376	-	117	-	71,493
Life insurance reserves	57,829	-	591	-	58,420
Long-term health insurance reserves	1,129,622	-	-	-	1,129,622
Policyholders' deposits and investment contract liabilities	125,798	-	-	-	125,798
Bonds payable	9,995	-	-	-	9,995
Lease liabilities	3,102	-	3	-	3,105
Others	35,972	250	42	-	36,264
Sub-total	<u>1,666,952</u>	<u>558</u>	<u>1,024</u>	<u>-</u>	<u>1,668,534</u>
Net amount	<u>182,014</u>	<u>23,477</u>	<u>3,271</u>	<u>1,064</u>	<u>209,826</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(1) Currency risk (continued)

Exchange rates used by the Group by major currencies:

	31 December 2022		31 December 2021	
	USD	HKD	USD	HKD
Exchange rate	<u>6.96460</u>	<u>0.89327</u>	<u>6.37570</u>	<u>0.81760</u>

Sensitivities

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

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

USD, HKD and other currencies to RMB exchange rate	31 December 2022	
	Impact on profit before tax	Impact on equity
+5%	804	1,480
-5%	<u>(804)</u>	<u>(1,480)</u>
USD, HKD and other currencies to RMB exchange rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+5%	650	1,203
-5%	<u>(650)</u>	<u>(1,203)</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk

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

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

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

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

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

	31 December 2022					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
<u>Financial assets:</u>						
Deposits with original maturity of no more than three months	659	-	-	-	32,475	33,134
Debt investments at fair value through profit or loss	945	768	1,639	3,159	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	21,124
Policy loans	69,825	-	-	-	-	69,825
Term deposits	77,215	71,137	56,165	-	-	204,517
Available-for-sale debt investments	36,296	46,472	36,843	178,508	-	298,119
Held-to-maturity financial assets	13,215	23,622	8,640	468,773	-	514,250
Investments classified as loans and receivables	21,465	119,877	56,313	199,615	-	397,270
Restricted statutory deposits	1,459	4,221	1,610	-	-	7,290
<u>Financial liabilities:</u>						
Securities sold under agreements to repurchase	119,665	-	-	-	-	119,665
Policyholders' deposits and investment contract liabilities	1,050	3,141	8,947	106,891	-	120,029
Bonds payable	5,000	-	-	4,999	-	9,999

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

	31 December 2021					Total
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	
<u>Financial assets:</u>						
Deposits with original maturity of no more than three months	2,487	-	-	-	30,058	32,545
Debt investments at fair value through profit or loss	1,308	659	17	12	-	1,996
Securities purchased under agreements to resell	13,432	-	-	-	-	13,432
Policy loans	66,950	-	-	-	-	66,950
Term deposits	23,837	123,577	49,105	-	-	196,519
Available-for-sale debt investments	64,347	45,692	39,459	145,766	-	295,264
Held-to-maturity financial assets	10,109	27,483	14,282	344,554	-	396,428
Investments classified as loans and receivables	29,910	77,456	115,181	183,729	-	406,276
Restricted statutory deposits	1,758	4,900	770	-	-	7,428
<u>Financial liabilities:</u>						
Securities sold under agreements to repurchase	73,441	-	-	-	-	73,441
Policyholders' deposits and investment contract liabilities	2,562	1,467	5,748	93,066	-	102,843
Bonds payable	-	-	-	9,995	-	9,995

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

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet date, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity
+50 basis points	(98)	(6,936)
-50 basis points	103	7,691
Change in RMB interest rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+50 basis points	(12)	(6,314)
-50 basis points	12	7,002

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities (continued)

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2022	
	Impact on profit before tax	Impact on equity
+50 basis points	122	122
-50 basis points	(122)	(122)
Change in RMB interest rate	31 December 2021	
	Impact on profit before tax	Impact on equity
+50 basis points	112	112
-50 basis points	(112)	(112)

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2022, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique, was RMB 5,352 million (31 December 2021: RMB 5,586 million).

