中国人民保险集团股份有限公司
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

H Share Stock Code : 1339

Annual Report 2022

Company Profile

The Company is the first nation-wide insurance company in the PRC, established on 1 October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, which listed on the Hong Kong Stock Exchange (H share stock code: 1339) in December 2012 and the SSE (A share stock code: 601319) in November 2018. The Company ranked the 110th in the list of Fortune Global 500 (2022) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC P&C (listed on the Hong Kong Stock Exchange, stock code: 2328) and in Hong Kong and Macau of China through PICC Hong Kong, in which the Company holds approximately 68.98% and 89.36% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life and PICC Health, in which the Company, directly and indirectly, holds 80.00% and approximately 95.45% equity interests, respectively. The Company centrally and professionally utilises and manages most of its insurance assets through PICC AMC, in which the Company holds 100% equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension, in which the Company holds 100% equity interest. The Company takes PICC Investment Holding in which the Company holds 100% equity interest as a professional management platform for real estate and pension investments. The Company takes PICC Capital in which the Company holds 100% equity interest as an insurance asset management company focused on fields of alternative investments such as debt, equity, infrastructure and private equity funds. The Company operates the professional reinsurance business within and outside the Group through PICC Reinsurance in which the Company, directly and indirectly, holds 100% equity interest. The Company takes PICC Financial Services in which the Company, directly and indirectly, holds 100% equity interest as an internet platform to serve the whole Group. The Company coordinates the construction of the information technology platform of the Group through PICC Technology in which the Company holds 100% equity interest to achieve technology empowerment, and has also made strategic layout in non-insurance financial fields such as banking and trust.

The Company's principal competitive strengths include:

We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognised brand with the longest history in the industry;

We are an integrated insurance financial group on our core business and on the customer-oriented development strategy to achieve co-development of various business segments;

We adhere to serving national strategies, safeguarding real economy, serving people's livelihood, fulfilling social responsibilities, and dedicating to exert the role of economic "dashpot" and social "stabiliser";

We have diversified institutions and service network based in cities and towns spread over the country, as well as extensive and solid customer base, achieving the integration of policy insurance business and commercial insurance business;

We have an internationally first-class and Asia's leading P&C insurance company with distinct advantages in scale, cost and service as well as outstanding profitability;

We have a life insurance company with a layout throughout the country, steady growth, continuous profitability and sound operating platform as well as with great potentials in value creation and profitability;

We have the first nation-wide professional health insurance company with outstanding professional capability to create a featured health management service ability;

We have an industry-leading asset management platform characterised by steady investment and proven performance;

We have advanced applicable information technology to actively define a layout in technology area, and have outstanding ability and potential advantages in data mining, customer identification and intelligent operation;

We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

Contents

Definitions

PICC Group, Company	The People's Insurance Company (Group) of China Limited or, where the context so requires, its predecessor
PICC, Group	The People's Insurance Company (Group) of China Limited and all of its subsidiaries
PICC P&C	PICC Property and Casualty Company Limited
PICC Life	PICC Life Insurance Company Limited
PICC AMC	PICC Asset Management Company Limited
PICC Health	PICC Health Insurance Company Limited
PICC Pension	PICC Pension Company Limited
PICC Investment Holding	PICC Investment Holding Co., Ltd.
PICC Capital	PICC Capital Insurance Asset Management Co., Ltd.
PICC Reinsurance	PICC Reinsurance Company Limited
PICC Hong Kong	The People's Insurance Company of China (Hong Kong), Limited
PICC Financial Services	PICC Financial Services Company Limited
PICC Technology	PICC Information Technology Co., Ltd.
State Council	State Council of the People's Republic of China
MOF	Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
CIRC	China Insurance Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CBRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
CBRC	China Banking Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CIRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SSF	National Council for Social Security Fund, PRC
IAC	the Insurance Association of China

LCAB	the Listed Companies Association of Beijing
Prospectus	the Prospectus of The People's Insurance Company (Group) of China Limited for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the SSE and the Company on 5 November 2018
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Insurance Law	the Insurance Law of the People's Republic of China
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People's Insurance Company (Group) of China Limited disclosed by the Company on 26 February 2021
To be Prominent Strategy	the Company determined the "To be Prominent Strategy" in November 2020, which has a "1+7" strategic framework as the core, which the "1" refers to "1 strategic vision" that is "to build a world-class financial insurance group with excellent risk management capabilities"; and the "7" refers to "7 strategic initiatives", that are to always maintain the development concept of people's insurance, to fulfil the historical responsibility of contributing to the national strategy, to enhance the innovation-driven market advantage of property insurance, to create a service platform for comprehensive risk management, to improve the management system of market-oriented operation, to establish a foundation for digitally supported development, and to improve the governance capacity of modern state-owned enterprises
Six Strategic Services	to serve the rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance
China, PRC	the People's Republic of China, which, for the purposes of this annual report, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
RMB	Renminbi

Financial Highlights and Operating Highlights

I. FINANCIAL HIGHLIGHTS

Highlights of historical financial information of the Company as of the end of the reporting periods:

Unit: in RMB million, except for percentages

	2022	2021	(% of change)	2020	2019	2018
Group consolidation						
Total assets	**1,509,143**	1,376,857	9.6	1,256,064	1,133,229	1,031,635
Total liabilities	**1,208,190**	1,079,964	11.9	982,508	885,929	825,334
Total equity	**300,953**	296,893	1.4	273,556	247,300	206,301
Gross written premiums	**625,820**	585,425	6.9	563,608	555,251	498,608
Net profit	**34,428**	30,370	13.4	28,233	31,281	18,715
Net profit attributable to owners of the Company	**24,477**	21,476	14.0	20,036	22,135	12,912
Earnings per share (RMB)[1]	**0.55**	0.49	14.0	0.45	0.50	0.30
Net assets per share (RMB)[1]	**5.01**	4.96	1.1	4.58	4.15	3.46
Weighted average return on equity (%)	**11.1**	10.2	Increased by 0.9 pt	10.4	13.2	9.0

Note 1: As attributable to owners of the Company. The percentage increase or decrease of earnings per share and net assets per share is calculated based on the data before rounding off.

II. OPERATING HIGHLIGHTS

1. Rapid Growth in Profitability and Continuous Improvement in Operation Quality and Efficiency

In 2022, the profit before tax amounted to RMB41,140 million, representing a year-on-year increase of 15.6%. Net profit amounted to RMB34,428 million, representing a year-on-year increase of 13.4%. Net profit attributable to owners of the Company amounted to RMB24,477 million, representing a year-on-year increase of 14.0%. The combined ratio of PICC P&C was 97.6%, representing a year-on-year decrease of 2.0 percentage points.

2. Steady Growth in Written Premiums and Continuing Improvement of Business Structure

In 2022, the gross written premiums (the "**GWPs**") of the Group exceeded RMB600 billion, and the business scale grew steadily.

In terms of the P&C insurance business, PICC P&C deeply promoted the system and mechanism reforms, focused on the customers' demand, improved the business mode, intensified product innovation, and recorded GWPs of RMB487,533 million, representing a year-on-year increase of 8.5%, and the market share of 32.7%, maintaining at the first place in the industry. The non-vehicle insurance business accounted for 44.4% of the GWPs, representing a year-on-year increase of 1.2 percentage points, realising a more balanced overall business structure.

In terms of the life and health insurance business, in actively responding to the in-depth industry adjustment and transformation, PICC Life recorded total written premiums (the "**TWPs**") of RMB102,864 million, representing a positive year-on-year increase. The TWPs of regular premiums from new clients recorded a year-on-year positive growth, which outperformed major industry players. The original premiums income of PICC Health exceeded RMB40 billion for the first time, and it ranked the top among professional health insurance companies in terms of premium scale.

3. Emphasis on Shareholders' Return and Continuous Increase in Cash Dividends

The cash dividend paid to shareholders for the year of 2022 amounted to RMB1.66 per 10 shares (tax inclusive)[1], representing a year-on-year increase of 1.2%. The dividend payout ratio based on the net profit attributable to owners of the Company amounted to 30.0%.

4. Supporting the Real Economy and Serving the National Strategies

The Group actively served the country's overall development and provided effective support and security for the real economy. Centering on the "To be Prominent Strategy", the Group expanded the "Six Strategic Services". Placing the utmost interests of the nation as the highest priority, the Group has underwritten major projects such as Comac C919 and Jinshajiang Baihetan Hydropower Station. The Group actively participated in the investment in the construction of national major projects and complementary projects through various products such as debt schemes, equity schemes and funds, supported the construction and development of key industrial fields, and improved the level of support for the development of green and low-carbon economy. In terms of rural revitalisation, the Group promoted the complete implementation and expansion of business scope of the full cost insurance and income insurance for the three main cereal crops in pilot provinces, vigorously developed innovative agricultural insurance, provided risk protection of exceeding RMB47.9 trillion by the "Rural Insurance", an insurance resolution for rural areas. The Group also developed the small-amount life and health insurance products designated for rural areas and the "Preferential Insurance", an exclusive product for poverty alleviation, which provided 1,251 thousand people with premiums protection of RMB24.8 billion, and issued debt investment schemes in support of the comprehensive improvement of environmental protection in towns. In terms of intelligent transportation, the Group aligned with new trends of transportation development such as new energy and intelligent network connection, carried out "intelligent network connection" vehicle insurance business, firstly launched the "intelligent network connection" passenger transportation carrier liability insurance, and continued to improve vehicle insurance coverage. The Group actively invested in new energy vehicles, green transportation, logistics hubs and other fields, and invested in supporting the expansion of regional transportation hub network, innovative development of automobile industry and smart logistics. In terms of health care and endowment, the Group vigorously promoted products such as "Hui Min Bao" (惠民保) that served the health protection needs of people with "Hui Min Bao" (惠民保) covering 256 regions and cities. The Group actively developed inclusive insurance, among which the "Hao Yi Bao" (好醫保) series products achieved an original premiums income of RMB12,294 million. PICC Life implemented the national pension insurance pilot deployment, solidly carried out exclusive commercial pension insurance pilot, provided practitioners of the new industry and new business ecology and freelancers with sufficient endowment insurance coverage by developing the first exclusive product "Fu Shou Nian Nian" (福壽年年) in the industry. In 2022, the TWPs has exceeded RMB0.7 billion, ranked second in the industry, and the number of insurance policies has exceeded 122 thousand, continued to rank first in the industry. The Group focused on key therapeutic areas, innovative therapeutic and elderly care services, invested in bulk drug and advanced medical devices, and cooperated with China KangYang under China Chengtong to implement the "Huairou Kang Yang" (懷柔康養) project. In terms of green environmental protection, the Group innovated the carbon allowance, carbon offset insurance, signed the first carbon capture insurance of China, and provided green insurance coverage of RMB68 trillion throughout the year. By gradually expanding the proportion of green investment, practising the philosophy of responsible investment and tapping into new energy fields such as wind power, photovoltaics, hydrogen energy and energy storage, the Group provided strong financial support in areas of green industry development, pollution prevention and control, peak carbon emissions and carbon neutrality. The Group invested in distributed photovoltaic power generation projects, which helped local to find a new way to combine ecological assistance and clean energy construction. At the end of 2022, the Group's green finance investment scale was RMB65 billion, representing an increase of 34% over the same period last year. In terms of technological innovation, the Group continued to improve the supply of technology insurance. The China Integrated Circuit Insurance Pool provided risk protection for customers. The Group strengthened financing support to meet a series of security needs. So far, the Group has signed the intellectual property insurance strategic cooperation agreements with 14 provinces. The Group focused on leading enterprises with core technologies and components in key sectors, invested in chips, storage and other key engineering fields, as well as emerging technology fields such as industrial digitalization. By the end of 2022, the Group invested RMB32.6 billion in high-end manufacturing and key engineering, representing an increase of 13% over the same period last year. In terms of social governance, the Group introduced the new citizen series of exclusive products, and provided 338 thousand times of accident prevention services for 218 thousand enterprises through intellectual risk control service platform.

[1] On 24 March 2023, the Board of the Company proposed the distribution of a final dividend of RMB1.66 per 10 shares (tax inclusive) for the year of 2022. The profit distribution proposal will be implemented upon approval by the general meeting of the Company.

5. Living up to Our Founding Mission and Being a Heart-Warming Insurer for the People

The Group had properly responded to emergencies such as the "3•21" China Eastern Airlines Flight Accident, the collapse of a self-constructed residential building in Changsha, the major fire accident in Anyang, Henan, the collapse of a pit gold mine in Yining, as well as major natural disasters such as the earthquake in Luding, Sichuan, mudslides in Beiliu, Guangxi, Typhoon Chaba, Typhoon Muifa, rainstorms and floods in the south, drought in the Yangtze River Basin and flash floods in Beichuan, Sichuan. The Group immediately activated emergency plans, organised claim expert teams to provide assistance in the front line, actively cooperated with local governments, helped local rescue and disaster relief work, opened green channel for claims, and quickly completed the payment of major disaster claims, thus acting as a social stabiliser to ensure the normal production and life of people. The Group served to stabilize the economy, provided loans or financing to 53 thousand micro, small, and medium-sized enterprises, individual industrial and commercial proprietors in an amount of RMB18.4 billion, to practically serve as "Being a Heart-Warming Insurer for the People".

As the official partner of the 2022 Beijing Winter Olympics and Winter Paralympic Games and the only insurance company in China insuring the two Olympic Games, the Group integrated digital technology into the Winter Olympics scenario, and took multiple measures to provide insurance protection services. In terms of product research and development, insurance products were tailor-made for each group of the Winter Olympics, covering vehicle, property, liability and life and accident loss, to safeguard the normal operation of the Olympic venues, official events and the development of the ice and snow industry. In terms of customer services, the Group had organised exclusive service teams, set up exclusive help desks and provided round-the-clock bilingual services in both Chinese and English to ensure that Winter Olympic customers' needs were promptly handled. In terms of claims settlement, the Group relied on the Winter Olympics Insurance Service Command Center and carried out online intelligent claims settlement services through "Ten Clouds"[2] to meet the requirements for closed-loop management and provide full protection for the grand Winter Olympics, in an effort to convey the warmth of PICC brand through its services and demonstrate that "Meeting Your Demands and Warming Your Hearts" is reachable and perceivable.

6. Continuous Improvement of Brand Value and Enhanced Recognition of Brand Image

In 2022, the Group communicated its brand value to the public in serving national strategies and supported its business development with a more competitive brand image. The Group's brand value continued to improve and it reached the highest ranking since being listed in Brand Finance. With the endorsement of the Winter Olympics athletes Eileen Gu (谷愛凌), the brand ambassador and Yang Qian (楊倩), the product ambassador, PICC has been given more youthful vitality. The microfilm "GOOD YOUNG" has drawn more than 54 million views, ranked as the most viewed film in recent years in the insurance industry, and was among the most popular in the financial industry, and the brand message "PICC makes growth worry-free" was favored and recognized by the young people. In 2022, the Group ranked 110th in Fortune 500.

2 On-cloud command & dispatch, on-cloud voice command, on-cloud self-service claims settlement, on-cloud coordinated claims settlement, on-cloud housekeeping service, on-cloud full entrustment, on-cloud injury mediation, on-cloud humanistic care, on-cloud direct compensation service, on-cloud major case consultation.

7. Accelerating Science and Technology Construction and Supporting Strategic Implementation Effectively

The Group continuously deepened science and technology innovation, accelerated digital transformation, and strengthened science and technology empowerment of the insurance value chain: Firstly, it reinforced the infrastructural construction, and solidly promoted the "multi-site and multi-centre" construction such as the south data centre and north data centre. It built a unified, shared, efficient, safe, autonomous and controllable information system infrastructure and resource platform, and successfully completed the major security for the Beijing Winter Olympics. The network security management level was improved progressively. Secondly, it built a unified technical architecture system, accelerated the construction for consolidated development, technology, data and intelligence platforms of the Group, improved and upgraded the core business system of the principal business of insurance, strengthened the construction of shared systems of the Group, systematically promoted data governance, structural optimisation and application innovation, and created an independent and controllable, steady and secured technology ecosystem powered by top-notch technology. Thirdly, it continued to enhance technological empowerment by promoting the construction of major projects in various sectors and giving strong support to the reform and transformation of the major business companies based on the strategies of subsidiaries, actively created a series of application systems that support business operations and enhance management capabilities, built an integrated interface and new media marketing account matrix for the Group, established a vehicle life services ecosystem, and strengthened data monitoring application and risk management and control. Fourthly, it held the "Technology Creates Prosperity, PICC Creates the Future" (科技創萬象、人保致未來) technology conference, released a number of scientific and technological innovations in the fields of knowledge mapping, block chain, privacy computing and digital workforce, and continued to make technological breakthroughs which made positive impacts inside and outside the system.

Vice Chairman and President's Statement

2022 has been an extremely significant year in the history of the Party and the nation, and marked the initial success of PICC Group's "To be Prominent Strategy". In the face of triple pressures of economy and the impact of industry transformation and development, the Group firmly promoted high quality development, and achieved steady and progressive results while going all out to serve the overall economy and social development.

Results in 2022

In 2022, the Group achieved the GWPs of RMB625,820 million, representing a year-on-year increase of 6.9%; and a net profit of RMB34,428 million, representing a year-on-year increase of 13.4%; the Group's total assets amounted to RMB1.51 trillion, representing a year-on-year increase of 9.6%.

In terms of property insurance, PICC P&C realised the simultaneous improvement in development speed and quality. It achieved the GWPs of RMB487,533 million, representing a year-on-year increase of 8.5%; the combined ratio was 97.6%; and net profit amounted to RMB26,653 million, representing a year-on-year increase of 19.2%. **PICC Reinsurance** achieved a reinsurance premium income of RMB8,238 million, representing a year-on-year increase of 21.0%, by taking advantage of the professional reinsurance platform of the Group; and the third-party business increased by over 50% year-on-year. **PICC Hong Kong** actively explored international business and achieved the GWPs of RMB1,855 million, representing a year-on-year increase of 16.5%.

In terms of life and health insurance, PICC Life continued to improve the business structure and the quality of the agent team of comprehensive individual life insurance, and achieved the TWPs of RMB102,864 million, of which regular premiums from new clients amounted to RMB18,276 million, accounting for 17.8% with a net profit of RMB2,706 million. **PICC Health** proactively expanded the niche market and achieved an original premiums income of RMB41,022 million, representing a year-on-year increase of 14.5%; and net profit of RMB442 million, representing a year-on-year increase of 70.0%.

In terms of investment, the Group achieved a total investment yield of 4.6%. Driven by our keen efforts to develop third-party asset management business, the assets under management amounted to RMB787,060 million, representing an increase of 26.7% compared to the beginning of the year. All subsidiaries of the investment segment were profitable, among which **PICC AMC**, **PICC Pension, PICC Investment Holding** and **PICC Capital** achieved a net profit of RMB483 million, RMB158 million, RMB121 million and RMB131 million, respectively.

In terms of technology, PICC Technology proactively implemented the technology system reform plan of the Group and the information construction plans for the “14th Five-Year Plan”, accelerated the construction of the Group’s data centers, technology platforms and business systems. **PICC Financial Services** further optimised the positioning of responsibilities, and achieved an operating income of RMB592 million, representing a year-on-year increase of 5.9%.

Regarding the operation and financial performance of business segments, please refer to the section headed “Management Discussion and Analysis” of this annual report for details.

Performance in 2022

In 2022, staying committed to seeking progress while maintaining a stable performance, PICC Group implemented the requirements of Three New (new development stage, new development philosophy and new development paradigm) and One High (high-quality development), and promoted the implementation of strategies in a solid manner. It achieved significant results in serving the overall interests, significant improvement in operating performance, in-depth implementation of innovation and transformation, accelerated advancement of technology empowerment, effectively strengthened risk prevention and control, and made new strides in high-quality development.

We achieved significant results in serving the overall interests. PICC Group fully supported the smooth operation of freight logistics, and provided risk coverage of exceeding RMB1 trillion for outbound Chinese enterprises. We safeguarded services for the food security. We launched the full cost insurance and income insurance for the three main cereal crops in 14 provinces, providing 27.41 million rural households with RMB237.8 billion of risk coverage. We made every effort in serving people’s livelihood and well-being. Our social security business covers 31 provinces (autonomous regions and municipalities) nationwide, serving nearly 1.1 billion people, with the number of people covered by Hui Min Bao (惠民保) exceeding 81 million. We effectively served scientific and technological innovation, improved the risk coverage system for scientific and technological innovation, and took the lead in establishing the China Integrated Circuit Insurance Pool which provided risk protection for customers in the integrated circuit industry. We served in-depth the green development, established the panorama of “dual carbon” insurance products, and launched innovative products such as the first “carbon offset” and “carbon capture” insurance in China.

Our quality of development has been comprehensively improved. PICC Group continuously optimized the business structure, and the proportion of non-vehicle insurance business of PICC P&C increased by 1.2 percentage points year-on-year; PICC Life vigorously developed long-term protective insurance business and actively developed its third pillar exclusive endowment insurance; PICC Health continued to deeply participate in the linkage of “three medical areas”, promoted the innovation in health insurance products, and strived to reinforce health management service capabilities. We continued to strengthen cost reduction and efficiency improvement, reinforce centralized financial control of the Group, and by leveraging the centralized procurement center, nearly RMB2 billion was saved throughout the year. We promoted insurance subsidiaries to strengthen underwriting and claim control and reduce operating expenses, with the combined ratio of PICC P&C decreased by 2.0 percentage points year-on-year.

We deeply implemented innovation and transformation. We formulated and revised major rules and standards in 10 areas, including corporate governance, development strategy and business innovation, and gradually established a more comprehensive governance framework and systems. We promoted our five subsidiaries, namely PICC P&C, PICC Life, PICC Health, PICC AMC and PICC Investment Holding, to implement five major transformation projects, so as to change the development mode and promote the reform of business model.

We accelerated the technology empowerment. We deepened the reform of the science and technology system and mechanism, increased investment in science and technology innovation resources, actively promoted the construction of independent data centers to establish a multi-site, multi-centre, multi-availability/disaster preparation system that supports the operation of the Group’s core business. We accelerated the construction of core systems and breakthrough of key technologies, initially established a unified technology and data platform of the Group, strengthened centralized and unified management of data, promoted the application of artificial intelligence technology in various business scenarios, and promoted the upgrading of business management to digitalization and intelligence.

We effectively reinforced risk prevention and control. We formulated the Group’s action plans of comprehensive risk management, established the management measures for consolidation of financial statements within the Group, and improved the risk management system. We strengthened risk prevention in key areas, improved the whole-process risk management in the investment sector, and reinforced risk compliance performance assessment. We continued to strengthen liquidity management, keep a firm grip on underwriting and claims, and reinforce the management of premiums receivable. We are committed to maintaining a healthy market order, optimizing and improving governance and compliance management at the grassroots level, and strengthening the protection of the rights and interests of insurance consumers.

Opportunities and Challenges

In 2023, the accelerated implementation of China’s pro-growth policies in 2023 will strongly promote the acceleration of the macroeconomic rebound and create a highly favorable development environment for the insurance industry. The focus of China’s economic development this year is on expanding domestic demand. The insurance industry can play an important role in expanding consumer demand, improving consumption conditions and innovating consumption scenarios. Relevant insurance types will usher in favorable development opportunities. The market space for industrial insurance, technological insurance and “dual carbon” insurance will be further expanded in China’s industrial upgrading, technological innovation and green development. In the context of common prosperity, long-term care insurance, commercial medical insurance, health management services, third pillar endowment insurance and inclusive insurance for new citizens and freelancers will welcome an important period of development opportunities. In the era of new security pattern guaranteeing the new development pattern, there will be more room for the insurance industry to carry out risk reduction management and integrate into the construction of contingency management systems. Furthermore, the increase in uncertainties in the global economy and natural disaster events caused by climate change will pose profound challenges to the development of the insurance industry. PICC Group will continue to optimize its products and services to accelerate the implementation of the Group's strategy and high-quality development by further strengthening confidence in development, grasping development opportunities, and focusing on new national policies, new economic tracks and new development areas.

Prospects of Development in 2023

2023 is a crucial year for the implementation of the Group's "To be Prominent Strategy" and the "14th Five-Year Plan". The Group will strengthen its confidence in development, seek progress while maintaining stability and serve the Three New (new development stage, new development philosophy and new development paradigm) and One High (high-quality development). The Group will step up efforts to achieve efficient coordination, serve the national strategies, innovate products and technologies, transform business models, prevent and mitigate risks, reform systems and mechanisms, carry out strict administration over the Party, and continue to promote the implementation of the Group's "To be Prominent Strategy", aiming to reward all shareholders, employees and the society with outstanding results.

We will persist in serving the national strategies. Focusing on key areas such as rural revitalization, scientific and technological innovation, livelihood protection, security development, "dual carbon" strategy, regional development and overseas interests, we will improve product research and development and customer service model to play a greater role in the progress of China's steady economy growth.

We will persist in product and technology innovation. We will accelerate the implementation of strategic projects and technology projects, strengthen the research and development of risk management technologies and platform construction, support and promote the innovation of the Group's products, technologies and business models, and optimize the insurance supply structure.

We will persist in transformation of business models. We will procure major subsidiaries for in-depth implementation of transformation projects, adhere to be customer-centered and innovation-driven, optimize management modes, improve business structure, expand service ecology and speed up and promote the transformation of business models.

We will persist in risk prevention and mitigation. We will reinforce the Group's risk control capabilities, implement the action plans of comprehensive risk management, and accelerate the construction of an intelligent risk control platform; comprehensively improve risk control measures, prevent risks in key areas, strengthen the building of internal control and compliance foundation infrastructure, and enhance the linkage of risk compliance indicators to performance.

We will persist in the system and mechanism reform. We will continue to promote organizational reform, improve budget and remuneration system and increase market-oriented reform efforts; continuously improve corporate governance to establish a governance mechanism with strong leadership, explicit authorities and responsibilities and well-regulated operation.

ACKNOWLEDGEMENT

On behalf of the Board of Directors of PICC Group, I would like to express my sincere gratitude to all shareholders who have given us trust and support over the years. I would also like to express, on behalf of the Board of Directors, our deepest gratitude to all employees for their dedication to performing their duties.

Wang Tingke
Vice Chairman, President

Beijing, PRC

24 March 2023

Honours and Awards

1. The Company ranked the 110th in the list of Fortune Global 500

   In August 2022, the Company ranked the 110th in the list of Fortune Global 500 published by the Fortune magazine in the US.

2. The Company was awarded the "Best Financial Institution of the Year"

   In November 2022, the Company was awarded the "Best Financial Institution of the Year" at the "2022 Top Financial Ranking" organised by The Paper.

3. The Company was awarded three awards from the "Ark Prize in Chinese Insurance Industry"

   In December 2022, the Company was awarded the "Ark Prize for Insurance Company in High Quality Development 2022", "Ark Prize for Serving Rural Revitalisation in Insurance Industry 2022" and "Ark Prize for Green Development in Chinese Insurance Industry 2022" at the "Ark Prize in Chinese Insurance Industry in 2022" organised by the Securities Times.

4. The Company was awarded the "ESG Green Finance Award of the Year"

   In December 2022, the Company was awarded the "ESG Green Finance Award of the Year" at "ESG Pioneers 60" in 2022 organised by Jiemian.com.



5. The Company was awarded the "Excellent Insurance Brand Award of the Year"

In December 2022, the Company was awarded the "Excellent Insurance Brand Award of the Year" in the "Golden Tie of Finance 2022" organised by Wallstreetcn.

6. The Company was awarded the "Leadership Insurance Brand Award of the Year"

In January 2023, the Company was awarded the "Leadership Insurance Brand Award of the Year" at the "Third Jin Ri Bao • China Insurance White Elephant List" organised by Insure123.cn (《今日保》).

7. The Company was awarded the "Best Capital Market Communication Award" and "Best Information Disclosure Award"

In December 2022, the Company was awarded the "Best Capital Market Communication Award" and "Best Information Disclosure Award" at the "Sixth China Excellence IR Awards Ceremony" organised by Roadshow China.

8. The Company was awarded the "Best Practice Award for the Board of Supervisors of the Listed Companies"

   In November 2022, the Company was awarded the "Best Practice Award for the Board of Supervisors of the Listed Companies of 2022" at the "Best Practice Cases for the Board of Supervisors of the Listed Companies of 2022" organised by China Association for Public Companies.

9. PICC P&C was awarded the "Best Investor Relations Award for Hong Kong Listed Companies"

   In April 2022, PICC P&C was awarded the "Best Investor Relations Award for Hong Kong Listed Companies" in the 13th "Tianma Award" for Investor Relations of Chinese Listed Companies organised by Securities Times.

10. PICC P&C was awarded the "Best Property Insurance Company in Asia in 2022"

    In December 2022, PICC P&C was awarded the "Best Property Insurance Company in Asia in 2022" at the 17th Asian Finance Annual Conference organised by 21st Century Business Herald.

11. PICC P&C was awarded the "Ark Award of Gold Medal Insurance Service 2022"

    In December 2022, PICC P&C was awarded the "Ark Award of Gold Medal Insurance Service 2022" at the "Ark Prize in Chinese Insurance Industry in 2022" organised by Securities Times.

12. PICC P&C was awarded the "Insurance Company of the Year 2022"

    In January 2023, PICC P&C was awarded the "Insurance Company of the Year 2022" at the 16th Golden Cicada Awards organised by China Times.

13. PICC Life was selected as the "ESG Excellent Innovation Cases of Enterprises in 2022"

    In November 2022, "Fu Shou Nian Nian" (福壽年年) Exclusive Commercial Pension Insurance of PICC Life was selected as the "ESG Excellent Innovation Cases of Enterprises in 2022" at the "2022 Enterprises ESG Development Forum", the sub-forum of 2022 China Entrepreneurs Boao Forum jointly organised by Xinhua Net (新華網), the China Enterprise Reform and Development Society (中國企業改革與發展研究會) and China ESG Institute of Capital University of Economics and Business.

14. PICC Life was awarded as the "2022 ESG Green Corporate Star"

    In December 2022, PICC Life was awarded as the "2022 ESG Green Corporate Star" at "See the Future• 2022 5th Capital Market Summit and Annual Golden Jubilee Award Presentation Ceremony" organised by China Investment Network and Biaodian Institute of Finance.

15. PICC Life was awarded as the "People's Corporate Social Responsibility Award – the Rural Revitalization Award"

    In December 2022, PICC Life was awarded as the "People's Corporate Social Responsibility Award – the Rural Revitalization Award" at the "Move Forward for the Promising Future (奮進新征程 譜寫新篇章) – 2022 People's Corporate Social Responsibility Summit" and the Ceremony for the 17th People's Corporate Social Responsibility Award guided by People's Daily and organised by The People.com.

16. PICC Life was awarded the "Insurance Company with Best Innovation Practice of the Year"

    In December 2022, PICC Life was awarded the "Insurance Company with Best Innovation Practice of the Year" at the "Financial Development New Era, 2022 Financial Development Forum and the 11th Outstanding Financial Enterprise Ceremony" organised by The Economic Observer and Economic Observer Media.

17. PICC Life was awarded the "Healthy Insurance Recommended Products of the Year"

    In January 2023, PICC Life was awarded the "Health Insurance Recommended Products of the Year" for its "Zun Xiang Jia Bei Critical Disease Insurance (尊享嘉倍重大疾病保險)" product at the "Third Jin Ri Bao • China Insurance White Elephant List" organised by Insure123.cn (《今日保》).

18. PICC AMC was awarded the "Financial Institutions LP TOP 20"

    In September 2022, PICC AMC was awarded the "Financial Institutions LP TOP 20" in the Soft Power List of FOFWEEKLY 2022 Investment Institutions.

19. PICC AMC won three awards at the "China Insurance Industry Investment Golden Bull Awards"

    In November 2022, PICC AMC won three awards, namely the "Insurance Asset Management Company Golden Bull Award", the "Insurance Asset Management Product Portfolio Golden Bull Award (Fixed Income) – PICC AMC Anxin Shengshi No.50 Assets Management Product", and the "Insurance Asset Management Product Portfolio Golden Bull Award (Fixed Income) – PICC AMC Anxin Shouyi No.3 Assets Management Product", at the "2nd China Insurance Industry Investment Golden Bull Awards" organised by China Securities Journal.

20. PICC AMC was awarded two awards from the "Ark Prize in Chinese Insurance Industry"

    In December 2022, PICC AMC was awarded the "Ark Prize for Insurance Asset Management Company in High Quality Development 2022" and "Ark Prize for Supporting Corporate Innovation with Insurance Funds 2022" at the "Ark Prize in Chinese Insurance Industry in 2022" organised by the Securities Times.

21. PICC Health was awarded the "5th China Ding Excellent Customer Service Insurance Company Case in 2022 (2022年度第五屆中國鼎優秀客戶服務保險公司案例)"

    In December 2022, PICC Health was awarded the "5th China Ding Excellent Customer Service Insurance Company Case in 2022 (2022年度第五屆中國鼎優秀客戶服務保險公司案例)" for the Internet insurance service case issued by china.com.cn.

22. PICC Health was awarded the "17th People's Corporate Social Responsibility Award – the Annual Case Award"

    In December 2022, the case of "Hao Yi Bao (好醫保), long-term Medical Insurance Service" by PICC Health was awarded as the "People's Corporate Social Responsibility Award – the Annual Case Award" at the "Move Forward for the Promising Future (奮進新征程 譜寫新篇章) – 2022 People's Corporate Social Responsibility Summit" and the Ceremony for the 17th People's Corporate Social Responsibility Award guided by People's Daily and organised by The People.com.

23. PICC Health was awarded the "Award for Outstanding Contribution to Digital Transformation in the Financial Industry of 2022"

    In December 2022, PICC Health was awarded the "Award for Outstanding Contribution to Digital Transformation in the Financial Industry of 2022" for its "commercial insurance core system structure upgrading project" at the "2022 Annual China Fintech Conference and Awards Ceremony of the 13th Financial Technology Application Innovation Award" organised by the "Financial Computerizing" magazine.

24. PICC Health was awarded the "Innovative Leadership Insurance Company of the Year"

    In January 2023, PICC Health was awarded the "Innovative Leadership Insurance Company of the Year" at the "Third Jin Ri Bao • China Insurance White Elephant List" organised by Insure123.cn (《今日保》).

25. PICC Pension was awarded two awards from the "2nd China RPA+AI Developer Competition"

    In August 2022, PICC Pension was awarded the "Golden Award" and the "Most Popular Award" at the "2nd China RPA+AI Developer Competition" (Corporate Group) organised by RPA China.

26. PICC Capital was awarded four categories of awards from the "5th Insurance Asset Management Product Innovation Referral Activity"

    In December 2022, PICC Capital was awarded four categories of awards, namely the "Innovative Management Institution", the "Innovative Team", the "Innovative Products" and the "Innovative Individual" at the "5th Insurance Asset Management Product Innovation Referral Activity" organised by the Insurance Asset Management Association of China.

27. PICC Reinsurance was awarded the "Global Insurance Technology Case Award"

    In December 2022, PICC Reinsurance was awarded the "Global Insurance Technology Case Award" for its trading information data exchange system at the 3rd Global Insurance Technology Conference and Annual Awards of Yanshu Prize in 2022.

28. PICC Reinsurance was awarded the "Innovation Ark Prize in Chinese Insurance Industry of 2022"

    In December 2022, the industrial risk control and loss mitigation platform of PICC Reinsurance was awarded the "Innovation Ark Prize in Chinese Insurance Industry of 2022" at the "Ark Prize in Chinese Insurance Industry in 2022" organised by the Securities Times.

29. PICC Hong Kong was obtained the A.M. Best certificate

    In June 2022, PICC Hong Kong was obtained the rating of A- for its financial strength and A- for its credit of insurance company by A.M. Best.

30. PICC Technology was awarded the "Award for Outstanding Contribution to Digital Transformation in the Financial Industry of 2022"

    In December 2022, PICC Technology was awarded the "Award for Outstanding Contribution to Digital Transformation in the Financial Industry of 2022" for the "core system structure upgrading for improving digital operation capacity regarding health and commercial insurance" and the "intelligent network operation and maintenance tool of PICC Technology" at the "2022 Annual China Fintech Conference and Awards Ceremony of 13th Financial Technology Application Innovation Award" organised by the "Financial Computerizing" magazine.

In 2022, we welcomed the historical moment of starting Chinese modernization and embarked on a new journey for the great rejuvenation of the Chinese nation. PICC Group acts on the general principle of pursuing progress while ensuring stability, effectively tackled various difficulties and challenges, and actively served the national strategy. We have achieved steady growth in business scale, continuous optimisation of business structure, significant improvement in operational efficiency, obvious results in strategic services, accelerated innovation and change, progress in technology empowerment, and effective risk prevention and control. In terms of property insurance, the Company pursued the development of high-quality family-owned vehicle business, improved the specialization of personal non-vehicle business, developed high-quality corporate customer business, actively undertook policy business, and maintained a stable market share; in terms of life insurance, the Company actively responded to market pressure, focused on embedded value, improved the quality of the agent team and optimised the business structure; in terms of health insurance, the Company actively explored the niche market, improved health management services, and continued to improve operational quality and efficiency; in the reinsurance third-party market, the Company recorded rapid business growth; in terms of investment segment, the Company focused on "serving strategies and major businesses", overcame the impact of capital market fluctuations, optimised the Group's investment asset allocation, and achieved positive results in overall investment income; in terms of technology segment, the Company deepened the institutional reform, comprehensively promoted project construction, and made encouraging strides in technology empowerment. The Group achieved good development results in 2022 and took a solid step towards the full realization of the "To be Prominent Strategy".

I. BUSINESS OVERVIEW OF THE COMPANY

(I) Review of Our Industry

In 2022, the insurance industry in general maintained a steady yet progressive momentum, driven by its dogged pursuit of insisting on high-quality development, sustained efforts to improve the quality and efficiency of services for the real economy as well as relentless endeavour to prevent and resolve financial risks. In 2022, the original premiums income of the insurance industry was RMB4.7 trillion, representing a year-on-year increase of 4.6%; the insurance amount was RMB13,678 trillion, representing a year-on-year increase of 12.6%; the policyholders' benefits and claims were RMB1.55 trillion, reflecting a stable improvement in safeguarding services for the real economy and people's livelihood. In particular, P&C insurance effectively drove industry growth, the comprehensive reform of vehicle insurance was gradually deepened and the new energy vehicle insurance maintained rapid growth. The growth of non-vehicle insurance business accelerated, backed by accelerated product innovation and optimised business structure. Faced with the pressure from industry transformation, life and health insurance actively responded by continuously promoting the revamp of business model, strengthening the professional transformation of sales team and increasing the supply of health care and endowment services, with the aim of better satisfying the people's needs for a better life.

In 2022, regulating authorities introduced a series of new policies and measures to serve the economy and maintain stability, improve the quality and efficiency of financial services for the real economy, improve the quality of industry development and enhance the effectiveness of supervision. In terms of serving the real economy, regulating authorities clarified the key tasks of comprehensively promoting rural revitalisation, heightening the function and effectiveness of insurance in serving rural revitalisation, constantly improving the financial supply for small and micro-enterprises, expanding the financial coverage for micro-entities such as new citizens, individual industrial and commercial proprietors, and encouraging the insurance industry to support urban construction and governance. They also encouraged insurance institutions to increase the risk protection level for manufacturing enterprises, improve technology insurance services, and extend the protection coverage of intellectual property rights, materials and equipment for scientific research and the quality of scientific research results. They also encouraged insurance institutions with sufficient capital reserve to engage in the project construction such as major highway infrastructures and new public transport infrastructures by leveraging their capability of risk protection. In terms of accelerating the digital transformation of the financial industry, regulating authorities encouraged financial institutions to play an active role in developing industrial digital finance, promote the digital transformation of personal financial services, establish a digital operation and service system, strengthen the building of digital risk control capacity, increase data governance, enhance the support capability of technological structure, and increase the application, independence and controllability of new technologies. In terms of improving the quality of the industry's development, regulating authorities strengthened the management of insurance sales practices and improved the agency marketing system of the life and health insurance industry; improved the classification and tiered treatment of property covered disasters and accidents; increased the information disclosure requirements for life and health insurance products and launched a special risk check for enhanced whole life insurance products. In terms of enhancing the foresight and effectiveness of supervision, regulating authorities strived to build a fair and transparent business environment characterised by stability, visibility and rule of law for the insurance industry in pursuit of high-quality development by comprehensively promoting the construction of legal system of the industry, optimising the functions of regulators, facilitating legislation in key areas, strengthening the management of non-life insurance reserve, regulating the off-site supervision process of insurance companies, reinforcing the supervision over investment in financial products with insurance funds and use of funds by insurance institutions on related party transactions, maintaining strict administrative punishment, imposing more stringent administrative penalties, raising the cost of violations of financial laws and regulations, innovating enforcement measures, and increasing enforcement efficiency.

(II) Principal Businesses

In 2022, the Group actively responded to the impact of "threefold pressure" of the economy and other uncertainties, achieving sound development results. In terms of business scale, the GWPs exceeded RMB600 billion for the first time, representing a year-on-year growth of 6.9%, an increase of 3 percentage points as compared to the growth rate in 2021. In terms of profitability, the Group achieved net profit attributable to owners of the Company of RMB24,477 million, representing a year-on-year increase of 14.0%. The combined ratio of PICC P&C dropped year-on-year, and the Group's investment performance maintained at the top in the industry, demonstrating the orientation of high-quality development. In terms of scale of assets, the Group's total assets exceeded RMB1.5 trillion and its net assets exceeded RMB300 billion.

As of 31 December 2022, the market share of PICC P&C in the P&C insurance market was 32.7%, the aggregate market share of PICC Life and PICC Health in the life and health insurance market was 4.2%. In terms of the TWPs, in 2022, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB485,434 million, RMB102,864 million, RMB41,265 million and RMB259 million, respectively.

1. P&C Insurance Segment: Balanced and Stable Business Development and Continuous Improvement of Operating Efficiency

PICC P&C further promoted system and mechanism reform, focused on customers' needs, and optimised business model. PICC P&C also stepped up product innovation, improved insurance service level, and maintained stable operating development. It achieved the GWPs of RMB487,533 million, representing a year-on-year increase of 8.5%, among which, the GWPs of motor vehicle insurance business amounted to RMB271,160 million, representing a year-on-year increase of 6.2%. The non-vehicle insurance business achieved the GWPs of RMB216,373 million, representing a year-on-year increase of 11.4%. The non-vehicle insurance business accounted for 44.4% of the GWPs, representing a year-on-year increase of 1.2 percentage points, realising a more balanced overall business structure.

PICC P&C further promoted "quality improvement, costs reduction and efficiency enhancement", implemented the new logic of "underwriting + loss reduction + empowerment + claims", upgraded the actuarial pricing model, strengthened the risk identification ability, optimised resource allocation efficiency, and constantly strengthened the refined management for claims, and achieved underwriting profits amounting to RMB10,329 million, representing a year-on-year increase of 579.1%. The combined ratio was 97.6%, representing a year-on-year decrease of 2.0 percentage points. Net profit amounted to RMB26,653 million, representing a year-on-year increase of 19.2%.

2 Life and Health Insurance Segment: Steady Progress in Scale with Improvement of Operation Quality and State

In 2022, the economic development moved forward under pressure, and the life and health insurance industry underwent in-depth adjustment. The Group actively responded to the pressure and challenges and promoted high-quality and healthy development of businesses. In 2022, the scale of the life and health insurance business rose steadily, and the Group achieved GWPs of RMB133,735 million, representing a year-on-year increase of 0.8%.

The overall business development of PICC Life grew steadily. In 2022, the TWPs amounted to RMB102,864 million, representing a year-on-year increase of 0.6%; the TWPs of regular premiums from new clients amounted to RMB18,276 million, representing a year-on-year increase of 0.9%, which ranked the top among major peers in terms of growth rate. The operating results of PICC Health hit a record high, which recorded a net profit of RMB442 million, representing a year-on-year increase of 70.0%. The premium income ranked the top among professional health insurance companies. The TWPs for Internet insurance business was RMB16,161 million, representing a year-on-year increase of 11.9%.

3. *Investment Segment: Strengthening the Ability of Providing "Dual Service" and Maintaining Industry-leading Performance*

The investment segment adhered to the philosophy of value investment, constantly enhanced its capabilities to "serve strategies and major businesses", strengthened professional capacity building, and built an investment portfolio that would realise long-term stable returns from a cross-cyclical perspective. In 2022, the Group achieved a total investment income of RMB55,170 million; the total investment yield amounted to 4.6%, ranking the top of the market. At the same time, the investment segment leveraged the advantages of core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. As of 31 December 2022, the scale of third-party assets management increased by 26.7% compared with the beginning of the year, among which the scale of portfolio asset management products amounted to RMB245,939 million, representing an increase of 71.9% compared with the beginning of the year.

4. *Technology Segment: Consolidating Foundation of Technology to Enhance Support Capability*

The technology segment took customer experience and the perception of grassroots level as the standard and actively improved the technology support capability. Firstly, we strengthened the technology project management mechanism, promoted the construction and improvement of five types of application systems: insurance core, investment management, risk management, data application and comprehensive management, empowered the Company's transformation and development; secondly, we promoted data application and empowerment, actively supported data application in the Group's management and decision making, risk monitoring and other aspects, improved the Company's risk control capability, and completed the construction of AI development platforms such as machine learning, deep learning, knowledge mapping and privacy computing. We also promoted the implementation of new technology innovation applications in combination with the business needs of each subsidiary, so as to continuously improve the level of intelligence; thirdly, we empowered the online development and transformation of organizations at all levels by revamp of online integrated interface platforms as well as optimisation of user interface operation for individual, group and employee, and established a vehicle life services ecosystem with rich scenarios, and enhanced the market development capabilities.

(III) Key Operating Data

The Group engages in three main businesses, namely P&C insurance business, life and health insurance business and asset management business. The Group's businesses are composed of four main operating segments: the P&C insurance business consists of P&C insurance segment of the Group and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 89.36% equity interests, respectively; the life and health insurance business consists of two separate operating segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business consists of asset management segment of the Group and primarily includes PICC AMC, PICC Investment Holding and PICC Capital, which are all wholly owned by the Company. The Company also holds 100.00% equity interest in PICC Pension and PICC Technology, and directly and indirectly holds 100.00% equity interest in PICC Reinsurance and PICC Financial Services.

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Original premiums income			
PICC P&C	**485,434**	448,384	8.3
PICC Life	**92,713**	96,849	(4.3)
PICC Health	**41,022**	35,816	14.5
Combined ratio of PICC P&C (%)	**97.6**	99.6	Decrease of 2.0 pts
Value of one year's new business of PICC Life	**2,669**	3,227	(17.3)
Value of one year's new business of PICC Health	**1,035**	765	35.3
Total investment yield (%)	**4.6**	5.8	Decrease of 1.2 pts

Unit: RMB million

	As of 31 December 2022	As of 31 December 2021	(% of change)
Market share (%)			
PICC P&C	**32.7**	32.8	Decrease of 0.1 pt
PICC Life	**2.9**	3.1	Decrease of 0.2 pt
PICC Health	**1.3**	1.1	Increase of 0.2 pt
Embedded Value of PICC Life	**103,772**	111,431	(6.9)
Embedded Value of PICC Health	**18,239**	16,176	12.8

Note: The market share was independently calculated based on the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the CBIRC, and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies (starting from June 2021, the summarised data of P&C insurance companies and life and health insurance companies published by the CBIRC does not include certain institutions which are in the stage of risk disposal in the insurance industry).

The solvency results of the Group and major subsidiaries as at 31 December 2022 were calculated in accordance with the Solvency Regulatory Rules for Insurance Companies (II) and the relevant notices issued by the CBIRC. Among which, as at 31 December 2022, the PICC Group's actual capital was RMB392,103 million, the core capital was RMB297,513 million, the minimum capital was RMB156,803 million, and the comprehensive solvency margin ratio and core solvency margin ratio of PICC Group were 250% and 190%, respectively; the comprehensive solvency margin ratio and core solvency margin ratio of PICC P&C were 229% and 202%, respectively; the comprehensive solvency margin ratio and core solvency margin ratio of PICC Life were 204% and 118%, respectively; and the comprehensive solvency margin ratio and core solvency margin ratio of PICC Health were 189% and 94%, respectively. The above indicators are pending audit procedures and subject to the approval by the CBIRC.

(IV) Key Financial Indicators

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Gross written premiums			
PICC P&C	**487,533**	449,533	8.5
PICC Life	**92,713**	96,849	(4.3)
PICC Health	**41,022**	35,816	14.5
Profit before tax	**41,140**	35,589	15.6
Net profit	**34,428**	30,370	13.4
Net profit attributable to owners of the Company	**24,477**	21,476	14.0
Earnings per share[1] (RMB/share)	**0.55**	0.49	14.0
Weighted average return on equity (%)	**11.1**	10.2	Increase of 0.9 pt

(1) The percentage increase or decrease of earnings per share was calculated based on the data before rounding off.

Unit: RMB million

	31 December 2022	31 December 2021	(% of change)
Total assets	**1,509,143**	1,376,857	9.6
Total liabilities	**1,208,190**	1,079,964	11.9
Total equity	**300,953**	296,893	1.4
Net assets per share[1] (RMB)	**5.01**	4.96	1.1
Gearing ratio[2] (%)	**80.1**	78.4	Increase of 1.7 pts

(1) The percentage increase or decrease of net assets per share was calculated based on the data before rounding off.

(2) The gearing ratio refers to the ratio of total liabilities to total assets.

(V) Explanation for the Differences between Domestic and Overseas Accounting Standards

Unit: RMB million

	Net profit attributable to owners of the Company		Equity attributable to owners of the Company	
	For the year ended 31 December 2022	For the year ended 31 December 2021	**31 December 2022**	31 December 2021
Under the China Accounting Standards for Business Enterprises	**24,406**	21,638	**221,510**	219,132
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic risk reserve of agricultural insurance *(Note 1)*	**183**	(200)	**409**	226
Dilution of equity interest in associates *(Note 3)*	**(65)**	–	**–**	–
Impact of above adjustment on deferred income tax	**(46)**	50	**(102)**	(57)
Reclassification of insurance contracts to investment contracts *(Note 2)*	**(1)**	(12)	**(46)**	(45)
Under the International Financial Reporting Standards	**24,477**	21,476	**221,771**	219,256

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premiums of agricultural insurance; however, the provision for premium reserve is not accounted under the International Financial Reporting Standards. Hence, there is a difference in the reserve between the two reporting standards.

2. At the end of 2014, PICC Life reviewed the result of major insurance risks test for insurance policies and reclassified contracts relating to certain insurance types from insurance contracts to investment contracts. However, under the International Financial Reporting Standards, once a contract is classified as an insurance contract, such classification shall remain so until the contract expires. This has led to difference in the measurement of the liabilities relating to such contracts under the two reporting standards.

3. In 2022, an associate of PICC P&C completed its private offering. Since PICC P&C did not subscribe for the shares proportionately, its total equity interest in the associate was diluted, resulting in a loss from the dilution of the equity interests in the associate. According to the China Accounting Standards for Business Enterprises, such loss was directly charged to capital reserve, but under the International Financial Reporting Standards, such loss was included in the profit or loss of the current period, thus there exists a difference for the dilution of the equity interests in such associate under two reporting standards.

II. PERFORMANCE ANALYSIS

(I) Insurance Business

P&C Insurance Business

1. PICC P&C

PICC P&C insisted on serving economic development and improving people's well-being, promoting the "To be Prominent Strategy" and fully implementing the three major tasks of financial work. Firstly, it dovetailed with the needs of national economic and social development, implemented the notion of politics, serving the people and professionalism, enriched and expanded the six strategic services, increased product development efforts, implemented "serving the real economy", and further enhanced its business development capabilities. Secondly, it improved internal control and risk management system, strengthened overall risk management and risk prevention in key areas, implemented "prevention and control of financial risks", and further strengthened business foundation. Thirdly, it furthered the system and mechanism reform, reshaped business management logic, and implemented "deepening financial reform", initially formed a new management system and achieved a new breakthrough in business performance. In 2022, PICC P&C achieved the GWPs of RMB487,533 million, representing a year-on-year growth of 8.5%; and the market share was 32.7%, maintaining the top position in the industry. Underwriting profits amounted to RMB10,329 million, representing a year-on-year increase of 579.1%. The combined ratio was 97.6%, representing a year-on-year decrease of 2.0 percentage points. Net profit amounted to RMB26,653 million, representing a year-on-year increase of 19.2%.

(1) Underwriting

In 2022, PICC P&C achieved the GWPs of RMB487,533 million, representing a year-on-year increase of 8.5%. The business growth was mainly due to the growth in motor vehicle insurance, agricultural insurance, and accidental injury and health insurance. PICC P&C further promoted "quality improvement, costs reduction and efficiency enhancement", implemented the new logic of "underwriting + loss reduction + empowerment + claims", upgraded the actuarial pricing model, strengthened underwriting risk selection, improved the efficiency of resource allocation, constantly strengthened the level of refined claims management, and improved underwriting performance year-on-year. The claim ratio was 71.8%, representing a year-on-year decrease of 1.9 percentage points. The expense ratio was 25.8%, representing a year-on-year decrease of 0.1 percentage point. The combined ratio was 97.6%, representing a year-on-year decrease of 2.0 percentage points. Underwriting profits amounted to RMB10,329 million, representing a year-on-year increase of 579.1%.

- Motor vehicle insurance

PICC P&C insisted on "improving renewal of insurance and optimising transfer of insurance", continuously strengthened resource integration, and enhanced customer service capabilities. The renewal rate of vehicle insurance recorded a year-on-year increase of 1.3 percentage points, and the number of insured vehicles and average vehicle premiums both recorded increase. The GWPs of motor vehicle insurance amounted to RMB271,160 million, representing a year-on-year increase of 6.2%.

PICC P&C insisted on high-quality development. On the one hand, through the innovative use of technology tools, PICC P&C improved its risk identification and refined pricing capabilities, enhanced underwriting risk selection, and significantly improved its motor vehicle insurance business structure; on the other hand, with the in-depth promotion of cost reduction and efficiency enhancement, and claims refinement management, PICC P&C strengthened risk prevention and control, improved resource allocation efficiency, and significantly improved operating efficiency. The claim ratio for motor vehicle insurance was 68.1%, representing a year-on-year decrease of 2.0 percentage points. The expense ratio was 27.5%, representing a year-on-year increase of 0.3 percentage point. The combined ratio was 95.6%, representing a year-on-year decrease of 1.7 percentage points. Underwriting profits amounted to RMB11,305 million, representing a year-on-year increase of 69.4%.

- Accidental injury and health insurance

PICC P&C actively participated in the construction of the national medical insurance system. In addition to the steady development of its traditional business, PICC P&C also actively expanded its businesses such as"Hui Min Bao (惠民保)" and nursing care insurance, developed exclusive group insurance products by customer group, vigorously developed our livelihood business and individual diversified accidental health insurance, and promoted the integration of social medical insurance and commercial health insurance. The overall accidental injury and health insurance business achieved the GWPs of RMB88,999 million, representing a year-on-year increase of 10.3%.

From the underwriting side, PICC P&C strengthened its underwriting control, enhanced risk identification capabilities, optimised its product management model and improved business quality; from the claims side, PICC P&C optimised its management process and strengthened risk prevention and control. The claim ratio of accidental injury and health insurance was 81.6%, representing a year-on-year decrease of 3.6 percentage points. The overall expense ratio of accidental injury and health insurance was 18.8%, representing a year-on-year increase of 1.4 percentage points, due to an increase in the proportion of commercial business. The combined ratio was 100.4%, representing a year-on-year decrease of 2.2 percentage points. The underwriting loss was reduced by RMB1,602 million.

- Agricultural insurance

PICC P&C actively served the rural revitalization and agriculture and rural modernisation, helped to upgrade the local agricultural industry with special advantages and the "Vegetable Basket" protection project, implemented and expanded full cost insurance and income insurance in the pilot provinces, and increased its business layout for farming insurance and other specialty insurances. The agricultural insurance achieved the GWPs of RMB52,060 million, representing a year-on-year increase of 21.7%.

PICC P&C implemented the integrated management of the agricultural insurance claims process, optimised the claims operation mode, and improved the risk identification and prevention capability. The claim ratio of agricultural insurance was 79.2%, representing a year-on-year decrease of 2.4 percentage points. The expense ratio of agricultural insurance was 13.7%, representing a year-on-year decrease of 6.3 percentage points. The combined ratio was 92.9%, representing a year-on-year decrease of 8.7 percentage points, and the underwriting profit was RMB2,658 million, effectively improving the profitability level.

- Liability insurance

While paying close attention to the quality of its underwriting business and conducting business specific governance, PICC P&C implemented the national deployment to “consolidate and expand the achievements in poverty alleviation” and “improve the system and mechanism for disaster prevention, mitigation and relief”, proactively responded to the market demand, and vigorously developed the businesses such as safety production liability insurance and government assistance type insurance. The overall liability insurance business achieved the GWPs of RMB33,772 million, representing a year-on-year increase of 1.9%.

Due to the increase in personal injury compensation standards and historical business claim liabilities, the overall claim ratio of liability insurance was 76.2%, representing a year-on-year increase of 8.3 percentage points. Besides, PICC P&C strengthened its customer base classification management, enhanced channel management, and accurately allocated resources. The expense ratio of liability insurance was 36.6%, representing a year-on-year decrease of 2.9 percentage points; and the combined ratio was 112.8%, representing a year-on-year increase of 5.4 percentage points.

PICC P&C provided claims service for disaster relief of Typhoon “Muifa”

PICC P&C quickly responded to the 6.8 magnitude earthquake in Luding County, Ganzi Prefecture, Sichuan Province

- Credit and surety insurance

Taking the opportunity of economic stabilization and stable growth of domestic and international trade, PICC P&C proactively served the national strategy and the real economy, served the financing needs of small and micro enterprises, continued to strengthen the professional team building, expanded new models and new business formats, and actively developed quality customers. The GWPs of overall credit and surety insurance amounted to RMB5,294 million, representing a year-on-year increase of 86.4%.

By optimising the business structure, enhancing sales capacity and strengthening post-insurance management, the quality of new underwriting business of PICC P&C in 2022 showed a stable and healthy development trend. The claim ratio of overall credit and surety insurance was 45.6%, representing a year-on-year decrease of 5.0 percentage points. As a result of the impact of formation rate of net premiums earned, the expense ratio of credit and surety insurance was 30.8%, representing a year-on-year increase of 14.7 percentage points; the combined ratio was 76.4%, representing a year-on-year increase of 9.7 percentage points; and the underwriting profit was RMB1,158 million.

- Commercial property insurance

PICC P&C actively grasped the market opportunity of the domestic economic stabilization and improvement, strengthened product supply, and enhanced market responsiveness. The GWPs of commercial property insurance was RMB16,553 million, representing a year-on-year increase of 4.0%.

PICC P&C continued to optimise and adjust its business structure, actively carried out disaster prevention and loss prevention work, and effectively reduced underwriting risk. Coupled with the year-on-year decrease in catastrophe losses, the claim ratio of commercial property insurance was 70.8%, representing a year-on-year decrease of 19.9 percentage points; the expense ratio was 38.8%, representing a year-on-year decrease of 0.5 percentage point; the combined ratio was 109.6%, representing a year-on-year decrease of 20.4 percentage points; the underwriting loss was reduced by RMB1,616 million.

- Cargo insurance

PICC P&C seized the growth opportunities of import and export trade and e-commerce, and vigorously expanded import and export and internet cargo insurance. The GWPs of cargo insurance amounted to RMB4,831 million, representing a year-on-year increase of 0.4%.

PICC P&C implemented a differentiated expense allocation strategy. The expense ratio of cargo insurance was 32.0%, representing a year-on-year decrease of 6.6 percentage points. However, due to the change in business structure and the increase in claim frequency, the claim ratio of cargo insurance was 61.3%, representing a year-on-year increase of 8.7 percentage points; the combined ratio was 93.3%, representing a year-on-year increase of 2.1 percentage points; and the underwriting profit was RMB205 million.

- Other insurances

PICC P&C deeply served the social governance and safeguarded national pillar projects, and continued to increase product innovation and promotion. The GWPs of other insurances amounted to RMB14,864 million, representing a year-on-year increase of 5.4%.

PICC P&C regularly conducts comprehensive "health examination" and monitoring of elevators

In response to the impact of disasters, PICC P&C actively implemented the new logic of "underwriting + loss reduction + empowerment + claims", continued to strengthen risk control and risk reduction management services, and enhanced pre-policy risk investigation. The claim ratio of other insurances was 64.1%, representing a year-on-year decrease of 1.9 percentage points. Due to changes in business structure and formation rate of net premiums earned, the expense ratio of other insurances was 44.9%, representing a year-on-year increase of 2.1 percentage points, and the combined ratio was 109.0%, representing a year-on-year increase of 0.2 percentage point.

Unit: RMB million

	For the year ended 31 December 2022						
	Original premiums income	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	271,160	271,160	215,954,285	160,908	221,872	11,305	95.6
Accidental injury and health insurance	88,999	88,999	1,051,305,786	61,478	48,931	(350)	100.4
Agricultural insurance	52,054	52,060	2,005,232	28,524	19,917	2,658	92.9
Liability insurance	33,772	33,772	247,466,766	13,463	40,436	(3,153)	112.8
Credit and surety insurance	5,294	5,294	1,210,286	2,184	8,208	1,158	76.4
Commercial property insurance	15,496	16,553	39,543,402	5,250	18,241	(827)	109.6
Cargo insurance	4,830	4,831	16,485,087	1,497	3,510	205	93.3
Other insurances	13,829	14,864	133,987,313	3,670	23,764	(667)	109.0
Total	485,434	487,533	1,707,958,157	276,974	384,879	10,329	97.6

Note: Figures may not add up to total due to rounding, similarly hereinafter.

① Analysis by Insurance Type

The following table sets forth the original premiums income by insurance type from PICC P&C for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Motor vehicle insurance	271,160	255,275	6.2
Accidental injury and health insurance	88,999	80,692	10.3
Agricultural insurance	52,054	42,654	22.0
Liability insurance	33,772	33,132	1.9
Credit and surety insurance	5,294	2,840	86.4
Commercial property insurance	15,496	14,923	3.8
Cargo insurance	4,830	4,814	0.3
Other insurances	13,829	14,054	(1.6)
Total	485,434	448,384	8.3

② Analysis by Channel

The following table sets forth a breakdown of the original premiums income of PICC P&C by distribution channel for the reporting period, which can be further divided into insurance agents channel, direct sales channel and insurance brokerage channel.

Unit: RMB million

	For the year ended 31 December				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents channel	301,921	62.2	7.9	279,707	62.4
Among which:					
Individual insurance agents	167,779	34.6	12.1	149,731	33.4
Ancillary insurance agents	33,050	6.8	(14.0)	38,426	8.6
Professional insurance agents	101,092	20.8	10.4	91,550	20.4
Direct sales channel	141,930	29.2	9.2	130,017	29.0
Insurance brokerage channel	41,583	8.6	7.6	38,660	8.6
Total	485,434	100.0	8.3	448,384	100.0

In 2022, PICC P&C deepened the management of channel business, strengthened technology empowerment, upgraded sales tools, optimised the direct sales team management model, refined professional skills, and further improved the integrated sales and service capabilities and productivity of the direct sales team. The original premiums income of direct sales channel increased by 9.2% year-on-year, and the business proportion increased by 0.2 percentage point year-on-year.

③ Analysis by Region

The following table sets forth the original premiums income of PICC P&C in the top ten regions for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Guangdong Province	50,443	44,774	12.7
Jiangsu Province	48,586	44,144	10.1
Zhejiang Province	39,813	35,849	11.1
Shandong Province	29,788	27,410	8.7
Hebei Province	26,696	24,205	10.3
Sichuan Province	23,551	22,309	5.6
Hunan Province	20,883	19,217	8.7
Hubei Province	20,615	18,424	11.9
Anhui Province	20,070	17,664	13.6
Fujian Province	19,576	18,039	8.5
Other regions	185,413	176,349	5.1
Total	485,434	448,384	8.3

(2) Financial Analysis

The following table sets forth certain selected key financial data of PICC P&C for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Net earned premiums	**425,480**	396,997	7.2
Investment income	**11,443**	17,207	(33.5)
Other income	**1,607**	1,784	(9.9)
Total income	**450,426**	426,793	5.5
Net claims and policyholders' benefits	**305,634**	292,588	4.5
Handling charges and commissions	**38,297**	37,674	1.7
Finance costs	**1,005**	1,533	(34.4)
Other operating and administrative expenses	**84,530**	77,633	8.9
Total benefits, claims and expenses	**428,665**	409,710	4.6
Profit before tax	**30,919**	26,028	18.8
Less: Income tax expense	**4,266**	3,663	16.5
Net profit	**26,653**	22,365	19.2

Net earned premiums

Net earned premiums of PICC P&C increased by 7.2% from RMB396,997 million in 2021 to RMB425,480 million in 2022, which was mainly attributable to the growth in original premiums income.

Investment income

Investment income of PICC P&C decreased by 33.5% from RMB17,207 million in 2021 to RMB11,443 million in 2022, mainly affected by the volatility in the capital market.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC P&C increased by 4.5% from RMB292,588 million in 2021 to RMB305,634 million in 2022. The claim ratio decreased by 1.9 percentage points from 73.7% in 2021 to 71.8% in 2022, mainly attributable to the strengthening of underwriting risk selection and continuous improvement of the level of refined management on claim settlement.

Handling charges and commissions

The handling charges and commissions increased by 1.7% from RMB37,674 million in 2021 to RMB38,297 million in 2022, and the handling charge rate decreased by 0.5 percentage point from 8.4% in 2021 to 7.9% in 2022, mainly due to the fact that PICC P&C has strengthened the construction of its own channels, and enhanced the ability of direct sales and direct control.

Finance costs

Finance costs of PICC P&C decreased by 34.4% from RMB1,533 million in 2021 to RMB1,005 million in 2022, which was mainly due to the decrease in interest expenses of capital supplementary bonds.

Income tax expense

Income tax expense of PICC P&C increased by 16.5% from RMB3,663 million in 2021 to RMB4,266 million in 2022, mainly due to the increase in profit.

Net profit

As a result of the foregoing reasons, the net profit of PICC P&C increased by 19.2% from RMB22,365 million in 2021 to RMB26,653 million in 2022.

2. *PICC Hong Kong*

As of 31 December 2022, total assets of PICC Hong Kong amounted to RMB4,552 million, and net assets amounted to RMB1,239 million. In 2022, the GWPs amounted to RMB1,855 million, representing a year-on-year increase of 16.5%. The combined ratio was 97.5%, representing a decrease of 1.0 percentage point over the same period last year.

PICC Reinsurance

In 2022, PICC Reinsurance continued to improve its market competitiveness, and the proportion of third-party market business recorded a steady year-on-year increase of more than 50%. Focusing on customers' needs, customer service capabilities in the domestic market have improved continuously, the partnership with leading insurance companies has been further consolidated, and has become the lead reinsurer for a number of clients. Another new breakthrough was made on the international business front that PICC Reinsurance has become the first Chinese-funded reinsurance company to obtain cross-border insurance business qualification in Chile, and was invited to join the Argentine Chamber of Commerce. The construction of professional and technical capabilities has achieved remarkable results with the development of the VCE cloud explosion model which breaks the barrier of technologies dominated by foreign invested companies. PICC Reinsurance took the lead in formulating the first claims standard in the reinsurance industry and published the first domestic probable maximum loss (PML) white paper, filling the gap in the industry. In 2022, the net profit of PICC Reinsurance increased by 8.7% year-on-year.

Life and Health Insurance

1. *PICC Life*

In 2022, PICC Life actively implemented the Group's "To be Prominent Strategy" and pushed forward the Company's high-quality transformation and development, achieved overall operational stability, maintained a TWPs platform of RMB100 billion, and continued to promote the transformation and upgrade of product structure. The regular premiums business from new clients grew steadily, some performance indicators outperformed the industry, business quality was gradually improved, and the efficiency of short-term insurance business was enhanced.

PICC Life stepped up its efforts to expand its third pillar pension business and actively promoted the development of policy-based pension products. It developed the first exclusive commercial endowment insurance "Fu Shou Nian Nian" (福壽年年) in the industry, and served practitioners of the new industry and new business ecology and freelancers, ranking second in the industry in terms of the premium size of new policies and first in the industry in terms of the number of policies, serving about 0.12 million customers and creating a good social impact. On 23 November 2022, PICC Life received the first batch of qualification for private pension business.

(1) Original Premiums Income

① Analysis by Product

Income from various products of PICC Life in terms of original premiums income for the reporting period is as follows:

Unit: RMB million

	For the year ended 31 December				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Life insurance	75,977	81.9	(2.2)	77,659	80.2
General life insurance	29,850	32.2	15.7	25,792	26.6
Participating life insurance	46,018	49.6	(11.1)	51,764	53.4
Universal life insurance	109	0.1	5.8	103	0.1
Health insurance	15,743	17.0	(12.3)	17,959	18.5
Accident insurance	993	1.1	(19.4)	1,232	1.3
Total	92,713	100.0	(4.3)	96,849	100.0

PICC Life actively adjusted and optimised business structure, and compressed the scale of low-value life insurance products. In 2022, PICC Life achieved an original premiums income of RMB92,713 million, representing a slight year-on-year decrease. Meanwhile, PICC Life increased the sales of medium and high value life insurance and annuity insurance products, and achieved an original premiums income from general life insurance of RMB29,850 million, representing a year-on-year increase of 15.7%.

In terms of TWPs, in 2022, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB29,850 million, RMB46,282 million and RMB9,984 million, respectively. TWPs of health insurance and accident insurance amounted to RMB15,754 million and RMB993 million, respectively.

② Analysis by Channel

Income of PICC Life as categorised by channel in terms of original premiums income for the reporting period is as follows, which can be further divided into individual insurance channel, bancassurance channel and group insurance channel.

Unit: RMB million

	For the year ended 31 December				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Individual Insurance Channel	45,598	49.2	(9.2)	50,194	51.8
First-year business of long-term insurance	15,011	16.2	(9.6)	16,598	17.1
Single premiums	6,142	6.6	(12.9)	7,048	7.3
First-year regular premiums	8,869	9.6	(7.1)	9,550	9.9
Renewal business	29,824	32.2	(8.5)	32,609	33.7
Short-term insurance	763	0.8	(22.7)	987	1.0
Bancassurance Channel	44,030	47.5	3.1	42,725	44.1
First-year business of long-term insurance	28,392	30.6	(0.3)	28,479	29.4
Single premiums	19,088	20.6	(4.7)	20,020	20.7
First-year regular premiums	9,304	10.0	10.0	8,460	8.7
Renewal business	15,594	16.8	9.8	14,200	14.7
Short-term insurance	44	0.0	(2.2)	45	0.0
Group Insurance Channel	3,085	3.3	(21.5)	3,930	4.1
First-year business of long-term insurance	96	0.1	(88.1)	804	0.8
Single premiums	20	0.0	(97.2)	713	0.7
First-year regular premiums	76	0.1	(16.5)	91	0.1
Renewal business	737	0.8	(15.4)	871	0.9
Short-term insurance	2,252	2.4	(0.2)	2,256	2.3
Total	92,713	100.0	(4.3)	96,849	100.0

In 2022, PICC Life continued to optimise the team structure based on "team building and excellent performance achievement", established more efficient recruitment tools and recruitment systems, focused on team quality building, and continuously enhanced risk management and control capabilities. The monthly average sales-in-force was 22,171 for the channel of "Comprehensive individual life insurance", and the original premiums income of individual insurance channel was RMB45,598 million.

In 2022, PICC Life strived to enhance the value of new business of the bancassurance channel and realised an effective increase in the channel value contribution. The original premiums income of bancassurance channel was RMB44,030 million, representing a year-on-year increase of 3.1%, and new business value reached RMB549 million, representing a year-on-year increase of 332.3%.

In terms of TWPs, in 2022, the TWPs from the individual insurance channel, bancassurance channel and group insurance channel amounted to RMB54,483 million, RMB44,965 million and RMB3,417 million, respectively. As of 31 December 2022, the number of sales agents for "Comprehensive individual life insurance" was 97,371. The regular premiums payment from new clients per capita per month of the "Comprehensive individual life insurance" channel amounted to RMB3,995.03.

PICC Life created the life insurance product "Qin Min Bao (惠民保)" for rural residents

③ Analysis by Region

The following table sets forth the original premiums income of PICC Life in the top ten regions for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Zhejiang Province	**11,312**	12,282	(7.9)
Sichuan Province	**8,940**	8,548	4.6
Jiangsu Province	**6,177**	7,027	(12.1)
Hunan Province	**4,570**	4,403	3.8
Beijing City	**3,961**	4,247	(6.7)
Henan Province	**3,851**	3,312	16.3
Hubei Province	**3,723**	3,488	6.7
Gansu Province	**3,544**	3,789	(6.5)
Guangdong Province	**3,399**	3,642	(6.7)
Shandong Province	**3,232**	4,039	(20.0)
Other regions	**40,004**	42,072	(4.9)
Total	**92,713**	96,849	(4.3)

④ Persistency Ratios of Premiums

The following table sets forth the 13-month and 25-month premium persistency ratios for individual customers of PICC Life for the reporting period:

Items	For the year ended 31 December 2022	2021
13-month premium persistency ratio[(1)](%)	82.7	76.3
25-month premium persistency ratio[(2)](%)	73.1	82.5

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual life insurance policies newly issued in the preceding year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs for the 25th month after the long-term regular premium individual life insurance policies newly issued in the penultimate year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance.

⑤ Top Five Products

The following table sets forth the operating results of PICC Life's top five insurance products in terms of original premiums income for the reporting period:

Unit: RMB million

	For the year ended 31 December 2022		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance channel/ Bancassurance channel	18,172
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance channel/ Bancassurance channel	14,755
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance channel	5,588
PICC Life Wen Nuan Jin Sheng Annuity Insurance	General life insurance	Individual insurance channel	4,651
PICC Life Zhuo Yue Jin Sheng Endowment Insurance	General life insurance	Individual insurance channel	4,332

(2) Financial Analysis

The following table sets forth certain selected key financial data of PICC Life for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Net earned premiums	**90,852**	95,203	(4.6)
Investment income	**20,606**	22,353	(7.8)
Other income	**552**	761	(27.5)
Total income	**112,412**	118,544	(5.2)
Net claims and policyholders' benefits	**94,925**	98,087	(3.2)
Handling charges and commissions	**7,211**	9,034	(20.2)
Finance costs	**3,565**	2,481	43.7
Other operating and administrative expenses	**8,557**	8,903	(3.9)
Total benefits, claims and expenses	**114,135**	118,531	(3.7)
Profit before tax	**3,857**	5,061	(23.8)
Less: Income tax expense	**1,151**	934	23.2
Net profit	**2,706**	4,127	(34.4)

Net earned premiums

Net earned premiums of PICC Life decreased by 4.6% from RMB95,203 million in 2021 to RMB90,852 million in 2022.

Investment income

The investment income of PICC Life decreased by 7.8% from RMB22,353 million in 2021 to RMB20,606 million in 2022. This was primarily due to the volatility in the capital market.

Other income

Other income of PICC Life decreased by 27.5% from RMB761 million in 2021 to RMB552 million in 2022. This was primarily due to the year-on-year decrease in business synergy income.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Life decreased by 3.2% from RMB98,087 million in 2021 to RMB94,925 million in 2022. This was mainly due to the decrease in insurance liability reserves.

Handling charges and commissions

Handling charges and commissions of PICC Life decreased by 20.2% from RMB9,034 million in 2021 to RMB7,211 million in 2022.

Finance costs

Finance costs of PICC Life increased by 43.7% from RMB2,481 million in 2021 to RMB3,565 million in 2022. It was mainly due to the interest settlement on investment funds and the increase in interest expenses relating to financial assets sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life increased by 23.2% from RMB934 million in 2021 to RMB1,151 million in 2022, mainly due to the reversal of deferred income tax assets as a result of volatility in the capital market.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life decreased by 34.4% from RMB4,127 million in 2021 to RMB2,706 million in 2022.

2. PICC Health

In 2022, PICC Health stayed committed to serving the Group's "To be Prominent Strategy" while implementing the "Four New"[3] development ideas, and launched implementation of "Healthy Project". The development of the Company has demonstrated a satisfactory trend of rapid growth in business scale, significant improvement in operational quality and efficiency, continuous enhancement in professional competence, and constantly strengthening management foundation. The original premiums income of PICC Health was RMB41,022 million, reaching RMB40 billion for the first time, representing a year-on-year increase of 14.5%. Net profit amounted to RMB442 million, representing a year-on-year increase of 70.0%. It achieved new business value of RMB1,035 million, representing a year-on-year increase of 35.3%. The "Hao Yi Bao" (好醫保) series of products achieved an original premiums income of RMB12,294 million. PICC Health actively provided 30 health management services of 8 types such as health examinations, pharmaceutical services, oral and dental services, and realised a service income of RMB188 million, representing a year-on-year increase of 72.7%. The original premiums income of health insurance and accident insurance amounted to RMB31,440 million, representing a year-on-year increase of 13.4%, which outpaced the growth rate of the health insurance and accident insurance of all the other industry peers by 12.7 percentage points.

(1) Original Premiums Income

① Analysis by Product

Income from various products of PICC Health in terms of original premiums income for the reporting period is as follows:

Unit: RMB million

	For the year ended 31 December				
	2022			2021	
Health insurance products	**Amount**	**(% of total)**	**(% of change)**	Amount	(% of total)
Medical insurance	**24,377**	**59.4**	**8.3**	22,519	62.9
Participating endowment insurance	**9,582**	**23.4**	**18.4**	8,090	22.6
Illness insurance	**5,428**	**13.2**	**65.7**	3,276	9.1
Nursing care insurance	**1,082**	**2.6**	**(17.7)**	1,314	3.7
Accidental injury insurance	**502**	**1.2**	**(5.3)**	530	1.5
Disability losses insurance	**51**	**0.1**	**(41.4)**	87	0.2
Total	**41,022**	**100.0**	**14.5**	35,816	100.0

In 2022, PICC Health strengthened the planning leadership, proactively promoted business development, strived to build a "6+1"[4] business pattern, and realised an original premiums income of RMB41,022 million, representing a year-on-year increase of 14.5%.

[3] Establishing new business philosophy, building new business structure, releasing new development momentum, and demonstrating new business style.

[4] Integration and mutual promotion of government commissioned business, group customer business, Internet insurance business, individual insurance business, bancassurance business, synergy business and health management.

PICC Health actively served the construction of multi-level medical security system and realised an original premiums income of medical insurance of RMB24,377 million, representing a year-on-year increase of 8.3%.

PICC Health proactively developed critical illness insurance business, and realised an original premiums income of illness insurance of RMB5,428 million, representing a year-on-year increase of 65.7%.

PICC Health actively responded to the national strategy against population aging, actively developed policy and commercial nursing care insurance businesses, and realised an original premiums income of nursing care insurance of RMB1,082 million.

PICC Health increased the quality control of short-term accidental insurance business. The original premiums income of accidental injury insurance was basically the same as last year.

In 2022, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB24,408 million, RMB9,582 million, RMB5,428 million, RMB1,294 million, RMB502 million and RMB51 million, respectively.

② Analysis by Channel

Income of PICC Health by distribution channels in terms of original premiums income for the reporting period is as follows, which can further be divided into individual insurance channel, bancassurance channel and group insurance channel.

Unit: RMB million

	For the year ended 31 December				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Individual Insurance	18,524	45.2	8.4	17,093	47.7
First-year business of long-term insurance	2,752	6.7	(39.4)	4,545	12.7
Single premiums	204	0.5	67.2	122	0.3
First-year regular premiums	2,548	6.2	(42.4)	4,422	12.3
Renewal business	13,134	32.0	10.7	11,866	33.1
Short-term insurance	2,638	6.4	287.4	681	1.9
Bancassurance	8,626	21.0	23.4	6,992	19.5
First-year business of long-term insurance	7,874	19.2	25.4	6,278	17.5
Single premiums	7,136	17.4	20.3	5,934	16.6
First-year regular premiums	738	1.8	114.5	344	1.0
Renewal business	751	1.8	5.3	713	2.0
Short-term insurance	–	–	–	1	–
Group Insurance	13,872	33.8	18.3	11,731	32.8
First-year business of long-term insurance	39	0.1	(75.0)	156	0.4
Single premiums	25	0.1	(72.8)	92	0.3
First-year regular premiums	14	–	(78.1)	64	0.2
Renewal business	79	0.2	125.7	35	0.1
Short-term insurance	13,754	33.5	19.2	11,539	32.2
Total	41,022	100.0	14.5	35,816	100.0

In terms of individual insurance agent business, PICC Health adhered to the professional development path, focused on high-value business, and actively planned for channel innovation, transformation and development. In terms of Internet insurance business, PICC Health continued to deepen business cooperation with major platforms and innovated online operation modes;

continuously explored market demand, actively strengthened product development and upgrading, optimised operation process and system support, and promoted healthy and orderly development of Internet insurance business. The original premiums income of individual insurance channel was RMB18,524 million, representing a year-on-year increase of 8.4%.

PICC Health continued to strengthen its cooperation with the bancassurance channel, vigorously developed regular premiums business from new clients, and strengthened training to nurture high-performing teams. It also dug up network resources and promoted the rapid development of bancassurance business. The original premiums income of bancassurance channel was RMB8,626 million, representing a year-on-year increase of 23.4%.

PICC Health organised specific health experience activities for customers

In terms of commercial group insurance business, PICC Health took multiple measures to focus on the development of corporate customer business and social business integration business, improve service capabilities, accelerate the promotion of the construction of joint medical offices for corporate and promote the business model of professional group development, and promoted the transformation of group insurance business towards high-quality development and transformation. In terms of social medical supplementary insurance business, PICC Health focused on national strategies such as Healthy China, actively addressing population aging and rural revitalization. On the basis of continuous consolidation and improvement of traditional businesses, it accelerated innovative breakthroughs in emerging businesses such as outpatient chronic and special diseases, long-term nursing care insurance and "Hui Min Bao", and promoted the sustainable and high-quality development of business. The original premiums income of group insurance channel was RMB13,872 million, representing a year-on-year increase of 18.3%.

In terms of TWPs, in 2022, the TWPs from the individual insurance channel, bancassurance channel and group insurance channel amounted to RMB18,715 million, RMB8,654 million and RMB13,896 million, respectively.

③ Analysis by Region

The following table sets forth the original premiums income of PICC Health in the top ten regions for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Guangdong Province	**19,578**	16,042	22.0
Henan Province	**2,448**	2,716	(9.9)
Jiangxi Province	**2,149**	2,464	(12.8)
Liaoning Province	**1,932**	1,596	21.1
Hubei Province	**1,711**	1,109	54.3
Yunnan Province	**1,536**	1,447	6.2
Shanxi Province	**1,279**	1,311	(2.4)
Anhui Province	**1,251**	1,034	21.0
Shandong Province	**1,075**	966	11.3
Shaanxi Province	**1,061**	613	73.1
Other regions	**7,002**	6,518	7.4
Total	**41,022**	35,816	14.5

④ Persistency Ratios of Premiums

The following table sets forth the 13-month and 25-month premium persistency ratios for individual customers of PICC Health for the reporting period:

Items	For the year ended 31 December 2022	2021
13-month premium persistency ratio[1](%)	**86.7**	82.8
25-month premium persistency ratio[2](%)	**81.7**	81.6

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual health insurance policies newly issued in the preceding year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs for the 25th month after the long-term regular premium individual health insurance policies newly issued in the penultimate year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance.

⑤ Top Five Products

The following table sets forth the operating results of PICC Health's top five insurance products in terms of original premiums income for the reporting period:

Unit: RMB million

	For the year ended 31 December 2022		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
Jian Kang Jin Fu You Xiang Bao Individual Medical Insurance (2018)	**Medical insurance**	**Individual insurance channel**	**9,590**
Kang Li Ren Sheng Endowment Insurance (Participating)	**Endowment insurance**	**Bancassurance channel/ Individual insurance channel/Group insurance channel**	**9,453**
Group Critical Illness Medical Insurance for Urban and Rural Residents (Type A)	**Medical insurance**	**Group insurance channel**	**4,718**
He Xie Sheng Shi Large Amount Supplementary Group Medical Insurance for Urban Employees	**Medical insurance**	**Group insurance channel**	**4,219**
PICC Health e-Help Internet Critical Illness Insurance	**Illness insurance**	**Individual insurance channel**	**1,453**

(2) Financial Analysis

The following table sets forth certain selected key financial data of PICC Health for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Net earned premiums	**35,185**	31,190	12.8
Investment income	**1,644**	2,582	(36.3)
Other income	**393**	337	16.6
Total income	**38,601**	35,523	8.7
Net claims and policyholders' benefits	**29,368**	27,899	5.3
Handling charges and commissions	**4,390**	4,199	4.5
Finance costs	**388**	430	(9.8)
Other operating and administrative expenses	**3,143**	2,809	11.9
Total benefits, claims and expenses	**37,288**	35,338	5.5
Profit before tax	**1,317**	183	619.7
Less: Income tax expense	**875**	(77)	–
Net profit	**442**	260	70.0

Net earned premiums

Net earned premiums of PICC Health increased by 12.8% from RMB31,190 million in 2021 to RMB35,185 million in 2022, which was primarily due to the growth of TWPs of insurance business.

Investment income

The investment income of PICC Health decreased by 36.3% from RMB2,582 million in 2021 to RMB1,644 million in 2022, which was primarily due to significant correction in the equity market.

Other income

Other income of PICC Health increased by 16.6% from RMB337 million in 2021 to RMB393 million in 2022.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 5.3% from RMB27,899 million in 2021 to RMB29,368 million in 2022.

Handling charges and commissions

The handling charges and commissions of PICC Health increased by 4.5% from RMB4,199 million in 2021 to RMB4,390 million in 2022, basically the same.

Finance costs

Finance costs of PICC Health decreased by 9.8% from RMB430 million in 2021 to RMB388 million in 2022.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 70.0% from RMB260 million in 2021 to RMB442 million in 2022.

(II) Asset Management Business

In 2022, the asset management segment of the Group implemented the Group's "To be Prominent Strategy" requirements, constantly enhanced its capabilities to "serve strategies and major businesses", and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective.