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, premium receivables, reinsurance arrangements with reinsurers, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge, and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 31 December 2022 and 31 December 2021. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Credit risk (continued)

	31 December 2022							
	Not due and not impaired	Past due but not impaired				Total past due but not impaired	Financial assets with impairment considered	Total
		Within 30 days	31 to 90 days	More than 90 days				
Cash at bank and on hand	33,134	-	-	-	-	-	33,134	
Debt investments at fair value through profit or loss	6,511	-	-	-	-	-	6,511	
Securities purchased under agreements to resell	21,124	-	-	-	-	-	21,124	
Premium receivables	30,023	-	-	-	-	1,168	31,191	
Reinsurance receivables	8,829	-	-	-	-	359	9,188	
Interest receivables	21,715	-	-	-	-	-	21,715	
Policy loans	69,825	-	-	-	-	-	69,825	
Term deposits	204,517	-	-	-	-	-	204,517	
Available-for-sale debt investments	290,852	-	-	-	-	7,267	298,119	
Held-to-maturity financial assets	514,136	-	-	-	-	114	514,250	
Investments classified as loans and receivables	396,222	-	-	-	-	1,048	397,270	
Restricted statutory deposits	7,290	-	-	-	-	-	7,290	
Others	11,531	-	-	1	1	77	11,609	
Total	1,615,709	-	-	1	1	10,033	1,625,743	

	31 December 2021							
	Not due and not impaired	Past due but not impaired				Total past due but not impaired	Financial assets with impairment considered	Total
		Within 30 days	31 to 90 days	More than 90 days				
Cash at bank and on hand	32,545	-	-	-	-	-	32,545	
Debt investments at fair value through profit or loss	1,996	-	-	-	-	-	1,996	
Securities purchased under agreements to resell	13,432	-	-	-	-	-	13,432	
Premium receivables	22,839	-	-	-	-	2,964	25,803	
Reinsurance receivables	10,909	-	-	-	-	182	11,091	
Interest receivables	20,427	-	-	-	-	-	20,427	
Policy loans	66,950	-	-	-	-	-	66,950	
Term deposits	196,519	-	-	-	-	-	196,519	
Available-for-sale debt investments	289,559	-	-	-	-	5,705	295,264	
Held-to-maturity financial assets	396,135	-	-	-	-	293	396,428	
Investments classified as loans and receivables	406,110	-	-	-	-	166	406,276	
Restricted statutory deposits	7,428	-	-	-	-	-	7,428	
Others	12,428	-	-	-	-	168	12,596	
Total	1,477,277	-	-	-	-	9,478	1,486,755	

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

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

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up liquidity emergency plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	31 December 2022					Total
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	
Financial assets:						
Cash at bank and on hand	32,425	712	-	-	-	33,137
Financial assets at fair value through profit or loss	-	7,191	2,828	3,822	13,936	27,777
Derivative financial assets	-	197	-	-	-	197
Securities purchased under agreements to resell	-	21,218	-	-	-	21,218
Premium receivables	9,671	15,155	7,432	113	-	32,371
Reinsurance receivables	-	9,398	-	-	-	9,398
Policy loans	-	71,672	-	-	-	71,672
Term deposits	-	79,706	140,228	-	-	219,934
Available-for-sale financial assets	220	54,273	129,096	321,841	406,125	911,555
Held-to-maturity financial assets	-	33,879	108,304	859,015	-	1,001,198
Investments classified as loans and receivables	-	40,430	229,760	229,204	-	499,394
Restricted statutory deposits	-	1,587	6,420	-	-	8,007
Others	1,534	8,430	1,797	2	3	11,766
Sub-total	<u>43,850</u>	<u>343,848</u>	<u>625,865</u>	<u>1,413,997</u>	<u>420,064</u>	<u>2,847,624</u>
	31 December 2022					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial liabilities:						
Derivative financial liabilities	-	8	-	-	-	8
Securities sold under agreements to repurchase	-	119,740	-	-	-	119,740
Commission and brokerage payable	961	2,939	728	11	-	4,639
Reinsurance payables	-	7,999	451	-	-	8,450
Claims payable	22,075	-	-	-	-	22,075
Policyholder dividend payable	24,858	-	-	-	-	24,858
Policyholders' deposits and investment contract liabilities	-	13,678	45,596	138,750	-	198,024
Bonds payable	-	5,505	1,198	5,175	-	11,878
Lease liabilities	-	606	1,999	320	-	2,925
Others	1,748	28,019	-	-	-	29,767
Sub-total	<u>49,642</u>	<u>178,494</u>	<u>49,972</u>	<u>144,256</u>	<u>-</u>	<u>422,364</u>
Net amount	<u>(5,792)</u>	<u>165,354</u>	<u>575,893</u>	<u>1,269,741</u>	<u>420,064</u>	<u>2,425,260</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