As of 31 December 2022, the scale of third-party assets under management of the Group amounted to RMB787,060 million, representing an increase of 26.7% compared with the beginning of the year. Among which, in terms of portfolio asset management products, the Group actively grasped the development opportunities, and the scale of assets under management increased by 71.9% compared with the beginning of the year. The investment subsidiaries of the Group continued to strengthen their professional capacity building and enhance their ability in supporting national strategies and serving the real economy. In 2022, PICC AMC took the "Empowerment Projects" as the guidance, focused on the construction of core investment and research ability, reinforced the study of market trend, scientifically judged the strategic asset allocation strategies and improved investment income in multiple channels; intensified the effort in serving real economy, built the "orange red, green and dark blue"[5] product lines in the fields of six strategic services, relevant investment increased by 40.0% compared with the beginning of the year; actively expanded the investment direction of insurance funds, and launched the first 10-year customized CMBS product in the industry. PICC Capital has formed a diversified investment system covering debenture scheme, equity scheme, asset-backed scheme, equity fund, custody consulting, investment in third-party financial products, of which, the newly added withdrawn scale of debenture products recorded a historic high in 2022.

The investment income of the asset management segment of the Group does not include investment income generated by the investment assets managed by the asset management segment on behalf of various insurance segments of the Group. The investment income generated by the investment assets managed by the asset management segment on behalf of other segments of the Group has already been included in the investment income of the relevant segments.

The following table sets forth several selected major financial data of the asset management segment for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Investment income	**490**	656	(25.3)
Other income	**2,168**	2,067	4.9
Total income	**2,658**	2,723	(2.4)
Finance costs	**32**	31	3.2
Other operating and administrative expenses	**1,716**	1,623	5.7
Total expenses	**1,754**	1,653	6.1
Profit before tax	**929**	1,085	(14.4)
Less: Income tax expense	**193**	263	(26.6)
Net profit	**736**	822	(10.5)

[5] The series of "orange red" refers to three fields of rural revitalisation, intelligent transportation and social governance in the six strategic services and focuses on "new infrastructure and new urbanization initiatives and major projects (兩新一重)"; the series of "green" refers to the green environmental protection field in the six strategic services and focuses on green and low carbon; and the series of "dark blue" refers to the two fields of technological innovation and health care and endowment in the six strategic services and focuses on high-end manufacturing.

Investment income

Investment income of the asset management segment decreased by 25.3% from RMB656 million in 2021 to RMB490 million in 2022, mainly due to the fluctuation of the capital market.

Other income

Other income of the asset management segment increased by 4.9% from RMB2,067 million in 2021 to RMB2,168 million in 2022.

Net profit

As a result of the foregoing reasons and the year-on-year increase in total expenses, the net profit of the asset management segment decreased by 10.5% from RMB822 million in 2021 to RMB736 million in 2022.

(III) Investment Portfolio and Investment Income

In 2022, the Group proactively fulfilled the social responsibilities as a financial central enterprise, adhered to the philosophy of long-term investment, value investment and prudent investment of insurance funds while investing and serving national strategies as well as serving real economy, actively guarded against the risk of possible extreme market shock, and maintained stable investment performance. In order to further enhance the investment asset allocation ability, the Group consolidated and built a unified strategic asset allocation mode of the Group, to improve the systematicness, flexibility and perspectiveness of asset allocation dynamic optimisation through effective linkage between the strategic asset allocation and tactical asset allocation. From the perspective of major assets investment strategies, for the bond investment, the Group has better followed up the changes in interest rate during the year, intensified band operation at the lower market interest rate, optimised the credit qualification and structure of positioning; and for the equity investment, the Group has grasped the main operation lines in the market, effectively controlled the portfolio marketization fluctuation and proactively explored the structural opportunities of the booming segments with steady growth.

1. *Investment Portfolio*

The following table sets forth information regarding the composition of the investment portfolio of the Group as of the dates indicated:

Unit: RMB million

	As of 31 December 2022		As of 31 December 2021	
	Amount	(% of total)	Amount	(% of total)
Investment assets	1,292,797	100.0	1,196,920	100.0
Classified by investment object				
Cash and cash equivalents	40,599	3.1	33,276	2.8
Fixed-income investments	832,858	64.4	752,377	62.9
Term deposits	101,180	7.8	94,341	7.9
Treasury bonds and government bonds	183,728	14.2	183,252	15.3
Financial bonds	178,365	13.8	135,335	11.3
Corporate bonds	170,257	13.2	169,032	14.1
Long-term debt investment schemes	87,757	6.8	69,738	5.8
Other fixed-income investments[1]	111,571	8.6	100,679	8.4
Fund and equity securities investments at fair value	201,642	15.6	212,939	17.8
Fund	120,310	9.3	115,276	9.6
Shares	55,604	4.3	62,843	5.3
Perpetual bonds	25,728	2.0	34,820	2.9
Other investments	217,698	16.8	198,328	16.6
Investment in associates and joint ventures	146,233	11.3	135,570	11.3
Others[2]	71,465	5.5	62,758	5.2
By the purpose for which it was held				
Financial assets at fair value through profit or loss for the period	38,301	3.0	57,459	4.8
Held-to-maturity investments	198,393	15.3	197,346	16.5
Available-for-sale financial assets	557,582	43.1	502,102	41.9
Long-term equity investments	146,233	11.3	135,570	11.3
Loans and others[3]	352,288	27.3	304,443	25.4

Notes:

(1) Other fixed-income investments consist of Tier 2 capital instruments, wealth management products, restricted statutory deposits, policy loans, trust products and asset management products.

(2) Others consist of investment real estate, equity investment schemes, reinsurance arrangements classified as investment contracts, unlisted equity investments and derivative financial assets.

(3) Loans and others primarily consist of monetary capital, term deposits, financial assets purchased under resale agreements, policy loans, restricted statutory deposits, investments classified as loans and receivables, and investment real estate.

(1) Classified by investment object

In terms of fixed-income investments, the Group strengthened its prediction on the market interest rate trends, better grasped the trading and allocation opportunities in 2022. The Group deeply explored the value of fixed-income investments through comparing to relative valuation of fixed-income assets, effectively satisfied the Group's matured and newly added capital allocation demand; also, the Group enhanced the construction of credit risk management capability, continued to optimise the credit structure of existing assets, and the credit premium was at a relatively reasonable level.

As of 31 December 2022, the bond investment accounted for 41.2%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers rated at AAA accounted for 99.6%. The industries associated with credit bond currently held by the Group are diversified, involving various sectors such as bank and transportation; the ability of entities to repay debt is generally strong and the credit risks are controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements, established investment management and risk control mechanisms in line with market practices and investment features for insurance funds, and strengthened the forward-looking and early warning, analysis and disposal of credit risk. In 2022, the Group continued to strengthen the normalisation of credit risk screening, strengthened post-investment management, five-level risk classification and follow-up rating, and took the internal rating alert list and the risk/concerned asset list as a starting point to emphasise in-process risk monitoring, alert and disposal functions, so as to reduce the proportion of low- and medium-rated credit bonds orderly, and strictly control the incremental business risks while optimising the stock structure. In addition, the first and second lines of defense of the Company have continually improved the digital and intelligent level to credit risk management and intensified the empowerment and decision support of investment business through active utilization of models/systems including smart credit rating and technology for monitoring public opinion.

The overall credit risk of the Group's investment in non-standard financial product asset invested by the entrusted fund in the Group's system is controllable, assets with an external credit rating of AAA accounted for 99.5%. At present, the non-standard assets cover most of the provincial administrative regions with better credit ratings in the country. The industries cover transportation, energy, public utilities, construction and decoration and commercial real estate. These industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. Apart from actively selecting core counterparties with reliable credit qualifications as financing entities/guarantors, the Group has effective credit enhancement measures in place, together with stringent terms regarding accelerated expiry/fund misappropriation protection, providing a sound guarantee for the repayment of the principal and investment income.

The Group insisted on the idea of "long-term and value investment" in terms of equity investment. Under the unfavourable environment of sharp decline of the equity market, the Group improved the precision of position control, and the proportion of equity positions was controlled within a risk tolerance range. In terms of type selection, the Group focused on four strategic tracks including green and low carbon, technological innovation, consumption upgrading and health care and endowment, established the stock and fund investment coordinated mechanism, optimised individual stock research system with valuation and pricing capability as the core, and strengthened fund research with FOF public simulation portfolio as the starting point, proactively grasped the structural investment opportunities in the market.

(2) Classified by investment purpose

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. The proportion of financial assets at fair value through profit or loss for the period decreased by 1.8 percentage points as compared with that as at the end of last year. The proportion of held-to-maturity investments decreased by 1.2 percentage points as compared with that as at the end of last year. The proportion of available-for-sale financial assets increased by 1.2 percentage points as compared with that as at the end of last year, mainly due to the increase in non-held-to-maturity bonds and equity allocation. The proportion of loans and others increased by 1.9 percentage points as compared with that as at the end of last year, mainly because the national pro-growth policies were actively implemented, and the investment efforts in key areas increased such as infrastructure construction and dual carbon strategy.

2. *Investment Income*

The following table sets forth information relating to the investment income of the Group for the reporting period:

Unit: RMB million

	For the year ended 31 December	
Items	**2022**	2021
Cash and cash equivalents	**394**	710
Fixed-income investments	**34,473**	32,083
Interest income	**33,024**	31,578
Gains and losses from disposal of financial instruments	**1,865**	616
Gains and losses on fair value changes	**(451)**	458
Impairment	**35**	(569)
Fund and equity securities investments at fair value	**4,123**	15,999
Dividends and bonus income	**10,480**	5,563
Gains and losses from disposal of financial instruments	**(4,796)**	10,660
Gains and losses on fair value changes	**54**	321
Impairment	**(1,615)**	(545)
Other investments	**16,180**	14,276
Investment income from associates and joint ventures	**15,466**	13,573
Other gains and losses	**714**	703
Total investment income	**55,170**	63,068
Net investment income[(1)]	**60,355**	52,270
Total investment yield[(2)](%)	**4.6**	5.8
Net investment yield[(3)](%)	**5.1**	4.8

(1) Net investment income = total investment income – gains and losses from the disposal of investment assets – gains and losses on fair value changes of investment assets – impairment losses of investment assets

(2) Total investment yield = (total investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period)

(3) Net investment yield = (net investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period)

The total investment income of the Group decreased by 12.5% from RMB63,068 million in 2021 to RMB55,170 million in 2022. The net investment income increased by 15.5% from RMB52,270 million in 2021 to RMB60,355 million in 2022. The total investment yield decreased by 1.2 percentage points from 5.8% in 2021 to 4.6% in 2022. The net investment yield increased by 0.3 percentage point from 4.8% in 2021 to 5.1% in 2022.

III. SPECIFIC ANALYSIS

(I) Liquidity Analysis

1. *Liquidity Analysis*

The liquidity of the Group is mainly derived from premiums income, investment income, cash from disposals or maturity of investment assets and its own financing activities. The demand for liquidity primarily arises from insurance claims or benefits, surrenders, withdrawals or other forms of early termination of insurance policies for insurance contracts, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

The Group generally collects premiums before the payment of insurance claims or benefits. At the same time, the Group maintains a certain proportion of assets with high liquidity within its investment assets to respond to liquidity demand. In addition, the Group could also obtain additional liquidity from the arrangements of securities sold under agreements to repurchase, interbank borrowings and other financing activities.

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities and cash flows generated by financing activities. The Company believes that it has adequate liquidity to meet foreseeable liquidity needs of the Group and the Company.

2. *Statement of Cash Flows*

The Group has established a cash flow monitoring mechanism, regularly conducted cash flow rolling analysis and forecasting, and actively took initiatives to develop management plans and contingencies to effectively prevent liquidity risks.

Unit: RMB million

	For the year ended 31 December		
	2022	2021	(% of change)
Net cash generated from operating activities	**71,651**	72,731	(1.5)
Net cash used in investing activities	**(73,285)**	(81,555)	(10.1)
Net cash generated from/(used in) financing activities	**8,557**	(35,861)	–

The Group's net cash generated from operating activities changed from a net inflow of RMB72,731 million in 2021 to a net inflow of RMB71,651 million in 2022, mainly due to the year-on-year increase in cash paid for claims of original insurance contracts.

The Group's net cash used in investing activities changed from a net outflow of RMB81,555 million in 2021 to a net outflow of RMB73,285 million in 2022, mainly due to the increase in cash received from disposals of investments.

The Group's net cash flows generated from financing activities changed from a net outflow of RMB35,861 million in 2021 to a net inflow of RMB8,557 million in 2022, mainly due to the year-on-year decrease in the net cash outflow for financial assets sold under agreements to repurchase.

(II) Solvency

For details of solvency of the Group, please refer to the "I. Business Overview of the Company" as set out in the Management Discussion and Analysis of this annual report.

IV. EVENT AFTER THE REPORTING PERIOD

On 24 March 2023, the Board of the Company proposed a final dividend of RMB16.60 cents per ordinary share (tax inclusive) for 2022, amounting to a total of approximately RMB7,341 million. The above proposal is subject to the approval at the Company's general meeting.

V. PROSPECTS AND RISK ANALYSIS

(I) Industry Landscape and Trend

The year 2023 is the first year for the full implementation of the spirit of the Party's 20th National Congress. The gradual release of the effect of policies on stabilising the economy and the acceleration of economic recovery will create favorable conditions for the development of the insurance industry. The insurance industry will usher in new policies and market opportunities in Chinese-style modernization and all the serving areas such as scientific and technological innovation, rural revitalization, healthy China, construction of elderly medical care security system, major national and regional strategies and the "the Belt and Road", contain huge opportunity and potential for future development of the industry. The insurance industry will adapt to macroeconomic and customer demand changes, and accelerate the transformation of development mode. The development of new models such as risk reduction management and the application of insurance technologies such as big data and artificial intelligence will further drive the innovation of insurance product and services, sales models and business models. The role of ecological extension in automobile, pension, medical care, pharmaceutics and other aspects in the differentiated competition of the industry will become more apparent, and innovation will drive high-quality development of China's insurance industry.

(II) Development Strategy of the Company

The Group is committed to building a world-class financial insurance group with excellent risk management capabilities. In 2023, we will strengthen confidence in development, persist in seeking progress while maintaining a stable performance, continue to promote the implementation of "To be Prominent Strategy", and promote our own high-quality development in serving the national overall pro-growth situation.

(III) Operation Plan

The **insurance segment** will effectively seize the strategic opportunities in Chinese-style modernization, optimise the business structure and improve the quality of development. **PICC P&C** will continue to consolidate its position in the vehicle insurance market and vigorously develop individual non-vehicle decentralized businesses; focusing on national strategies and industrial development needs, develop corporate business with high quality; focusing on building an agricultural power and improving people's livelihood, actively develop agricultural insurance, social security and other policy businesses. **PICC Life** will continue to consolidate the management foundation, improve the professional management level of channels, and improve the quality of sales force; promote the third pillar of endowment business, expand the sales of exclusive commercial endowment insurance, promote differentiated product innovation, and enhance the supply capacity of endowment and health services. **PICC Health** will continue to develop Internet business, accelerate the expansion of market segments, deeply participate in the linkage of "three medical areas", continue to promote the integration and utilisation of high-quality medical resources, and improve the professional health management service capacity. **PICC Reinsurance** will optimise the business structure, continue to improve underwriting profits, and cultivate competitive advantages in subdivisions. **PICC Hong Kong** will accelerate the overseas business expansion, and strengthen investment risk prevention and control.

The **investment segment** will deepen the system and mechanism reform, optimise the asset allocation, and improve the capability for serving national strategies and serving the principal businesses of insurance. **PICC AMC** will constantly advance the systematic construction of asset allocation, consolidate and strengthen the foundation role of fixed-income investment, improve the professional capability of equity investment, and actively explore the third-party businesses. **PICC Pension** will adhere to optimise and strengthen the second pillar, and carry out the commercial pension pilot of the third pillar, striving to improve the pension-specific investment and management abilities. **PICC Investment Holding** will accelerate the promotion of real estate investment, pension industrial investment, real estate operation and property service business development. **PICC Capital** will strengthen the layout of alternative investment and promote innovative development of investment business.

The **technology segment** will consistently strengthen the technology empowerment. **PICC Technology** will closely focus on development demands of principal businesses, speed up the infrastructure construction, push ahead the launch of unified structure, continuously deepen the application of insurance technology innovation. **PICC Financial Services** will focus on digital operation service, vehicle-ecological home lifestyle service and scenario innovation service and other key fields to serve the digital transformation of the Group and major business companies.

(IV) Major Potential Risks and Countermeasures

The first is the risk in macro environment. At present, the domestic and international environment is complex and severe, with high inflation overseas and increased downturn risk in the global economy. The foundation for China's economy recovery is not yet solid. Domestically, economic downward pressure still exists, and the downward trend of interest rates continues; internationally, monetary policies of major developed economies continue to tighten, coupled with various disturbing factors such as geopolitical conflicts, high uncertainty in the Federal Reserve's monetary policy, and the energy and food crisis, the financial markets are in turmoil, and potential market and credit risks are worthy of high vigilance. The Company attaches great importance to risk prevention and macroeconomic environment and policy impact prediction, and actively carries out risk assessment and risk response.

The second is the risk in capital utilisation. In 2022, as affected by the factors such as unstable global economic situation, the intensifying China-US conflict and local regional conflicts, the volatility in the international capital markets increased, A-share and H-share markets fluctuated downward. In a weak equity market and low interest rate economic environment, it is more difficult to allocate high quality assets. Consequently, the pressure on capital utilisation has increased, which in turn would bring uncertainty to investment returns to a certain extent. The Company closely monitors the macro situation and changes in the domestic and overseas capital markets, constantly strengthens the tracking and analysis of risk exposure on capital utilisation, dynamically monitors the changes in key core indicators of risk management of capital utilisation, sets up and improves the Company's investment decision-making mechanism, conducts regular stress test and other risk assessment works, promptly conducts specific operation to lower the drawdown risk, and implements risk management and dynamic tracking of capital utilisation.

The third is the credit risk of investment. In 2022, the increased downward pressure on domestic economic growth and the pressure on the real estate industry had a relatively significant impact on the overall credit environment. Having a high regard for credit risk prevention, the Company actively makes forecasts of macroeconomic policy changes, enhance credit risk limit and concentration management, continues to carry out credit risk monitoring and warnings, adjusts investment strategies with diversified tools and methodologies, and continuously improves the credit risk management and control capabilities of investment business.

The fourth is the risk in insurance business. In 2022, the scale of the original premium income of the insurance industry has rebounded, and the Company's insurance business scale has steadily increased, with significant improvement in business quality and efficiency. However, the economic trend was still severe and complex at home and aboard, and there was still some uncertainty about the stable development trend of the Company's business. Being highly aware of the risk in insurance business, the Company optimizes and improves management systems and mechanisms, continues to refine the risk management and control of the entire process of the insurance business and the risk response of the insurance business by strengthening the assessment, tracking and management of products, conducting regular monitoring of key business and promoting the further improvement of underwriting and other key procedures.

VI. CAPITAL EXPENDITURE

The capital expenditure of the Group primarily consists of property construction, acquisition of motor vehicles for business needs and development of information systems. Capital expenditure of the Group amounted to RMB6,576 million in 2022.

VII. PLEDGE OF ASSETS

Certain subsidiaries of the Company sold and repurchased securities in the market for liquidity management. During the course of transactions, securities held by the Company's subsidiaries were pledged for such transactions. The carrying amount of relevant securities as at 31 December 2022 is set out in Note 32 to the consolidated financial statements of this annual report.

VIII. BANK BORROWINGS

In addition to the capital supplementary bonds issued by the Group and the repurchase business disposed of in the investment business, the Group had bank borrowings of RMB548 million at the end of 2022. Details of the capital supplementary bonds are set out in Note 35 to the consolidated financial statements of this annual report.

IX. CONTINGENCIES

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

X. MAJOR ACQUISITIONS AND DISPOSALS

During the reporting period, the Group had no major acquisitions and disposals.

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On the date of this report, the information of the Directors, Supervisors and senior management members of the Company is as follows.

(I) Basic information of Directors, Supervisors and Senior Management

Name	Position(s)	Gender	Age	Date of appointment
Wang Tingke	Vice Chairman, Executive Director	Male	58	August 2020
	President			July 2020
	Responsible Compliance Officer			June 2021
	Chief Risk Officer			April 2021
Li Zhuyong	Executive Director	Male	50	December 2020
	Vice President			November 2018
Xiao Jianyou	Executive Director	Male	54	December 2022
	Vice President			August 2019
Wang Qingjian	Non-executive Director	Male	58	July 2017
Miao Fusheng	Non-executive Director	Male	58	December 2020
Wang Shaoqun	Non-executive Director	Male	53	December 2020
Yu Qiang	Non-executive Director	Male	49	August 2021
Wang Zhibin	Non-executive Director	Male	55	August 2016
Shiu Sin Por	Independent Non-executive Director	Male	73	May 2018
Ko Wing Man	Independent Non-executive Director	Male	65	May 2018
Chen Wuzhao	Independent Non-executive Director	Male	53	March 2017
Cui Li	Independent Non-executive Director	Female	49	September 2021
Xu Lina	Independent Non-executive Director	Female	63	November 2021
Xu Yongxian	Shareholder Representative Supervisor	Male	59	September 2009
Starry Lee Wai King	Independent Supervisor	Female	48	October 2021
Wang Yadong	Employee Representative Supervisor	Male	52	January 2021
He Zuwang	Employee Representative Supervisor	Male	54	October 2022
Yu Ze	Vice President	Male	51	April 2020
Cai Zhiwei	Vice President	Male	47	February 2021
Zhang Jinhai	Vice President	Male	51	November 2022
Han Kesheng	Assistant to the President	Male	57	April 2010
	Responsible Audit Officer			February 2018
Zhou Houjie	Responsible Financial Officer	Male	58	March 2010
	Chief Financial Officer			March 2010
Zeng Shangyou	Secretary to the Board	Male	53	March 2023

(II) Resigned Directors, Supervisors and Senior Management

Name	Previous position	Date of appointment	Date of termination	Change and cause
Luo Xi	Chairman, Executive Director	December 2020	March 2023	Resigned due to age
Zhang Tao	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	February 2022	June 2022	Resigned due to job changes
Zhang Yan	Employee Representative Supervisor	January 2021	October 2022	Resigned due to job changes
Lin Zhiyong	Business Director	March 2019	April 2022	Resigned due to position change

Note: The date of appointment refers to the time after completion of the Company's corporate governance process and the approval of the regulatory authority which is responsible for qualification verification.

(III) Shareholdings of Directors, Supervisors and Senior Management

During the reporting period, none of the Directors, Supervisors and senior management of the Company hold shares in the Company.

(IV) Directors, Supervisors and Senior Management's Position in the Shareholder

Name	Name of shareholder	Position in the shareholder	Date of appointment	Whether received remuneration from related parties of the Company
Wang Zhibin	SSF	Head of the Equity Management Department (Industrial Investment Department)	June 2021	Yes

(V) Directors, Supervisors and Senior Management's Position in Other Companies/Institutions

Name	Position in the Company	Name of other companies/institutions	Position in other companies/institutions	Date of appointment
Wang Tingke	Vice Chairman, Executive Director, President, Responsible Compliance Officer, Chief Risk Officer	Insurance Society of China	Vice Chairman	June 2019
		China Chamber of International Commerce	Vice Chairman	September 2020
Li Zhuyong	Executive Director and Vice President	China Association of Insurance Law of China Law Society	Vice Chairman	October 2017
		China Maritime Law Association	Chairman	July 2020
Xiao Jianyou	Executive Director and Vice President	China Foundation for Development of Financial Education	Director	November 2020
		Asian Financial Cooperation Association	Vice Chairman	June 2021
		National Internet Finance Association of China	Vice Chairman	March 2023
Wang Qingjian	Non-executive Director	Central Huijin Investment Company Limited	Director appointed	July 2017
Miao Fusheng	Non-executive Director	Central Huijin Investment Company Limited	Director appointed	January 2021
Wang Shaoqun	Non-executive Director	Central Huijin Investment Company Limited	Director appointed	February 2021
Yu Qiang	Non-executive Director	Central Huijin Investment Company Limited	Director appointed	September 2021

Name	Position in the Company	Name of other companies/institutions	Position in other companies/institutions	Date of appointment
Shiu Sin Por	Independent Non-executive Director	New Paradigm Foundation	President	September 2017
		Chongyang Institute for Financial Studies at Renmin University of China	Senior fellow	December 2017
		School of Public Policy and Management of Tsinghua University	Senior Visiting Fellow	January 2018
		Shanghai East Asia Research Institute	Consultant	April 2018
		CITIC Foundation for Reform and Development Studies	Consultant	August 2018
		Institute of Social Governance, University of Chinese Academy of Social Sciences	Research analyst	March 2019
		Chinese Association of Hong Kong & Macao Studies	Consultant	September 2020
Ko Wing Man	Independent Non-executive Director	Dr. Ko Wing Man Clinic	Doctor	August 2017
		Governance Committee of St. Teresa's Hospital	Non-executive member	December 2020
		Capital Medical Health Industry Group Limited	Honorary Chairman	September 2021
		EC Healthcare Group, Hong Kong	Chief Consultant	February 2022
		Strategic Healthcare Holdings Ltd. of New Frontier Group	Independent Non-executive Director	October 2022
Chen Wuzhao	Independent Non-executive Director	School of Economics and Management, Tsinghua University	Associate professor	December 2004
		Accounting Society of China	Member of Enterprise Accounting Standards Professional Board	January 2009
		VeriSilicon Microelectronics (Shanghai) Co., Ltd.	Independent Non-executive Director	March 2019
		Ruili Integrated Circuit Co., Ltd.	Independent Non-executive Director	September 2021
Cui Li	Independent Non-executive Director	CCB International Securities Limited	Chief Economist, Head of Macro-research and Managing Director	February 2016
		China Finance 40 Forum	Special invited member	February 2016
		China Chief Economist Forum	Director	November 2012
Xu Lina	Independent Non-executive Director	Actuarial Department of Columbia University	Senior Academic Director	March 2019
Starry Lee Wai King	Independent Supervisor	Hong Kong University of Science and Technology	Council member/ Advisor	August 2010
		KPMG Hong Kong	Consultant	March 2021
He Zuwang	Employee Representative Supervisor	Chinese Young Volunteers Association	Executive Director	May 2021
		History Records Professional Committee of Insurance Society of China	Chairman	May 2021
		Chinese Society of Financial Ideological and Political Work	Executive Director	November 2021
Yu Ze	Vice President	Insurance Association of China	Vice President	June 2022
Cai Zhiwei	Vice President	Hua Xia Bank Co., Limited	Non-executive Director	July 2022
Zhang Jinhai	Vice President	Beijing Fintech Industry Alliance	Vice president	January 2021
		Specialized Committee on Information Technology of the IAC	Member	April 2021

Name	Position in the Company	Name of other companies/institutions	Position in other companies/institutions	Date of appointment
Zhou Houjie	Responsible Financial Officer, Chief Financial Officer	China Association of Chief Financial Officers	Vice President	June 2019
		Specialized Committee on Accounting of the IAC	Deputy Chairman	January 2021
		Bank Accounting Society of China	Vice Chairman	November 2022
Zeng Shangyou	Secretary to the Board	Specialized Committee on Corporate Governance and Auditing of the IAC	Deputy Chairman	May 2021
		Investors' Relations Management Committee of the LCAB	Deputy Chairman	October 2022

II. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Tingke, is a Vice Chairman, an Executive Director, President, Responsible Compliance Officer and Chief Risk Officer of the Company and a senior economist. From July 1995 to March 2009, Mr. Wang worked in China Everbright Bank. He worked in China Everbright Group from March 2009 to February 2015. He was deputy general manager of China Taiping Insurance Group Ltd. (China Taiping Insurance Group (HK) Company Limited) from February 2015 to June 2018 and executive director from August 2016. He served as the vice chairman and general manager of China Export & Credit Insurance Corporation from June 2018 to April 2020. He has been appointed as the Vice Chairman, Executive Director and President of the Company since April 2020, and has been appointed as Responsible Compliance Officer and Chief Risk Officer since April 2021. Mr. Wang has also served as a non-executive director and the chairman of PICC Health, and a non-executive director and the chairman of PICC Pension. Mr. Wang served as the vice president of Insurance Society of China since June 2019 and as the vice president of China Chamber of International Commerce since September 2020. Mr. Wang graduated from Shaanxi University of Finance and Economics in July 1995 and received a doctorate degree in economics.

Mr. Li Zhuyong, is an Executive Director, Vice President of the Company and a senior economist. Mr. Li joined the Company in August 1998. From September 2003 to March 2006, he was the leading officer and deputy general manager of the legal department. From March 2006 to March 2017, he was the general manager of the legal and compliance department, the risk management department/legal compliance department, and the legal compliance department. From August 2013 to July 2018, he served as the legal director. He was appointed as the Vice President of the Company since August 2018, and as Executive Director since August 2020. Mr. Li also served as a non-executive director and the chairman of China Credit Trust Company Limited, a non-executive director and vice chairman of PICC Hong Kong. Mr. Li served as the Responsible Compliance Officer, the Chief Risk Officer and Secretary to the Board of the Company; he also served as the supervisor of PICC P&C, chairman of PICC Financial Services and a director of PICC Hong Kong. Mr. Li has served as the vice chairman of the China Association of Insurance Law of China Law Society since October 2017, and the chairman of China Maritime Law Association since July 2020. Mr. Li graduated from the Capital University of Economics and Business in July 1998 with a master's degree in law, and graduated from China University of Political Science and Law in June 2011 with a doctoral degree in law.

Mr. Xiao Jianyou, is an Executive Director, a Vice President of the Company and a senior economist. Mr. Xiao joined the Company in August 1994 until August 1996. From August 1996 to May 2019, he worked in China Life Insurance Company Limited (PICC Life Company Limited and China Life Insurance Company). Mr. Xiao served as an assistant to the general Manager of Jiangsu Branch in March 2008, the deputy general manager of Jiangsu Branch in August 2010, the person-in-charge of Jiangsu Branch in February 2013, the deputy general manager (presiding) in April 2013, and the general manager of Jiangsu

Branch in January 2014. He was an assistant to the president in July 2015 and the vice president from October 2016 to May 2019 of China Life Insurance Company Limited. He has been appointed as a Vice President of the Company in June 2019 and as an Executive Director of the Company since July 2022. Mr. Xiao has also served as an executive director and the president of PICC Life, the chairman of PICC Reinsurance. Mr. Xiao previously served as a non-executive director and the chairman of PICC Life, a non-executive director and the vice chairman of PICC Hong Kong. Mr. Xiao was a director of the China Foundation for Development of Financial Education since November 2020, the vice chairman of Asian Financial Cooperation Association since June 2021, and the vice chairman of National Internet Finance Association of China since March 2023. Mr. Xiao graduated from Jiangxi University of Chinese Medicine in July 1991 with a bachelor's degree in Medicine, and graduated from Nanjing University in July 1994 with a bachelor's degree in Law.

Non-executive Directors

Mr. Wang Qingjian, is a Non-executive Director of the Company. He joined the MOF in August 1987 and worked successively in the Supplementary Budget Management Department, Comprehensive Planning Department and General Affairs and Reform Department. He worked in the Embassy of China in Malta from May 1997 to July 2000 as third-class secretary and second-class secretary (deputy director level). He had been working at the MOF since July 2000. He served as a deputy director level committee member of the Department of Policy Planning from July 2000 to March 2001, assistant consultant and deputy director of the Paid Fund Office of General Department from March 2001 to September 2005, principal staff member (director level) of the Financial Bill Regulatory Center from September 2005 to November 2011 and had served as principal staff member (deputy director general level) of the Financial Bill Regulatory Center from November 2011 to July 2017. He served as a director appointed by Central Huijin Investment Company Limited and a Non-executive Director of the Company since July 2017. Mr. Wang held temporary positions as the member of Municipal Committee and Standing Committee and vice-mayor of Ji'an, Jiangxi Province from January 2014 to February 2016. Mr. Wang graduated from Zhongnan University of Finance and Economics in July 1987 with a bachelor's degree in economics and graduated from Beijing Jiaotong University in April 2014 with a doctoral degree in management.

Mr. Miao Fusheng, is a Non-executive Director of the Company. From July 1984 to June 1992, Mr. Miao taught at the Central Institute of Finance and Banking (now the Central University of Finance and Economics). Since June 1992, he has worked in China Financial and Economic News under the MOF. He had served as deputy director of office, deputy director of international department and economic and social department, director of government procurement editorial department and news center, director of finance and economics special department, director of chief editor's office, director of macroeconomic department and director of local finance and economics department; from April 2008 to July 2013, he served as deputy chief editor (deputy director level) of China Financial and Economic News. He has been the chief editor (director general level) from July 2013 to January 2021. He has been a Non-executive Director of the Company since December 2020. He has been a director appointed by Central Huijin Investment Company Limited since January 2021. Mr. Miao became the member of China Writers' Association in June 2019. He was granted special government allowance by the State Council in December 2016. Mr. Miao graduated from Shandong University with a bachelor's degree in literature in July 1984.

Mr. Wang Shaoqun, is a Non-executive Director of the Company, senior engineer and senior economist. Mr. Wang joined the People's Bank of China in August 1992, and has served as deputy director of the insurance risk monitoring and assessment division of the financial stability bureau, deputy director of the financial holding company risk monitoring and assessment division, researcher and director of the insurance risk monitoring and assessment division, director and first-class researcher of the insurance division; he has been the second level inspector of financial stability bureau and director of the insurance division of the People's Bank of China since May 2020. He has been a Non-executive Director of the Company since December 2020. He has been a director appointed by Central Huijin Investment Company Limited since February 2021. Mr. Wang graduated from North Jiaotong University with a bachelor's degree in engineering in July 1992, a master's degree in business administration from Peking University in July 2000, and a doctoral degree in management from Tianjin University in August 2008.

Mr. Yu Qiang, is a Non-executive Director of the Company and a senior economist. From August 1995 to July 2000, Mr. Yu worked as a staff member of the former China National Automotive Industry Sales Corp; from August 2000 to September 2003, he worked as a staff member of Operation Office of the People's Bank of China; from October 2003 to December 2018, he worked in the former CBRC Beijing Bureau and has successively served as the staff member, chief staff member, the deputy director and director; from January 2019 to August 2021, he worked in the CBIRC Beijing Bureau and has successively served as the director and second level inspector. He has been a Non-executive Director of the Company since August 2021. He has been a director appointed by Central Huijin Investment Company Limited since September 2021. Mr. Yu graduated from Jiangxi University of Finance and Economics in 1995 with a bachelor's degree in economics; graduated from Renmin University of China in 2004 with a master's degree in economics; graduated from the National University of Singapore in 2019 with a master's degree in public administration and management (MPAM). Mr. Yu holds the professional qualification certificates of Chinese certified public accountant, lawyer, Chinese certified tax agent and Chinese certified assets valuer.

Mr. Wang Zhibin, is a Non-executive Director of the Company. He worked at the National Audit Office of the People's Republic of China from July 1994 to March 2001. He also worked at the National Council for Social Security Fund of the People's Republic of China from March 2001 and successively served as the deputy director and director of the Risk Control Division of the Regulation and Supervision Department; served as deputy head of the Regulation and Supervision Department from December 2004; served as deputy head of the Investment Department from June 2007; served as a counsel and deputy head of the Investment Department from March 2011; served as a counsel and deputy head of the Securities Investment Department from August 2012; served as head of the Regulation and Supervision Department since March 2016; served as head of the Risk Management Department since September 2019; and has served as head of the Equity Management Department (Industrial Investment Department) since June 2021. Mr. Wang has been a Non-executive Director of the Company since August 2016. Mr. Wang graduated from Southwestern University of Finance and Economics with a master's degree in Economics in July 1994; he obtained a doctoral degree in Economics from Southwestern University of Finance and Economics in January 2008.

Independent Non-executive Directors

Mr. Shiu Sin Por, is an Independent Non-executive Director of the Company. Mr. Shiu was the member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Shiu studied in the School of Industrial and Labour Relations at Cornell University in New York in the United States; he graduated from the University of Wisconsin in the United States in September 1985 with a bachelor degree in Economics, and was appointed as a Justice of the Peace for Hong Kong in August 2012 and was awarded the Gold Bauhinia Star in Hong Kong in October 2017. Mr. Shiu served as the Deputy Secretary General of the Consultative Committee for the Basic Law of Hong Kong from November 1985 to April 1990, the president of the One Country Two Systems Research Institute from September 1990 to September 2005, an Asia Programs Fellow at the John F. Kennedy School of Government at Harvard University from September 2005 to June 2006, a Senior Visiting Fellow at the School of Public Policy and Management of Tsinghua University in Beijing from September 2006 to August 2007, a full-time consultant at the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from August 2007 to June 2012, the chief consultant at the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from July 2012 to June 2017, the president of New Paradigm Foundation since September 2017, a senior fellow of the Chongyang Institute for Financial Studies at Renmin University of China (中國人民大學重陽金融研究院) since December 2017, a member of the Academic Advisory Board of CITIC Foundation for Reform and Development Studies (中信改革與發展基金會學術顧問委員會) since January 2018, a Senior Visiting Fellow at the School of Public Policy and Management of Tsinghua University since January 2018, a consultant of Shanghai East Asia Research Institute (上海東亞研究所) since April 2018, a consultant of CITIC Foundation for Reform and Development Studies (中信改革發展研究基金會) since August 2018, and a consultant of Chinese Association of Hong Kong & Macao Studies (全國港澳研究會) since September 2020. Mr. Shiu has been appointed as an Independent Non-executive Director of the Company since May 2018. Mr. Shiu previously served as a consultant of transitional affairs in Hong Kong of the Hong Kong and Macao Affairs Office of the State Council and the Xinhua News Agency, Hong Kong Branch, a standing director of the Chinese Association of Hong Kong & Macao Economic Studies (全國港澳經濟研究會), a member and deputy secretary general of the Preparatory Committee for the Hong Kong Special Administrative Region of the National People's Congress, an honorary advisor of Guangdong Association for Hong Kong & Macao Economic Studies (廣東港澳經濟研究會), a member of the board of The Hong Kong Jockey Club Institute of Chinese Medicine, a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Special Administrative Region Government and a director of the One Country Two Systems Research Institute in Hong Kong.

Mr. Ko Wing Man, is an Independent Non-executive Director of the Company. He is currently an orthopaedic surgeon at Dr. Ko Wing Man Clinic (高永文醫生診所). Mr. Ko is a member of the 13th National Committee of the Chinese People's Political Consultation Conference and a standing member of the 14th National Committee of the Chinese People's Political Consultation Conference. Mr. Ko served as a trainee doctor and hospital doctor of Princess Margaret Hospital from July 1981 to March 1989, the chief doctor and assistant director of former Health Services Panel in Hong Kong from April 1989 to November 1991, the Professional and Public Affairs director and the Professional and Human Resources director of the Hong Kong Hospital Authority from December 1991 to December 2004, the president and specialist of Congruence Orthopaedics & Rehabilitation Center from April 2005 to June 2012, the Secretary for Food and Health of Government of the Hong Kong Special Administrative Region from July 2012 to June 2017, and has been an orthopaedic surgeon at Dr. Ko Wing Man Clinic since August 2017. He served as an independent non-executive director of Bamboos Health Care Holdings Limited from August 2018 to August 2021; and the non-executive member of the Governance Committee of St. Teresa's Hospital since December 2020. He served as an independent non-executive director of Your Health Specialists Company and Your Health Specialists Medical Group Limited from March 2021 to September 2022; honorary chairman of Capital Medical Health Industry Group Limited since September 2021; and chief consultant of EC Healthcare Group, Hong Kong since February 2022; and an independent non-executive director of Strategic Healthcare Holdings Ltd. of New Frontier Group since October 2022. Mr. Ko served as the President/Chairman of The Hong Kong Anti-Cancer Society from December 2005 to June 2017, the director of the Hong Kong Red Cross from September 2008 to July 2012. Mr. Ko has been appointed as an Independent Non-executive Director of the Company since May 2018. Mr. Ko graduated from The University of Hong Kong in July 1981 with a bachelor degree in medicine and surgery; he graduated from the Royal College of Surgeons of Edinburgh in January 1986 with a qualification of fellowship; he graduated from the University of New South Wales in Australia in May 1993 with a master degree in health administration; he was awarded a qualification of fellowship of Orthopaedics of the Hong Kong Academy of Medicine in December 1993 and a qualification of fellowship Community Medicine in October 2000; he became a fellow of Faculty of Public Health of the Royal College in the United Kingdom in February 2002. Mr. Ko was awarded the Bronze Bauhinia Star in Hong Kong in October 2008 and the Gold Bauhinia Star in Hong Kong in October 2017.

Mr. Chen Wuzhao, is an Independent Non-executive Director of the Company. Mr. Chen worked in Zhonghua Accounting Firm from August 1995 to October 1998, holding positions as certified public accountant and project manager. Since October 1998, he has been a lecturer and associate professor of the School of Economics and Management, Tsinghua University. From July 2007 to December 2021, Mr. Chen served successively as an independent non-executive director of Integrated Electronic Systems Lab Co., Ltd. (a listed company on the SZSE, stock code: SZ.002339), Shenzhen Development Bank Co., Ltd. (currently renamed as Ping An Bank Co., Ltd., a listed company on the SZSE, stock code: SZ.000001), CITIC 21CN Company Limited (currently renamed as Alibaba Health Information Technology Limited, a listed company on the Hong Kong Stock Exchange, stock code: HK.00241), Beijing Highlander Digital Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300065), Nsfocus Information Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300369), Beijing Huelead Audiovisual Technology Co., Ltd. (a listed company on the National Equities Exchange and Quotations, stock code: NEEQ.835078, which has been delisted since 16 April 2018), Beijing Miteno Communication Industrial Technology Co., Ltd. (currently renamed as Beijing Shuzhi Technology Co., Ltd., a listed company on the SZSE, stock code: SZ.300038 and delisted on 30 June 2022), Giga Device Semiconductor (Beijing) Inc. (a listed company on the SSE, stock code: SH.603986), Beijing Andawell Science & Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300719), and Guizhou Broadcasting & TV Information Network Co.,Ltd. (a listed company on the SSE, stock code: SH.600996). He is currently an independent non-executive director of VeriSilicon Microelectronics (Shanghai) Co.,Ltd. (a listed company on the SSE, stock code: SH.688521) and Ruili Integrated Circuit Co., Ltd. Mr. Chen was an adjunct professor of Beijing National Accounting Institute from September 2010 to September 2012 and has been a committee member of the Enterprise Accounting Standards Professional Board of the Accounting Society of China since January 2009. Mr. Chen has been an Independent Non-executive Director of the Company since March 2017. Mr. Chen graduated from Zhongnan University of Finance and Economics (renamed as Zhongnan University of Economics and Law) with a bachelor's degree in Economics in July 1992, graduated from the Finance Science Institute of the MOF (renamed as Chinese Academy of Fiscal Sciences) with a master's degree in Economics in July 1995, and graduated from the School of Economics and Management, Tsinghua University with a doctorate in Management in July 2004. Mr. Chen is a non-practicing member of the Chinese Institute of Certified Public Accountants, and he holds the international certificate for certified internal auditor as well as the professional qualification certificate for self-assessment on internal control.

Ms. Cui Li, is an Independent Non-executive Director of the Company. She was a senior economist of the International Monetary Fund (IMF) in Washington, U.S. from June 2000 to August 2008; head of foreign affairs department of the Hong Kong Monetary Authority from September 2008 to December 2010; chief Chinese economist in the Royal Bank of Scotland from January 2011 to March 2012; managing director of global investment research department of Goldman Sachs Investment Bank from April 2012 to January 2015; vice president of International Finance Forum Research Institute from February 2015 to January 2016; and chief economist, head of macro-research and managing director of CCB International Securities Co., Ltd. since February 2016 and a specially invited member of China Finance 40 Forum. She has been a director of China Chief Economist Forum since November 2012. She was a visiting associate professor of the Business School of the University of Hong Kong from June 2016 to September 2016. Ms. Cui was appointed as an Independent Non-executive Director of the Company in September 2021. Ms. Cui graduated from Renmin University of China with a bachelor's degree in international economics in 1993; graduated from Northwestern University in the United States with a master's degree in economics in 1996; and graduated from Northwestern University in the United States with a doctor's degree in economics in 2000.

Ms. Xu Lina, is an Independent Non-executive Director of the Company, senior academic director of actuarial department of Columbia University, an actuary of the North American Academy of Actuaries, and a doctor of applied mathematics and computing science. She has been engaged in the teaching and research of mathematics, statistics and actuarial science for more than 20 years and has 16 years of experience in the insurance industry. For work experience, she served as an assistant actuary in Reinsurance Group of America from December 1998 to February 2007; an actuary of American Life Insurance financial modeling/experience analysis from February 2007 to May 2009; an assistant to director of Sun Life Financial Group (an insurance company headquartered in Canada) from May 2009 to September 2010; director of Prudential Financial Company from October 2010 to September 2011; deputy director of Guggenheim Life and Annuity Company from September 2011 to September 2012; and director and consultant of Athene Annuity and Life Company (an insurance company registered in the State of Iowa) from October 2012 to December 2013. Ms. Xu has been appointed as an Independent Non-executive Director of the Company since November 2021. For teaching and research, she served as an assistant professor in Fujian Normal University from August 1982 to April 1988; a scientific research teaching assistant in the University of Iowa from August 1988 to July 1996; an assistant lecturer in Maryville University of St. Louis and Charles Community College from January 1997 to December 2006; an assistant lecturer of the actuarial department of Columbia University from May 2010 to September 2013; director of actuarial department of Columbia University from September 2013 to March 2019; and senior academic director of the actuarial department of Columbia University since March 2019. Ms. Xu obtained a bachelor's degree in mathematics from Fujian Normal University in July 1982; a master's degree in statistics and actuarial science from the University of Iowa in the United States in December 1990; a doctor's degree in applied mathematics and computing science from the University of Iowa in the United States in July 1996; and became a member of Society of Actuaries in September 2008.

Supervisors

Mr. Xu Yongxian, is a Shareholder Representative Supervisor of the Company and a senior economist. Mr. Xu joined the MOF in August 1990 and until December 2009, served successively as deputy director of the General Division of the Taxation Department, deputy director of the General Division of the Taxation Regulation Department, director of the General Division and director of Local Tax Division I of the Taxation Department, and was deputy department level cadre of the Taxation Department of the MOF from September 2009 to December 2009. Mr. Xu joined the Company in December 2009. Mr. Xu graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in July 1987 with a bachelor's degree in Taxation and a master's degree in Finance in July 1990.

Ms. Starry Lee Wai King, GBS, JP, is an Independent Supervisor of the Company. She is currently a member of the Standing Committee of the 14th National People's Congress, a member of the Legislative Council of the HKSAR, a member of the Kowloon City District Council, chairman of DAB (a major political party in Hong Kong), an advisor of the Hong Kong University of Science and Technology and a consultant of KPMG Hong Kong. Ms. Lee has been a member of the Kowloon City District Council of the HKSAR since January 2000, a member of the 12th Committee of the Wuhan Municipal People's Political Consultative Conference in January 2007, a member of the Legislative Council of the HKSAR since October 2008. From July 2012 to March 2016, she was appointed as a member of the Executive Council. She has been elected as chairman of the DAB since April 2015 and has served as chairman of the House Committee of the Legislative Council of the HKSAR since October 2016. Ms. Lee has successively been employed by Crowe (HK) CPA Limited, PricewaterhouseCoopers and KPMG, and is currently a consultant of KPMG Hong Kong. Ms. Lee has successively served in various public positions: a member of the Town Planning Board from April 2006 to March 2010, a member of the Energy Advisory Committee from July 2006 to July 2012, a director of The Hong Kong Mortgage Corporation Limited from April 2009 to April 2016, a council member/advisor of the Hong Kong University of Science and Technology since August 2010, a member of the Insurance Advisory Board from October 2010 to September 2016, a member of the SMEs Advisory Board from January 2011 to December 2016, and a member of the Disaster Relief Fund Advisory Committee from August 2012 to March 2016. Ms. Lee graduated from the Hong Kong University of Science and Technology with a bachelor's degree in business administration (accountancy) in November 1996, became a member of the Hong Kong Institute of Certified Public Accountants in June 2002 and obtained an MBA from The University of Manchester in the United Kingdom in December 2010.

Mr. Wang Yadong, is an Employee Representative Supervisor of the Company and an economist. Mr. Wang joined the Company from July 1995 and was the deputy director of the Property Insurance Department of Hubei Branch. He worked at PICC P&C, and was the general manager of the Underwriting Department of the Hubei Branch, the Property and Casualty Insurance Department/Major Commercial Risk Insurance Department/Cargo Insurance Department/Reinsurance Department since July 2003. He was a Senior Manager of the business collaboration team of business development department and a Senior Manager of the infrastructure office of the Company since November 2007. He served as the Deputy General Manager of the infrastructure office of the Company of the second south information center of the Company since August 2013 and the General Manager of the infrastructure office since March 2017. He served as the General Manager of the audit department since June 2018 and the General Manager of the audit centre since June 2021. He has served as the vice president of PICC Technology since August 2022. Mr. Wang has served as a supervisor of PICC P&C since September 2019, and a Responsible Audit Officer of PICC Life from November 2021 to October 2022. Mr. Wang graduated from Hunan College of Finance and Economics with a bachelor's degree in Economics in July 1995 and obtained an EMBA degree from Huazhong University of Science and Technology in December 2010.

Mr. He Zuwang, is an Employee Representative Supervisor of the Company and a senior economist. Mr. He joined the Company in June 2001 and worked at PICC P&C from March 2004 to February 2021. He served as the deputy director and director of the human resources management office of the human resources department system; the assistant general manager of the strategic development department since July 2009, the deputy general manager since March 2011, the deputy general manager (presiding) of the procurement center since April 2018, the deputy director of the office (presiding) since July 2019 and the director of the office since November 2019. He has served as the general manager of the party construction and group work department of the Company since February 2021 to present. Mr. He has been an executive director of the China Youth Volunteer Association since May 2021, a chairman of the History Records Professional Committee of Insurance Society of China since May 2021 and an executive director of the China Financial Ideological and Political Work Research Association since November 2021. Mr. He graduated from China University of Geosciences (Wuhan) with a bachelor's degree in engineering in July 1990 and obtained a master's degree in business administration from Beijing Institute of Technology in March 2006.

Senior Management

Mr. Wang Tingke. Please refer to the section headed “Executive Directors” for the biography of Mr. Wang Tingke.

Mr. Li Zhuyong. Please refer to the section headed “Executive Directors” for the biography of Mr. Li Zhuyong.

Mr. Xiao Jianyou. Please refer to the section headed “Executive Directors” for the biography of Mr. Xiao Jianyou.

Mr. Yu Ze, is a Vice President of the Company. Mr. Yu joined the Company in July 1994. From July 2003 to October 2006, he worked in PICC P&C and was the executive deputy general manager of Motor Vehicle Insurance Business Department of Tianjin Branch. He worked at The Tai Ping Insurance Company Limited (Taiping General Insurance Company Limited) from October 2006 to November 2019 and served as general manager of the Tianjin Branch in February 2007, marketing director in May 2009, assistant general manager in April 2010, deputy general manager in October 2012, deputy general manager (presiding) in October 2015, and the general manager in September 2016. He has been appointed as the Vice President of the Company since December 2019. Mr. Yu has also served as an executive director and president of PICC P&C. He served as the Responsible Compliance Officer and the Chief Risk Officer of the Company; the chairman of PICC Investment Holding; a non-executive director and the chairman of PICC Financial Services; a non-executive director and the chairman of PICC Technology. Mr. Yu has served as the vice president of the IAC since June 2022. Mr. Yu graduated from Nankai University in July 1994 with a bachelor’s degree in Economics.

Mr. Cai Zhiwei, is a Vice President of the Company. Mr. Cai worked for the China Development Bank from July 1997 to January 2007. He worked at DTZ Corporate Finance Limited from January 2007 to May 2008. Mr. Cai worked in China Investment Corporation from May 2008 to December 2020, during which period, he served as the managing director of private equity investment department and team leader of real estate investment team since October 2014; the acting director and the managing director of the real estate investment department since October 2015; and the director since November 2018. He served as a member of the Executive Committee of China Investment Corporation and the director of the Real Estate Investment Department since November 2019, and has also been the director of the Investment Support Department since February 2020. Mr. Cai has been appointed as the Vice President of the Company since January 2021. Mr. Cai also served as a non-executive director and the chairman of PICC Investment Holding and PICC Capital. Mr. Cai has been a non-executive director of Huaxia Bank Limited since July 2022. Mr. Cai graduated from Beijing International Studies University with a bachelor’s degree in Economics in July 1997; he obtained a master’s degree in Economics from Xiamen University in December 2000. and a master’s degree in Philosophy from University of Cambridge in August 2006.

Mr. Zhang Jinhai, is the Vice President of the Company and a senior engineer. Mr. Zhang joined the Company in July 1993 and served as the Deputy General Manager of PICC P&C Hebei Branch from April 2013 to November 2016, the interim person in charge from November 2016 to December 2016 and the General Manager from December 2016 to June 2021; the interim person in charge of the Company’s Technology Operation Department since December 2020 and the General Manager of the Technology Operation Department from June 2021 to May 2022, during the period, Mr. Zhang served as the deputy head of the preparatory group of PICC Technology from January 2021 to February 2022; and the Vice President of the Company since August 2022 to present. Mr. Zhang is also a non-executive director and chairman of PICC Financial Services and a non-executive director and chairman of PICC Technology, and served as an executive director and president of PICC Technology. Mr. Zhang was appointed as the vice chairman of the Beijing Fintech Industry Alliance in January 2021 and a member of the Specialized Committee on Information Technology of the IAC in April 2021. Mr. Zhang graduated from Hebei Institute of Technology with a bachelor’s degree in engineering in July 1993 and graduated from the University of Science and Technology of China with a master’s degree in engineering in December 2007.

Mr. Han Kesheng, is an Assistant to the President of the Company, the Responsible Audit Officer and a senior economist. Mr. Han joined the National Ministry of Supervision in July 1991, the CPC Central Commission for Discipline Inspection in January 1993 and until May 2001, served successively as deputy division level inspector, division level inspector and supervisor of the General Office. Mr. Han joined the Company in May 2001 and served successively as assistant to the general manager and deputy general manager of the Human Resources Department of the Company, deputy general manager of the Human Resources Department of PICC P&C and general manager of the Supervisory Department/Auditing Department of the Company. Mr. Han has served as general manager of the Human Resources Department of the Company since September 2007 to January 2015 and Assistant to the President since March 2010 and Responsible Audit Officer since December 2017. Mr. Han is also the Chairman of the Board of Supervisors of PICC Health. Mr. Han graduated from Anhui Normal University in July 1985 with a bachelor's degree in literature and from Nankai University in July 1991 with a master’s degree in literature.

Mr. Zhou Houjie, is the Financial Responsible Officer and Chief Financial Officer of the Company, and one of the China’s first batch of Top Management Accountants. Mr. Zhou served as a teacher in Xinjiang Finance School from July 1984 to May 1992; he served as the deputy division director and the head of accounting department of the Bank of China (Xinjiang Branch) from May 1992 to March 2002. Mr. Zhou served as deputy general manager and general manager of the Finance Department of China UnionPay Company Limited, secretary of the communist party group and general manager of its Shanghai branch and general manager of its Banking Service Department from March 2002 to July 2008. Mr. Zhou served as vice president of China Huawen Investment Holding Company Limited and vice president of Shanghai Xin Huawen Investment Company Limited from July 2008 to July 2010 and has served as the Financial Responsible Officer and Chief Financial Officer of the Company since January 2010. Mr. Zhou also served as a non-executive director of Shanghai New Huang Pu Real Estate Co., Ltd (a listed company on the SSE, stock code: SH.600638). and a non-executive director of PICC Capital. Mr. Zhou has been appointed as the vice president of the China Association of Chief Financial Officers since June 2019, the deputy chairman of the Specialized Committee in Accounting of the IAC since January 2021 and the vice chairman of the Bank Accounting Society of China since November 2022. Mr. Zhou graduated from the Central Institute of Finance and Economics in June 1991 with a bachelor’s degree in Economics and the Shanghai National Accounting Institute in June 2005 with an Executive Master of Business Administration degree.

Mr. Zeng Shangyou, is the Secretary of the Board of Directors of the Company, General Manager of the Offices of the Board of Directors/the Board of Supervisors, Securities Representative of the Company, a senior economist and an associate member of the Royal Insurance Institute of the United Kingdom. Mr. Zeng joined the Company in July 1991 and served as an Assistant General Manager of PICC P&C Sichuan Branch since September 2008, Deputy General Manager since August 2010, Interim General Manager since August 2019, General Manager from December 2019 to April 2021, Interim Head of the Offices of the Board of Directors/the Board of Supervisors since January 2021, Securities Representative since April 2021 and General Manager of the Offices of the Board of Directors/the Board of Supervisors since June 2021, and Secretary of the Board since January 2023 to present. Mr. Zeng has been a deputy chairman of the Specialized Committee on Corporate Governance and Auditing of the IAC since May 2021 and a deputy chairman of the Investor Relations Management Committee of the LCAB since October 2022. Mr. Zeng graduated from Tianjin University with a bachelor’s degree in engineering in July 1991.

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Amount paid (RMB10,000)	Payments for various benefits, social insurance, housing fund, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Wang Tingke	65.63	30.26	95.89
Li Zhuyong	59.07	28.66	87.73
Xiao Jianyou	59.07	28.66	87.73
Wang Qingjian	/	/	/
Miao Fusheng	/	/	/
Wang Shaoqun	/	/	/
Yu Qiang	/	/	/
Wang Zhibin	/	/	/
Shiu Sin Por	30.00	/	30.00
Ko Wing Man	25.00	/	25.00
Chen Wuzhao	30.00	/	30.00
Cui Li	30.00	/	30.00
Xu Lina	25.00	/	25.00
Xu Yongxian	128.75	45.78	174.53
Starry Lee Wai King	30.00	/	30.00
Wang Yadong	43.63	33.08	76.71
He Zuwang	22.52	9.84	32.36
Yu Ze	59.07	28.66	87.73
Cai Zhiwei	59.07	28.66	87.73
Zhang Jinhai	24.61	10.06	34.67
Han Kesheng	154.52	46.32	200.84
Zhou Houjie	154.52	46.02	200.54
Zeng Shangyou	/	/	/

Note: Mr. Zeng Shangyou was appointed as the secretary of the Board of Directors of the Company in January 2023 and was approved by the CBIRC for appointment in March 2023.

Remuneration of Resigned Directors, Supervisors and Senior Management

Name	Amount paid (RMB10,000)	Payments for various benefits, social insurance, housing fund, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Luo Xi	65.63	30.26	95.89
Zhang Tao	32.82	–	32.82
Zhang Yan	78.29	28.26	106.55
Lin Zhiyong	23.08	12.45	35.53

Notes:

1. Decision-making procedures for remuneration of directors, supervisors and senior management: Remuneration of directors and supervisors is approved by shareholders' general meeting, and remuneration of senior management is approved by the Board of Directors.

2. Basis for determining the remuneration of directors, supervisors and senior management: The remuneration of directors, supervisors and senior management is determined based on the Company's remuneration system, the Company's operating conditions and assessment results.

3. Actual payment of remuneration of directors, supervisors and senior management: After completion of the approval procedures for the remuneration of directors, supervisors and senior management, they shall be paid according to the regulations. During the reporting period, the total actual remuneration received by all directors, supervisors and senior management from the Company was RMB16.0725 million.

4. According to the relevant assessment results of the Company in 2021, the remuneration of the directors, supervisors and senior management of the Company in 2021 was adjusted, please see the disclosed information dated 15 December 2022 on the Company's website (https://www.picc.com/xwzx/gkxx/zxxx/jtqt/202212/P020221215771739956451.pdf).

5. The data are rounded and therefore the total amount of pre-tax remuneration is not necessarily equal to the sum of the first two items.

IV. EMPLOYEES OF THE COMPANY

1. Employees

As of the end of the current reporting period, the employees of the Company and its principal subsidiaries are as follows:

Unit: person

Number of employees in the parent company	403
Number of employees in principal subsidiaries	177,449
Total number of employees	177,852
Number of employees to be retired for whom the parent company and principal subsidiaries have to pay pension	37,205
Category of specialty composition:	
Management personnel	2,906
Professional and technical personnel	102,528
Marketing and sales personnel	70,112
Others	2,306
Total	177,852
Category of education level:	
Master and above	9,715
Undergraduate	113,432
College graduate	45,833
Others	8,872
Total	177,852

2. Employee Compensation Policy

The Company has established a compensation system that complies with laws and regulations, reflects value of relevant position, and highlights that compensation is performance-oriented.

3. Training Plan

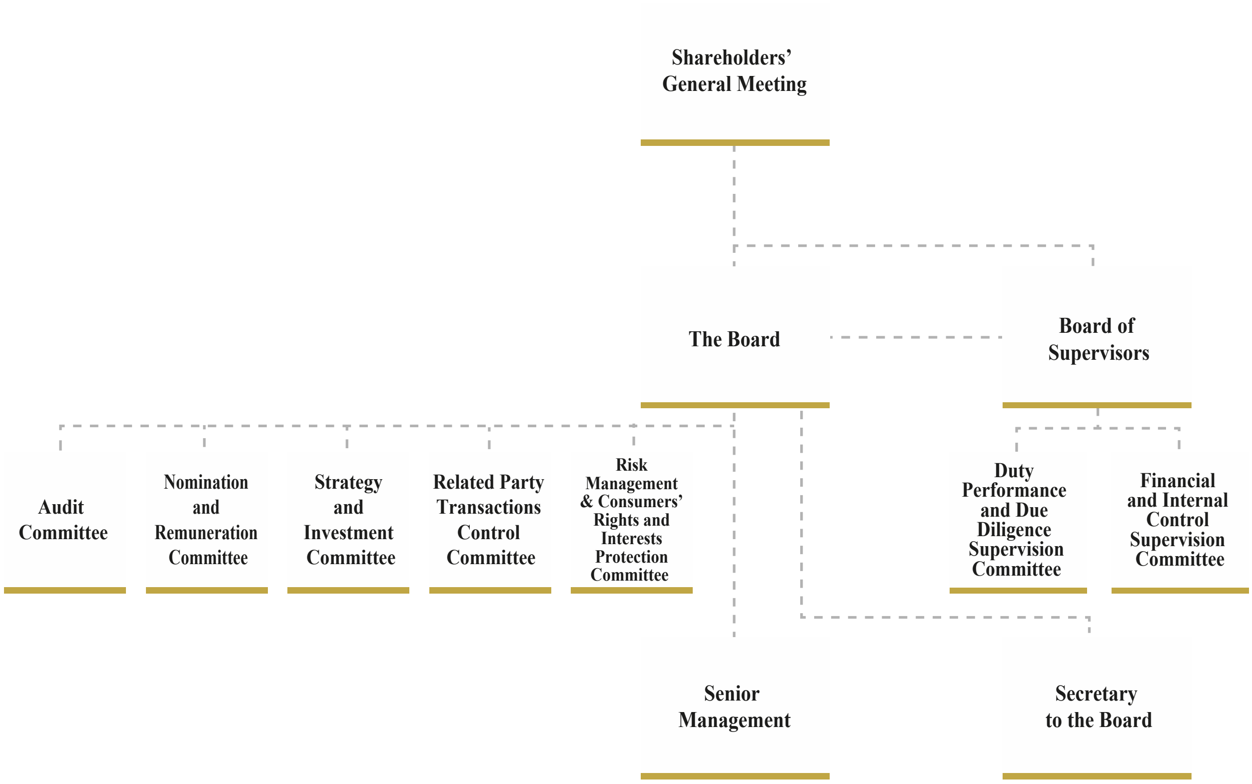
In 2022, the Company focused on the implementation of the training system of "New Life Insurance – New Voyage" and implemented four major training projects, namely, "leadership, going-concern, security and launchment (領航、續航、護航、啟航)". The Company has launched training on the spirit of the 20th CPC National Congress, training on the improvement of the political ability of senior management, training on the promotion of leading cadres, training on outstanding young cadres, training on new employees, training on grassroots management, and special training on actuarial, investment, claims, technology, audit, inspection and other business lines. The Company continuously improved the training management system, and coordinated the construction of "six libraries" on the online training platform.

OVERVIEW

The Company always abides by the relevant laws such as the Company Law and the Insurance Law, earnestly performs the relevant regulatory requirements and the Articles of Association, insists on keeping good corporate governance principles, and strives to enhance the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

In 2022, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, and the Company has a complete corporate governance structure. The shareholders' general meeting, the Board, Board of Supervisors and senior management performed their respective duties pursuant to the Articles of Association, in compliance with laws and regulatory requirements. The Board of the Company performs its duties conscientiously in accordance with the provisions of the Corporate Governance Code.

The corporate governance structure chart of the Company is set out below. Please refer to the official website of the Company for department settings.



Shareholders' General Meeting

The shareholders' general meeting is the most authoritative organ of the Company, and its main responsibilities include, but not limited to, the following: (1) decide on the operating policies and material investment plans of the Company; (2) elect and replace the members of the Board and members of the Board of Supervisors who are not representative of the employees, and decide on matters related to the remuneration of Directors and Supervisors; (3) consider and approve the report of the Board; (4) consider and approve the report of Board of Supervisors; (5) consider and approve the annual financial budget and final accounts of the Company; (6) consider and approve the Company's profit distribution plan and loss recovery plan; (7) consider matters related to the Company's establishment of legal entities, material external investments, purchase of material assets and disposal of material assets and write-off etc. (except matters authorised to be considered by the Board); (8) consider external donations of the Company (except matters authorised to be considered by the Board); (9) consider matters when the Company acts as the guarantor by law; (10) resolve on the increases or reductions of registered capital of the Company; (11) resolve on the issuance and listing of bonds or other marketable securities of the Company; (12) resolve on matters related to merger, separation, dissolution, liquidation of the Company or alteration in the form of the Company; (13) resolve on matters related to repurchase of shares of the Company; (14) formulate and amend the Articles of Association, procedural rules for the shareholders' general meeting, the Board meeting and the Board of Supervisors meeting; (15) resolve on the appointment or change of the accounting firm performing regular statutory audits for the financial and accounting reports of the Company; (16) consider related party transactions required to be considered and approved by the shareholders' general meeting under the laws, regulations, regulatory documents or requirements of the securities regulatory authorities at the places where the Company's shares are listed, and the authorisation scheme of the Company; (17) consider and approve the change in the use of proceeds; (18) consider and approve the motion raised by the shareholders individually or jointly representing more than 3% of shares with voting rights of the Company; and (19) consider other matters required to be determined by the shareholders' general meeting under the laws, regulations, regulatory documents, the relevant requirements of the securities regulatory authorities at the places where the Company's shares are listed, and the Articles of Association.

During the reporting period, the Company convened two shareholders' general meetings.

No.	Session of the meeting	Date of the meeting	Location of the meeting
1	2021 Annual General Meeting	20 June 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
2	2022 First Extraordinary General Meeting	27 October 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing

Major issues for approval in shareholders' general meetings included:

- Election of executive Director.
- Considered and approved the report of the Board of Directors and the report of the Board of Supervisors of the Company for the year 2021.
- Considered and approved the final financial accounts of the Company for the year 2021.
- Considered and approved the profit distribution plan of the Company for the year 2021.
- Considered and approved the 2022 annual charity donation plan of the Group.
- Considered and approved the budget of fixed assets investment of the Company for the year 2022.

- Considered and approved the resolution on the engagement of the accounting firm of the Company for the year 2022.

- Considered and approved the resolution regarding authorizing the Board of Directors to handle liability insurances for Directors, Supervisors and senior management.

- Considered and approved the resolution on the issuance of capital supplemental bonds of the Company.

- Received the performance report of the Directors of the Company for the year 2021.

- Received the work report (and performance report) of the independent non-executive Directors of the Company for the year 2021.

- Received the report on related party transactions of the Company and the evaluation of internal transactions of the Group for the year 2021.

- Received the report on the solvency-related condition of the Group for the year 2021.

In addition, the conditions for the renewal of the liability insurances for Directors, Supervisors and senior management of the Company from 2021 to 2022 were also received at the shareholders' general meeting.

The shareholders' general meetings established an effective communication channel between the Company and shareholders, ensured that the shareholders have the right to know, participate in and vote on major matters of the Company. The shareholders are also familiar with the detailed procedures to vote on resolutions by means of poll.

According to the Articles of Association, shareholders may obtain information such as the register of members, individual profiles of the Directors, Supervisors and senior management, share capital of the Company and minutes of general meetings. Shareholders are entitled to supervise and manage, advise on or enquire about the business and operations of the Company through the Office of the Board/the Board of Supervisors of the Company or at the shareholders' general meeting.

Methods of Convening Extraordinary General Meetings

According to the Articles of Association, any shareholder(s), whether individually or jointly, holding 10% or more of the shares of the Company may request in writing to convene an extraordinary general meeting and clarify the resolution(s) of the proposed meeting. If the Board is satisfied that the resolution(s) complies with the requirements under the laws, regulations and the Articles of Association, it shall issue a notice of extraordinary general meeting within five days after the resolution of the Board.

Procedures for Proposing Resolutions at General Meetings

When shareholders' general meetings are held by the Company, shareholders individually or jointly holding more than 3% of the shares of the Company have the right to make proposals to the Company, while provisional proposals shall be made ten days prior to the convening of general meeting and shall be submitted in writing to the convener. The convener shall, within two days after the receipt of such proposal, give supplementary notice of the general meeting on the details of such proposal.

Specific enquiries or suggestions by shareholders can be sent in writing to the Board at our registered address or by e-mail to our Company. In addition, H Share shareholders can contact Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company, if they have any enquiries about the shareholdings and entitlement to dividend. The relevant contact details are set out in "Corporate Information" of this annual report.

The Board

The Board is the decision-making organ of the Company. It shall hold at least four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors and Supervisors at least 14 business days before the date of meeting (excluding the date of the meeting). Notice of extraordinary meetings shall be given to all Directors and Supervisors at least five business days before the date of meeting (excluding the date of the meeting). Detailed minutes shall be kept for every Board meeting. The Directors should have received such notices and information before the meetings to enable them to make informed decisions.

Composition

As at the date of this report, the Board of the Company comprised 13 Directors (please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report for the profiles of current Directors), consisting of three Executive Directors, five Non-executive Directors and five Independent Non-executive Directors. Directors serve a term of three years and are eligible for re-election, but Independent Non-executive Directors shall not serve consecutively for more than six years. There are two female Directors on the Board of Directors.

Directors, Supervisors, senior management of the Company do not have any financial, business, family or other material relations requiring disclosure among each other.

The Board of Directors of the Company comprises the following Directors:

Name	Position(s)	Date of Appointment
Executive Directors		
Wang Tingke	Vice Chairman, Executive Director	11 August 2020
Li Zhuyong	Executive Director	9 December 2020
Xiao Jianyou	Executive Director	28 December 2022
Non-executive Directors		
Wang Qingjian	Non-executive Director	13 July 2017
Miao Fusheng	Non-executive Director	9 December 2020
Wang Shaoqun	Non-executive Director	9 December 2020
Yu Qiang	Non-executive Director	19 August 2021
Wang Zhibin	Non-executive Director	5 August 2016
Independent Non-executive Directors		
Shiu Sin Por	Independent Non-executive Director	14 May 2018
Ko Wing Man	Independent Non-executive Director	14 May 2018
Chen Wuzhao	Independent Non-executive Director	2 March 2017
Cui Li	Independent Non-executive Director	2 September 2021
Xu Lina	Independent Non-executive Director	23 November 2021

The changes in the members of the Board of Directors of the Company are as follows:

From 23 June 2022 to 13 July 2022, the 9th meeting of the fourth session of the Board of Directors of the Company (convened by written resolutions) nominated Mr. Xiao Jianyou as a candidate for Executive Director of the fourth session of the Board of Directors of the Company. On 27 October 2022, the 2022 first extraordinary general meeting of the Company elected Mr. Xiao Jianyou as an Executive Director of the fourth session of the Board of Directors of the Company. On 28 December 2022, the CBIRC approved the qualification of Mr. Xiao Jianyou as a Director.

On 16 January 2023, due to work reasons, Mr. Wang Zhibin resigned as a Non-executive Director and a member of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of Directors of the Company. On the same date, the Company convened the 13th meeting of the fourth session of the Board of Directors and nominated Mr. Song Hongjun as a candidate for Non-executive Director of the fourth session of the Board of Directors of the Company, and Mr. Wang Zhibin will continue to perform his duties as a Non-executive Director and a member of the relevant Board committee until Mr. Song Hongjun formally assumes his duties.

On 1 March 2023, Mr. Chen Wuzhao resigned as an Independent Non-executive Director, the chairman of the Audit Committee, a member of the Nomination and Remuneration Committee and a member of the Related Party Transactions Control Committee of the Company in accordance with the relevant regulatory requirements, as he had served as an Independent Non-executive Director of the Company for six consecutive years. Mr. Chen Wuzhao will continue to perform the duties and responsibilities of an Independent Non-executive Director and a member of the relevant Board committees until the new Independent Non-executive Director formally assumes office.

On 16 March 2023, Mr. Luo Xi resigned as an Executive Director, the Chairman of the Board of Directors and the chairman of the Strategy and Investment Committee of the Board of Directors of the Company due to his age.

Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report for the biographical details of the Directors.

Duties and Responsibilities

The Board shall, according to the Articles of Association, report to the shareholders' general meeting. The primary duties and responsibilities include, but not limited to, the following: (1) convene shareholders' general meetings and report to such meeting; (2) implement the resolutions of the shareholders' general meetings; (3) determine the development strategies, annual operation plans and investment plans of the Company; (4) formulate annual financial budget and final accounts of the Company; (5) formulate profit distribution plans and loss recovery plans of the Company; (6) formulate proposals for increases and reductions of the registered capital and the issue of corporate bonds or other securities by the Company and the listing of the Company; (7) formulate plans for significant acquisition and the repurchase of shares of the Company or merger, separation, dissolution and changes of the form of the Company; (8) formulate proposals for any amendment to the Articles of Association, prepare the procedural rules for shareholders' general meeting and the Board meeting, and consider the terms of reference for committees of the Board; (9) consider and approve the related party transactions of the Company, other than related party transactions required to be considered and approved by the shareholders' general meeting under the laws, regulations, regulatory documents or requirements of the securities regulatory authorities at the places where the Company's shares are listed, and required to be filed to the Related Party Transactions Control Committee or the authorisation scheme of the Company; (10) report on related party transactions and the implementation of the related party transaction management system at a shareholders' general meeting every year; (11) consider and approve the non-significant external investments, asset purchase, asset disposal and write-off of the Company; (12) within scope of authorisation at the shareholders' general meeting, consider and approve the Company's external donations (except for matters authorised to be considered by the president); (13) decide or authorise the chairman to decide the establishment of the Company's internal management organisation; (14) appoint or dismiss the president and secretary to the Board of the Company; appoint or dismiss the vice president, assistant to the president, the responsible financial officer, and the responsible compliance officer according to the nomination of the president; appoint or dismiss the responsible audit officer according to the nomination of the chairman or the Audit Committee; according to the proposal of the proposed shareholders, the chairman, more than one third of the Directors or more than half (at least 2) of the Independent Non-executive Directors, elect the chairman and members of the Nomination and Remuneration Committee; according to the nomination of the Nomination and Remuneration Committee, elect chairman and members of other professional committees of the Board (except for chairman of the Strategy and Investment Committee); (15) decide on the Company's risk management, compliance and internal control policies, formulate the Company's internal control compliance management, internal audit and other systems, and approve the Company's annual risk assessment report, compliance report, and internal control assessment report; (16) develop the Company's information disclosure, investor relationship management and other systems for managing information disclosure and investor relationship, etc.; (17) conduct due diligence evaluations on Directors each year, and submit due diligence reports to shareholders' general meetings and the Board of Supervisors; (18) decide on the remuneration, performance appraisal and rewards and punishments of senior management personnel appointed by the Board; (19) review the corporate governance report of the Company; (20) submit to the shareholders' general meeting to appoint or dismiss the accounting firm; (21) listen to the working report of the president of the Company and review the work of the president; (22) select and appoint an external auditor to audit the Directors and senior management of the Company; (23) other authorisations as stipulated in laws, regulations, regulatory documents, the Articles of Association and as conferred by the shareholders' general meeting.

Summary of Work Undertaken

During the reporting period, the attendance records of the Directors of the Company attending the shareholders' general meetings, the meetings of the Board and the meetings of committees under the Board were as follows:

Attendance in person/attendance by proxy/scheduled attendance

	Shareholders' General Meeting		The Board		Board Committees				
Directors	Shareholders' General Meeting	Attendance	The Board	Percentage of attendance in person	Audit Committee	Nomination and Remuneration Committee	Strategy and Investment Committee	Related Party Transactions Control Committee	Risk Management & Consumers' Rights and Interests Protection Committee
Executive Directors									
Wang Tingke	2/2	100%	8/8	100%	–	–	1/4/5	–	1/4/5
Li Zhuyong	2/2	100%	7/8	87.5%	–	–	–	2/0/2	–
Xiao Jianyou	0/0	–	0/0	–	–	–	0/0/0	–	–
Non-executive Directors									
Wang Qingjian	0/2	0%	6/8	75%	5/1/6	–	5/0/5	2/0/2	–
Miao Fusheng	2/2	100%	7/8	87.5%	–	7/0/7	–	–	5/0/5
Wang Shaoqun	2/2	100%	8/8	100%	–	–	5/0/5	–	5/0/5
Yu Qiang	2/2	100%	8/8	100%	6/0/6	–	–	2/0/2	–
Wang Zhibin	0/2	0%	8/8	100%	–	–	–	–	1/4/5
Independent Non-executive Directors									
Shiu Sin Por	2/2	100%	8/8	100%	6/0/6	–	–	2/0/2	5/0/5
Ko Wing Man	2/2	100%	7/8	87.5%	–	6/1/7	–	–	4/1/5
Chen Wuzhao	2/2	100%	7/8	87.5%	6/0/6	7/0/7	–	2/0/2	–
Cui Li	2/2	100%	8/8	100%	–	7/0/7	5/0/5	2/0/2	–
Xu Lina	2/2	100%	8/8	100%	6/0/6	7/0/7	–	–	–
Resigned Director									
Luo Xi	2/2	100%	8/8	100%	–	–	1/4/5	–	–

During the reporting period, the Board convened two shareholders' general meetings in which 10 resolutions were submitted for consideration and approval with 4 reports presented; convened 8 Board meetings in which 65 resolutions were considered and reviewed.

No.	Session of the meeting	Date of the meeting	Location of the meeting
1	the 5th meeting of the fourth session of the Board of Directors	17 January 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
2	the 6th meeting of the fourth session of the Board of Directors	25 March 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
3	the 7th meeting of the fourth session of the Board of Directors	28 April 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
4	the 8th meeting of the fourth session of the Board of Directors	20 June 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
5	the 9th meeting of the fourth session of the Board of Directors	13 July 2022	meeting via written resolutions
6	the 10th meeting of the fourth session of the Board of Directors	26 August 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
7	the 11th meeting of the fourth session of the Board of Directors	27 October 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
8	the 12th meeting of the fourth session of |the Board of Directors	14 December 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing

The main tasks accomplished by the Board included:

- Convened 2 shareholders' general meetings.

- Considered and approved the reinsurance strategy, operating plan for the year 2022, fixed asset investment plan, asset allocation plan, charity donation plan, the capital planning (2022-2024) and the risk appetite statement and the audit plan for the year 2022 of the Group.

- Considered and approved the final financial account and the profit distribution plan of the Company for the year 2021.

- Considered and approved the annual report, annual results announcement, report of the Board, corporate social responsibility report, solvency report, internal control evaluation report and internal control audit report, risk evaluation report, compliance report, corporate governance report, work report and evaluation result of performance of duties of Directors, assessment report on the implementation of business planning, evaluation and audit report of internal control on the insurance capital use, for the year 2021, and the first quarterly report, interim report, interim results announcement, third quarterly report for the year 2022, and solvency report for the first half of 2022 of the Company.

- Considered and approved the resolutions on the issuance of capital supplemental bonds, update of recovery plan of the Group and the renewal of the liability insurances for the Directors, Supervisors and senior management of the Company.

- Considered and approved the amendment to the "Regulations on Comprehensive Risk Management of PICC Group" and the "Scheme of Delegation of Authority from the Board of Directors to the Management of Group Companies" and other related systems.

- Nominated and elected Executive Directors, elected members of the Strategy and Investment Committee of the Board, and appointed the Vice President of the Company.

- Considered and approved the remuneration settlement schemes of the Group for the year 2021, financial budget on total salary of the Group for the year 2022, remuneration settlement scheme of the Company's responsible officers for the year 2021, and remuneration settlement scheme for Directors and Supervisors of the Company for the year 2021.

- Considered and approved resolutions on the recommendation of candidates for chairman of the Board, non-executive directors and chairman of the board of supervisors to the subsidiaries, the increase of capital to the subsidiaries, the establishment of subordinate companies by the subsidiaries, amendments to the authorisation plan to the Board of Directors by the shareholders' meeting, the profit distribution and the issuance of capital supplemental bonds.

- Received the work report of the Independent Non-executive Directors of the Company for the year 2021, the report on the overall situation of the related party transactions and the assessment of intra-group transactions of the Company for the year 2021, the report on the results of the special audit of related party transactions for the year 2021, the report on the assessment of the behavior of major shareholders for the year 2021, the report on the results of the special audit of the solvency risk management system for the years 2021-2022, and the report on the implementation of the rectification focusing on the main business and compressing the hierarchy in the first half of 2022.

DIRECTORS

Responsibility with respect to Financial Statements

The Directors are responsible for the supervision and preparation of financial statements for every financial year, the interim periods and quarter thereof which shall give a true and fair view of the business operations of the Company subject to compliance with the relevant accounting standards and the implementation of the accounting regulations issued by the MOF and CBIRC.

Securities Transactions

The Company has established the Interim Management Measures for Shareholdings and the Changes of Shares of the Company's Directors, Supervisors and Senior Management (the "Measures") to regulate the dealing in securities by Directors, Supervisors and Senior Management. The Measures are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange and the relevant regulatory requirements of the SSE Listing Rules. Following enquiries made by the Company, all Directors and Supervisors confirmed that they had complied with the Model Code, the relevant regulatory requirements of the SSE and the standards of the Measures during the reporting period.

Independence of Independent Non-executive Directors

The Company has received annual confirmation letters from each of the Independent Non-executive Directors to confirm their independence. As at the latest practicable date prior to the issue of this annual report, the Company considers that all Independent Non-executive Directors are independent.

Training of Directors

All Directors are actively involved in continuing professional development, and participated in various kinds of training activities relating to corporate governance, the SSE Listing Rules and the Listing Rules of the Stock Exchange which were organised by the shareholding organisations, regulators, industry organisations and the Company, so as to provide them with comprehensive and relevant information to develop and update their knowledge and skills and improve their performance ability, with an aim of making positive contributions to the Board.

Wang Tingke: attended trainings and meetings organised by the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Li Zhuyong: attended trainings and meetings organised by the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Xiao Jianyou: attended trainings and meetings organised by the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Wang Qingjian: attended trainings and meetings organised by the MOF, the IAC, the LCAB, China Investment Corporation and the Group in relation to the performance of directors' duties.

Miao Fusheng: attended trainings and meetings organised by the MOF, the IAC, the LCAB, China Investment Corporation and the Group in relation to the performance of directors' duties.

Wang Shaoqun: attended trainings and meetings organised by the MOF, the IAC, the LCAB, China Investment Corporation and the Group in relation to the performance of directors' duties.

Yu Qiang: attended trainings and meetings organised by the MOF, the IAC, the LCAB, China Business Executives Academy, Dalian, China Investment Corporation and the Group in relation to the performance of directors' duties.

Wang Zhibin: attended trainings and meetings organised by the IAC, Council for Social Security Fund and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Shiu Sin Por: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Ko Wing Man: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Chen Wuzhao: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Cui Li: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Xu Lina: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Chairman/Vice Chairman/President

As at the date of this report, the Chairman of the Board of the Company is temporarily vacant. The Chairman is responsible for leading the Board, determining and approving the agenda for each Board meeting, ensuring the Company has good corporate governance practices and procedures, and maintaining the effective operation of the Board. The Vice Chairman will perform the duties of the Chairman if the Chairman cannot or does not perform his duties. During the reporting period, a special meeting was convened by the Chairman and all the Independent non-executive Directors to communicate in depth on the strategic implementation and corporate governance of the Company over the year.

The Vice Chairman and President of the Company is Mr. Wang Tingke as at the date of this report. The President is responsible for leading the operation management of the Company, organising the implementation of Board resolutions, annual operation plans and investment proposals, formulating the internal management organisation plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of other senior management. The Company's senior management team is the Company's execution body and assumes responsibilities to the Board. The powers of the Board and the senior management team are provided in accordance with the Articles of Association. The senior management team's powers in relation to operation, management and decision-making are authorised by the Board.

Details of the duties and responsibilities of the Chairman, Vice Chairman and President are set out in the Articles of Association.

BOARD COMMITTEES

There are five committees under the Board of Directors, namely the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee, the Related Party Transactions Control Committee and the Risk Management & Consumers' Rights and Interests Protection Committee. Each committee provides advice and suggestions to the Board of Directors with respect to the matters within their scopes of responsibilities. The duties and operation process of the Board committees are explicitly stipulated in the terms of reference of each committee.

Audit Committee

As at the date of this report, the Audit Committee of the Board of the Company comprised five Directors, including three Independent Non-executive Directors and two Non-executive Directors, and an Independent Non-executive Director served as the chairman. Mr. Chen Wuzhao resigned as the chairman of the Audit Committee on 1 March 2023. Prior to the appointment of new chairman, Mr. Chen Wuzhao will continue to perform his duties as the chairman.

Composition

Chairman: Chen Wuzhao (Independent Non-executive Director)

Members: Shiu Sin Por (Independent Non-executive Director), Xu Lina (Independent Non-executive Director), Wang Qingjian (Non-executive Director), Yu Qiang (Non-executive Director)

Duties and Responsibilities

The Audit Committee is mainly responsible for reviewing the Company's internal control system and its implementation, reviewing and monitoring the Company's internal audit system and its implementation, making recommendations on the appointment of an external auditor and overseeing its relationship with the Company, reviewing the Company's financial information and supervising its financial reporting, and making judgements on the truthfulness, completeness and accuracy of the financial information.