As at the balance sheet date, the Group's insurance contract liabilities are listed by maturity date as follows:

	As at 31 December 2022			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserves	60,343	16,907	-	77,250
Claim reserves	57,372	14,065	-	71,437
Life insurance reserves	15,515	52,443	1,190,983	1,258,941
Long-term health insurance reserves	275	538	149,477	150,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 December 2021			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserves	56,251	15,242	-	71,493
Claim reserves	44,080	14,340	-	58,420
Life insurance reserves	31,555	29,048	1,069,019	1,129,622
Long-term health insurance reserves	458	453	124,887	125,798
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	21	17	37	7	82
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 December 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	12	113	327	690	1,142
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities:

	As at 31 December 2022		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	33,134	-	33,134
Financial assets at fair value through profit or loss	20,994	5,566	26,560
Derivative financial assets	197	-	197
Policy loans	69,825	-	69,825
Term deposits	77,215	127,302	204,517
Available-for-sale financial assets	447,168	267,917	715,085
Held-to-maturity financial assets	13,215	501,035	514,250
Investments classified as loans and receivables	21,465	375,805	397,270
Others	9,807	1,802	11,609
Sub-total	693,020	1,279,427	1,972,447
Liabilities:			
Derivative financial liabilities	8	-	8
Securities sold under agreements to repurchase	119,665	-	119,665
Commission and brokerage payable	3,900	739	4,639
Reinsurance payables	8,000	450	8,450
Claims payable	22,075	-	22,075
Policyholder dividend payable	24,858	-	24,858
Unearned premium reserves	60,343	16,907	77,250
Claim reserves	57,372	14,065	71,437
Life insurance reserves	15,515	1,243,426	1,258,941
Long-term health insurance reserves	275	150,015	150,290
Policyholders' deposits and investment contract liabilities	1,050	118,979	120,029
Bonds payable	5,000	4,999	9,999
Lease liabilities	577	2,141	2,718
Others	29,767	-	29,767
Sub-total	348,405	1,551,721	1,900,126

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Financial instrument risk (continued)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities (continued):

	As at 31 December 2021		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	32,545	-	32,545
Financial assets at fair value through profit or loss	9,206	3,147	12,353
Derivative financial assets	24	235	259
Policy loans	66,950	-	66,950
Term deposits	23,837	172,682	196,519
Available-for-sale financial assets	355,714	289,667	645,381
Held-to-maturity financial assets	8,441	387,987	396,428
Investments classified as loans and receivables	22,662	383,614	406,276
Others	10,811	1,785	12,596
Sub-total	530,190	1,239,117	1,769,307
Liabilities:			
Derivative financial liabilities	1	-	1
Securities sold under agreements to repurchase	73,441	-	73,441
Commission and brokerage payable	2,398	1,297	3,695
Reinsurance payables	7,213	425	7,638
Claims payable	21,526	-	21,526
Policyholder dividend payable	24,176	-	24,176
Unearned premium reserves	56,251	15,242	71,493
Claim reserves	44,080	14,340	58,420
Life insurance reserves	31,555	1,098,067	1,129,622
Long-term health insurance reserves	458	125,340	125,798
Policyholders' deposits and investment contract liabilities	2,562	100,281	102,843
Bonds payable	-	9,995	9,995
Lease liabilities	1,194	1,911	3,105
Others	36,264	-	36,264
Sub-total	301,119	1,366,898	1,668,017

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

3. Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

4. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long-term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of matching of assets with liabilities.