The primary duties and responsibilities include, but not limited to, the following: (1) review the Company's material financial and accounting policies and their implementation, receive the annual financial budget and final accounts plans and supervise our financial operation; (2) evaluate the responsible audit officer's performance and make recommendations to the Board; (3) review the Company's basic internal audit system and make recommendations to the Board, review and make recommendations to the Board for the Company's annual audit plan and budget, and supervise the Company's internal audit process and monitor its quality; (4) regularly review and assess the soundness and effectiveness of our internal control system on an annual basis, and promptly consider and handle any major complaints in connection with our internal control system; (5) coordinate between the internal and external auditors, supervise the improvement and implementation of any significant findings arising from the internal and external auditors; (6) make recommendations to the Board on the appointment, removal, and remuneration of the external auditors, monitor the independence and objectivity of the external auditors as well as the effectiveness of the audit procedures according to applicable standards; (7) develop and implement policies on engaging external auditors to provide non-audit services; (8) ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter; (9) review the annual audit reports of the Company prepared by our external auditors and other specific opinions, annual audited financial reports of the Company, other financial reports and other financial information that are required to be disclosed; provide judgement report to the Board for consideration on the truthfulness, completeness and accuracy of the information in the aforementioned financial reports; (10) perform other duties as required by the laws, regulations, regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, and other matters as authorised by the Board.

Auditor's Fees

In 2022, the fees in respect of the services including interim financial report review, annual financial report audit and agreed-upon procedures regarding quarterly financial information provided to the Company and its subsidiaries by PricewaterhouseCoopers Zhong Tian LLP/PricewaterhouseCoopers ("PwC") were RMB26.12 million in total, and the fees in respect of internal control audit, other special audit and other assurance engagement were RMB9.32 million in total. In addition, PwC also provided non-assurance services to the Company and its subsidiaries for a fee of RMB0.13 million in total.

Summary of Work Undertaken

In 2022, the Audit Committee of the Board held six meetings on 21 February, 24 March, 22 April, 22 August, 24 October and 8 December, respectively, in which 24 proposals were reviewed and discussed. During the year, the main tasks accomplished by the Audit Committee included:

- Reviewed and discussed the 2021 annual report, annual results announcement, relevant final account report, internal control evaluation report, risk evaluation report, evaluation and audit report of internal control on the insurance capital use, reports on related party transactions and the implementation of its management system and evaluation of internal transactions, and report on audit findings and corrective actions for the year 2021 and the first half of 2022;

- Reviewed and discussed the first quarterly report, interim report, interim results announcement and third quarterly report for the year 2022;

- Reviewed and discussed the audit plan for the year 2022, internal audit report for the year 2021 and internal audit reports for the first quarter, half year and the third quarter of 2022 of the Group;

- Received and discussed the report on special audit results of the solvency risk management system for 2021 to 2022, report on special audit results of related party transactions for the first half of 2022, report on audit results of the use of proceeds for 2021 and the first half of 2022, report on special audit results of significant financial information for 2021 and the first half of 2022 and report on the performance of the Audit Committee of the Board;

- Reviewed and discussed the resolutions on appointment of accounting firms for the year 2022, initiated the reappointment of accounting firms for the year 2023 and project initiation of new audit services for 2023 to 2025;

- Received the auditor's report on the annual audit work for 2021 and the interim review for 2022.

In addition, the Audit Committee of the Board and the Independent Non-executive Directors had a face-to-face communication respectively with PwC, the auditor, in respect of the 2022 annual audit work arrangement prior to the commencement of the annual audit work.

Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee comprised five Directors including four Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the chairman. Mr. Chen Wuzhao resigned as a member of the Nomination and Remuneration Committee on 1 March 2023. Prior to the appointment of new member, Mr. Chen Wuzhao will continue to perform his duties as a member of the committee.

Composition

Chairman: Cui Li (Independent Non-executive Director)

Members: Ko Wing Man (Independent Non-executive Director), Chen Wuzhao (Independent Non-executive Director), Xu Lina (Independent Non-executive Director), Miao Fusheng (Non-executive Director)

Duties and Responsibilities

The Nomination and Remuneration Committee shall, according to its terms of reference, assist the Board in formulating the procedures and criteria for electing and appointing the Directors and senior management of the Company, conducting initial assessments of the qualifications and background of the potential candidates, reviewing and formulating remuneration plans, performance evaluation systems and incentive schemes for the Directors, Supervisors and senior management, making proposals to the Board, and overseeing the implementation of the plans and systems.

The primary duties and responsibilities of the Nomination and Remuneration Committee include, but not limited to, the following: (1) analyze the standards and procedures for selection of Directors and senior management hired by the Board, review at least once annually the structure, size and composition of the Board, and make recommendations to the Board regarding any proposed changes in order to comply with our corporate strategy; (2) extensively seek for candidates that are qualified to act as a Director or be hired by the Board as a member of the senior management, and make recommendations to the Board; (3) review the independence of Independent Non-executive Directors; (4) assess and review the candidates for Director and senior management to be potentially hired by the Board, and make recommendations to the Board on plans for appointment, re-appointment and succession of Directors; (5) examine the assessment standards for Directors and senior management hired by the Board, conduct the relevant assessments and make recommendations to the Board; (6) consider, formulate and examine the remuneration policies and proposals for Directors, Supervisors and senior management hired by the Board through formal and transparent procedures based on standards including salaries paid by comparable companies, time commitment and responsibilities concerned, and employment terms of other positions within the Company and its subsidiaries, and make recommendations to the Board; (7) examine the remuneration proposals of Directors and senior management hired by the Board based on the corporate goals and objectives established by the Board; (8) make recommendations to the Board on special remuneration packages of Executive Directors, Supervisors and senior management hired by the Board; (9) make recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors; (10) give independent and prudent opinions on removal of Directors; (11) review and approve compensation payable to Executive Directors, Supervisors and senior management hired by the Board for any loss or termination of office or appointment; (12) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; (13) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, or other matters as authorised by the Board.

Director Nomination

The Nomination and Remuneration Committee would conduct a preliminary examination of the potential candidates for directorship of the Company according to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and provides recommendation to the Board for determining whether they are submitted to the shareholders' general meeting for election. The Nomination and Remuneration Committee and the Board fully consider and actively promote the board diversity (including but not limited to gender, age, cultural and educational background, expertise experience, skills, knowledge and term of office) and its advantages, and focus on the educational background and working experiences, in particular management and research experiences in finance and insurance industries of the candidates, and also pay special attention to the independence of the candidates of the Independent Non-executive Directors.

Remuneration of Directors and Other Senior Management

The fixed salary of the Executive Directors and other senior management is determined in accordance with the market and their respective duties and responsibilities, and the amount of their performance-related bonuses is determined according to the various factors including the operating results of the Company and scores on relevant performance appraisals. The amounts of Directors' fees and Supervisors' fees are determined with reference to the market and circumstances of the Company.

For the remuneration details of the Directors, Supervisors and senior management of the Company during the reporting period, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

Summary of Work Undertaken

In 2022, the Nomination and Remuneration Committee of the Board held seven meetings on 24 March, 22 April, 14 June, 4 July, 22 August, 24 October and 8 December, respectively, in which 14 proposals were reviewed and discussed. During the year, the main tasks accomplished by the Nomination and Remuneration Committee included:

- Reviewed and discussed the matters in relation to the nomination of the Executive Directors, members of the Board committees and the candidate of Vice Chairman of the Company, with recommendations made to and adopted by the Board;
- Reviewed and discussed the remuneration settlement schemes of the Group for the year 2021, financial budget on total salary of the Group for the year 2022, remuneration settlement scheme of the Company's responsible officers for the year 2021, and remuneration settlement scheme for Directors and Supervisors of the Company for the year 2021;
- Reviewed and discussed the "Incentive and Restraint Mechanism" section of the corporate governance report for the year 2021;
- Reviewed and discussed performance report and appraisal of performance of the Directors of the Company for the year 2021, and the work report of the Independent Non-executive Directors for the year 2021;
- Reviewed and discussed the resolutions on the recommendation of candidates of director and supervisor of related subsidiaries.

Strategy and Investment Committee

As at the date of this report, the Strategy and Investment Committee comprised five Directors, including two Executive Directors, two Non-executive Directors and one Independent Non-executive Director. Pursuant to the Articles of Association, the chairman of the committee should be served by the Chairman of the Board. On 28 December 2022, Mr. Xiao Jianyou was appointed as the member of the Strategy and Investment Committee.

On 16 March 2023, Mr. Luo Xi resigned as the chairman of the Strategy and Investment Committee.

Composition

Members: Wang Tingke (Executive Director), Xiao Jianyou (Executive Director), Cui Li (Independent Non-executive Director), Wang Qingjian (Non-executive Director), Wang Shaoqun (Non-executive Director)

Duties and Responsibilities

The Strategy and Investment Committee of the Board is mainly responsible for studying the mid to long-term development strategies and major investment decisions of the Company and providing advice.

The primary duties and responsibilities of the Strategy and Investment Committee include, but not limited to, the following: (1) consider the Company's general strategic development plans and specific strategic development plans, and make recommendations to the Board; (2) evaluate factors that may have an impact on the Company's strategic development plans and their implementation in light of domestic and international economic financial conditions and trend of market changes and make prompt development plans adjustment recommendations on the strategic development plans to the Board; (3) evaluate the overall development of the Company's businesses and make prompt adjustment recommendations on the strategic development plans to the Board; (4) review our annual financial budget and final accounts plans, and make recommendations to the Board; (5) review the matters relating to external investments which requires the Board's approval: ① external investment management systems; ② external investment management approaches; ③ decision-making procedures and authorisation mechanisms for external investments; ④ strategic asset allocation plans, annual investment plans, investment guidelines and relevant adjustment plans; ⑤ significant direct investments; ⑥ strategy and operation plans for new investment categories; ⑦ systems for evaluating and examining the performance of external investments; (6) explain the Company's external investment proposals at shareholders' general meetings and Board meetings upon their request; (7) formulate and revise policies related to our corporate governance, and make recommendations to the Board; (8) supervise the Directors and senior management's training and continuing professional development; (9) develop, amend and supervise the internal code of conduct for the Company's staff and Directors; (10) supervise the Company's disclosure on corporate governance in compliance with the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed; (11) develop and amend the Company's policies on corporate social responsibility in regard to environmental, social and governance, consider the following matters, and report and make recommendations to the Board: ① suggestions on the Company's environmental, social and governance management system, including the governance approach and strategy, assessing, prioritising and managing issues related to significant environmental, social and governance (including the process for business risks); ② studies and assessments of factors related to environmental, social and governance that may affect the Company's development; ③ review of planning and implementation of the Company's environmental, social and governance activities; ④ the Company's corporate social responsibility disclosures such as environmental, social and governance information; and (12) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, and other matters as authorised by the Board.

Summary of Work Undertaken

In 2022, the Strategy and Investment Committee of the Board held five meetings on 14 January, 24 March, 22 April, 14 June and 24 October, respectively, in which 33 proposals were studied and considered. During the year, the main tasks accomplished by the Strategy and Investment Committee included:

- Reviewed and discussed the resolutions on the reinsurance strategy of the Group, the 2022 charity donation plan of the Group and the issuance of capital supplementary bonds;
- Reviewed and discussed relevant report on the final account for the year 2021, profit distribution plan for the year 2021 and profit distribution plan for the first half of 2022 of the Company;
- Reviewed and discussed the resolutions on the operating plan and fixed asset investment plan for the year of 2022, capital plan (2022-2024), overall asset allocation plan for 2022 to 2024 and asset allocation plan for the year 2022 of the Group;

- Reviewed and discussed the first section "Corporate Governance Operations" under the corporate governance report of the Company for the year 2021, the Corporate Social Responsibility Report, the assessment report on the implementation of the development plan, the Report of the Board of Directors and the corporate governance report;

- Reviewed and discussed the amendments to the Scheme of Delegation of Authority from the Board of Directors to the Management of Group Companies;

- Reviewed and discussed the establishment of subordinate companies by the subsidiaries, amendments to the authorisation plan to the Board of Directors by the shareholders' meeting, capital increase, profit distribution, issuance of capital supplementary bonds;

- Reviewed and discussed three special research reports.

Related Party Transactions Control Committee

As at the date of this report, the Related Party Transactions Control Committee comprised five Directors, including one Executive Director, one Non-executive Director and three Independent Non-executive Directors, and an Independent Non-executive Director served as the chairman. Mr. Chen Wuzhao resigned as a member of the Related Party Transactions Control Committee on 1 March 2023. Prior to the appointment of new member, Mr. Chen Wuzhao will continue to perform his duties as a member of the committee.

Composition

Chairman: Shiu Sin Por (Independent Non-executive Director)

Members: Li Zhuyong (Executive Director), Chen Wuzhao (Independent Non-executive Director), Cui Li (Independent Non-executive Director), Yu Qiang (Non-executive Director)

Duties and Responsibilities

The primary duties of the Related Party Transactions Control Committee include identification and maintenance of related parties and management, review, approval and risk control of related party transactions.

The primary duties and responsibilities of the Related Party Transactions Control Committee include, but not limited to, the following: (1) review the management system of related party transactions and internal transaction of the Company; (2) responsible for the identification and maintenance of related parties, make confirmation on related parties of the Company and report to the Board and the Board of Supervisors; (3) perform filings of general related party transactions; (4) conduct preliminary examination on the related party transactions approved by the Board of Directors and the shareholders' general meeting; (5) submit special report on the overall situation of the Company's annual related party transactions and assessment report on intragroup transactions to the Board after the end of the operating year; (6) coordinate the management of information disclosure of related party transactions and improve the transparency of related party transactions; (7) make accountability recommendations for failure to report the related parties as required and conduct related party transactions in violation of regulations, make rectification suggestions in the daily supervision or special audit of related party transactions, and make recommendations on removal of Directors and senior management who have misconduct; (8) perform other duties as required by laws, regulations, regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, and other matters as authorised by the Board.

Summary of Work Undertaken

In 2022, the Related Party Transactions Control Committee of the Board held two meetings on 22 April and 24 October, respectively, in which 3 proposals were considered and reviewed. During the year, the main tasks accomplished by the Related Party Transactions Control Committee included:

- Reviewed and discussed the report on related party transactions of the Company and the evaluation of internal transactions of the Group for the year 2021;

- Reviewed and discussed the report on special audit results of related party transactions of the Company for the year 2021 and the first half of 2022.

Risk Management & Consumers' Rights and Interests Protection Committee

As at the date of this report, the Risk Management & Consumers' Rights and Interests Protection Committee comprised six Directors, including one Executive Director, three Non-executive Directors and two Independent Non-executive Directors. Due to work reasons, Mr. Wang Zhibin resigned from his position as a member of the Risk Management & Consumers' Rights and Interests Protection Committee on 16 January 2023. Prior to the appointment of new member, Mr. Wang Zhibin shall continue to perform his duties as the member of the committee.

Composition

Chairman: Wang Tingke (Executive Director)

Members: Shiu Sin Por (Independent Non-executive Director), Ko Wing Man (Independent Non-executive Director), Miao Fusheng (Non-executive Director), Wang Shaoqun (Non-executive Director), Wang Zhibin (Non-executive Director)

Duties and Responsibilities

The Risk Management & Consumers' Rights and Interests Protection Committee is mainly responsible for having a comprehensive understanding of all major risks faced by the Company and their respective management status, and supervising the operational effectiveness of the risk management system. It established and improved the system of consumers' rights and interests protection to ensure effective protection of the legitimate rights and interests of consumers, and ensure that the relevant systems and regulations are in line with corporate governance, corporate culture and construction and business development strategies.

The primary duties and responsibilities of the Risk Management & Consumers' Rights and Interests Protection Committee include, but not limited to, the following: (1) be responsible for the Company's risk management, have a full understanding of the Company's various significant risks and the respective management status, and supervise the operational effectiveness of our risk management controls; (2) consider the Company's overall goals, fundamental policies and terms of references for risk management, and make suggestions and recommendations to the Board; (3) review the Company's risk management organisation and corresponding responsibilities, and make suggestions and recommendations to the Board; (4) consider the Company's risk evaluations of material decision and solutions on significant risks, and make suggestions and recommendations to the Board; (5) review the Company's annual risk evaluation report and make suggestions and recommendations to the Board; (6) review and submit the Company's annual compliance report to the Board; (7) receive reports in relation to compliance matters and make recommendations to the Board; (8) formulate and amend the internal compliance code applicable to the Company's staff and Directors, assess and supervise the Company's compliance policies and status, and make recommendations to the Board; (9) carry out relevant work with the authorisation of the Board, discuss and decide relevant matters, study major issues and important policies on the protection of consumers' rights and interests, and submit work report and annual report on the protection of consumers' rights and interests to the Board; (10) guide and supervise the establishment and optimisation of the consumers' rights and interests protection management system, guide the material disclosure in regard to consumers' rights and interests protection work and supervise the comprehensiveness, promptness and effectiveness of the work of the management and consumers' rights and interests protection departments; (11) consider work report of the management and consumers' rights and interests protection departments, study the annual audit report, regulatory reports and internal assessment results in relation to consumers' rights and interests protection, and supervise the management and related departments to timely rectify the issues identified; (12) perform other duties as required by laws, regulations, regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, and other matters as authorised by the Board.

Summary of Work Undertaken

In 2022, the Risk Management & Consumers' Rights and Interests Protection Committee of the Board held five meetings on 14 January, 24 March, 22 April, 14 June and 22 August, respectively, in which 16 proposals were reviewed and discussed. During the year, the main tasks accomplished by the Risk Management & Consumers' Rights and Interests Protection Committee included:

- Reviewed and discussed the report on the anti-insurance fraud management of the Group in 2021;
- Reviewed and discussed the resolution on the renewal of the liability insurances for the Directors, Supervisors and senior management;
- Reviewed and discussed the Group's Compliance Report, Risk Evaluation Report and Internal Control Evaluation Report for the year 2021 (and the 2021 Corporate Governance Report: Part III "Evaluation of Internal Control"), the Risk Evaluation Report and Non-insurance Risk Evaluation Report for the first half of 2022;
- Reviewed and discussed the solvency report of the Group for the year 2021 and the solvency report of the Group for the first half of 2022;
- Reviewed and discussed the work report on the Protection of Consumers' Rights and Interests of the Group, report on the evaluation of the conduct of major shareholders and report on the implementation of rectification focusing on main businesses and streamlining management hierarchies for the year 2021;
- Reviewed and discussed the Comprehensive Risk Management Measures of The People's Insurance Company (Group) of China Limited and the Resolution on the Renewal of the Recovery Plan of the Group;
- Reviewed and discussed the risk appetite statement of the Group for the year 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company believes that good risk management and internal control play important roles in the operation of the Company, and established a vertical and horizontal risk management structure as well as an operational system. Vertically, they run through the Board, operational management and all business management or functional management departments at the headquarters of the Group company and each subsidiary, and run through the Group company, each subsidiary and their branches between the upper and lower levels. Horizontally, according to the "three lines of defence" in risk management, all functional organisations shall perform their respective functions and cooperate, and shall be responsible for the risk management work and its effectiveness within the scope of responsibilities. The Board of Directors is the highest decision-making body for the Group's comprehensive risk management, and is responsible for the effectiveness of the comprehensive risk management work, approving the medium and long-term plans for the Group's risk management, as well as the overall objectives, risk management strategies, fundamental systems and major risk solutions for the Group's comprehensive risk management; approving the overall risk management policy of the Group, its risk appetite, risk tolerance, the establishment of the risk management organisation and its responsibilities; approving the risk assessment report, solvency report and capital planning of the Group; continuously focusing on the Group's risk profile; supervising the management to effectively manage and control the Group's risks, etc. Under the Board, the Company has established: (1) the Risk Management & Consumers' Rights and Interests Protection Committee, which is responsible for reviewing the overall objectives, fundamental policies and work systems for risk management of the Company; reviewing the risk assessment and solutions for major decisions of the Company; formulating the internal compliance code of the Company; monitoring and evaluating the operation status of the Company's compliance policy; supervising the effectiveness of the operation of the Group's the risk management system; supervising the effectiveness of the operation of the consumers' rights and interest protection system; providing suggestions on relevant proposals submitted to the Board; (2) the Audit Committee, which is responsible for reviewing the major financial and accounting policies and basic internal audit system of the Company; reviewing the annual audit plan and audit budget of the Company; reviewing relevant audit and financial reports of external accounting firms; coordinating internal and external audits and supervising the rectification and implementation of major issues found during audits; checking and assessing the soundness and effectiveness of internal control; studying the engagement, dismissal and remuneration of external accounting firms; supervising whether external accounting firms are independent and objective, and whether the audit procedures are effective; providing suggestions on relevant proposals submitted to the Board, etc. The Company has established a risk and compliance committee as a comprehensive coordination organisation under the senior management, which is responsible for guiding, coordinating and supervising the development of risk management, internal control and compliance by the Company and all our subsidiaries. The business, finance, investment and other functional departments or operating units of the Company and its subsidiaries assume primary responsibilities in their respective risk management and internal control systems; specialised organisations or departments such as the risk management department and the internal control and compliance department are responsible for the overall planning and organisation of implementation of risk management, internal control and compliance. Internal audit organisations or departments are responsible for supervising and auditing in relation to the effectiveness of risk management, internal control and compliance, and investigating the accountability for any action which violates the requirements and incurs risk damages.

In 2022, the Company's overall strategy for risk management was to: closely concentrate on its high quality development and different strategic deployments including the "To be Prominent Strategy", implement the spirit of the Group's 2022 work conference, develop the comprehensive risk management action plan of the Group and strengthen the Group's consolidated management; benchmark against new regulations of "C-ROSS" to improve the institutional system and working mechanism; strengthen the management of major risks, consolidate the foundation of internal control and compliance, further innovate the concept, model and method of risk management, promote the prevention and resolution of major financial risks, and maintain the bottom line of zero systematic risks.

The Company is committed to constructing a comprehensive risk management system and putting forward the overall goal of promoting comprehensive risk management intensively and broadly on this basis, while extending it to grassroots level as the overall goal. We will further promote the centralisation of risk appetite, internal control system and risk measurement within the Group from top down. At the same time, in accordance with the regulatory requirements for "C-ROSS", the Company continued to improve its establishment of risk management system, including the establishment of systems and mechanisms, the application of tools and methods and the conduction of risk management training and advocacy, to improve its risk management level and shift to risk-oriented and value-oriented business philosophy. For internal control, the Company established an internal control system with full coverage, key focuses, mutual restrictions, accommodation on the actual conditions, cost efficiency and risk orientation of the Company. The internal control system of the Company covers the whole process from decision-making, implementation to supervision across all businesses and matters of the Company and all subsidiaries of the Group. On such basis, it focuses on key business matters and industries with high risks. It conducts mutual restriction and supervision on the governance structure, the organisation structuring, the division of powers and responsibilities as well as business processes while balancing the operation efficiency to adapt to the operation size, business scope, competition situation and risk standards of the Company. It also makes adjustments in time to achieve effective control with appropriate cost and effectively identify, appraise and manage risks and analyse, design and implement internal control. The purpose of the internal control of the Company is to reasonably guarantee the compliance of the operation and management, assets safety, the truthfulness and completeness of financial reports and relevant information, improve the operation efficiency and results and promote the realisation of development strategies. Due to the inherent restrictions on the internal control, it can only provide reasonable guarantee to the realisation of the above targets. The risk management and internal control systems of the Company are designed to manage and reduce rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable other than absolute assurance that there will be no significant misstatement or loss.

The Company has, pursuant to the requirements of risk management and internal control standards such as the Basic Norms for Internal Controls of Enterprises and its supporting guidance jointly issued by the MOF, the CSRC, the National Audit Office of the People's Republic of China, the former CBRC and the former CIRC, the Principal Rules for the Internal Control of Insurance Companies, the Guidelines for Risk Management of Insurance Companies (Trial) and Second-generation Solvency Regulatory Rules issued by the former CIRC and the Listing Rules of the Stock Exchange as well as other regulations on risk management and internal control, perfected the risk management and internal control system, executed risk management and internal control with governing documents such as the Comprehensive Risk Management Measures, the Internal Control Administration Measures, the Internal Control Manual, the Internal Control Evaluation Manual and the Specific Risk Management Measures, and guided its subsidiaries to promote the construction of risk management and internal control systems in accordance with the foregoing supervisory regulations.

In 2022, the Company continued to optimise its risk management professional instruments and methods to enhance the effectiveness of risk management. In terms of risk management environment development, in an effort to further improve the risk appetite system, the Company and relevant subsidiaries optimized stress testing models as well as economic and non-economic factors in accordance with the regulatory rules of "C-ROSS", and have prepared annual risk appetite statements based on the results of the Risk Appetite Phase II project, making it an effective instrument to centralise the risk management policies of the Group as a whole. At the same time, it established a mechanism for daily operation of the risk appetite system, including the establishment and updating of risk appetite, dissemination and implementation, monitoring and evaluation, re-examination and adjustment, tracked the execution of risk appetite on a quarterly basis, and promoted the dissemination and implementation of risk appetite to branches institution and business departments, so that the risk appetite system can be effectively applied and serves as a risk constraint. A monitoring index system has been formulated and issued for five-level institutions to provide assistance for risk monitoring. In terms of risk information management, the Company has stepped up risk monitoring efforts by launching the construction of intelligent risk control platforms, optimising and improving the database of risk indicators, and enhancing the forward-looking warning on risk and the capabilities of risk detection and inspection to further enhance the level of informatisation and intelligence in risk management. In terms of risk inspection, the Company has established an investment risk monitoring and inspection mechanism, conducted regular market risk monitoring, and carried out special risk inspection in a timely manner. Consequently, the Company can effectively forestall investment risk by identifying all existing and potential risks. In terms of risk management, the Company continued to carry out daily monitoring and quantitative analysis of investment risks, established and improved investment decision-making mechanism, established consolidated classification system and standard for investment assets, and carried out regular classification and of investment assets by level and type and investment asset valuation management, in order to provide a strong support for the full cycle of risk management during the periods of pre-investment, mid-investment, and post-investment.

In 2022, the Company continued to strengthen the construction of risk management and internal control system, and with a focus on promoting the Croup's comprehensive risk management actions, maintained the bottom line of avoiding systemic risks. The comprehensive risk management system, mechanism and process of each subsidiary have been enhanced continuously, and the foundation of risk control has been further strengthened. In terms of risk management, the Company further improved relevant risk management systems and various special risk management methods, and improved the top-level design of the system; strengthened the Group's risk coordination and planning control mechanism, and optimised risk compliance performance assessment; optimised the key business risk monitoring mechanism, continued to improve the content and reporting mode of monitoring, strengthened the identification of emerging risks and highlighted the dynamic monitoring of key business and key risks; continuously promoted the establishment of mechanism for handling major risk cases, updated the Group's recovery and disposal plan, and enhanced the ability to respond to major risks, so as to steadily resolve key risks. In terms of internal control, the Company further promoted the construction of risk management information technology; established a comprehensive firewall mechanism to prevent risk transmission; continued to profoundly promote the construction of internal control system at the grassroots level, carried out risk management and internal control investigation, research, supervision and inspection, identified the weaknesses of internal control compliance, optimised the construction of internal control compliance system, strengthened the strict control of internal control, promoted the construction of risk supervision and inspection mechanism as well as long-term mechanism for internal control and prevention and the internal control management of key positions, started special internal control evaluation and audit of capital utilisation, strengthened the control of key risks, organised professional training on risk management and internal control, strengthened the construction of a team of professionals and train talents, and improved the level of risk management and internal control across the Company. PICC P&C continued to promote the transformation and upgrading of internal control and compliance management, issued a package of internal control and compliance management systems, produced compliance manuals and operating procedures, conducted compliance audits, set risk alerts, organised compliance inspections and business risk troubleshooting, and solidly carried out internal control evaluation and supervision. PICC Life focused on the weakening of grassroots governance, strengthened grassroots governance, carried out risk supervision and verification, strengthened penetration inspection, continuously promoted the construction of internal control system, and continuously improved the level of internal control and compliance management. PICC AMC actively carried out the "Empowerment Project", built an integrated internal control system, established and improved collaborative operational mechanisms of internal control management with compliance management, legal management, risk management and inspections, etc., strengthened overall coordination, and improved internal control management methods with rules and regulations, monitoring windows, effective inspection, powerful control, rewards and punishments. PICC Health provided escort for the implementation of the "Health Project", promoted internal control and compliance management in key links, carried out special troubleshooting and rectification work, issued risk reminder letters, developed and improved internal control and compliance management tools, improved authorization management mechanism, and strengthened the construction of internal control and compliance culture. PICC Pension improved its internal control management mechanism, formulated operational procedures, sorted out business risk points, highlighted process control, and strengthened the linkage effect between compliance management and internal control management. PICC Investment Holding focused on major business segments and important processes, promoted the formation of standardized internal control and compliance management procedures, and enriched management methods and measures by continuously optimizing the risk compliance performance evaluation mechanism and compacting main responsibilities. PICC Capital improved the entire process management mechanism of pre-investment, mid-investment, and post-investment projects, strengthened the compliance awareness of all staff, and established a closed loop for internal control and compliance management. PICC Reinsurance reorganized work processes and operating procedures, enriched and refined internal control measures, upgraded risk management and compliance management information system, and improved the effectiveness of internal control management. PICC Hong Kong established an internal control management system with strict division of labor and clear responsibilities, strengthened the coordination of the three lines of defense for internal control and compliance, focused on the construction of internal control and compliance in key areas and rigid control of key nodes, and carried out in-depth education and promotion of internal control and compliance. PICC Financial Services improved the internal control system covering its own level and subordinate companies, and promoted the implementation of standardized design and the rectification of internal control deficiencies. PICC Technology has gradually established an internal control and compliance management system with active participation by all staff, consolidated key areas, unified vertical deployment and embed horizontal processes. It issued an internal control and compliance management system, and promoted the development of an online legal compliance and risk management system, so as to play the supporting and safeguarding role of internal control management in the start-up stage of the company.

The Company fully conducted the risk appraisal and internal control assessment covering the whole Group in 2022. The Board believed that during the reporting period, relevant management and control measures were sufficient to guarantee the actual demands of the Company in risk management. For internal control, all of the risk management and internal monitoring systems of the Company covering all key aspects, including financial monitoring, operation monitoring and compliance monitoring are sufficient and effective. There were no factors affecting the conclusion on the appraisal of the effectiveness of the internal control during the period from the base date of the internal control appraisal report to the publication date of the internal control appraisal report. The Company was not aware of any matters that may have direct effects on the quality of the operation activities or the achievement of the targets of financial reports and the operation of the internal control system of the Group is sufficient and effective.

In 2022, the risk management system of the Company was sound and effective and it did not identify any significant risks affecting the normal operation of the Company. The management of the Company continued to conduct analysis and appraisal on various significant risks and consistently strengthened the frequency of risks monitoring. In addition to the annual reporting to the Board, it conducts overall in-depth appraisal on risks of the Company every half year and analyzes sensitive risk indicators and risk in key business areas every month, and tracks the progress of significant risk matters every week. Meanwhile, the Company conducts special appraisal and reports on risks of overseas affiliates or branches and overseas investments of the Company regularly. The Company has established a complete set of sophisticated risk appraisal mechanism, which will guarantee the effectiveness of risk management.

In 2022, the Company strictly complied with relevant requirements in relation to each special risk management system, managed insurance risk, market risk, credit risk, operational risk, strategic risk, reputational risk and liquidity risk. For insurance risk, with a focus on the key businesses of each subsidiary, the Company continuously strengthened insurance risk control from product management, actuarial management, risk monitoring, evaluation and reporting, further strengthened tracking management of key products, enhanced product innovation management, and improved the product structure; continued to strengthen monitoring and analysis of key businesses, strengthened limit control, and ensured high-quality business development. In terms of market risk, the Company closely monitored the macro situation and changes in the domestic and overseas capital markets, constantly strengthened the tracking and analysis of investment risk exposure and evaluated and analysed market risk regularly by using sensitivity analysis, value at risk and stress testing, and scenario analysis. The Company also promptly adjusted the allocation strategy according to changes in the market, increased efforts for post-investment management, conducted penetrating analysis of underlying assets, reinforced management for matching assets and liabilities, improved risk response capability and investment management capability. In terms of credit risk, in respect of its insurance business, the Company continuously strengthened front control and credit management, and strictly focused on process management and control with conducts of regular monitoring analysis and risk warnings for reducing exposures of risk and business. In respect of investment business, the Company continuously paid attention to the changes in the credit market environment, actively responded to the decline of the market credit center, and improved the internal credit risk management system. It improved the guarantee of main responsibility of subsidiaries, credit risk monitoring and warnings, and strengthened the post-investment management of investment projects. For operational risk, the Company improved the special operational risk management system and mechanism, continued to improve the database of the Company's loss, regularly conducted information collection and analysis of operational risk loss events, continuously improved the internal control system, combined with internal evaluation to strengthen the identification, analysis, prevention and control of operational risk, effectively carried out training and promotion of operational risk management, and promoted the construction of operational risk management culture. For strategic risk, the Company applied a four-step strategy of "develop, implement, evaluate and adjust" to form an effective closed loop of strategic risk management and control, continued to strengthen policy and business analysis, accomplished strategic project and process management, and effectively identified strategic risk status. For reputational risk, the Company continued to strengthen the management of public opinion transmission, strengthened the real-time monitoring of public opinion and alert analysis, so as to promptly understand and verify public opinion information, examine and determine the development of public opinion, and made warnings in a timely manner for sensitive information that may give rise to reputational risks and strengthened the response to corresponding public opinion risks. For liquidity risk, the Company continued to strengthen its asset and liability management, continued to carry out liquidity risk monitoring and warning, and regularly conducted cash flow forecast and liquidity stress test. Please refer to Note 43 to the financial report for details of the Company's insurance risk, market risk and credit risk.

For information disclosure, the Company has formulated the Administrative Measures for Information Disclosure in accordance with the listing regulatory requirements and industry regulatory requirements, which provided the requirements on information disclosure content, information disclosure duties, information disclosure preparation and publication, and information disclosure discipline and accountability. In order to strengthen preparation work of the Company's periodic reports, the confidentiality of inside information, and regulate the collection, management and reporting of the Company's material information, the Company has respectively formulated the Interim Measures for the Accountability for Major Errors in Information Disclosure in Annual Reports, the Administrative Measures for the Registration and Filing of Insiders and the Administrative Measures for Internal Reporting of Material Information. Among them, the internal reporting of material information has been included in the indicator system of the Company's internal control report. The reporting obligors of material information obtain and identify possible material information from the operational and management levels by using various information technology means, and report to the president of the Company and the Board at once, then the Board will make the final decision whether to release material information, and disclose information within the reasonable and practical scope.

BOARD OF SUPERVISORS

During the year, the Board of Supervisors had adhered to laws and performed its duties of supervision, enhanced the supervision of the performance of the respective duties by the Directors and senior management and the supervision of the financial conditions, internal control and significant risks of the Company, stressed on carrying out special investigation and studies, made proposals with respect to the further deepening of transformation and development and the prevention of business risks to the Board and the management.

Composition

As at the date of this report, the Board of Supervisors of the Company was composed of:

Mr. Xu Yongxian (shareholder representative Supervisor), Ms. Starry Lee Wai King (independent Supervisor), Mr. Wang Yadong (employee representative Supervisor), Mr. He Zuwang (employee representative Supervisor)

The changes in Supervisors of the Company during the year were as follows:

On 15 February 2022, the qualification of Mr. Zhang Tao as a Supervisor was approved by the CBIRC, and Mr. Zhang Tao officially started to perform the duties as a shareholder representative Supervisor and the chairman of the Board of Supervisors

On 13 June 2022, Mr. Zhang Tao resigned as a shareholder representative Supervisor and the chairman of the fourth session of the Board of Supervisors of the Company due to change of job assignments.

On 15 July 2022, Ms. Zhang Yan resigned as the employee representative Supervisor of the fourth session of the Board of Supervisors of the Company due to work arrangement. On the same day, the Company held a meeting of employee representatives and elected Mr. He Zuwang as the employee representative Supervisor of the fourth session of the Board of Supervisors of the Company. Ms. Zhang Yan continued to perform her duties until 9 October 2022 upon the qualification of Mr. He Zuwang as a Supervisor being approved by the CBIRC.

Members of the Board of Supervisors of the Company do not have any financial, business, family or other material relations among each other.

Duties and Responsibilities

The Board of Supervisors shall report to the shareholders' general meeting, continuously supervise the health and effectiveness of the Company's financial position, compliance status and internal control as well as constantly supervise the performance of duty and responsibility by the Directors and senior management.

The primary duties of the Board of Supervisors include, but not limited to, the following: (1) review the periodic reports of the Company prepared by the Board and provide written review opinions; (2) report its work in the shareholders' general meeting; (3) examine the Company's financial conditions; (4) nominate the Independent Non-executive Directors; (5) supervise the conduct of the Directors and senior management in their performance of duties, and propose the removal of Directors and senior management who have contravened any law, regulation, the Articles of Association or resolutions of the shareholders' general meeting; (6) demand rectification from a Director or any senior management when the acts of such persons are harmful to the Company's interest; (7) propose the convening a shareholders' general meeting and convene and preside over the shareholders' general meeting when the Board fails to or does not perform its duty of convening and presiding over the shareholders' general meeting as required by the Company Law; (8) propose resolutions at the shareholders' general meeting; (9) bring an action against a Director or senior management pursuant to the relevant provisions of the Company Law; (10) hold investigations when uncovering the Company's abnormal operations, and hire accounting firms, law firms or other professional organisations to assist if necessary, with the relevant expenses to be paid by the Company; and (11) other authorisations as stipulated in laws, regulations, regulatory documents, the Articles of Association and as conferred by the shareholders' general meeting.

Summary of Work Undertaken

During the year, the Board of Supervisors, pursuant to the relevant provisions of the Company Law and the Articles of Association, earnestly fulfilled its duties, and protected the interests of the Company, shareholders and employees. During the year, the Board of Supervisors convened 7 meetings, including 6 on-site meetings, 1 meeting via written resolutions, and considered, studied and received 49 resolutions. The Duty Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee of the Board of Supervisors convened two meetings and six meetings, respectively. The attendance of physical meetings of the Board of Supervisors was as follows:

Name	Xu Yongxian	Starry Lee Wai King	Wang Yadong	He Zuwang	Zhang Tao	Zhang Yan
Attendance in person/scheduled attendance	6/6	6/6	6/6	1/1	3/3	5/5
Percentage of attendance in person	100%	100%	100%	100%	100%	100%
Attendance by proxy/scheduled attendance	0/6	0/6	0/6	0/1	0/3	0/5
Percentage of attendance by proxy	0%	0%	0%	0%	0%	0%

Please refer to the section headed “Report of the Board of Supervisors” of this annual report for the work of the Board of Supervisors for the year.

SPECIAL COMMITTEES

The Board of Supervisors established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. In particular, Mr. Xu Yongxian and Mr. He Zuwang are members of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors. Ms. Starry Lee Wai King is the chairman of the Financial and Internal Control Supervision Committee, Mr. Xu Yongxian is the vice chairman and Mr. Wang Yadong is a member. Each committee provides opinions and suggestions to the Board of Supervisors with respect to the matters within their scopes of responsibilities. The duties and operation process of the committees are explicitly stipulated in the terms of reference of each committee.

DUTY PERFORMANCE AND DUE DILIGENCE SUPERVISION COMMITTEE

Duties and Responsibilities

The Duty Performance and Due Diligence Supervision Committee is a special committee established by the Board of Supervisors in accordance with the Articles of Association to supervise the performance of duties by Directors and senior management of the Company.

The primary duties of the committee include, but not limited to: (1) formulating measures to supervise the performance of duties by Directors and senior management, and submitting them to the Board of Supervisors for consideration and approval before implementation; (2) developing and implementing an implementation plan for supervising the performance of duties by Directors and senior management; (3) proposing supervision opinions on the performance of duties and due diligence of Directors and senior management, and submitting them to the Board of Supervisors for consideration; (4) providing handling opinions against the Directors and senior management who violate laws, administrative regulations or the Articles of Association of the Company, or harm the interests of the Company, and submitting them to the Board of Supervisors for consideration; (5) when necessary, recommending to the Board of Supervisors to engage an external auditor to audit Directors and senior management; (6) organizing the assessment of Supervisors and submitting it to the Board of Supervisors for consideration; (7) providing opinions and suggestions on proposals within the scope of responsibilities; (8) other matters as authorised by the Board of Supervisors.

Summary of Work Undertaken

In 2022, the Duty Performance and Due Diligence Supervision Committee convened two meetings, in which 8 proposals were reviewed and discussed. During the year, the main tasks accomplished by the committee included:

- Reviewed and considered the matters such as the performance evaluation report of the Board of Directors, management and their members for the year 2021, the performance evaluation report of Supervisors for the year 2021, the due diligence report of Directors for the year 2021 and the work report of the Board of Supervisors for the year 2021;

- Reviewed and considered the matters such as the corporate governance report for the year 2021 and the corporate social responsibility report for the year 2021;

- Reviewed and considered the matters such as the assessment report on the implementation of the Group's plan for the year 2021 and reinsurance strategies of the Group.

FINANCIAL AND INTERNAL CONTROL SUPERVISION COMMITTEE

Duties and Responsibilities

The Financial and Internal Control Supervision Committee is a special committee established by the Board of Supervisors in accordance with the Articles of Association to supervise the Company's financial situation, financial compliance and the integrity and effectiveness of internal control.

The primary duties of the committee include, but not limited to: 1. formulating measures for the supervision of the financial and internal control of the Company by the Board of Supervisors, and submitting them to the Board of Supervisors for consideration and approval before implementation; 2. formulating and implementing implementation plans for the supervision and inspection of the Company's financial and internal control by the Board of Supervisors; 3. reviewing and proposing supervision opinions on the Company's financial and internal control, and submitting them to the Board of Supervisors for consideration; 4. reviewing the financial reports, profit distribution plans, internal control evaluation reports and other financial and internal control related documents of the Company, and making recommendations to the Board of Supervisors; 5. when necessary, recommending to the Board of Supervisors to engage an external auditor to audit the Company's financial and internal control; 6. providing opinions and suggestions on proposals within the scope of responsibilities; 7. other matters as authorised by the Board of Supervisors.

Summary of Work Undertaken

In 2022, the Financial and Internal Control Supervision Committee convened six meetings, in which 37 proposals were reviewed and discussed. During the year, the main tasks accomplished by the committee included:

- Reviewed and considered financial related matters such as relevant reports on the Group's financial final accounts for the year 2021, profit distribution for the year 2021 of the Group and its subsidiaries, remuneration settlement scheme for the year 2021, fixed asset investment budget of the Group and the Company for the year 2022, capital planning of the Group (2022-2024), overall asset allocation plan for 2022-2024 and asset allocation plan for the year 2022 of the Group and the Company (at the same level), engagement of an accounting firm for the year 2022, the charitable donation plan of the Group for the year 2022, 2021 annual report, the first, second and third quarterly reports for the year 2022, payroll budget plan for the year 2022 and issuance of capital supplementary bonds;

- Reviewed and considered internal control related matters such as the internal control evaluation report of the Group for the year 2021, the internal control evaluation of insurance fund utilization for the year 2021 and the proposal for audit related reports;

- Reviewed and considered risk management related matters such as the solvency report of the Group for the year 2021, risk assessment report, solvency report for the first half of 2022, risk assessment report for the first half of 2022, amendments to the Comprehensive Risk Management Measures of PICC Group and the Renewal of the Recovery Plan of PICC Group;

- Reviewed and considered compliance management related matters such as the compliance report for the year 2021 and report on related party transactions and internal transactions for the year 2021;

- Reviewed and considered internal control related matters such as the work report on internal audit of the Group for the year 2021, classification analysis and rectification of audit findings for the year 2021, audit plan for the year 2022, internal audit and classification analysis report of audit findings for the first half of 2022, report on the special audit results of solvency risk management system of the Group and the Company for 2021-2022, special audit report on fund utilization management for the first half of 2022 and internal audit report for the third quarter of 2022.

COMPANY SECRETARY

Ms. Ng Sau Mei, a director of the Listing Services Department of TMF Hong Kong Limited, has been appointed as the Company Secretary of the Company. The departments of the Company that mainly contact with Ms. Ng Sau Mei are the Offices of the Board of Directors/the Board of Supervisors of the Company.

During the reporting period, Ms. Ng Sau Mei has attended not less than 15 hours of relevant professional training.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

In accordance with the requirements of the State Council's Approval in relation to the Adjustment of Regulations regarding the Notice Period for Convening General Meetings of Overseas Listed Companies and CBIRC's Corporate Governance Guidelines for Banking and Insurance Institutions, revisions were made to the notice period for general meetings, the authorisations of general meetings and the Board, shareholders' obligations etc. On 28 October 2021, the third meeting of the fourth session of the Board of the Company considered and approved the proposed amendments to the Articles of Association. On 29 December 2021, relevant amendments were proposed to the 2021 third extraordinary general meeting of the Company for consideration and approval. At present, the relevant amendments have been submitted to the CBIRC for approval and shall become effective upon approval.

CORPORATE CULTURE AND MANAGEMENT AND CONTROL OF SUBSIDIARIES

The corporate culture of the Group is the vision of "To be Prominent Strategy" and the mission of "people's insurance serving the people"; the value of "integrity, professionalism, innovation and excellence" and the corporate spirit of "responsibility, collaboration, integrity, and dedication".

The Company continued to increase the management and control of its subsidiaries. By standardising the Group's authorization to subsidiaries, strengthening the construction of the Group's overall internal control system, realising the Group's centralized auditing, strengthening inspection supervision, nominating directors and supervisors to subsidiaries, considering subsidiaries' proposals, and clarifying the appraisal and incentive policies, the Company motivated subsidiaries to strictly implement the Group's development strategy to maximise the interests of the Group.

The Group strictly complies with relevant laws and regulations, resolutely eliminates gender and other discriminatory behaviors, and safeguards the equal rights and interests of female employees in recruitment, employment and training. The proportion of female employees in the Group reached 48%.

INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

As a listed company in both A share and H share markets, the Company strictly abides by the regulatory regulations in relation to information disclosure stipulated by the CSRC, CBIRC, SFC of Hong Kong, SSE, Hong Kong Stock Exchange and other regulatory institutions, and completes its works in relation to information disclosure in compliance with laws and regulations on websites designated by the SSE, Hong Kong Stock Exchange, CBIRC and the website of the Company.

The Company formulated the Administrative Measures for Information Disclosure, the Administrative Measures for the Internal Reporting of Major Information, the Administrative Measures for the Suspension and Exemption of Information Disclosure, the Interim Measures on the Management of the Registration and Filing of Persons Knowing Inside Information, the Interim Measures for the Accountability for Major Errors in Information Disclosure in Annual Reports and other relevant rules and systems on information disclosure, created rules in relation to the information disclosure system, and arranged and formed relevant internal and external information disclosure procedures including the management procedure of major information internal reports and information disclosure procedures of periodic reports and interim reports in order to promote the management of standardized procedures concerning information disclosure to a higher level. With the mechanism and procedures abovementioned, the Company clarified the main content, responsibility of each party, registration filing and disclosure procedures, discipline requirement of information disclosure; ensured the institution and personnel of information disclosure to establish information disclosure working team; and established the communication and coordination mechanism among relevant subsidiaries, relevant departments of the Group and the Company, domestic and international legal advising team and the Hong Kong company secretary team.

In 2022, the Company strictly abided by the principle of "as much as possible, as strict as possible, as early as possible" for disclosing information for A share and H share, continuously enhancing the level of transparency of information disclosure, protecting the legitimate rights and interests of investors, and maintaining information disclosure in a fair, just and open manner. At the same time, the Company continued to safeguard the bottom line of "no significant risks for information disclosure", completed disclosure of annual and interim reports and results announcements in accordance with laws and regulations, and carefully identified price-sensitive information. The Company ensured there were no cases of non-compliance disclosure, and ensured that information was disclosed timely, fairly, truthfully, accurately and completely.

After publishing the annual results for the year 2021, the first quarter results for the year 2022, the interim results for the year 2022 and the third quarter results for the year 2022, the Company communicated with investors with respect to the Company's operation results and trend of business development through press conferences for result announcement and roadshows. Also, the Company strengthened daily communication with investors through receiving visit of investors, participating in large investor forums, and timely replying telephone, email and "SSE e-Interaction" enquiries. The Company has also established and maintained a good relationship with investors through the investor relations information on its website.

The Company has designated the Offices of the Board of Directors/the Board of Supervisors to be responsible for enquiries received through telephone, fax, email and post. Please refer to the last page of this annual report for the Company's contact details, including telephone number, fax number, email address and registered address. The "Investor Relations" page on the Company's website (www.picc.com.cn) provides regularly updated information of the Company.

The Company is of the view that during the reporting period, the shareholders communication and investors management policy of the Company could provide effective guarantee to the exchange between the shareholders, the investors and the Company.

INDEPENDENCE OF THE COMPANY FROM CONTROLLING SHAREHOLDER AND PEER COMPETITION WITH CONTROLLING SHAREHOLDER

The Company operated in strict accordance with the relevant laws and regulations of the Company Law, the Securities Law and the requirements and standards of the Articles of Association, and established and improved the corporate governance structure of the Company. It is independent of the controlling shareholder of the Company in terms of assets, personnel, finance, organisation and business.

The MOF is the controlling shareholder of the Company. The MOF is a constituent part of the State Council. It is authorized by the State Council to exercise relevant government functions such as state finance, taxation, and management of state-owned assets. The MOF only acts as a state-owned investor to fulfill its obligation to contribute to other insurance companies. Such shareholding is not for the purpose of engaging or participating in relevant competitive businesses. Therefore, there is no peer competition between the Company and other insurance companies controlled by the MOF, a controlling shareholder.

Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

The Group is not a high pollution and high emissions enterprise. The main energy and resources consumed are water, electricity and natural gas used in the office premises, and gasoline and diesel fuel used in vehicles during the course of business, while the main emissions are exhaust and greenhouse gas emissions caused by energy consumption, solid waste and wastewater discharged from the office premises. The Company's operating activities do not have a direct and significant impact on the environment.

In 2022, the Group strictly complied with relevant laws and regulations on environmental protection and energy conservation, proactively implemented the concept of green office and low-carbon operation, issued a green and low-carbon living initiative to all employees to practice a low-carbon lifestyle. The Company reduced energy consumption and achieved the goal of green operation by replacing LED light sources, installing automatic sensor lighting, adopting water-saving appliance, adopting green energy-saving technology and implementing time-sharing operation of power system. The Company advocated electronic office, reduced the use of paper for printing and water cups, reasonably controlled the quantity of hazardous materials purchased, and effectively reduced the amount of solid waste and gas produced. During the reporting period, the Company and its principal subsidiaries were not subject to administrative penalties due to environmental issues.

The Company earnestly implemented the national "dual carbon" strategy, actively performed insurance functions, improved green and low-carbon planning, innovated and perfected the green insurance system, explored the promotion of green investment, supported the development of low-carbon economy, promoted the prevention and control of environmental pollution, protected green resources and ecological environment, and contributed to the construction of ecological civilisation.

II. SOCIAL RESPONSIBILITY PERFORMANCE

The Group is committed to serving the real economy and people's livelihood, and is determined to fulfil its political, economic and social responsibilities as a financial enterprise under the management of the PRC. In 2022, the Group proactively leveraged its strengths in risk management, thoroughly practised the new insurance logic of "underwriting + loss reduction + empowerment + claims", solidly promoted six strategic services and devoted itself to improving the level of economic and social protection for people's livelihood. In the face of sudden disasters such as the Luding earthquake in Sichuan and the Datong flash flood in Qinghai, the Group was the first to activate emergency plans for major disasters, optimized claims services for major disasters, and did its best in rescue and relief work to minimize the disaster losses of the affected people. The Group insisted on being a people's insurance company with warmth and made serving people's lives the starting and ending points of its planning and promotion work, continued to upgrade the "Heart-warming Projects" and focused on the "concerned, minor and practical matters" of customers to practically protect the rights and interests of consumers. The Company insisted on working together with its employees, vigorously promoting the spirits of model workers, labour and craftsmanship, strengthening the management of staff remuneration and benefits, attendance and leave, and social security, and continuously conducting employee care activities such as delivering care and paying visits to the employees to create a harmonious and progressive atmosphere.

For details on the implementation of social responsibilities of the Company during the reporting period, please refer to the Corporate Social Responsibility Report, the full text of which will be separately disclosed by the Company.

III. CONSUMERS' RIGHTS AND INTERESTS PROTECTION

In 2022, the Group thoroughly implemented the spirit of the Party's 20th National Congress, proactively fulfilled its political and social responsibilities as a central financial enterprise, attached great importance to the protection of consumer rights and interests, strictly implemented the relevant requirements of the CBIRC on the protection of consumer rights and interests. Combined with the problems pointed out in the regulatory circulars and the evaluation of consumer protection supervision, the Group continuously improved the institutional mechanism, further incorporated the protection of consumer rights and interests into the Group's management system, and continued to carry out various tasks such as consumers' rights and interests protection inspection, disclosure of consumers' rights and interests protection, education promotion of consumers' rights and interests protection, consumer dispute resolution, and assessment and audit of consumers' rights and interests protection.

(I) Carried out Consumer Protection Activities with the Characteristics of PICC as an Important Tool to Implement the Group's Strategy

The Group insisted on starting from the needs of customers and upholding the original mission of "People's Insurance, Serving the People". In the implementation of the Group's new development strategy, six strategic services and technological system reform, the Group put consumer rights protection into specific projects, continued to carry out the warmth project, process optimization, customer satisfaction system construction and other consumer insurance activities with the characteristics of PICC, identified the key points in the warming of insurance services, and strived to extend insurance products and services to cover people's needs, so that consumers can truly experience the practical effects of the Group's strategic transformation and feel the real warmth, thus enabling insurance to be more closely connected with the good life of the people.

(II) Further Integrated Consumer Protection into the Corporate Governance System

Firstly, the Board of Directors and the Board of Supervisors played a leading and supervisory role. The Board of Directors of the Company and the relevant subsidiaries regularly reviewed the resolutions regarding the reports on consumer protection work, annual plans, work programs and others to provide guidance on the overall consumer protection work of the Company; focused on the consumer complaints, regularly analyzes the complaint data reported by supervision channel, and submitted analysis reports to the Directors and Supervisors of the Company to motivate the subsidiaries to identify key areas and continuously carried out complaint management. The Board of Supervisors of the Company attended the meetings of the Board of Directors and special committees to effectively supervise the deliberation of consumer protection resolutions.

Secondly, implemented the main responsibility of the Company's management. The Group's consumer rights protection working group held regular meetings to coordinate the deployment of consumer protection work; the management of subsidiaries also convened relevant meetings in a timely manner to study and consider matters such as consumer protection systems, work plans, regular reports, consumer protection rectification, education and publicity, and complaint analysis.

Thirdly, accurately incorporated the work of consumer protection into the Company's operation and development. The Group coordinated and promoted the relevant subsidiaries to put emphasis on consumer protection when formulating special strategic planning and annual operation plan, so as to truly integrate consumer protection closely with the Company's operation and development; carried out the construction of the corporate culture of consumer protection, actively practiced the "To be Prominent Strategy" and the new version of corporate culture, and actively integrated the elements of consumer protection to show the Company's ability and standard of consumer protection in all aspects.

(III) Continuously Promoted the Implementation of the Consumers' Rights and Interests Protection System

In 2022, under the consumers' rights and interests protection management system of "**coordination of the Group, responsibility of the subsidiary and inter-departmental collaboration**", and in accordance with the rules and regulations of the CBIRC and its internal documents, the Group promoted the effective implementation of various consumer protection policies. **Firstly, increased the investment in resources.** The Company and its subsidiaries clearly defined the lead department for the work of consumer protection, optimized the position setting and staffing, and strengthened the budgetary support, and provided human and financial support for the promotion of consumer protection work. **Secondly, carried out assessment.** The Group incorporated the promotion of consumer rights protection into the risk compliance index system of the leadership teams of its subsidiaries, and incorporated the Net Promoter Score (NPS), a measure of customer experience, into the Group's high quality development indicators. **Thirdly, promoted the implementation of consumer protection review.** The Company promoted the standardization of the review process and coverage by its subsidiaries, and promoted the improvement of the review coverage rate and comment rate. **Fourthly, launched a comprehensive consumer protection information disclosure program.** The Company promoted the establishment and timely disclosure of material information on consumer protection, complaint information and customer service information by relevant subsidiaries in accordance with the requirements. **Fifthly, established a regular review mechanism for consumer protection.** The Company regularly conducts special reviews of its subsidiaries and some provincial branches to supervise their rectification of problems found during reviews. **Sixthly, actively carried out education and publicity activities on consumer protection.** The Group organised special activities such as the "3•15" Insurance Industry Consumer Protection Education and Publicity Week and the Joint Financial Education and Publicity Campaign, in which PICC Group and PICC P&C received commendations in the above-mentioned activities. The Group also organised subsidiaries to conduct review work based on the reports, to establish a regular education mechanism and to promote internal staff training on consumer protection, so to enhance the awareness of consumer rights protection.

(IV) Paid Great Attention to the Management of Consumer Complaints and Promoted the Effective Improvement of Complaint Data

In order to protect consumers' legitimate rights and interests and continuously reduce the occurrence of complaints, the Group promoted relevant subsidiaries to standardize the entire complaint handling process, to identify key areas of complaints, and to continuously improve complaint management capabilities. In 2022, the total number of customer complaints received by PICC P&C from regulatory referrals decreased by more than 30% over last year, the total number of customer complaints received by PICC Life from regulatory referrals decreased by more than 35% over last year, and the total number of customer complaints received by PICC Health from regulatory referrals decreased by more than 20% over last year.

IV. WORK OF CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

(I) Serve the Rural Revitalization

1. Resolutely implemented the central policy and deployment. The Company's leaders took the lead in seriously studying and carrying out the important statement of General Secretary Xi Jinping on the "agriculture, rural areas, and rural people", and have thoroughly studied and understood the spirit of the Party's 20th National Congress to ensure that the Central Committee of the Communist Party of China's guidelines remain the guideline for the thoughts and actions of PICC Group. At the beginning of the year, the Group held a timely meeting to strengthen the construction of the Group's agricultural insurance and network and to do a good job in providing targeted assistance and promoting the rural revitalization, and comprehensively deployed the key tasks of targeted assistance throughout the year. The Group anchored the target and formulated the "Guidance on continuous and in-depth services to comprehensively promote the revitalization of the village", "Work Plan to Help and Promote the Revitalization of The Village in 2022", identified 68 tasks in 5 aspects. Besides, the five-level promotion system, including the Company, subsidiaries, and branches at the provincial, municipal and county level, is progressive and interlocked to ensure that key tasks are "implemented and effective". The Group's leaders took the lead in conducting research and supervision, and achieved full coverage of research in all the targeted support counties. Wang Tingke, President of the Company, went to Huachuan County in Heilongjiang Province, Ji'an County and Le'an County in Jiangxi Province for research and study; Xiao Jianyou, Vice President of the Company, went to Liuba County in Shaanxi Province for research and study. In addition, the Group required all levels of organizations to promote the "wind of investigation and research", and nearly 20 investigation and research teams with 84 participants were dispatched to carry out project visits by all levels of organizations throughout the year.

2. Served national food safety. The Group improved insurance coverage for bulk agricultural products. In 2022, agricultural insurance provided risk coverage of RMB2.0 trillion to 69,647,000 households, and paid out RMB36.23 billion in claims, an increase of 10% over the same period last year, benefiting 20,569,000 affected households.

3. Ensured the overall stability of the main designated poverty alleviation policies. In 2022, the Group strictly implemented the requirement of the "shaking off poverty rather than responsibility, policies, assistance and supervision (四個不摘)", and provided services to promote the effective convergence between consolidating the achievements of poverty alleviation and promoting rural revitalization in the targeted areas. In 2022, the Group invested RMB44 million in helping funds and introduced RMB16 million in helping funds; directly purchased a total of RMB55.39 million of agricultural products from the poverty-stricken areas and helped sell RMB7.2 million of agricultural products from the poverty-stricken areas. The Group attached great importance to the work of selecting and assigning cadres, insisted on "selecting the best and sending the strongest", and assigned an additional deputy secretary (accredited) of the county party committee, a deputy county chief and a resident first secretary to the village.

4. Helped with the designated poverty alleviation for four counties and the concurrent advancement of five major revitalisations. **Contributed to the revitalization of the industrial industry.** The Group invested funds to support the development of rural special industries and other support projects. During the year, the Group introduced five support enterprises and helped to establish 18 support workshops, created a number of industrial projects such as Huachuan duck breeding, Ji'an cultural tourism industry research base, promoting the integrated development of primary, secondary, and tertiary industries, promoted the employment and income of farmers. **Contributed to the manpower revitalisation.** 4,614 grassroots cadres, 2,292 technicians and 2,349 rural revitalisation leaders were trained. The Group has implemented the "will and wisdom support" through training to enhance the innovative and creative entrepreneurial ability of local talents. **Helped to revitalize culture.** The Group built the Nuo Cultural Square and the Nuo Dance Theatre, and launched the series of activities of the "Joint Inspection and Enterprise, Guarding the Future" in Le'an, cultivated civilized village customs, good family customs, and simple folk customs, and improved the spiritual appearance of farmers. **Contributed to ecological revitalization.** The Group innovated the "Ecological Credit Pass", and focused its efforts on water safety, changing production and lifestyle, and improving the appearance of villages, and led the green development. **Contributed to the organizational revitalization.** The Group strengthened the co-learning and co-construction of grassroots party organizations, built 22 party branches in four counties, twinned and created 16 villages out of poverty, organised various activities nearly 15 times, and donated a total of RMB50,600.

5. Promoted continuous improvement in the quality and effectiveness of our poverty alleviation. The Group actively implemented the contents of the tripartite Strategic Cooperation Agreement entered into with the Ministry of Agriculture and Rural Affairs and the National Rural Revitalization Bureau, and explored and initiated cooperation in key areas such as ensuring the supply of food and important agricultural products, and the construction of modern rural industrial systems. The Group signed a strategic cooperation agreement with the National Development and Reform Commission and jointly promoted cost survey work. The Group deepened the depth and frequency of cooperation with grassroots governments. Units at all levels of the Group have signed strategic cooperation agreements or established cooperation mechanisms with provincial departments of agriculture and rural revitalization.

(II) Considerations for 2023

In 2023, our general work idea is to be guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly carry out the spirit of the Party's 20th National Congress, the Central Economic Work Conference and the Central Rural Work Conference, based on the "To be Prominent Strategy", continuously strengthen product innovation and precise product supply, enhance service capability and standard, explore and grasp business opportunities in the process of comprehensively promoting rural revitalization and building a strong agricultural country, ensure stable production and supply of food and important agricultural products, continuously consolidate and expand the achievements of poverty eradication, do a good job in serving rural industrial development, village construction and rural governance, and continuously strengthen the foundation of the Group's rural revitalization services.

Significant Events

I. MATERIAL LAWSUITS AND ARBITRATION

The Company had no material lawsuits or arbitration during the reporting period.

II. RELATED PARTY TRANSACTIONS

(I) Connected Transactions under the Regulatory Standards of the Hong Kong Stock Exchange

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions that are required to be reported, announced or obtain independent shareholders' approval in accordance with Chapter 14A "Connected Transactions" of the Listing Rules of the Stock Exchange.

(II) Related Party Transactions under the Regulatory Standards of the SSE

In accordance with the SSE Listing Rules and other regulatory requirements, SSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, SSF has entrusted PICC AMC to manage part of its assets. As of 31 December 2022, the assets under the management of PICC AMC were RMB9,675 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB14.1393 million. The above mentioned transactions do not constitute major related party transactions and have not yet reached the disclosure standard of related party transactions.

(III) Overall Situation of Related Party Transactions in 2022 under the Regulatory Standards of the CBIRC

During the reporting period, the types of related party transactions of the Company under the regulatory standards of the CBIRC mainly include: services, capital operation and insurance business. According to the requirements of the Administrative Measures for Related Party Transactions of Banking and Insurance Companies, the types of related party transactions between the holding subsidiaries of the Company (excluding financial institutions that have been regulated by the industry) and related parties of the Company under the standards of the CBIRC mainly include: services, capital operation and insurance business.

During the reporting period, in order to further implement the regulatory requirements and continuously improve the management of related party transactions, the Company issued notices to improve the management rules and enhance the risk control of related party transactions of the Company. The Company carried out the identification, consideration, disclosure and reporting work of related party transactions in accordance with laws and regulations, and actively cooperated with the CBIRC on the reporting of the information entry requirements of the related party transaction monitoring system. The pricing of related party transactions was in line with the fairness requirements.

III. COMMITMENTS OF THE COMPANY, SHAREHOLDERS, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OR OTHER RELATED PARTIES DURING OR CONTINUED IN THE REPORTING PERIOD

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitment in the report on changes in equity	Restriction on sale of A Shares	SSF	SSF, in respect of the shares transfer, shall fulfil the obligation of lock-up period of not less than 3 years from the date of transfer of the shares to its account.	Not less than 3 years from 26 September 2019	Yes	Yes
Commitments related to the initial public offering	Others	MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		SSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and senior management	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes

IV. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS, PENALTIES AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS

During the reporting period, the Company was not involved in any investigation of suspected commission of offences. The Company's controlling shareholders, Directors, Supervisors and senior management were not subject to any legally enforceable measures due to suspected commission of offences. The Company and its controlling shareholders, Directors, Supervisors and senior management were not subject to any criminal penalty, involved in any investigation by the CSRC or subject to any administrative penalty by the CSRC due to suspected violations of laws and regulations, or subject to any material administrative penalty imposed by other competent authorities. The Company's controlling shareholders, Directors, Supervisors and senior management were not suspected of committing serious laws or disciplinary offences or job-related crimes and being subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties. The Company's Directors, Supervisors and senior management were not suspected of violating the laws and regulations and being subject to compulsory measures by other competent authorities and affecting the performance of their duties.

The current Directors, Supervisors and senior management of the Company and those who resigned before the report date have not been punished by the securities regulatory authorities in the last three years.

V. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS DURING THE REPORTING PERIOD

During the reporting period, the Company and its controlling shareholders did not report any failure to perform the effective obligations established by legal instruments of the court, or to pay outstanding debts with a large amount when due.

VI. MATERIAL CONTRACTS

During the reporting period, the Company neither acted as trustee, contractor or lessee of other companies' assets, nor entrusted, contracted or leased its assets to other companies, the profit or loss from which accounted for 10% or more of the Company's profits for the reporting period, nor were there any such matters occur or those that occurred in previous periods but subsisted during the reporting period, and there were no other material contracts.

VII. NON-OPERATING CAPITAL ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE COMPANY

During the reporting period, the controlling shareholders and other related parties of the Company did not occupy any nonoperating capital of the Company.

VIII. EXTERNAL GUARANTEES

During the reporting period, the Company and its subsidiaries did not have external guarantees, and there were no guarantees provided by the Company and its subsidiaries to subsidiaries. As such, during the reporting period, the Company did not enter into any guarantee contracts in violation of laws, administrative regulations and the procedures for resolution of external guarantees as prescribed by the CSRC.

IX. OTHER SIGNIFICANT EVENTS

During the reporting period, the Company had no other significant events that shall be disclosed.

X. COMPLIANCE WITH LAWS AND REGULATIONS

The Company had complied with relevant laws and regulations which had significant impact on the businesses and operations of the Company in all material aspects.

I. MOVEMENTS IN ORDINARY SHARE CAPITAL

(I) Statement of Movements in Ordinary Shares

During the reporting period, there was no change in the total number of ordinary shares and the share capital structure of the Company.

Unit: Share

	31 December 2021		Change during the Reporting Period					31 December 2022	
	Number	Proportion (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Subtotal	Number	Proportion (%)
I. Shares subject to selling restriction	2,989,618,956	6.76	–	–	–	-2,989,618,956	-2,989,618,956	–	–
1. Shares held by the state	2,989,618,956	6.76	–	–	–	-2,989,618,956	-2,989,618,956	–	–
II. Shares not subject to selling restriction	41,234,371,627	93.24	–	–	–	2,989,618,956	2,989,618,956	44,223,990,583	100
1. Renminbi-denominated ordinary shares	32,508,137,627	73.51	–	–	–	2,989,618,956	2,989,618,956	35,497,756,583	80.27
2. Overseas listed foreign shares	8,726,234,000	19.73	–	–	–	–	–	8,726,234,000	19.73
III. Total number of ordinary shares	44,223,990,583	100	–	–	–	–	–	44,223,990,583	100

(II) Movements in Restricted Shares

During the reporting period, 2,989,618,956 restricted shares of the Company held by SSF were released on 26 September 2022.

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for restrictions	Restrictions released on
SSF	2,989,618,956	2,989,618,956	–	–	Transfer restrictions of MOF	26 September 2022
Total	2,989,618,956	2,989,618,956	–	–		

II. SHAREHOLDERS

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)	A Shares: 195,848; H Shares: 5,411
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of the annual report (Shareholder)	A Shares: 198,390; H Shares: 5,392

(II) Shareholdings of the Top Ten Shareholders and Top Ten Shareholders of Circulating Shares (or Shareholders Not Subject to Selling Restrictions) as at the End of the Reporting Period

Unit: Share

Shareholdings of the Top Ten Shareholders

Name of shareholder	Increase/decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	Number of shares held subject to selling restrictions	Pledged, marked or frozen shares: Status of the share	Pledged, marked or frozen shares: Number	Nature of shareholder
MOF	–	26,906,570,608	60.84		–	–	The State
HKSCC Nominees Limited	-426,986	8,702,143,375	19.68	–	–	–	Foreign legal person
SSF	-170,545,894	5,605,582,779	12.68	–	–	–	The State
Hong Kong Securities Clearing Company Limited	325,176,496	423,896,941	0.96	–	–	–	Foreign legal person
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	1,772,600	40,013,376	0.09	–	–	–	Others
Kong Fengquan	34,955,222	34,955,222	0.08	–	–	–	Domestic natural person
CITIC Securities Company Limited	18,016,975	21,690,580	0.05	–	–	–	Others
China Merchants Bank Co., Ltd. – Hua'an Anjin Flexible Allocation Hybrid Sponsored Securities Investment Fund	21,512,800	21,512,800	0.05	–	–	–	Others
China Construction Bank Corporation – Hua'an Juyou Jingxuan Hybrid Securities Investment Fund	17,708,614	17,708,614	0.04	–	–	–	Others
Qiu Jiajun	16,117,000	16,117,000	0.04	–	–	–	Domestic natural person

Unit: Share

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares: Class	Class and number of shares: Number
MOF	26,906,570,608	A shares	26,906,570,608
HKSCC Nominees Limited	8,702,143,375	H shares	8,702,143,375
SSF	5,605,582,779	A shares	5,605,582,779
Hong Kong Securities Clearing Company Limited	423,896,941	A shares	423,896,941
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	40,013,376	A shares	40,013,376
Kong Fengquan	34,955,222	A shares	34,955,222
CITIC Securities Company Limited	21,690,580	A shares	21,690,580
China Merchants Bank Co., Ltd. – Hua'an Anjin Flexible Allocation Hybrid Sponsored Securities Investment Fund	21,512,800	A shares	21,512,800
China Construction Bank Corporation – Hua'an Juyou Jingxuan Hybrid Securities Investment Fund	17,708,614	A shares	17,708,614
Qiu Jiajun	16,117,000	A shares	16,117,000
Details of Securities Account Designated for Share Repurchase of the Top Ten Shareholders	Not applicable		
Details of the Abovementioned Shareholders' Entrusting of Voting Rights, Entrusted Voting Rights, and Waiver of Voting Rights	Not applicable		
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies		
Details of Preferred Shareholders with Restored Voting Rights and the Number of Shares Held by Them	Not applicable		

Notes:

1. As of 31 December 2022, in addition to 5,605,582,779 A Shares held by SSF, it also holds 524,710,000 H Shares, of which 524,279,000 H Shares are managed through the overseas manager Invesco Hong Kong Limited, and 431,000 H Shares are managed through other overseas managers.

2. HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participants. Relevant regulations of the Hong Kong Stock Exchange do not require such persons to declare whether their shareholdings are pledged or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged or frozen.

3. The shares under Hong Kong Securities Clearing Company Limited are held by the shareholders of the Shanghai Stock Connect.

III. CONTROLLING SHAREHOLDER

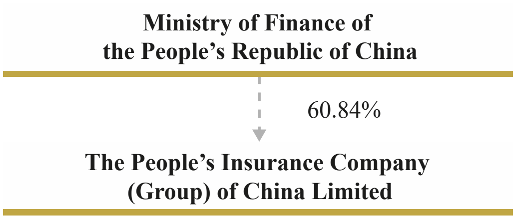
(I) Legal Person

MOF is the controlling shareholder of the Company. MOF was established in October 1949. It is a constituent part of the State Council. It is authorised by the State Council to exercise relevant government functions such as state finance, taxation, and management of state-owned assets. The head of MOF is Liu Kun, and its address is No.3, Nansanxiang, Sanlihe, Xi Cheng District, Beijing.

According to the publicly available information, MOF directly holds more than 5% of the issued shares of the following other domestic and overseas listed companies:

			Percentage of equity interest of the Company	
Name of company	**Short name of the stock**	**Stock code**	**Percentage**	**Point of time**
Industrial and Commercial Bank of China Limited	Industrial and Commercial Bank	601398.SH	31.14%	As of 30 September 2022
Agricultural Bank of China Limited	Agricultural Bank	601288.SH	35.29%	As of 30 September 2022
Bank of Communications Co., Ltd.	Bank of Communications	601328.SH	23.88%	As of 30 September 2022
China Cinda Asset Management Co., Ltd.	China Cinda	01359.HK	58.00%	As of 30 June 2022
China Reinsurance (Group) Corporation	China Reinsurance	01508.HK	11.45%	As of 30 June 2022

(II) Block Diagram of Property Rights and Controlling Relations between the Company and Controlling Shareholder



IV. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES

SSF is a corporate shareholder of the Company holding more than 10% of the shares. SSF was established in August 2000 and the organisation code is 12100000717800822N. Its registered capital is RMB8 million and the legal representative is Liu Wei. The aim and business scope are to manage and operate social security funds and promote the development of social security undertakings. It is entrusted in managing and operating the National Social Security Fund; centralised holding and managing transferred state-owned entrusted equity from central enterprises; managing and operating the National Social Security Fund of basic pension insurance entrusted funds; regular disclosing operation situation for fund income and expenditure, management and investment.

V. INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As far as the Directors of the Company are aware, as at 31 December 2022, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of shareholder	**Capacity**	**Number of A Shares**	**Nature of interests**	**Percentage of total issued A Shares**	**Percentage of total issued shares**
MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
SSF	Beneficial owner	5,605,582,779	Long position	15.79%	12.68%

Name of shareholder	**Capacity**	**Number of H Shares**	**Nature of interests**	**Percentage of total issued H Shares**	**Percentage of total issued shares**
BlackRock, Inc. *(Note 1)*	Interest of controlled corporation	780,018,041	Long position	8.94%	1.76%
		4,493,000	Short position	0.05%	0.01%
SSF	Beneficial owner	431,000	Long position	0.005%	–
Invesco Hong Kong Limited *(Note 2)*	Asset manager	524,279,000	Long position	6.01%	1.19%

Notes:

1. HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participants. Relevant regulations of The Stock Exchange of Hong Kong Limited do not require such persons to declare whether their shareholdings are pledged or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged, marked or frozen.

2. Invesco Hong Kong Limited manages 524,279,000 H Shares as an overseas manager, and the beneficial owner of such 524,279,000 H Shares is SSF.

Save as disclosed above, as at 31 December 2022, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance.

The Board presents its report and audited financial statements of the Company and its subsidiaries for the year ended 31 December 2022. During the reporting period, there have been no significant changes to the scope of the Company's principal activities.

I. BUSINESS REVIEW

A review of the Group's business during the year, description of future business development, and description of possible risks and uncertainties that the Group may face, are set out in the sections headed Vice Chairman and President's Statement and Management Discussion and Analysis of this annual report. The risk management policies of the Group are set out in the section headed Corporate Governance Report of this annual report. The Management Discussion and Analysis also contains business overview and performance analysis of the Group, using financial key performance indicators to analyse the Group's performance during the year. Events which happened subsequent to the balance sheet date and have a significant effect to the Company are set out in Note 52 "Event After the Reporting Period" to the consolidated financial statements of this annual report. In addition, descriptions of the environmental protection policies of the Group, relationship with major customers and employees and compliance with relevant laws and regulations which have significant effect to the Group, are set out in the Corporate Social Responsibility Report of the Company and the sections headed Report of the Board of Directors and Significant Events of this annual report.

II. ENVIRONMENTAL ISSUES

During the reporting period, the Group continued to comply with and continuously promoted a number of related measures involving energy use, emission treatment and environmental changes, consistently implementing a range of environmentally-friendly policies across the Group. The Group strove to reduce the consumption of paper, water and electricity resources; implemented energy conservation management measures to achieve a reduction in greenhouse gases emission, conducted separate treatment of sewage, domestic waste and various types of waste generated in the office process, and followed the management principle of waste classification, to achieve recycling of resources. In accordance with regulatory requirements, the Company will issue its 2022 Corporate Social Responsibility Report, which specifies the Group's performance of social responsibilities (including environmental and social governance).

III. PRINCIPAL ACTIVITIES

The Company is a leading large-scale integrated insurance financial group in the PRC engaging in P&C insurance business, life and health insurance business and asset management business through its subsidiaries.

IV. FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

1. According to the Articles of Association, the basic principle of profit distribution of the Company is that the Company will implement a sustainable and stable dividend distribution policy. The Company's dividend distribution shall emphasize on reasonable investment return to investors while taking into account sustainable development of the Company. Subject to continuous profitability, regulatory compliance and normal operation and long-term development of the Company, priority shall be given to cash dividends for distribution.

2. According to the Articles of Association, the details of profit distribution policy of the Company are:

Firstly, form of profit distribution: The Company shall distribute profits to its shareholders in proportion to their respective shareholdings, either in cash, stock or a combination of both. Priority shall be given to cash dividends for distribution if the conditions for cash dividends are met. The Company shall, in principle, distribute profits once a year. Where conditions allow, the Company may distribute interim dividends.

Secondly, specific conditions and ratio of cash dividend distribution of the Company: No profit shall be paid to shareholders for any year if the solvency of the Company fails to meet the regulatory requirements. Except in special circumstances, the Company shall distribute dividends mainly in cash if the normal operations of the Company are not affected, provided that the net profit for the year, the accumulated and undistributed profit and the capital reserve at the end of the year are positive. Special circumstances include: the Company has significant investment plans or otherwise incurs major cash expenses; its solvency falls below the requirements of regulatory authorities including the State Council's insurance regulatory body; the regulatory authorities such as the State Council's insurance regulatory body take regulatory measures to impose restrictions on the Company's distribution of cash dividends; other circumstances that are not suitable for distribution of cash dividends. The profit distribution plans of the Company will be formulated by the Board of the Company based on factors including the current solvency margin ratio, business development and demand, operating results and shareholders' return of the Company and its subsidiaries. Taking into consideration the factors above and subject to the prevailing laws, regulations and regulatory requirements in effect, the distributed profits in the form of cash each year shall be no less than 10% of the distributable profits of the same year. The Company may also distribute interim dividends in the form of cash in view of the profitability of the Company. The plans shall be implemented subject to submission to and approval by the shareholders' general meeting of the Company following consideration by the Board.

Thirdly, conditions for distribution of share dividends by the Company: Where the operating income of the Company grows rapidly and the Board considers that the share price of the Company does not reflect the scale of its share capital, the Company may propose and execute a share dividend distribution proposal in addition to payment of the cash dividend distribution above taking into account factors such as the share price, scale of share capital and other circumstances of the Company.

Fourthly, the Board of the Company shall take into full account various factors, such as features of the industries in which the Company operates, the stage of its development, its own business model, profitability and whether there are significant capital expenditure arrangements, and put forward differentiated cash dividend policies in accordance with the procedures as required by the Articles of Association.

3. According to the Articles of Association, approval procedures for profit distribution of the Company are:

Firstly, when determining a profit distribution plan, the Board of the Company shall carefully consider and prove, among other factors, the timing, conditions and minimum ratio of cash dividend distribution, the conditions for adjustments and the requirements of the procedures for decision-making. The Independent Non-executive Directors shall provide specific opinions in relation to the above. The Independent Non-executive Directors may seek the opinion of the minority shareholders, devise a dividend distribution proposal accordingly and submit the same directly to the Board for consideration. Prior to the consideration of the specific cash dividend distribution plan by the shareholders at a general meeting, the Company shall communicate and exchange ideas through multiple channels with shareholders (in particular, the minority shareholders), attentively consider the opinions and requests of the minority shareholders and give timely response to the issues that concern them. The Board of Supervisors of the Company shall supervise the formulation and decision-making procedures by the Board of the profit distribution plan of the Company.

Secondly, where the Company has satisfied conditions for cash dividend distribution but has not prepared any cash dividend plan, or the profit distributed by the Company in cash is less than 10% of the distributable profits realised by it for that year, the Board shall give specific reasons for not distributing cash dividends, the exact purpose for the retained profits of the Company and the estimated investment return, and submit to the shareholders' general meeting for consideration after the Independent Non-executive Directors have expressed their opinions, and disclosure shall be made in the media designated by the Company. The Company shall provide access to online voting platforms for the shareholders.

4. Profit distribution plans in the recent three years are as follows:

Unit: RMB million

Year of profit distribution	Number of bonus shares for every 10 shares (share)	Cash dividends per 10 shares (tax inclusive, RMB)	Number of conversion for every 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements for the year of dividend distribution	Proportion in net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements (%)
2022	–	1.66	–	7,341	24,477	30.0
2021	–	1.64	–	7,253	21,476	33.8
2020	–	1.56	–	6,899	20,036	34.4

The retained undistributed profits of the Company are mainly for the purpose of strengthening the built-in capital retained to meet the capital complementing requirements and to promote sustainable development of the Group, but it is not yet certain as to the expected revenue position.

5. Profit distribution proposed for 2022

The Company's profit distribution emphasises reasonable investment return to investors. Stability and continuity of the profit distribution policy have been maintained. The specific ratio of cash dividend distribution has taken into full account various factors, such as business development and demand, operating results and shareholders' return of the Company and its subsidiaries, as well as the characteristics of the equity and financial structure of the two-level legal persons of the Group. The Company formulated the profit distribution plans based on the operating strategy and the needs of business development of the Group.

According to the profit distribution plan for 2022 approved by the Board on 24 March 2023, after the statutory surplus reserve is drawn according to 10% of the net profit in the parent company's financial statements in 2022, it is proposed to distribute a cash dividend of RMB1.66 (tax inclusive) for every ten shares, with a total distribution of RMB7.341 billion, on the basis of 44,223,990,583 shares in issue. The profit distribution ratio for the year was 30.0%. The profit distribution plan for 2022 shall become effective upon the approval of the shareholders' general meeting.

Independent opinion issued by Independent Non-executive Directors: The Company's profit distribution emphasizes reasonable investment return to investors. Stability and continuity of the profit distribution policy have been maintained. The specific ratio of cash dividend distribution has taken into full account various factors, such as business development and demand, operating results and shareholders' return of the Company and its subsidiaries, as well as the characteristics of the equity and financial structure of the two-level legal persons of the Group. The profit distribution is in line with the operating strategy and the needs of business development of the Group and therefore the cash dividend distribution plan is agreed. The profit distribution does not prejudice the interests of shareholders, especially minority shareholders, and complies with relevant laws, regulations and the Articles of Association. It is legal and valid.

6. Withholding and paying income tax on the dividends paid for overseas individual shareholders and non-resident enterprise shareholders

Pursuant to the Individual Income Tax Law of the People's Republic of China, the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China, the Notice of the State Administration of Taxation on the Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Announcement of the State Administration of Taxation on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35 [2019] of the State Administration of Taxation), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay income tax on the dividends paid including individual income tax for the individual shareholders and enterprise income tax for non-resident enterprise shareholders in respect of the dividends to be distributed to them. For the details of withholding and paying income tax on the dividends paid for individual shareholders and non-resident enterprise shareholders, the Company will disclose separately in the circular of the general meeting.

V. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES

Please refer to Notes 2 and 3 to the consolidated financial statements of this annual report for the accounting policies, changes in the accounting estimates of the Group during the reporting period.

VI. FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the past five years to the end of the reporting period is set out in the section headed Financial Highlights and Operating Highlights of this annual report.

VII. BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the buildings, equipment and investment properties of the Group during the year are set out in Notes 27 and 26 to the consolidated financial statements of this annual report respectively. As at 31 December 2022, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules of the Stock Exchange) exceed 5%.

VIII. SHARE CAPITAL

Changes in the share capital of the Company in 2022 and the share capital of the Company as of 31 December 2022 are set out in the section headed Movements in Ordinary Shares and Shareholders of this annual report.

IX. PRE-EMPTIVE RIGHTS

During the reporting period, pursuant to relevant laws of the PRC and the Articles of Association, the shareholders of the Company had no pre-emptive rights, and the Company did not have any share option arrangement.

X. REPURCHASE, DISPOSAL AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not repurchase, dispose of or redeem any listed securities of the Company or its subsidiaries during the reporting period.

XI. RESERVES

Details of reserves of the Group are set out in Note 42 to the consolidated financial statements, and the consolidated statement of changes in equity of this annual report.

XII. DISTRIBUTABLE RESERVES

As of 31 December 2022, the distributable reserves of the Company amounted to RMB7,417 million.

XIII. CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in 2022 were RMB46.21 million, of which the donations made by the Company were RMB0.75 million.

XIV. EQUITY-LINKED AGREEMENT

During the reporting period, the Company did not enter into any equity-linked agreement.

XV. MAJOR CUSTOMERS AND EMPLOYEES

During the reporting period, the Company or its subsidiaries had no individual customer with premium income exceeding 5% of the annual premium income of the Group. The contribution of the Company's business of any single customer is insignificant to the overall business of the Company. Premium income from the top five customers accounted for not more than 30% of the total premium income of the Group this year, and there are no connected persons of the Company among the top five customers. In order to maintain the Company's stable development in the long run, the Company values its relationship with all customers and employees. The Company's business and financial status do not depend on individual customer and employee.

For details of the employees, please refer to the section headed Directors, Supervisors, Senior Management and Employees of this annual report.

XVI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographies of the Directors, Supervisors and senior management of the Company are set out in the section headed Directors, Supervisors, Senior Management and Employees of this annual report. Details of day-to-day work of the Board, the list of Directors of the Company and changes in Directors are set out in the section headed Corporate Governance Report of this annual report.

XVII. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

During the reporting period, none of the Directors and Supervisors of the Company entered into any service contracts with the Company or its subsidiaries which could not be terminated within one year and without payment of compensation other than statutory compensation.

Details of the remuneration of the Directors and Supervisors of the Company are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

XVIII. HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company during the reporting period are set out in Note 14 to the consolidated financial statements of this annual report.

XIX. INDEMNITY FOR DIRECTORS

During the year and up to the date of this report, there had been no permitted indemnity provision nor permitted indemnity provision that remained effective for the benefits of Directors or directors of subsidiaries of the Company. The Company had purchased insurance as appropriate for Directors against legal liabilities arising from performance of their duties. Such insurance policies are governed by PRC laws.