5. Capital management risk

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholder value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

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

<u>Group</u>	31 December 2022	31 December 2021
Core capital	332,414	496,620
Actual capital	479,073	506,620
Minimum required capital	187,333	190,794
Core solvency margin ratio	177%	260%
Comprehensive solvency margin ratio	256%	266%
<u>CPIC Property</u>	31 December 2022	31 December 2021
Core capital	45,266	47,808
Actual capital	55,154	57,808
Minimum required capital	27,246	20,072
Core solvency margin ratio	166%	238%
Comprehensive solvency margin ratio	202%	288%
<u>CPIC Life</u>	31 December 2022	31 December 2021
Core capital	207,848	368,570
Actual capital	344,222	368,570
Minimum required capital	157,802	168,912
Core solvency margin ratio	132%	218%
Comprehensive solvency margin ratio	218%	218%

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

5. Capital management risk (continued)

	31 December 2022	31 December 2021
<u>CPIC Health</u>		
Core capital	3,089	1,286
Actual capital	3,225	1,286
Minimum required capital	1,216	934
Core solvency margin ratio	254%	138%
Comprehensive solvency margin ratio	265%	138%
	31 December 2022	31 December 2021
<u>PAAIC</u>		
Core capital	2,759	2,863
Actual capital	3,020	2,863
Minimum required capital	818	673
Core solvency margin ratio	337%	425%
Comprehensive solvency margin ratio	369%	425%

Note: On 30 December 2021, the CBIRC promulgated the “Regulations on Solvency of Insurance Companies (II)” (the “C-ROSS Phase II”), effective from 1 January 2022. The solvency data as of 31 December 2022 reflected the result under the C-ROSS Phase II and the solvency data as of 31 December 2021 reflected the result under the original solvency regulatory rules.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIV. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 5 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XIV. STRUCTURED ENTITIES (continued)

As at 31 December 2022, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2022				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by the Group	328,984	-	-	-	Management fee
Insurance asset management products managed by the Group	417,617	148,730	148,530	147,868	Investment income and management fee
Securities investment funds managed by the Group	51,761	8,141	7,806	7,806	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	180,961	183,846	183,523	Investment income
Trust products managed by third parties	Note 1	118,964	118,555	118,341	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	9,006	9,097	9,092	Investment income
Securities investment funds managed by third parties	Note 1	63,724	60,546	60,546	Investment income
Total		<u>529,526</u>	<u>528,380</u>	<u>527,176</u>	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities was not publicly available.

The Group's interests in unconsolidated structured entities are included in wealth management products, funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products, funds and other equity investments under available-for-sale financial assets, and debt investment plans and wealth management products under investments classified as loans and receivables.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 34).

The Group's financial assets mainly include cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities and bonds payable, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	514,250	557,800	396,428	433,415
Investments classified as loans and receivables	397,270	400,272	406,276	406,311
Financial liabilities:				
Bonds payable	9,999	10,382	9,995	11,037

The Group has not disclosed fair values for certain policyholders' deposits and investment contract liabilities with discretionary participation features ("DPF") because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments.

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

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

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”);
- (2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (“Level 2”); and
- (3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (“Level 3”).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted prices from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determination to classify fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	31 December 2022			Total fair value
	Level 1	Level 2	Level 3	
<u>Assets measured at fair value</u>				
<u>Financial assets at fair value through profit or loss</u>				
- Stocks	9	-	-	9
- Funds	474	3,251	-	3,725
- Bonds	3,394	3,084	-	6,478
- Others	-	6,502	9,846	16,348
	<u>3,877</u>	<u>12,837</u>	<u>9,846</u>	<u>26,560</u>
<u>Available-for-sale financial assets</u>				
- Stocks	170,204	3	11,966	182,173
- Funds	74,314	8,846	-	83,160
- Bonds	1,572	288,132	5,022	294,726
- Others	85	39,094	115,847	155,026
	<u>246,175</u>	<u>336,075</u>	<u>132,835</u>	<u>715,085</u>
<u>Derivative financial assets</u>				
	-	197	-	197
<u>Liabilities measured at fair value</u>				
<u>Derivative financial liabilities</u>				
	-	8	-	8
<u>Assets for which fair values are disclosed</u>				
<u>Held-to-maturity financial assets</u>				
(Note XV)	160	557,640	-	557,800
<u>Investments classified as loans and receivables</u>				
(Note XV)	-	-	400,272	400,272
Investment properties (Note VII 14)	-	-	16,100	16,100
<u>Liabilities for which fair values are disclosed</u>				
<u>(Note XV)</u>				
Bonds payable	-	-	10,382	10,382

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2021			Total fair value
	Level 1	Level 2	Level 3	
<u>Assets measured at fair value</u>				
<u>Financial assets at fair value through profit or loss</u>				
- Stocks	19	-	-	19
- Funds	210	61	-	271
- Bonds	1,536	429	-	1,965
- Others	-	404	9,694	10,098
	<u>1,765</u>	<u>894</u>	<u>9,694</u>	<u>12,353</u>
<u>Available-for-sale financial assets</u>				
- Stocks	149,050	-	5,286	154,336
- Funds	41,739	31,162	-	72,901
- Bonds	21,477	267,473	2,076	291,026
- Others	-	16,884	110,234	127,118
	<u>212,266</u>	<u>315,519</u>	<u>117,596</u>	<u>645,381</u>
Derivative financial assets	-	259	-	259
<u>Liabilities measured at fair value</u>				
Derivative financial liabilities	-	1	-	1
<u>Assets for which fair values are disclosed</u>				
<u>Held-to-maturity financial assets (Note XV)</u>				
	5,988	427,427	-	433,415
Investments classified as loans and receivables (Note XV)	-	2,034	404,277	406,311
Investment properties (Note VII 14)	-	-	11,538	11,538
<u>Liabilities for which fair values are disclosed (Note XV)</u>				
Bonds payable	-	-	11,037	11,037

In 2022, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2022, the Group transferred the bonds with a carrying amount of approximately RMB 22,545 million from Level 1 to Level 2 and no bond was transferred from Level 2 to Level 1. In 2021, the Group transferred the bonds with a carrying amount of approximately RMB 3,871 million from Level 1 to Level 2 and approximately RMB 10,867 million from Level 2 to Level 1.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	2022						End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised losses recognized in other comprehensive income/(loss)	
Financial assets at fair value through profit or loss							
- Wealth management products	15	-	(12)	-	-	-	3
- Debt investment plans	16	14	-	-	-	-	30
- Other equity investments	9,663	-	(1)	-	151	-	9,813
Available-for-sale financial assets							
- Stocks	5,286	9,392	(1,831)	-	-	(881)	11,966
- Preferred shares	12,519	-	(12,519)	-	-	-	-
- Other equity investments	95,768	24,531	(4,755)	-	(383)	(809)	114,352
- Finance bonds	2,076	3,000	-	-	-	(54)	5,022
- Debt investment plans	-	700	-	-	-	-	700
- Wealth management products	1,947	800	(1,947)	-	-	(5)	795
	2021						End of year
	Beginning of year	Increase	Decrease	Transferred to Level 3	Gains or losses recognised in profit or loss	Net unrealised gains/(losses) recognised in other comprehensive income/(loss)	
Financial assets at fair value through profit or loss							
- Wealth management products	18	-	(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

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

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments, etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use parameters as unobservable inputs to the model, and the major parameters include discount rate from 4.28% to 8.23%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

XVII. EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant post balance sheet events.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT

1. Directors' and supervisors' remuneration

<u>(in RMB thousand)</u>	2022	2021
Fees	1,350	1,238
Other remuneration		
- Salaries, allowances and other short-term benefits	5,852	5,487
- Contributions to defined contribution plans	1,431	1,268
- Deferred bonus (Note)	-	-
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
Sub-total	7,283	6,755
Total	8,633	7,993

Note: In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

(1) Independent non-executive directors

Included in the fees is an amount of RMB 1,350 thousand paid to independent non-executive directors for the year ended 31 December 2022 (2021: RMB 1,238 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2022.

<u>(in RMB thousand)</u>	<u>2022</u>					
	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	350	-	-	-	-	350
WOO Ka Bui, Jackson	300	-	-	-	-	300
	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(1) Independent non-executive directors (continued)

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

¹ Independent non-executive director since January 2021.

² Independent non-executive director since March 2021.