XX. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the reporting period, none of the Directors or Supervisors of the Company and their connected entities had any material interest, whether directly or indirectly, in transactions, arrangements or contracts of significance of the Company and its subsidiaries signed with external parties.

XXI. MANAGEMENT CONTRACTS

During the reporting period, the Company did not sign any management contracts with respect to any or principal business of the Company.

XXII. CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

During the reporting period, the Company and its subsidiaries did not sign any contracts (including those contracts of significance for the provision of services) with the controlling shareholder.

XXIII. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN SHARES

No Directors, Supervisors and senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required, pursuant to Section 352 of the Securities and Futures Ordinance of Hong Kong, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

XXIV. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the reporting period, the Directors and Supervisors of the Company had no direct or indirect interests in businesses that compete or might compete, either directly or indirectly, with the business of the Company.

XXV. PUBLIC FLOAT

Based on the public information and to the knowledge of the Directors, as of the latest practicable date prior to the printing of this annual report, the Company has maintained the public float required by the Listing Rules of the Stock Exchange.

XXVI. CONNECTED TRANSACTIONS

During the reporting period, the Company had no connected transactions required to be disclosed pursuant to Chapter 14A of the Listing Rules of the Stock Exchange. Please refer to Note 48 to the consolidated financial statements of this annual report for particulars of the related party transactions defined under domestic laws and accounting standards of the PRC; such transactions are not connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules of the Stock Exchange.

XXVII. CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed Corporate Governance Report of this annual report.

XXVIII. AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements for this year. The composition, roles and the summary of work undertaken by the Audit Committee are set out in the section headed Corporate Governance Report of this annual report.

XXIX. AUDITOR

According to the relevant regulations of the MOF on the term of consecutive engagement of the same accounting firm by a financial enterprise, Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Company's former domestic auditor, and Deloitte Touche Tohmatsu, the Company's international auditor, have reached the maximum service period in 2020. As considered and approved by the 2019 annual general meeting, the Company engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor) as the Company's financial reporting auditors for the year 2021 under the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

As considered and approved by the 2021 annual general meeting, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor) were appointed during the year as the Company's financial reporting auditors for the year 2022 under the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Save as disclosed above, the Company did not change the auditors in the past three years.

By order of the Board
Wang Tingke
Vice Chairman, Executive Director

Report of the Board of Supervisors

In 2022, the Board of Supervisors and all members of the Company have, in accordance with the policies of the CPC Central Committee and the decisions of the Party Committee of the Group, the requirements of laws, regulations, regulatory requirements and the Articles of Association, focusing on promoting the Group's "To be Prominent Strategy" and the overall work requirements of the Company, earnestly fulfilled duties of supervision, which effectively safeguarded the interests of the shareholders, the Company and the employees and other stakeholders.

I. PERFORMANCE OF THE BOARD OF SUPERVISORS

(I) Organising and Convening Supervisors' Meetings in Accordance With the Law

During the year, the Board of Supervisors convened seven meetings and considered and received 49 resolutions. Among which, 18 resolutions were considered and approved, including the Resolution on Evaluation Report for Performance of Duties of the Board of Directors, the Management and its Members in 2021, the Resolution on Evaluation Report for Performance of Duties of the Supervisors in 2021, the Resolution on the Work Report of Board of Supervisors for 2021, the Resolution on Relevant Report of 2021 Final Financial Accounts, the Resolution on Profit Distribution in 2021, the Resolution on the A Shares and H Shares Periodic Report in 2021, the Resolution on Internal Control Evaluation Report and Audit Related Report of Utilisation of Insurance Funds for 2021, the Resolution on 2021 Corporate Social Responsibility Report, the Resolution on Solvency Reports of the Group for 2021, the Resolution on Internal Control Evaluation Report of the Group in 2021 (and the Corporate Governance Report in 2021: Part III "Internal Control Evaluation" and Internal Control Audit Report), the Resolution on Risk Evaluation Report of the Group for 2021, the Resolution on the First Quarterly Report of A Shares and H Shares in 2022, the Resolution on Engagement of Accounting Firms in 2022, the Resolution on the Evaluation Report on the Implementation of Development Plan of the Group in 2021, the Resolution on the Interim Periodic Report of A Shares and H Shares in 2022, the Resolution in relation to the Solvency Report of the Group for the First Half of 2022, the Resolution on the Third Quarterly Report of A Shares and H Shares in 2022 and the Resolution on the Election of the Members of the Duty Performance and Due Diligence Supervision Committee of the Fourth Session of the Board of Supervisors of the Company. In addition, the Board of Supervisors studied and received 31 resolutions on operation, finance, internal control, risk and compliance of the Company.

When studying, considering and receiving relevant resolution reports, the Board of Supervisors seriously discussed matters of concern, formed advice and suggestions and gave feedback to the Board and management.

During the year, in accordance with the requirements of the responsibilities, the Duty Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee of the Board of Supervisors held two meetings and six meetings, respectively, to provide advice on relevant resolutions and report to the Board of Supervisors. The Board of Supervisors also convened five special meetings, received the reporting of external auditors on the audit and review of financial report, as well as internal control, and set up regular communication mechanism with four supervision department, namely the risk department, compliance department, audit department and inspection office, sharing work information and discussing risk exposure existed in the Company's operation and development.

(II) Attending Shareholders' General Meetings and Relevant Meetings of the Board and Management

During the year, the Company convened 2 shareholders' general meetings and 8 Board meetings (including 7 on-site meetings). All Supervisors attended the shareholders' general meetings, on-site Board meetings, supervising the form, procedures and content of convening of the meetings as well as the performance of duties of Directors, etc. The Board committees convened 25 meetings (including 21 on-site meetings), and the Company also convened 7 resolution communication meetings. The Board of Supervisors delegated Supervisors to attend on-site meetings, to keep aware of and understand the background, decision-making procedures, content of resolutions regarding major matters of operation and management of the Company, and put forward relevant opinions and recommendations. In addition, the members of the Board of Supervisors also attended meetings in operation and management, such as the annual work meeting and semi-annual work meeting, financial and accounting work meetings, strategic seminars of the Company, conducted oversight on decision-making process and the performance of duties by the Board.

(III) Performing Supervision Duties such as Performance Supervision, Financial Supervision and Development Planning Supervision

During the year, in accordance with laws and regulations, regulatory requirements of the insurance industry and listed companies, as well as the Articles of Association and other relevant provisions, the Board of Supervisors upheld the target of promoting sustainable and healthy development of the Company, focused on major risks as the main work idea. proactively carried out supervision work in aspects such as performance of duties, finance, development planning, internal control, compliance, risk, internal audit, related party transactions, information disclosure, and protection of consumer rights and interests.

Performance supervision. In terms of daily supervision, the Board of Supervisors continuously pays attention to the Company's operation and management through participating in management meetings, studying and reviewing documents related to the Company's operation and management, considering and receiving resolutions and conducting research, etc., continuously pays attention to the performance of duties of the Board of Directors by reviewing resolutions of the Board meetings, and attending relevant Board meetings, and supervises the compliance of the work of the Board of Directors and management. In terms of performance supervision, the Board of Supervisors conducted evaluation of the performance of the Board, management and its members, and formed a supervision and evaluation report of the Board and management, and its opinions on the supervision and evaluation of Directors and senior management. The Board of Supervisors believed that the Board of the Company strictly abided by the laws and regulations, regulatory requirements in the industry, domestic and overseas listing rules and regulations of stock exchanges in 2022, operated in compliance with laws and regulations, and earnestly fulfilled the duties stipulated in the Articles of Association. All Directors earnestly performed and fulfilled their duties in compliance with laws and regulations in 2022, and their annual appraisals of performance were all "competent". Under the leadership of the Party Committee and the decision-making and guidance of the Board of the Company, the management of the Company strictly abided by the Articles of Association and the Proposal for Delegation of the Board of the Group Company to the Management in 2022, and carried out relevant operation and management in compliance with laws and regulations. All senior management duly and diligently performed their duties in compliance with laws and regulations in 2022.

Financial supervision. The Board of Supervisors considered or received resolutions relating to the Company's finance, paid attention to the budget and final account of the Group, continuously tracked the performance of the Company, and conducted serious research and analysis of the Company's annual, interim and quarterly results, paid attention to the Group's investment and financing, the changes in major financial and business indicators of the Group and major subsidiaries, and put forward opinions and recommendations from the perspective of compliance and risk resistance.

Development planning supervision. The Board of Supervisors reviewed the Evaluation Report on the Implementation of Development Plan of the Group in 2021, and reminded on the issues in existence in the process of promoting the implementation of the Group's strategies by relevant subsidiaries. Supervisors continued to pay attention to the transformation and development of the subsidiaries of the Group and the progress of strategic projects by participating in business analysis meetings and conducting research, tracking the promotion and implementation of strategic planning, and putting forward opinions and recommendations.

Internal control supervision. The Board of Supervisors continuously understood the effectiveness of the Company's internal control, paid attention to existing internal control deficiencies, and put forward rectification recommendations by reviewing and receiving the Company's 2021 internal control evaluation report, internal control evaluation report and audit related report of utilisation of insurance funds, receiving the report of external auditors, and tracking the rectification of internal control audit.

Risk management supervision. The Board of Supervisors continued to pay close attention to the Company's overall risk management condition, paid close attention to the significant risks exposed to the Company and the effectiveness of risk management, paid attention to the reputation risk management condition, and making relevant recommendations by reviewing the risk evaluation report of the Company for 2021 and receiving the risk evaluation report for the first half of 2022. The Board of Supervisors held special meetings of the Board of Supervisors quarterly to understand the Group's risk management and timely grasp the effectiveness of the Group's risk management.

Internal audit guidance and supervision. The Board of Supervisors received the internal audit work report and reports on categorization, analysis and rectification of issues identified in the audit, discussed on the rectification of issues concerned by the Board of Supervisors, regularly communicated with the audit department, guided and put forward advice and suggestions through special meetings of the Board of Supervisors and other forms.

Supervision on compliance and related party transactions. The Board of Supervisors continuously tracked the major compliance risks exposed to the Company and the performance of compliance management responsibilities by the Board of Directors and management by reviewing the Company's annual compliance report, convening special meetings to receive reports from functional departments; grasped the Company's related party transactions and their management, and continued to pay attention to the compliance and price fairness of related party transactions by receiving overall situation of related party transactions in the year, internal transaction evaluation reports, special audit results reports on related party transactions, and resolutions on major related party transactions.

Supervision on information disclosure, protection of consumers' rights and interests, etc. The Board of Supervisors abided by regulatory requirements, continued to supervise the Company's information disclosure and regularly received reports from functional departments on information disclosure; continued to pay attention to the implementation of relevant systems and mechanisms for the protection of consumers' rights and interests of the company, and regularly reviewed the reports of functional departments on the protection of consumers' rights and interests; paid attention to the Company's fund utilization, anti-fraud of insurance, solvency management, salary revaluation, consolidated management and others, conducted supervision through reviewing the resolutions of the Board of Supervisors, communication meetings with Directors and Supervisors regarding resolutions, and convened special meetings of the Board of Supervisors, and put forward opinions and recommendations.

(IV) Performing Special Research

During the year, the Board of Supervisors of the Company conducted special research on the "main investment services" with the boards of Supervisors of PICC Life and PICC AMC. The scope of the research involves relevant functional departments of the Company, subsidiaries in the insurance and investment sectors and external auditors. It provided in-depth understanding and analysis from the perspective of the Board of Supervisors, formed a research report, and puts forward advice to the Board of Directors and management for the reference.

(V) Promoting the Construction of the Board of Supervisors

During the year, the Board of Supervisors continued to strengthen its own organisation, structure and capacity, so that the performance of the Board of Supervisors can be standardised and professionalised to fully play its role in corporate governance.

Firstly, it carried out organizational construction. According to the election results of the employees representative meeting, it completed relevant matters related to the change in employee Supervisors and the change in members of the Duty Performance and Due Diligence Supervision Committee in accordance with the law and regulations.

Secondly, it formulated guidance documents to strengthen the performance of the Board of Supervisors. It studied and formulated the Opinions of The People's Insurance Company (Group) of China Limited on Strengthening the Performance of the Board of Supervisors, and distributed it for implementation throughout the system to guide and standardize the operation of the Board of Supervisors on a systematic basis.

Thirdly, it further strengthened and standardized the performance of duties by the special committees. It clarified that the special meeting of the Board of Supervisors should be held on-site in principle, further standardized the forms of reporting of their opinions, and promoted the special meetings to better play a supportive role.

Fourthly, it improved and implemented the supervisory mechanism of the Board of Supervisors. It established a communication mechanism among the Company's internal supervision functional departments, held special meetings of the Board of Supervisors on a quarterly basis, and communicated and exchanged supervision information with the functional departments; it implemented a special research mechanism, and cooperated with the boards of supervisors of relevant subsidiaries to carry out special researches on the investment sector; it implemented the coordination mechanism of Board of Supervisors systematically and convened coordination meetings of the board of supervisors under PICC Group; it adhered to the regular communication mechanism with external auditors, held multiple special meetings to receive audit reports and management advice, and urged external auditors to improve the quality of their work.

Fifthly, it continuously strengthened professional capabilities. It organised Supervisors to actively participate in trainings organised by external institutions such as the IAC and China Association for Public Companies, as well as various internal trainings organised by the Company, to strengthen communications with peers and improve their ability to performance of duties.

(VI) Supervision on the Performance of Duties of the Supervisors

It improved the performance documents of the Supervisor and kept records of daily performance. Abided by regulatory requirements, it completed the performance evaluation of the Supervisors of 2021, among which, the performance evaluation results of full-time Supervisors and employee Supervisors were as a reference for the annual performance evaluation of the employees of the Company; it incorporated the annual due diligence of Supervisors into the Report of the Board of Supervisors of 2021, report to the shareholders' general meeting, and submitted the performance evaluation results of Supervisors to the CBIRC.

II. WORK PERFORMANCE OF THE SUPERVISORS

Based on the attendance of all members of the Board of Supervisors in the shareholders' general meetings, meetings of the Board of Supervisors and the meetings of its committees, their attendance in the Board meetings and the meetings of its committees, the participation in special communication meetings organised by the Board of Supervisors, provision of advice and recommendations on such resolutions and matters, the Board of Supervisors is of the view that during the year 2022, the performance of all members of the Board of Supervisors (including resigned Supervisors) has met the requirements of laws and regulations, such as the Company Law, and the Articles of Association and other internal rules and policies. The Board of Supervisors also believes that members are able to perform the duties as Supervisors earnestly and diligently in compliance with laws and regulations to actively facilitate the high-quality development of the Company and effectively safeguard the interests of the shareholders, the Company, employees and other stakeholders. The annual appraisals of performance of all Supervisors (including resigned Supervisors) were "competent".

III. INDEPENDENT OPINIONS DELIVERED BY THE BOARD OF SUPERVISORS WITH RESPECT TO RELEVANT MATTERS

(I) Operation of the Company in Accordance with the Law

The Board of Supervisors believes that during the reporting period, the Company operated in accordance with the laws, the operating activities of the Company complied with the provisions of the Company Law and the Articles of Association, the decision making procedures of the Board and the management were legal and effective, the Directors and senior management were loyal, diligent and faithful in the course of business operation and management, and no behaviour was found to be in violation of laws or regulations which would damage the interests of the shareholders and the Company.

(II) Facts about the Financial Statements

The annual financial statements of the Company are true and objective presentation of the financial position and operating results of the Company. The financial report of the Company for the year 2022 has been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers respectively in accordance with the corresponding independent auditing standards, which have issued audit reports with standard unqualified opinions.

(III) Material Investments and Significant Financing

The Company had no material investments or significant financing during the reporting period.

(IV) Related Party Transactions

During the reporting period, the related party transactions of the Company were fair and reasonable and no damages to the interests of the shareholders or the benefits of the Company were found.

(V) Review of Internal Control Report

During the reporting period, the management of the Company attached great importance to the construction of an internal control system. The Company established a complete, reasonable and effective internal control system, which enhanced the level of internal control management. The Board of Supervisors considered the Internal Control Evaluation Report of the Company for the Year 2022 and had no objection to such report.

(VI) Implementation of Resolutions adopted at the Shareholders' Meetings and Resolutions of the Board and the Board of Supervisors

During the reporting period, the members of the Board of Supervisors attended all the shareholders' meetings and all Board meetings, and had no objection to the contents of resolutions submitted by the Board to the shareholders' meetings for consideration. The Board of Supervisors supervised the implementation of resolutions adopted at the shareholders' meetings, and considered that the Board was able to implement the relevant resolutions earnestly. The Board of Supervisors supervised the implementation of resolutions and proposals of the Board and the Board of Supervisors, and considered that the management was able to implement the relevant resolutions and opinions earnestly.

Our consolidated financial statements set forth in our annual report are prepared in accordance with the relevant accounting standards. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under the relevant accounting standards, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as at the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of one year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Ernst & Young (China) Advisory Limited, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as at 31 December 2022, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended 31 December 2022, on a range of assumptions. Copies of consulting actuaries' review reports are included in our annual report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of one year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of one year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

Ernst & Young (China) Advisory Limited ("EY", "we" or "our") has been entrusted by PICC Life Insurance Company Limited ("PICC Life", the "company") to review its valuation of embedded value as at 31 December 2022. This report is prepared and to be enclosed in the 2022 annual report of the People's Insurance Company (Group) of China Limited. It summarizes EY's work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of one year's new business as at 31 December 2022;
- Review the assumptions used in the valuation of embedded value and value of one year's new business as at 31 December 2022;

- Review the various valuation results of the embedded value as at 31 December 2022, i.e. the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2021 to 31 December 2022 and the sensitivity tests results of value of in-force business and value of one year's new business under alternative assumptions;

- Review the breakdown of value of one year's new business as at 31 December 2022 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review in accordance with the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* ("Valuation Guidance") issued by the China Association of Actuaries ("CAA") in November 2016.

In the process of performing review and preparing this report, we relied on the accuracy and completeness of audited and unaudited data and information provided by PICC Life without independent verification. Where possible, we have reviewed the reasonableness and consistency of the data based on our understanding of insurance industry and PICC Life. Our review opinion herein this report is based on the accuracy and completeness of the data and information provided by PICC Life.

The calculation of embedded value involves expectations and assumptions regarding future experience to a great extent in terms of business operating performance, investment performance, and other economic and financial assumptions, many of which are beyond the company's control. Therefore, the actual results of operation in the future may deviate from the valuation results.

This report is addressed solely to PICC Life in accordance with the engagement letter signed by PICC Life and us. We have agreed that PICC Life provides the review opinion report to the People's Insurance Company (Group) of China Limited to be disclosed in its 2022 annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Life meets the requirements of the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* issued by China Association of Actuaries in November 2016;

- The economic assumptions adopted by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;

- The operating assumptions adopted by PICC Life have taken into account the company's historical experience and the expectation of future performance; and

- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

Zhenping Fu	**Jia Zhang**
FSA, FCAA	**FSA, FCAA**

EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED AS AT 31 DECEMBER 2022

1. DEFINITION AND METHODOLOGY

1.1. Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the adjusted net worth and value of in-force business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;

- **Value of In-Force Business ("VIF"):** this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- **Cost of Required Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- **Value of One year's New Business ("V1NB"):** this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of one year's new business.

1.2. Methodology

China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Life has determined the embedded value and the value of one year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

PICC Life has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of one year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business calculated by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section PICC Life has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

2.1. Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 31 December 2022 and 31 December 2021 (Unit: RMB Million)

	31/12/2022	31/12/2021
Risk Discount Rate	**10.0%**	10.0%
Adjusted Net Worth	**70,257**	74,859
Value of In-Force Business before CoC	**45,953**	46,506
Cost of Required Capital	**(12,437)**	(9,934)
Value of In-Force Business after CoC	**33,516**	36,572
Embedded Value	**103,772**	111,431

Note: Figures may not add up to total due to rounding.

Table 2.1.2 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2022 and 31 December 2021 (Unit: RMB Million)

	31/12/2022	31/12/2021
Risk Discount Rate	**10.0%**	10.0%
Value of One year's New Business before CoC	**4,645**	4,922
Cost of Required Capital	**(1,976)**	(1,696)
Value of One year's New Business after CoC	**2,669**	3,227

Note: Figures may not add up to total due to rounding.

2.2. Results by Distribution Channels

The results of the value of one year's new business by distribution channel as at 31 December 2022 and 31 December 2021 are summarized in the table below.

Table 2.2.1 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2022 and 31 December 2021 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	**Bancassurance**	**Individual insurance agent**	**Group sales**	**Total**
Value of One year's New Business after CoC (2022)	**549**	**2,071**	**49**	**2,669**
Value of One year's New Business after CoC (2021)	127	2,999	101	3,227

Note: Figures may not add up to total due to rounding.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2022.

3.1. Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of one year's new business.

3.2. Rate of Investment Return

A 5% p.a. investment return assumption has been used.

3.3. Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Life. The impact on the value of in-force business and value of one year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

3.4. Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and reasonable expectation on future, and the reinsurance rates obtained by PICC Life.

3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 40% to 85% of gross premium depending on the lines of business.

3.6. Lapse Rates

Lapse rate assumptions are based on PICC Life's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium persistency assumptions are also set for regular premium universal life business.

3.7. Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

3.8. Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

4. SENSITIVITY TESTS

PICC Life has conducted sensitivity tests on the value of in-force business and value of one year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1.

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Life as at 31 December 2022 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	33,516	2,669
Risk Discount Rate at 9%	38,368	3,333
Risk Discount Rate at 11%	29,457	2,102
Rate of investment return increased by 50 bps	44,499	4,109
Rate of investment return decreased by 50 bps	22,716	1,231
Expenses increased by 10%	32,606	2,602
Expenses decreased by 10%	34,425	2,736
Lapse rate increased by 10%	33,310	2,578
Lapse rate decreased by 10%	33,733	2,763
Mortality increased by 10%	33,063	2,632
Mortality reduced by 10%	33,974	2,706
Morbidity increased by 10%	32,304	2,600
Morbidity reduced by 10%	34,744	2,738
Short-term business claim ratio increased by 10%	33,461	2,515
Short-term business claim ratio decreased by 10%	33,570	2,823
Participating Ratio (80/20)	32,084	2,596

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2021 to 31 December 2022 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2021 to 31 December 2022 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2021	111,431
2	New Business Contribution	2,955
3	Expected Return	7,910
4	Investment Return Variance	(13,742)
5	Other Experience Variance	(4,843)
6	Model and Assumption Modification	222
7	Capital Change and Market Value Adjustment	(161)
8	Embedded Value as at 31 December 2022	103,772

Note: Figures may not add up to total due to rounding.

Explanations on items 2 to 7 above:

2. The contribution of new business sold in 2022 to the embedded value at 31 December 2022;

3. The expected return in 2022 arising from the in-force business and adjusted net worth as at 31 December 2021;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2022;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2022;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2022;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2022.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

Ernst & Young (China) Advisory Limited ("EY", "we" or "our") has been entrusted by PICC Health Insurance Company Limited ("PICC Health", the "company") to review its valuation of embedded value as at 31 December 2022. This report is prepared and to be enclosed in the 2022 annual report of the People's Insurance Company (Group) of China Limited. It summarises EY's work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of one year's new business as at 31 December 2022;

- Review the assumptions used in the valuation of embedded value and value of one year's new business as at 31 December 2022;

- Review the various valuation results of the embedded value as at 31 December 2022, i.e. the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2021 to 31 December 2022 and the sensitivity tests results of value of in-force business and value of one year's new business under alternative assumptions;

- Review the breakdown of value of one year's new business as at 31 December 2022 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review in accordance with the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* ("Valuation Guidance") issued by the China Association of Actuaries ("CAA") in November 2016.

In the process of performing review and preparing this report, we relied on the accuracy and completeness of audited and unaudited data and information provided by PICC Health without independent verification. Where possible, we have reviewed the reasonableness and consistency of the data based on our understanding of insurance industry and PICC Health. Our review opinion herein this report is based on the accuracy and completeness of the data and information provided by PICC Health.

The calculation of embedded value involves expectations and assumptions regarding future experience to a great extent in terms of business operating performance, investment performance, and other economic and financial assumptions, many of which are beyond the company's control. Therefore, the actual results of operation in the future may deviate from the valuation results.

This report is addressed solely to PICC Health in accordance with the engagement letter signed by PICC Health and us. We have agreed that PICC Health provides the review opinion report to the People's Insurance Company (Group) of China Limited to be disclosed in its annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Health meets the requirements of the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* issued by China Association of Actuaries in November 2016;

- The economic assumptions adopted by PICC Health have taken into account the current investment market conditions and the investment strategy of PICC Health;

- The operating assumptions adopted by PICC Health have taken into account the company's historical experience and the expectation of future performance; and

- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

Zhenping Fu	**Jia Zhang**
FSA, FCAA	**FSA, FCAA**

EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED AS AT 31 DECEMBER 2022

1. DEFINITION AND METHODOLOGY

1.1. Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the adjusted net worth and value of in-force business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;

- **Value of In-Force Business ("VIF"):** this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- **Cost of Required Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- **Value of One year's New Business ("V1NB"):** this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies.

1.2. Methodology

China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Health has determined the embedded value and the value of one year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

PICC Health has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of one year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business calculated by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section PICC Health has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

2.1. Overall Results

Table 2.1.1 Embedded Value of PICC Health as at 31 December 2022 and 31 December 2021 (Unit: RMB Million)

	31/12/2022	31/12/2021
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	5,911	7,785
Value of In-Force Business before CoC	13,312	9,182
Cost of Required Capital	(983)	(791)
Value of In-Force Business after CoC	12,328	8,392
Embedded Value	18,239	16,176

Note: Figures may not add up to total due to rounding.

Table 2.1.2 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2022 and 31 December 2021 (Unit: RMB Million)

	31/12/2022	31/12/2021
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	1,414	1,250
Cost of Required Capital	(379)	(485)
Value of One year's New Business after CoC	1,035	765

Note: Figures may not add up to total due to rounding.

2.2. Results by Distribution Channels

PICC Health split the value of one year's new business by distribution channel. The results of the value of one year's new business by distribution channel as at 31 December 2022 and 31 December 2021 are summarised in the table below.

Table 2.2.1 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2022 and 31 December 2021 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
Value of One year's New Business after CoC (2022)	**68**	**1,520**	**(552)**	**1,035**
Value of One year's New Business after CoC (2021)	69	885	(189)	765

Note: Figures may not add up to total due to rounding.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2022.

3.1. Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of one year's new business.

3.2. Rate of Investment Return

A 5% p.a. investment return assumption has been used.

3.3. Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Health, whereby 70% of surplus arising from participating business is paid to policyholder. The impact on the value of in-force business and value of one year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

3.4. Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Insurance Mortality Table (2010-2013)". Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2020)".

Based on recent experience analysis of critical illness. PICC Health includes the long-term deterioration trends in setting of the critical illness rate.

3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 5% to 99% of gross premium depending on the lines of business.

3.6. Lapse Rates

Lapse rate assumptions are based on PICC Health's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium persistency assumptions are also set for regular premium universal life business.

3.7. Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

3.8. Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

VAT for accident insurance and other applicable business is in compliance with the relevant tax regulation.

4. SENSITIVITY TESTS

PICC Health has conducted sensitivity tests on the value of in-force business and value of one year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarised in Table 4.1.

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Health as at 31 December 2022 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	12,328	1,035
Risk Discount Rate at 9%	13,218	1,189
Risk Discount Rate at 11%	11,552	898
Rate of investment return increased by 50 bps	13,530	1,220
Rate of investment return decreased by 50 bps	11,121	851
Expenses increased by 10%	12,216	869
Expenses decreased by 10%	12,441	1,202
Lapse rate increased by 10%	12,079	985
Lapse rate decreased by 10%	12,584	1,087
Mortality increased by 10%	12,332	1,030
Mortality reduced by 10%	12,324	1,041
Morbidity increased by 10%	12,678	913
Morbidity reduced by 10%	11,966	1,155
Short-term business claim ratio increased by 5%	12,287	567
Short-term business claim ratio decreased by 5%	12,369	1,504
Participating Ratio (80/20)	12,182	982

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2021 to 31 December 2022 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2021 to 31 December 2022 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2021	16,176
2	New Business Contribution	1,311
3	Expected Return	1,457
4	Investment Return Variance	(2,172)
5	Other Experience Variance	1,441
6	Model and Assumption Modification	(29)
7	Capital Change and Market Value Adjustment	55
8	Embedded Value as at 31 December 2022	18,239

Note: Figures may not add up to total due to rounding.

Explanations on items 2 to 7 above:

2. The contribution of new business sold in 2022 to the embedded value at 31 December 2022;

3. The expected return in 2022 arising from the in-force business and adjusted net worth as at 31 December 2021;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2022;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2022;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2022;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2022.

To the Shareholders of The People's Insurance Company (Group) of China Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 131 to 244, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key Audit Matters *(continued)*

Key audit matters identified in our audit are summarised as follows:

- Valuation of long-term life and health insurance contract reserves
- Valuation of unearned premium reserves and claim reserves
- Valuation of level 3 financial assets measured at fair value

Key Audit Matter

Valuation of long-term life and health insurance contract reserves

Refer to note 2.5(18) Summary of significant accounting policies – Insurance contract liabilities, note 3 Significant accounting judgements and estimates - Key sources of estimation uncertainty - Valuation of insurance contract liabilities to the consolidated financial statements, and note 37(a) Insurance contract liabilities - long-term life and health insurance contract reserves to the consolidated financial statements.

The Group had significant long-term life and health insurance contract reserves stated at RMB459 billion as at 31 December 2022, representing 37.99% of the Group's total liabilities.

The valuation of long-term life and health insurance contract reserves involve complex models and a high degree of judgement by management in setting assumptions. Key assumptions used in measuring long-term life and health insurance contract reserves include discount rates, mortality and morbidity rates, lapse rates, expenses assumptions and policy dividend assumptions, etc.

We focused on this area due to the significant quantum amount of long-term life and health insurance contract reserves to the consolidated financial statements, the relevant key assumptions applied in the valuation that were involved significant judgements and estimates, and the inherent risk in relation to the valuation of long-term life and health insurance contract reserves was considered significant.

How our audit addressed the Key Audit Matter

We (including our actuarial experts) performed the following audit procedures:

- We obtained an understanding of the management's assessment process and internal controls of valuating long-term life and health insurance contract reserves and assessed the inherent risk of material misstatement by considering the degree of estimation's uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.
- We evaluated and tested the key controls over valuation of long-term life and health insurance contract reserves including management's determination and approval process for actuarial assumptions setting, data collection and analysis, actuarial models change, etc.
- We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types and distribution channels; and we checked the best estimate liabilities, risk margin and residual margin respectively at points of policy issuance and evaluation.
- We evaluated key actuarial assumptions such as discount rates, mortality and morbidity rates, lapse rates, expense assumptions and policy dividend assumptions by considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences.
- Performing analytical procedures over the movement of long-term insurance contract liabilities considering the appropriateness of changes in the actuarial assumptions in the reporting period.

Based on our audit work, we found methodologies applied appropriately and key assumptions adopted were supportable by the evidence we gathered.

Key Audit Matters *(continued)*

Key Audit Matter

Valuation of unearned premium reserves and claim reserves

Refer to note 2.5(18) Summary of significant accounting policies - Insurance contract liabilities, note 3 Significant accounting judgements and estimates - Key sources of estimation uncertainty - Valuation of insurance contract liabilities to the consolidated financial statements, and note 37(b), 37(c) Insurance contract liabilities - Short-term health insurance contract reserves and Non-life insurance contract reserves to the consolidated financial statements.

The Group had unearned premium reserves and claim reserves stated at RMB402 billion as at 31 December 2022, representing 33.23% of the Group's total liabilities.

We focused on this area because liability adequacy test for unearned premium reserves and the valuation of claim reserves involved a high degree of judgement by management in selecting models and setting assumptions including claim development factors and expected loss ratios, and the inherent risk in relation to the liability adequacy test for unearned premium reserves and valuation of claim reserves was considered significant.

How our audit addressed the Key Audit Matter

We (including our actuarial experts) performed the following audit procedures:

We obtained an understanding of the management's assessment processes and internal controls of the liability adequacy test for unearned premium reserves and the valuation of claim reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.

We evaluated and tested the key controls over the liability adequacy test for unearned premium reserves and the valuation of claim reserves including data collection and analysis, and approval processes for management's assumption setting, etc.

We performed independent modelling analysis for the liability adequacy test for unearned premium reserves and the valuation of claim reserves by performing below procedures.

- For the underlying data used in actuarial models, we compared the data to source systems, such as earned premiums and unearned premiums to accounting records and reported claims to the claims system.

- We set up independent actuarial assumptions including claim development factors, expected loss ratios, etc., by considering both the Group's historical data and applicable industry experiences.

- We evaluated the overall reasonableness of the Group's liability adequacy test for unearned premium reserves and valuation of claim reserves by comparing management's results to the results from our independent modelling analysis and calculation.

Based on our audit work, we found management judgements in the liability adequacy test for unearned premium reserves and the valuation of claim reserves supportable by the evidence we gathered.

Key Audit Matters *(continued)*

Key Audit Matter

Valuation of level 3 financial assets measured at fair value

Refer to note 3 Significant accounting judgements and estimates - Key sources of estimation uncertainty - Fair values of financial assets determined using valuation techniques and note 44 Classification and fair value of financial instruments to the consolidated financial statements.

The Group's financial assets measured at fair value that were classified as level 3 stated at RMB65 billion as at 31 December 2022, representing 4.31% of the Group's total assets.

We focused on this area because level 3 financial assets measured at fair value were valued based on models and assumptions and inputs that are not observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 financial assets measured at fair value was considered significant.

How our audit addressed the Key Audit Matter

We obtained an understanding of the management's assessment processes and internal controls of the valuation of level 3 financial assets measured at fair value and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.

We evaluated and tested the key controls over the valuation of level 3 financial assets measured at fair value including management's determination and approval of internally operated valuation models, methodologies and assumptions used in model-based calculations, controls over data integrity and data choice, and management's review of valuation inputs provided by data vendors.

We (including our valuation experts) performed the following audit procedures over the valuation of level 3 financial assets measured at fair value:

- We assessed valuation model methodologies and assumptions against industry practice and valuation guidelines.

- We compared the significant unobservable inputs such as discount rates and liquidity discounts used in the valuation models with information available from third-party sources or market data.

- We independently developed fair value estimates and compared them to the management's valuation results on a sample basis.

Based on our audit work, we found that the valuation methodologies applied were acceptable and that the inputs and assumptions used were supportable by the evidence we gathered.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
24 March 2023

Consolidated Income Statement

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2022**	2021
Gross written premiums	5	**625,820**	585,425
Less: Premiums ceded to reinsurers	5	**(54,779)**	(47,058)
Net written premiums	5	**571,041**	538,367
Change in unearned premium reserves	5	**(11,135)**	(8,476)
Net earned premiums		**559,906**	529,891
Reinsurance commission income		**12,327**	11,070
Investment income	6	**39,799**	49,497
Other income	7	**3,700**	4,148
TOTAL INCOME		**615,732**	594,606
Life insurance death and other benefits paid		**66,498**	41,213
Claims incurred		**358,667**	337,328
Changes in long-term life insurance contract liabilities		**40,970**	71,735
Policyholder dividends		**4,006**	3,693
Claims and policyholders' benefits	8	**470,141**	453,969
Less: Claims and policyholders' benefits ceded to reinsurers	8	**(34,402)**	(30,566)
Net claims and policyholders' benefits	8	**435,739**	423,403
Handling charges and commissions		**49,933**	50,939
Finance costs	9	**6,518**	5,549
Exchange (gains)/losses		**(1,059)**	331
Other operating and administrative expenses	10	**98,832**	92,366
TOTAL BENEFITS, CLAIMS AND EXPENSES		**589,963**	572,588
Share of profits or losses of associates and joint ventures		**15,466**	13,571
Dilution loss arising on a reduced stake in an associate	25	**(95)**	–
PROFIT BEFORE TAX	11	**41,140**	35,589
Income tax expense	12	**(6,712)**	(5,219)
PROFIT FOR THE YEAR		**34,428**	30,370
Attributable to:			
Owners of the Company		**24,477**	21,476
Non-controlling interests		**9,951**	8,894
		34,428	30,370
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	15	**0.55**	0.49
– Diluted (in RMB Yuan)	15	**0.53**	0.49

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2022	2021
PROFIT FOR THE YEAR		**34,428**	30,370
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains		**(33,236)**	11,263
– Reclassification of losses/(gains) to profit or loss on disposals		**2,222**	(10,651)
– Impairment losses	6(d)	**1,615**	545
Portion of fair value changes attributable to participating policyholders	37(a)	**2,652**	(335)
Income tax effect	30	**6,032**	(6)
		(20,715)	816
Share of other comprehensive (expense)/income of associates and joint ventures		**(537)**	920
Exchange differences arising on translating foreign operations		**213**	(92)
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(21,039)**	1,644
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property and equipment and right-of-use assets upon transfer to investment properties	26	**614**	768
Income tax effect	30	**(141)**	(119)
		473	649
Actuarial losses on pension benefit obligation	39	**(50)**	(174)
Share of other comprehensive (expense)/income of associates and joint ventures		**(32)**	138
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**391**	613
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF INCOME TAX		**(20,648)**	2,257
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,780**	32,627
Attributable to:			
– Owners of the Company		**9,072**	22,853
– Non-controlling interests		**4,708**	9,774
		13,780	32,627

Consolidated Statement of Financial Position

As at 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**31 December 2022**	31 December 2021
ASSETS			
Cash and cash equivalents	17	**40,599**	33,276
Debt securities	18	**536,254**	494,550
Equity securities, mutual funds and investment schemes	19	**258,022**	262,357
Insurance receivables, net	20	**76,709**	58,130
Reinsurance assets	21,37	**46,425**	40,263
Term deposits	22	**101,180**	94,341
Restricted statutory deposits		**12,923**	12,994
Investments classified as loans and receivables	23	**176,082**	144,603
Investments in associates and joint ventures	25	**146,233**	135,570
Investment properties	26	**15,085**	13,340
Property and equipment	27	**34,130**	33,357
Right-of-use assets	28	**7,109**	7,987
Intangible assets	29	**3,523**	3,471
Goodwill		**198**	198
Deferred tax assets	30	**17,960**	10,143
Other assets	31	**36,711**	32,277
TOTAL ASSETS		**1,509,143**	1,376,857
LIABILITIES			
Securities sold under agreements to repurchase	33	**100,890**	77,598
Payables to reinsurers	34	**27,661**	22,767
Income tax payable		**4,028**	1,083
Bonds payable	35	**43,356**	43,804
Lease liabilities	36	**2,291**	2,993
Insurance contract liabilities	37	**860,576**	773,098
Investment contract liabilities for policyholders	38	**51,931**	44,252
Policyholder dividends payable		**5,756**	5,480
Pension benefit obligation	39	**2,776**	2,872
Deferred tax liabilities	30	**260**	2,053
Other liabilities	40	**108,665**	103,964
TOTAL LIABILITIES		**1,208,190**	1,079,964
EQUITY			
Issued capital	41	**44,224**	44,224
Reserves	42	**177,547**	175,032
Equity attributable to owners of the Company		**221,771**	219,256
Non-controlling interests		**79,182**	77,637
TOTAL EQUITY		**300,953**	296,893
TOTAL EQUITY AND LIABILITIES		**1,509,143**	1,376,857

The consolidated financial statements on pages 131 to 244 were approved and authorised for issue by the board of directors on 24 March 2023 and are signed on its behalf by:

Wang Tingke
DIRECTOR

Li Zhuyong
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital (note 41)	Share Premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 42 (a)) **	Catastrophic loss reserve (note 42 (b)) **	Asset revaluation reserve **	Share of other comprehensive income/(expense) of associates and joint ventures **	Portion of fair value change attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * (note 42 (c)) **	Other reserves (note 42 (d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2022	44,224	23,973	18,067	15,751	212	3,681	135	(1,536)	(147)	14,187	(15,153)	(1,383)	117,245	219,256	77,637	296,893
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	24,477	24,477	9,951	34,428
Other comprehensive (expense)/income for the year	–	–	(16,995)	–	–	306	(395)	1,536	193	–	–	(50)	–	(15,405)	(5,243)	(20,648)
Total comprehensive (expense)/income for the year	–	–	(16,995)	–	–	306	(395)	1,536	193	–	–	(50)	24,477	9,072	4,708	13,780
Appropriations to general risk reserve and surplus reserve	–	–	–	2,159	–	–	–	–	–	751	–	–	(2,910)	–	–	–
Appropriation to catastrophic loss reserve	–	–	–	–	41	–	–	–	–	–	–	–	(41)	–	–	–
Utilisations of catastrophic loss reserve	–	–	–	–	(194)	–	–	–	–	–	–	–	194	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	–	(6,501)	(6,501)	–	(6,501)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,143)	(3,143)
Others	–	–	–	–	–	–	–	–	–	–	(56)	–	–	(56)	(20)	(76)
Balance at 31 December 2022	44,224	23,973	1,072	17,910	59	3,987	(260)	–	46	14,938	(15,209)	(1,433)	132,464	221,771	79,182	300,953

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB177,547 million in the consolidated statement of financial position as at 31 December 2022 comprise these reserve accounts.