(2) Executive directors and non-executive directors

(in RMB thousand)	2022					Total
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking		
Executive directors:						
KONG Qingwei ¹	-	973	360	-	1,333	
FU Fan ²	-	1,129	360	-	1,489	
Non-executive directors:						
HUANG Dinan	-	-	-	-	-	
CHEN Ran	-	300	-	-	300	
WU Junhao	-	-	-	-	-	
WANG Tayu	-	300	-	-	300	
ZHOU Donghui	-	-	-	-	-	
LIANG Hong ³	-	-	-	-	-	
John Robert Dacey	-	-	-	-	-	
LU Qiaoling	-	300	-	-	300	
	<u>-</u>	<u>3,002</u>	<u>720</u>	<u>-</u>	<u>3,722</u>	

¹ The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

² The final amount of remuneration of Mr. FU Fan is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

³ In September 2022, due to work change, Ms. LIANG Hong ceased to serve as non-executive director of the Company.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

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

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

¹ Non-executive director since January 2021.

² Non-executive director since February 2021.

³ Non-executive director since March 2021.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

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

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong and Mr. John Robert Dacey, the non-executive director, waived remuneration during 2022 (2021: HUANG Dinan, WU Junhao, ZHOU Donghui, LIANG Hong and John Robert Dacey), Mr. CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2022 (2021: CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr. John Robert Dacey and Mr. CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2022.

(3) Supervisors

(in RMB thousand)	2022				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	-
JI Zhengrong ¹	-	879	360	-	1,239
LU Ning	-	-	-	-	-
GU Qiang	-	1,971	351	-	2,322
	-	2,850	711	-	3,561

¹ The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(3) Supervisors (continued)

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

¹ Supervisor since January 2021.

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB 300,000 (before tax) per year. Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, had waived remuneration during 2022. Except for Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2022 (2021: ZHU Yonghong, LU Ning).

(4) Directors' retirement benefits

There were no retirement benefits paid to directors during 2022 and 2021.

(5) Directors' termination benefits

There were no termination benefits paid to directors during 2022 and 2021.

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

There were no payments to third parties for making available directors' services during 2022 and 2021.

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

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2022 and 2021.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

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

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

2. Five highest paid individuals

The five individuals whose remuneration were the highest for the year ended 31 December 2022 in the Group include no director (2021: no director) whose emoluments were reflected in the analysis presented in Note XVIII 1.

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

	<u>2022</u>	<u>2021</u>
HKD 5,500,001 to HKD 6,000,000	-	-
HKD 6,000,001 to HKD 6,500,000	1	2
HKD 6,500,001 to HKD 7,000,000	1	1
HKD 7,000,001 to HKD 7,500,000	1	-
HKD 7,500,001 to HKD 8,000,000	-	-
HKD 8,000,001 to HKD 8,500,000	-	-
HKD 8,500,001 to HKD 9,000,000	-	-
HKD 9,000,001 to HKD 9,500,000	-	1
HKD 9,500,001 to HKD 10,000,000	-	-
HKD 10,000,001 to HKD 10,500,000	1	-
HKD 10,500,001 to HKD 11,000,000	-	-
HKD 11,000,001 to HKD 11,500,000	-	-
HKD 11,500,001 to HKD 12,000,000	-	-
HKD 12,000,001 to HKD 12,500,000	-	-
HKD 12,500,001 to HKD 13,000,000	-	-
HKD 13,000,001 to HKD 13,500,000	1	1
Total	<u>5</u>	<u>5</u>

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

(in RMB thousand)	<u>2022</u>	<u>2021</u>
Salaries, allowances and other short-term benefits	19,118	13,669
Discretionary bonuses	18,468	19,684
Contributions to defined contribution plans	2,204	1,713
	<u>39,790</u>	<u>35,066</u>
The number of non-director individuals for the above remuneration	<u>5</u>	<u>5</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(All amounts expressed in RMB million unless otherwise specified)

XVIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 24 March 2023.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2022		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	10.8%	2.56	2.56
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	10.8%	2.55	2.55

The Company had no dilutive potential ordinary shares in 2022.

	2021		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	12.2%	2.79	2.79
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	12.1%	2.78	2.78

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

	2022	2021
Net profit attributable to shareholders of the parent	24,609	26,834
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(196)	(206)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(24)	(10)
Custody fees of entrusted operation	(55)	(71)
Other net non-operating income and expenses other than aforesaid items	125	94
Effect of income tax relating to non-recurring profit or loss	45	57
Net profit less non-recurring gains	24,504	26,698
Less: Net non-recurring profit or loss attributable to non-controlling interests	1	1
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	24,505	26,699