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														Non-controlling interests	Total
	Issued capital (note 41)	Share Premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 42 (a)) **	Catastrophic loss reserve (note 42 (b)) **	Asset revaluation reserve **	Share of other comprehensive income/(expense) of associates and joint ventures **	Portion of fair value change attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * (note 42 (c)) **	Other reserves (note 42 (d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal		
Balance at 1 January 2021	44,224	23,973	17,507	13,771	793	3,209	(638)	(1,344)	(67)	13,319	(15,153)	(1,209)	104,095	202,480	71,076	273,556
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	21,476	21,476	8,894	30,370
Other comprehensive income/(expense) for the year	–	–	560	–	–	472	791	(192)	(80)	–	–	(174)	–	1,377	880	2,257
Total comprehensive income/(expense) for the year	–	–	560	–	–	472	791	(192)	(80)	–	–	(174)	21,476	22,853	9,774	32,627
Appropriations to general risk reserve and surplus reserve	–	–	–	1,980	–	–	–	–	–	868	–	–	(2,848)	–	–	–
Appropriation to catastrophic loss reserve	–	–	–	–	204	–	–	–	–	–	–	–	(204)	–	–	–
Utilisations of catastrophic loss reserve	–	–	–	–	(785)	–	–	–	–	–	–	–	785	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	–	(6,059)	(6,059)	–	(6,059)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,209)	(3,209)
Others	–	–	–	–	–	–	(18)	–	–	–	–	–	–	(18)	(4)	(22)
Balance at 31 December 2021	44,224	23,973	18,067	15,751	212	3,681	135	(1,536)	(147)	14,187	(15,153)	(1,383)	117,245	219,256	77,637	296,893

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB175,032 million in the consolidated statement of financial position as at 31 December 2021 comprise these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2022	2021
OPERATING ACTIVITIES			
Profit before tax		**41,140**	35,589
Adjustments for:			
Investment income	6	**(39,799)**	(49,497)
Exchange (gains)/losses		**(1,059)**	331
Share of profits or losses of associates and joint ventures		**(15,466)**	(13,571)
Dilution loss arising on a reduced stake in an associate	25	**95**	–
Depreciation of property and equipment	11, 27	**2,626**	2,522
Depreciation of right-of-use assets	11, 28	**1,519**	1,474
Amortisation of intangible assets	11, 29	**1,007**	770
Disposal gains from investment properties, property and equipment, intangible assets and land use rights	7	**(321)**	(330)
Finance costs except for interests credited to policyholders	9	**4,265**	4,031
Recognition of impairment losses on receivables and other assets	11	**1,072**	404
Investment expenses		**214**	295
Operating cash flows before working capital changes		**(4,707)**	(17,982)
Increase in insurance receivables, net		**(19,404)**	(5,822)
Increase in investment contract liabilities for policyholders		**7,679**	5,581
Increase in insurance contract liabilities, net		**83,968**	93,004
(Increase)/decrease in other assets, net		**(611)**	403
Increase in other liabilities, net		**12,212**	3,382
Cash generated from operations		**79,137**	78,566
Income tax paid		**(7,486)**	(5,835)
Net cash generated from operating activities		**71,651**	72,731
INVESTING ACTIVITIES			
Interests received		**33,636**	32,366
Dividends received		**14,959**	9,004
Increase in policy loans		**(530)**	(594)
Purchases of investment properties, property and equipment, intangible assets and land use rights		**(6,576)**	(3,655)
Proceeds from disposals of investment properties, property and equipment, intangible assets and land use rights		**464**	494
Investments in associates and joint ventures		**–**	(401)
Purchases of investments		**(482,692)**	(349,624)
Proceeds from disposal of interest in an associate		**–**	416
Proceeds from disposals of investments		**373,819**	235,487
Payments for investment expenses		**(397)**	(303)
Rentals received		**608**	575
Increase in term deposits, net		**(6,576)**	(5,320)
Net cash used in investing activities		**(73,285)**	(81,555)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2022	2021
FINANCING ACTIVITIES			
Increase/(decrease) in securities sold under agreements to repurchase, net	45	**23,292**	(8,228)
Issue of bonds payable	45	**3,000**	2,000
Proceeds from bank borrowings	45	**215**	292
Repayment of bank borrowings	45	**(304)**	(247)
Repayment of bonds payable	45	**(3,500)**	(15,000)
Interests paid		**(4,195)**	(4,062)
Dividends paid		**(9,644)**	(9,268)
Payments of lease liabilities	45	**(1,149)**	(1,171)
Cash received/(paid) related to non-controlling interests of consolidated structured entities, net		**842**	(177)
Net cash generated from/(used in) financing activities		**8,557**	(35,861)
Net increase/(decrease) in cash and cash equivalents		**6,923**	(44,685)
Cash and cash equivalents at beginning of the year		**33,276**	78,209
Effects of exchange rate changes on cash and cash equivalents		**400**	(248)
Cash and cash equivalents at end of the year	17	**40,599**	33,276
Analysis of balances of cash and cash equivalents			
Deposits with banks with original maturity of no more than three months and money at call and short notice	17	**21,365**	21,786
Securities purchased under resale agreements with original maturity of no more than three months	17	**19,234**	11,490
Cash and cash equivalents at end of the year		**40,599**	33,276

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Avenue, XiCheng District, Beijing, the PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established in October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Shanghai Stock Exchange. The ultimate controlling party of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the year ended 31 December 2022, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations issued by the International Accounting Standards Board and the disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

Historical cost is generally based on the fair value of the consideration given in exchange for goods, services and certain financial instruments.

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In current year, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's consolidated financial statements:

(Amounts in millions of Renminbi, unless otherwise stated)

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(continued)*

Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual improvements to IFRS standards 2018-2020 Cycle
Amendments to IFRS 3	Reference to the Conceptual Framework

The application of the amendments to IFRSs in current year has had no material effect on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in the consolidated financial statements.

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

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

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

IFRS 17 and Amendments to IFRS17	*Insurance Contracts* [1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of accounting policies* [1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [1]
Amendments to IAS 8	*Definition of Accounting Estimates* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associated or Joint Venture* [2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are generally measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss;

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2022 the following principal impacts to the consolidated financial statements on initial application of IFRS 9 are expected:

Classification and measurement

- Debt instruments classified as held-to-maturity financial assets as disclosed in note 18 and investments classified as loans and receivables carried at amortised cost as disclosed in note 23: a significant portion of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding ("contractual cash flow characteristics test"). Accordingly, most of them will continue to be subsequently measured at amortised cost upon the application of IFRS 9. Some debt instruments will be subsequently measured at fair value according to the judgment of business model, and the gains or losses arising from changes in fair value will be included in the investment revaluation reserve. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value through profit or loss under IFRS 9. On initial application of IFRS 9, the difference between the fair value and the amortised cost will be adjusted to investment revaluation reserve or retained profits at 1 January 2023;

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments *(continued)*

Classification and measurement (continued)

- Debt instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 18: a significant portion of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. On initial application of IFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits at 1 January 2023;

- Debt instruments classified as financial assets at fair value through profit or loss disclosed in Notes 18: these financial assets are held within a business model whose objective is to sell these debt instruments in the open market. Accordingly, the gains or losses arising from changes in fair value will be presented in profit or loss upon the application of IFRS 9.

- Equity instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 19: the Group will not elect the option to designate as at FVTOCI for most equity available-for-sale financial assets carried at fair value. Therefore, most equity available-for-sale financial instruments will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits at 1 January 2023.

- Equity instruments classified as available-for-sale financial assets carried at cost less impairment as disclosed in note 19: the Group will measure their fair value and the subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, the difference between the amortised cost and fair value of these investments will be recognised in retained profits at 1 January 2023.

- Equity instruments classified as financial assets at fair value through profit or loss disclosed in Notes 19 are classified as financial assets at fair value through profit or loss by the Group under IFRS 9.

Impairment

The Group is developing and testing key models required by IFRS 9 and analysing the quantitative impact of impairment allowance.

Hedge Accounting

The Group does not apply the hedge accounting currently, so the Group expects that the new hedge accounting model under IFRS 9 will have no impact on the Group's consolidated financial statements.

The Group will adopt IFRS 9 on 1 January 2023. IFRS 9 requires that the classification and measurement and expected credit loss impairment shall be applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate figures in comparative periods. The Group does not intend to restate figures in comparative periods.

In order to assess the potential impact on the Group's consolidated financial statements upon the application of IFRS 9, the Group establishes the expected credit loss impairment model and analyzes the changes in the credit risk of financial assets, and completes the classification of existing financial assets by analyzing the relevant business models and contractual cash flow characteristics of bond securities and other financial instruments.

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 17 – Insurance Contracts and the related Amendments

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

Measurement methods of IFRS 17 include the general model, the variable fee approach, and the premium allocation approach by the nature of insurance contracts. The variable fee approach applies to insurance contracts with direct participation features; the general model applies to other insurance contracts; and if certain criteria are met by measuring the liability, the premium allocation approach applies to insurance contracts.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it takes into account market interest rates and the impact of policyholders' options and guarantees. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin("CSM") representing the unearned profit of the contract.

For the insurance contracts applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The measurement results of insurers using this model are therefore likely to be less volatile than under the general model.

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if and only if the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general model or the coverage period of each contract in the group is one year or less at the inception of the group.

IFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the annual reporting period immediately preceding the date of initial application.

The Group will adopt IFRS 17 on 1 January 2023 and the transition date will be 1 January 2022. Anticipates that IFRS 17 will result in significant changes to the accounting policies for insurance contracts and is likely to have a material impact on the Group's performance and financial position, together with significant changes in presentation and disclosure. In order to adopt IFRS 17 in the consolidated financial statements, an IFRS 17 implementation workgroup comprised of various functions (Finance, Actuarial, Risk, IT and Operations) has been operating since 2018.

The Group is in the process of assessing the impact of transition to IFRS 9 and IFRS 17, including determination of transition approach, selection of the accounting policies, setting of assumptions, determination of judgments and models.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group is an investor of a structured entity in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entity.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entity, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements;and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

Consolidation of a subsidiary/structured entity begins when the Company obtains control over the subsidiary/structured entity and ceases when the Company loses control of the subsidiary/structured entity. Specifically, income and expenses of a subsidiary/structured entity acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary/structured entity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries/structured entity is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries/structured entity to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries/structured entity are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries/structured entity upon liquidation.

The Company's investment in subsidiaries are stated at cost less any impairment losses and the results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

Changes in the Group's ownership interests in existing subsidiaries/structured entity

Changes in the Group's ownership interests in existing subsidiaries/structured entity that do not result in the Group losing control over the subsidiaries/structured entity are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries/structured entity, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary/structured entity, the assets and liabilities of that subsidiary/structured entity and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary/structured entity attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary/structured entity are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary/structured entity (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary/structured entity at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances, unless as allowed by other standards. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures *(continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method (including situations that change of ownership interest in an associate or a joint venture due to capital increase of other shareholders to the associate or the joint venture), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(3) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(4) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

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 financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as investment income in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

Measured at fair value

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

Measured at cost less impairment

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's financial assets that are classified as loans and receivables include cash equivalents, terms deposits, investments classified as loans and receivables and miscellaneous receivables. Insurance receivables and policy loans are also accounted for as if they were loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included in investment income in the income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market are classified as held-to-maturity financial assets when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Derecognition of financial assets

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

(a) the rights to receive cash flows from the asset have expired; or

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

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

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(6) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears arising from defaults or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Available-for-sale financial assets (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost described below. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines 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. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets carried at amortised cost, if there is an objective evidence that the financial asset's value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(7) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interests charged on these financial liabilities.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Subsequent measurement (continued)

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

Financial liabilities including securities sold under agreements to repurchase, amounts due to banks and other financial institutions, bonds payable, investment contract liabilities for policyholders, miscellaneous payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement. Policyholders' dividends and amounts due to reinsurers are accounted for as if they were other financial liabilities.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(8) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

The Group has previously regarded certain credit insurance contracts it issued with a financial guarantee element as insurance contracts and has used the accounting methods applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(9) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(Amounts in millions of Renminbi, unless otherwise stated)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(11) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless IFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property that will be carried at fair value, the Group shall apply "Property and equipment and depreciation" for owned property and "Leases" for property held by a lessee as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of the investment property, the asset revaluation reserve included in equity is transferred to retained profits as a movement in reserves.

(12) Property and equipment and depreciation

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, other than construction in progress, to its residual value over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Land and buildings	1.50% to 19.40%
Office equipment, furniture and fixtures	7.50% to 32.33%
Motor vehicles	6.00% to 24.25%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(12) Property and equipment and depreciation *(continued)*

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

(13) Construction in progress

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(14) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful lives of software are from 3 to 10 years.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

(15) Impairment of non-financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(15) Impairment of non-financial assets *(continued)*

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

(16) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(17) Insurance contracts

Product classification and unbundling

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. Details of significant insurance risk testing are set out below. Insurance contracts may also transfer financial risk to the Group.

Investment contracts are those contracts that transfer significant financial risk but have no or insignificant insurance risk. Financial risk is the risk of a possible future change in one or more specified interest rates, a financial instrument price, a commodity price, a foreign exchange rate, an index of price or rates, a credit rating or a credit index or other variables, provided in the case of a non-financial variable, the variable is not specific to a party to the contract.

Some contracts issued by the Group may contain both an insurance component and a deposit component. If these two components are distinct and can be measured reliably, the underlying amounts are unbundled. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as financial liabilities. If the insurance component and the deposit component are not distinct and separately measurable, the entire contract will be accounted for as an insurance contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract up to derecognition, even if the insurance risk subsequently reduces significantly. Investment contracts can, however, be reclassified as insurance contracts after initial recognition if insurance risk becomes significant.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(17) Insurance contracts *(continued)*

Discretionary participating feature in insurance and investment contracts

Some of the Group's long-term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. In accordance with the relevant regulatory requirements, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long-term life insurance contract liabilities and investment contract liabilities. To the extent that there is a subsequent change in the expected future eligible surplus due to realised and unrealised gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long-term life insurance contract liabilities and investment contract liabilities. When the Group reports an eligible surplus that has not been declared and paid to the policyholders at the reporting date, the long-term life and health insurance contracts liabilities take into consideration of this eligible surplus. When the eligible surplus comes from other comprehensive income, the portion of fair value changes attributable to participating policyholders is also recognised in the same section of the consolidated statement of comprehensive income.

Significant insurance risk testing

For insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of a similar nature are grouped together for this purpose. When performing the significant insurance risk testing, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(18) Insurance contract liabilities

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

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

Unearned premium reserves

Unearned premium reserves are recognised at inception of non-life and short-term health insurance contracts until the insurance coverage expires. The unearned premium reserves represent premiums received for risks that have not yet expired. Unearned premium reserves are measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus handling charges and commissions, underwriting personnel expenses, insurance security fund, regulatory costs and other relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are mainly released on a 1/365 basis according to the insurance coverage period. The liability is discounted to present value using a risk-free rate, plus an appropriate premium to fully reflect the characteristics of the cash flow being discounted, when the impact of time value of money is significant. When any deficiency arises from performing the liability adequacy tests as described below, unearned premium reserves have to be adjusted to reflect the deficiency.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserve. If, after applying a risk margin, the amount of expected present value of cash outflows minus the expected present value of cash inflows exceeds the carrying amount of the unearned premium reserve, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned premium reserve may have to be adjusted if there is any deficiency arising from the performance of these tests.

Insurance contract liabilities other than unearned premium reserves

Other than unearned premium reserve, insurance contract liabilities are measured based on reasonable estimates of the payments the Group will make to fulfil the relevant obligations under the insurance contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

Expected future net cash outflows over the entire coverage and settlement period are taken into account in measuring insurance contract liabilities. For insurance policies with a guaranteed renewal option, the coverage period is extended to the date when the option to renew ceases to be guaranteed because the Group acquires the right to re-price the risk under the contract.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (a) guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  (b) non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends;

  (c) reasonable expenses necessary for policy acquisitions, administration and claims handling, including policy maintenance expenses and claim handling expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

Both risk margin and residual margin are separately recognised for long-term life and health insurance contracts. Risk margins are recognised for claim reserves.

- risk margin represents provision for the uncertainty associated with the future net cash flows. Risk margin is determined using the scenario comparison approach or the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark. Diversification effect is not considered in arriving at risk margins.

- at inception of an insurance contract, any “day-one” gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any “day-one” loss is recognised in the income statement. Residual margins are not re-measured at the end of each reporting date. They are amortised on the basis of the effective sums insured or number of policies over the entire coverage period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Insurance contract liabilities other than unearned premium reserves (continued)

Reasonable estimates in expected future net cash flows are determined based on information currently available as at the end of the reporting period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is material. For short contracts with durations less than one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information currently available at the end of the year.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they are discharged, cancelled, or have expired.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business for part of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance contract liabilities or settled claims associated with the reinsured policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the effect has a reliably measurable impact on the amounts that will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts. Receivables and payables arising from reinsurance contracts are measured at amortised costs and not offset for presentation purposes.

Commissions receivable on outward reinsurance contracts are recorded as income in the income statement. The reinsurers' share of unearned premium reserves is reduced by commissions receivable on outward reinsurance contracts at inception and subsequently the reduced balance is released over the term of the contract in the same manner as the related unearned premium reserves. Reinsurers' share of claim reserves also includes their share of risk margin to the gross balance of claim reserves.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(19) Reinsurance *(continued)*

Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the cedant. Investment income or expense on these contracts is accounted for using the effective interest method when accrued.

(20) Provisions

Except for contingent considerations derived from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the time value of money. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

(21) Employee benefits

Retirement benefits cost

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' wages. Employees who leave the scheme prior to vesting fully in the annuity scheme shall return part of the interests. The forfeited contributions can not be used by the Group to reduce the existing level of the annuity scheme contributions. The purpose of the forfeited contributions will be determined in due course. There are no forfeited contributions in the basic retirement insurance and unemployment insurance.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement arising from actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(21) Employee benefits *(continued)*

Retirement benefits cost (continued)

The remeasurements arising from actuarial gains and losses recognised in other comprehensive income are accumulated in the Group's reserve headed 'actuarial gains/losses on pension benefit obligation' and is transferred to retained profits when the defined benefit plans terminates. Past service cost is recognised in profit or loss in the period of a plan amendment. Interest expense is calculated by applying the discount rate at the beginning of the period to the defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including past service costs, gains and losses on curtailment and settlements);
- interest expenses; and
- remeasurement.

The Group presents the first two components of its defined benefit costs in profit or loss in "Other Operating and Administrative Expenses" and "Finance Costs". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group's defined benefit plan.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Short-term employee benefits refer to employee wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(22) Policyholder dividends

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of insurance contracts. The dividends are calculated and provided based on the dividend distribution determination and the results of actuarial valuation.

When policyholders' dividends are declared, they are accounted for as financial liabilities and initially measured at fair value and subsequently measured at amortised costs.

(23) Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and other assets, other than leases of office premises, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases *(continued)*

The Group as lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease and others.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(24) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Assets management income and management fee charged to policyholders

Insurance and investment contract policyholders are charged for policy administration services and investment management services. These income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities

The Group earns commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities. The commission income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the relevant authorities.

Gross premiums

Premium income and reinsurance premium income are recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Premiums from life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue according to the total premiums stated in the contracts.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(25) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

(26) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(26) Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted by facts and circumstances. The presumption is rebutted when the investment properties are depreciable and are held within the context of a business model whose objective is to substantially consume over time the economic benefits embodied in the investment properties, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(27) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury share.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Instruments issued by a subsidiary, joint venture or associate that enable their holders to obtain ordinary shares of the subsidiary, joint venture or associate are included in calculating the diluted earnings per share data of the subsidiary, joint venture or associate. Those earnings per share are then included in the Company's earnings per share calculations based on the Company's holding of the instruments of the subsidiary, joint venture or associate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2.5, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

(1) Unbundling, classification and significant risk testing of contracts

The Group made judgement on whether a contract transfers insurance risk, and whether the transfer of insurance risk has commercial substance and is significant. The results of the judgement affect the classification of the contract at initial recognition.

When a contract transfers significant insurance risk and financial risks, the Group has reached a judgment on whether the financial risks and the deposit component are distinct and separately measurable and the Group's accounting policies fully reflect the rights and obligations from such deposit component. The results of this judgement would affect the unbundling of the contract.

When performing significant insurance risk testing, contracts exhibiting homogenous risks for a particular product are grouped together. Subsequently, adequate representative samples are drawn from individual groups, taking into account their risk distributions and characteristics.

The unbundling and classification of contracts affect revenue recognition, measurement of liabilities and presentation of the consolidated financial statements of the Group.

(2) Significant influence on an investee when less than 20 per cent of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 25 to these consolidated financial statements.

(3) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers. Details of these structured entities are disclosed in note 49 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

(4) Impairment assessment on investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose suitable discount rates in order to calculate the present values of those cash flows. Details of investments in associates are disclosed in note 25.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract reserve, the Group needs to make reasonable estimates of payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

The main assumptions made in measuring these liabilities are as follows:

- For insurance contracts under which future insurance benefits will not be affected by investment income of the underlying asset portfolio, as at 31 December 2022, the discount rates are determined by base rate curve with comprehensive premium. The comprehensive premium is added by considering taxation impacts, the liquidity, and other relevant factors. The spot discount rates assumption for the measurement were determined based on information currently available at the end of the reporting period and are presented as follows:

	31 December 2022	31 December 2021
Spot discount rates	**1.96%-4.80%**	2.20%-4.78%

- For insurance contracts under which future insurance benefits will be affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the investment portfolio backing the liabilities. The discount rates used by the Group are as follows:

	31 December 2022	31 December 2021
Discount rates	**5.00%**	5.00%

The discount rate and investment return assumptions are affected by the future economic environment, capital market performance, investment channels of insurance funds, investment strategy etc., and therefore subject to uncertainty.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

- Mortality, morbidity and disability rates are based on the Group's own experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the understanding of China's insurance market, which is presented as the standard Chinese mortality tables. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products and historical data. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- Lapse rates depend on policy year, product type and sales channel. The assumptions of lapse rates are affected by factors such as future economic environment and market competition, and hence subject to uncertainty.

- Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

- Future policyholder dividends depend on factors such as expected investment yields, dividend policy and policyholders' reasonable expectations. The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. Future policyholder dividends for individual participating insurance business of the Group are measured assuming that the Group will award to policyholders not less than 70% of the distributable surplus calculated according to these contracts.

- The Group determines the risk margin assumptions for unearned premium reserves based on currently available information at the end of the reporting period. When carrying out the liability adequacy test on the non-life insurance unearned premium reserves, the Group uses the discounted cash flow method to judge whether there is inadequacy. The main assumptions for measuring discounted cash flow include expected loss ratios, risk margin, etc. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) for the liability adequacy test over unearned premium reserves as follows:

Type	**31 December 2022**	31 December 2021
Agricultural insurance	**24.5%**	28.5%
Motor vehicle insurance	**3.0%**	3.0%
Other non-life insurance	**6.0%**	6.0%
Short-term health insurance	**3.0%**	3.0%

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

- The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) of claim reserves as follows:

Type	31 December 2022	31 December 2021
Agricultural insurance	**24.0%**	28.0%
Motor vehicle insurance	**2.5%**	2.5%
Other non-life insurance	**5.5%**	5.5%
Short-term health insurance	**2.5%**	2.5%

As at 31 December 2022, the Group determined the insurance contract liabilities based on the discount rates, mortality, morbidity, lapse rates, policyholder dividends and claim ratio assumptions with the current information available at the end of the reporting date. The corresponding impact on long term life insurance contract liabilities is taken into statement of income of the current year.

As a result of such changes in assumptions, net long-term life insurance contract liabilities increased by RMB4,081 million as at 31 December 2022 (2021: increased by RMB5,438 million) and the profit before tax for the year 2022 was decreased by RMB4,081 million (2021: decreased by RMB5,438 million).

The carrying values of insurance contract liabilities are disclosed in note 37 to these consolidated financial statements.

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

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate 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.

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. Areas such as discount rates and liquidity discounts require management to make estimates. Fair values of financial assets, their hierarchy, valuation techniques and key inputs are disclosed in note 44 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(3) Impairment of financial assets

Financial assets measured at amortised cost

When there is an objective evidence that there is impairment in loans and receivables and held-to-maturity financial assets, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Other than impairment for individual financial assets measured at amortised cost, the Group also collectively assesses impairment for insurance receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Financial assets measured at amortised cost include cash equivalents, insurance receivables, term deposits, restricted statutory deposits, held-to-maturity financial assets, investments classified as loans and receivable and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

Available-for-sale financial assets

The Group considers whether impairment provision is needed for an available-for-sale financial assets investment. If fair value of an available-for-sale financial instrument is below its carrying amount, the Group determines whether impairment exists by: for equity instruments, judging whether this decline below cost is “significant” or “prolonged” as explained in note 2.5 (6); for debt instruments, whether the decline in fair value is due to the presence of objective evidence of the issuer’s default.

4. OPERATING SEGMENT INFORMATION

The Group’s operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

- The non-life insurance segment offers a wide variety of non-life insurance products mainly by PICC Property and Casualty Company Limited (“PICC P&C”);
- The life insurance segment offers a wide range of life insurance products by PICC Life Insurance Company Limited (“PICC Life”);
- The health insurance segment offers a wide range of health and medical insurance products by PICC Health Insurance Company Limited (“PICC Health”);
- The asset management segment offers asset management services;
- The headquarters segment provides management and support for the Group’s business through its strategy, risk management, finance, legal and human resources functions;
- The others segment comprises insurance agent business, reinsurance business and other operating business of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

The segment's net profit includes revenue less expenses that are directly attributable to the segment.

Segment's assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment. Segment's assets are recognised after deducting the related provisions, and such deductions are directly written off in the Group's consolidated balance sheet.

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

In the segment reporting, net premiums and other income earned are included in the segment's revenue, and profit or loss is presented as the operating results of the segment.

The Group's revenue and profits for the period were mainly derived from the aforementioned business in Mainland China. As the revenue, net profit, assets and liabilities of operations outside Mainland China constitute less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

Intersegment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

Segment revenue and results for the year ended 31 December 2022

	Non-life insurance	Life insurance	Health insurance	Asset management	Headquarters	Others	Eliminations	Total
Net earned premiums	426,251	90,852	35,185	–	–	7,642	(24)	559,906
Reinsurance commission income	11,881	402	1,379	–	–	88	(1,423)	12,327
Investment income	15,008	20,606	1,644	490	8,963	2,097	(9,009)	39,799
Other income	1,649	552	393	2,168	4	1,073	(2,139)	3,700
TOTAL INCOME – SEGMENT INCOME	454,789	112,412	38,601	2,658	8,967	10,900	(12,595)	615,732
– External income	457,822	112,148	38,422	1,620	772	4,948	–	615,732
– Inter-segment income	(3,033)	264	179	1,038	8,195	5,952	(12,595)	–
Net claims and policyholders' benefits	306,142	94,925	29,368	–	–	5,549	(245)	435,739
Handling charges and commissions	38,332	7,211	4,390	–	–	–	–	49,933
Finance costs	1,009	3,565	388	32	994	545	(15)	6,518
Exchange (gains)/losses	(754)	(123)	(1)	6	(123)	(64)	–	(1,059)
Other operating and administrative expenses	84,806	8,557	3,143	1,716	990	3,630	(4,010)	98,832
TOTAL BENEFITS, CLAIMS AND EXPENSES	429,535	114,135	37,288	1,754	1,861	9,660	(4,270)	589,963
Share of profits or losses of associates and joint ventures	9,253	5,580	4	25	1,045	4	(445)	15,466
Dilution loss arising on a reduced stake in an associate	(95)	–	–	–	–	–	–	(95)
PROFIT/(LOSS) BEFORE TAX	34,412	3,857	1,317	929	8,151	1,244	(8,770)	41,140
Income tax expense	(4,251)	(1,151)	(875)	(193)	(49)	(82)	(111)	(6,712)
PROFIT FOR THE YEAR – SEGMENT RESULTS	30,161	2,706	442	736	8,102	1,162	(8,881)	34,428

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 31 December 2021

	Non-life insurance	Life insurance	Health insurance	Asset management	Headquarters	Others	Eliminations	Total
Net earned premiums	397,710	95,203	31,190	–	–	5,895	(107)	529,891
Reinsurance commission income	10,733	227	1,414	–	–	153	(1,457)	11,070
Investment income	20,706	22,353	2,582	656	11,097	2,873	(10,770)	49,497
Other income	1,764	761	337	2,067	7	1,128	(1,916)	4,148
TOTAL INCOME								
– SEGMENT INCOME	430,913	118,544	35,523	2,723	11,104	10,049	(14,250)	594,606
– External income	433,429	118,062	35,449	1,832	1,188	4,646	–	594,606
– Inter-segment income	(2,516)	482	74	891	9,916	5,403	(14,250)	–
Net claims and policyholders' benefits	293,098	98,087	27,899	–	–	4,156	163	423,403
Handling charges and commissions	37,706	9,034	4,199	–	–	–	–	50,939
Finance costs	1,534	2,481	430	31	996	97	(20)	5,549
Exchange losses/(gains)	266	26	1	(1)	27	12	–	331
Other operating and administrative expenses	77,747	8,903	2,809	1,623	924	3,831	(3,471)	92,366
TOTAL BENEFITS, CLAIMS AND EXPENSES	410,351	118,531	35,338	1,653	1,947	8,096	(3,328)	572,588
Share of profits or losses of associates and joint ventures	8,948	5,048	(2)	15	87	(9)	(516)	13,571
PROFIT/(LOSS) BEFORE TAX	29,510	5,061	183	1,085	9,244	1,944	(11,438)	35,589
Income tax (expense)/credit	(3,665)	(934)	77	(263)	(8)	(521)	95	(5,219)
PROFIT FOR THE YEAR								
– SEGMENT RESULTS	25,845	4,127	260	822	9,236	1,423	(11,343)	30,370

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2022 and 2021, and other segment information for the years ended 31 December 2022 and 2021 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Headquarters	Others	Eliminations	Total
31 December 2022								
Segment assets	771,648	578,244	94,135	12,587	127,807	71,270	(146,548)	1,509,143
Segment liabilities	539,186	539,499	87,252	4,094	23,219	24,950	(10,010)	1,208,190
Other segment information:								
Capital expenditures	5,589	283	166	256	111	81	(14)	6,472
Depreciation and amortisation	3,726	736	305	180	210	119	(273)	5,003
Interest income	13,785	15,735	2,318	85	731	536	306	33,496

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
31 December 2021								
Segment assets	697,231	539,957	76,773	11,965	126,693	73,865	(149,627)	1,376,857
Segment liabilities	476,537	490,667	69,568	3,685	23,491	25,521	(9,505)	1,079,964
Other segment information:								
Capital expenditures	2,723	370	236	136	123	91	(24)	3,655
Depreciation and amortisation	3,564	729	245	161	176	109	(218)	4,766
Interest income	14,373	14,927	1,911	96	782	899	(434)	32,554

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2021: 0.85%, 5.91%, and 6.14%), respectively, in Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the consolidated financial statements are allocated to the respective segments according to their respective equity interest holding. Details of these interests are disclosed in note 25.

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

5. GROSS AND NET WRITTEN PREMIUMS

	2022	2021
(a) Gross written premiums		
Long-term life insurance premiums	115,148	117,730
Short-term health insurance premiums	19,599	15,467
Non-life insurance premiums	491,073	452,228
TOTAL	625,820	585,425
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums	(6,437)	(6,304)
Short-term health insurance premiums	(777)	(213)
Non-life insurance premiums	(47,565)	(40,541)
TOTAL	(54,779)	(47,058)
Net written premiums	571,041	538,367
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	(13,151)	(9,894)
Less: Change in reinsurers' share of unearned premium reserves	2,016	1,418
Net	(11,135)	(8,476)

6. INVESTMENT INCOME

	2022	2021
Dividend, interest and rental income (a)	44,889	38,708
Realised (losses)/gains (b)	(2,931)	11,267
Fair value (losses)/gains (c)	(579)	636
Impairment losses (d)	(1,580)	(1,114)
TOTAL	39,799	49,497

(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME *(continued)*

(a) Dividend, interest and rental income

	2022	2021
Dividend income		
Equity securities, mutual funds and investment schemes		
– Available-for-sale	**10,135**	5,348
– At fair value through profit or loss	**650**	228
Subtotal	**10,785**	5,576
Interest income		
Current and term deposits	**4,876**	4,717
Debt securities		
– Held-to-maturity	**8,478**	8,308
– Available-for-sale	**10,655**	9,247
– At fair value through profit or loss	**909**	996
Loans and receivables	**8,578**	9,289
Subtotal	**33,496**	32,557
Operating lease income from investment properties	**608**	575
TOTAL	**44,889**	38,708

(b) Realised (losses)/gains

	2022	2021
Debt securities		
– Available-for-sale	**1,848**	455
– At fair value through profit or loss	**17**	161
Subtotal	**1,865**	616
Equity securities, mutual funds and investment schemes		
– Available-for-sale	**(4,070)**	10,196
– At fair value through profit or loss	**(726)**	455
Subtotal	**(4,796)**	10,651
TOTAL	**(2,931)**	11,267

(c) Fair value (losses)/gains

	2022	2021
Debt securities		
– At fair value through profit or loss	**(451)**	458
Equity securities, mutual funds and investment schemes		
– At fair value through profit or loss	**54**	321
Investment properties *(note 26)*	**(182)**	(143)
TOTAL	**(579)**	636

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(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME *(continued)*

(d) Impairment losses

	2022	2021
Available-for-sale	(1,615)	(545)
Investments classified as loans and receivables	178	(569)
Held-to-maturity financial assets	(143)	–
TOTAL	(1,580)	(1,114)

7. OTHER INCOME

	2022	2021
Asset management fee	1,116	1,245
Government grants *(note)*	434	440
Disposal gains from investment properties, property and equipment, intangible assets and land use rights	321	330
Management fee charged to policyholders	260	215
Commission income arising from the collection of motor vehicles and vessels taxes	173	428
Others	1,396	1,490
TOTAL	3,700	4,148

Note: Government grants of the Group mainly include agricultural insurance subsidies and subsidies for its insurance business operated in Tibet Autonomous Region.

8. CLAIMS AND POLICYHOLDERS' BENEFITS

	2022		
	Gross	Ceded	Net
Life insurance death and other benefits paid	66,577	2,939	63,638
Claims incurred	358,587	32,037	326,550
– Short-term health insurance	16,566	714	15,852
– Non-life insurance	342,021	31,323	310,698
Changes in long-term life insurance contract liabilities	40,971	(574)	41,545
Policyholder dividends	4,006	–	4,006
TOTAL	470,141	34,402	435,739

	2021		
	Gross	Ceded	Net
Life insurance death and other benefits paid	41,213	3,037	38,176
Claims incurred	337,328	26,214	311,114
– Short-term health insurance	14,170	215	13,955
– Non-life insurance	323,158	25,999	297,159
Changes in long-term life insurance contract liabilities	71,735	1,315	70,420
Policyholder dividends	3,693	–	3,693
TOTAL	453,969	30,566	423,403

(Amounts in millions of Renminbi, unless otherwise stated)

9. FINANCE COSTS

	2022	2021
Interest expenses:		
Interest credited to policyholders *(note 38)*	2,253	1,518
Bonds payable	2,123	2,328
Securities sold under agreements to repurchase	1,757	1,143
Interest on lease liabilities	83	105
Pension benefit obligation unwound *(note 39)*	81	89
Others	221	366
TOTAL	6,518	5,549

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2022	2021
Employee costs	50,603	46,843
Promotion expense	17,551	14,333
Technical service and consulting fee	5,400	3,186
Depreciation and amortisation	4,477	4,321
Contributions to China Insurance Security Fund *(note)*	2,709	3,437
Taxes and surcharges	2,169	2,006
Business and travel expenses	1,645	2,365
Prevention fee	1,378	1,346
Electronic equipments running expenses	1,082	1,362
Recognition of impairment losses *(note 11)*	1,072	404
Entertainment expense	769	1,079
Others	9,977	11,684
TOTAL	98,832	92,366

Note: Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders when an insurance company in China is in financial troubles.

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following items:

	2022	2021
Employee costs (a) *(note)*	55,584	55,013
Depreciation of property and equipment *(note 27) (note)*	2,626	2,522
Depreciation of right-of-use assets *(note 28) (note)*	1,519	1,474
Amortisation of intangible assets *(note 29) (note)*	1,007	770
Recognition of impairment losses on insurance receivables *(note 10, 20 (a))*	825	98
Recognition of impairment losses on other assets *(note 10, 31 (b))*	246	306
Recognition of impairment losses on intangible assets *(note 10, 29)*	1	–
Auditors' remuneration	36	35

Note: Certain employee costs, depreciation and amortisation are presented as claim handling expenses within claims incurred and are not included in other operating and administrative expenses.

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(Amounts in millions of Renminbi, unless otherwise stated)

11. PROFIT BEFORE TAX *(continued)*

(a) Employee costs

	2022	2021
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	50,599	49,840
– Pension scheme contributions	4,985	5,173
TOTAL	55,584	55,013

12. INCOME TAX EXPENSE

	2022	2021
Current tax	10,391	6,531
Adjustments in respect of prior years	40	15
Deferred tax *(note 30)*	(3,719)	(1,327)
TOTAL	6,712	5,219

Certain operations of the Company's subsidiary in the Western region and Hainan Province are entitled to tax benefits and their eligible taxable income is subject to an income tax rate of 15%. One of the Company's subsidiaries is recognized as a high-tech enterprise and its eligible taxable income is subject to an income tax rate of 15%. Except for the above-mentioned subsidiaries, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2021: 25%) on their respective taxable income in accordance with the relevant PRC income tax rules and regulations. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2022	2021
Profit before tax	41,140	35,589
Tax at the statutory tax rate	10,285	8,897
Adjustments in respect of prior years	40	15
Tax effect of share of profits or losses of associates and joint ventures	(3,866)	(3,393)
Income not subject to tax	(4,147)	(2,636)
Expenses not deductible for tax	405	401
Unrecognised deductible temporary differences and tax losses	4,272	2,132
Effects of different tax rates applied to subsidiaries	(276)	(107)
Others	(1)	(90)
Income tax expense for the year	6,712	5,219

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Certain directors, supervisors and senior management are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

The total compensation package for the Company's key management for the year ended 31 December 2022 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's 2022 consolidated financial statements.

Directors', supervisors' and senior management's remuneration for the years of 2022 and 2021, are disclosed as follows:

(a) Directors and Supervisors

	2022					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Luo Xi (Chairman of the Board)	–	375	281	85	218	959
Wang Tingke (Vice Chairman of the Board)	–	375	281	85	218	959
Li Zhuyong	–	338	253	85	202	878
Xiao Jianyou *(i)*	–	338	253	85	202	878
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Miao Fusheng	–	–	–	–	–	–
Wang Shaoqun	–	–	–	–	–	–
Yu Qiang	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	300	–	–	–	–	300
Ko Wing Man	250	–	–	–	–	250
Chen Wuzhao	300	–	–	–	–	300
Cui Li	300	–	–	–	–	300
Xu Lina	250	–	–	–	–	250
Total	1,400	1,426	1,068	340	840	5,074
Supervisors:						
Xu Yongxian	–	806	482	296	162	1,746
Wang Yadong	–	436	–	220	111	767
Lee Wai King	300	–	–	–	–	300
He Zuwang *(ii)*	–	119	106	61	37	323
Supervisors who have resigned:						
Zhang Yan *(iii)*	–	464	319	181	102	1,066
Zhang Tao *(iv)*	–	187	141	–	–	328
Total	300	2,012	1,048	758	412	4,530

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

	2021 (Restated)					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Luo Xi (Chairman of the Board)	–	375	484	81	213	1,153
Wang Tingke (Vice Chairman of the Board)	–	375	484	81	213	1,153
Li Zhuyong	–	338	426	81	197	1,042
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Miao Fusheng	–	–	–	–	–	–
Wang Shaoqun	–	–	–	–	–	–
Yu Qiang	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	300	–	–	–	–	300
Ko Wing Man	250	–	–	–	–	250
Chen Wuzhao	300	–	–	–	–	300
Cui Li	100	–	–	–	–	100
Xu Lina	42	–	–	–	–	42
Directors who have resigned:						
Xie Yiqun	–	169	213	41	97	520
Cheng Yuqin	–	–	–	–	–	–
Lin Yixiang	225	–	–	–	–	225
LUK Kin Yu	42	–	–	–	–	42
Total	1,259	1,257	1,607	284	720	5,127
Supervisors:						
Zhang Tao	–	63	81	–	–	144
Xu Yongxian	–	806	906	292	157	2,161
Zhang Yan	–	619	852	237	133	1,841
Wang Yadong	–	476	775	237	117	1,605
Lee Wai King	60	–	–	–	–	60
Supervisors who have resigned:						
Huang Liangbo	–	188	242	41	105	576
Jing Xin	225	–	–	–	–	225
Wang Dajun	–	–	–	–	–	–
Ji Haibo	–	–	–	–	–	–
Total	285	2,152	2,856	807	512	6,612

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

(i) Xiao Jianyou was appointed as an executive director in December 2022

(ii) He Zuwang was appointed as Employees' Representative Supervisor in October 2022

(iii) Zhang Yan resigned in October 2022

(iv) Zhang Tao resigned in June 2022

The compensation amounts for the directors and supervisors during their appointment were stated above, in which the compensation amounts for the year ended 31 December 2021 were restated after finalisation in year 2022.

Executive directors' emoluments shown above were mainly for the services in connection with management of affairs of the Company and the Group. Non-executive directors did not receive any remuneration from the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

(b) Senior Management

The information set out below does not include remuneration of directors or supervisors. The relevant information of their remuneration is disclosed in note 13 (a).

	2022 (in RMB'000)	2021 (in RMB'000) (Restated)
Salaries and allowances	**3,232**	4,658
Performance related bonuses	**2,108**	5,570
Social insurance, housing fund and other benefits	**966**	1,371
Retirement benefits	**1,044**	1,436
TOTAL	**7,350**	13,035

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(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Senior Management *(continued)*

The number of senior management, excluding directors and supervisors, whose remuneration fell within the following bands are as follows:

	2022	2021 (Restated)
Nil to HKD500,000	2	–
HKD500,001 to HKD1,000,000	3	–
HKD1,000,001 to HKD1,500,000	–	4
HKD1,500,001 to HKD2,000,000	–	1
HKD2,000,001 to HKD2,500,000	2	1
HKD2,500,001 to HKD3,000,000	–	2
TOTAL	7	8

The compensation amounts for certain members of senior management during their appointment were stated above, in which the compensation amounts for the year ended 31 December 2021 were restated after finalisation in year 2022.

14. FIVE HIGHEST PAID INDIVIDUALS

During the year of 2022, the five highest paid individuals included two supervisors and one director (2021: two supervisor and no directors), details of whose remuneration are set out in note 13 above. Details of the remuneration for the years of 2022 and 2021 of the remaining highest paid individuals who are neither director nor supervisor of the Company are as follows:

	2022 (in RMB'000)	2021 (in RMB'000) (Restated)
Salaries and allowances	1,846	2,769
Performance related bonuses	1,244	3,120
Social insurance, housing fund and other benefits	599	885
Retirement benefits	324	509
TOTAL	4,013	7,283

The number of the highest paid individuals who are neither director nor supervisor of the Company whose remuneration fell within the following bands is as follows:

	2022	2021 (Restated)
HKD2,000,001 to HKD2,500,000	2	1
HKD2,500,001 to HKD3,000,000	–	2
TOTAL	2	3

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15. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of basic earnings per share for the years of 2022 and 2021 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	2022	2021
Profit attributable to owners of the Company for the year	24,477	21,476
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Basic earnings per share (in RMB Yuan)	0.55	0.49

(b) Diluted Earnings Per Share

	2022	2021
Profit attributable to owners of the Company for the year	24,477	21,476
Add: Adjustment of profit attributable to owners of the Company from the assumption of the convention of all the convertible bonds issued by an associate *(note)*	(1,201)	–
Profit attributable to owners of the Company for the calculation of diluted earnings per share	23,276	21,476
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Diluted earnings per share (in RMB Yuan)	0.53	0.49

Note: The associate of the Group, Industrial Bank issued convertible bonds with a share conversion period from 30 June 2022 to 26 December 2027 which meet potential ordinary shares under IAS 33. The adjustment of profit attributable to owners of the Company from the assumption of the convention of all the convertible bonds issued by the associate was considered in the calculation of diluted earnings per share.

16. DIVIDENDS

	2022	2021
Dividends recognised as distributions:		
2020 Final, paid – RMB12.00 cents per share	–	5,307
2021 Interim, paid – RMB1.70 cents per share	–	752
2021 Final, paid – RMB14.70 cents per share	6,501	–

A final dividend in respect of the year ended 31 December 2021 of RMB14.70 cents per share was proposed by the Board of Directors on 25 March 2022 and approved by the shareholders on 20 June 2022 at the general meeting and paid on 29 July 2022.

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(Amounts in millions of Renminbi, unless otherwise stated)

17. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Money at call and short notice	21,090	21,299
Deposits with banks with original maturity of no more than three months	275	487
Securities purchased under resale agreements with original maturity of no more than three months	19,234	11,490
TOTAL	40,599	33,276
Classification of cash and cash equivalents:		
Loans and receivables	40,599	33,276

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the consolidated statement of financial position.

18. DEBT SECURITIES

	31 December 2022	31 December 2021
Classification of debt securities		
At fair value through profit or loss, at fair value	19,440	39,614
Available-for-sale, at fair value	318,421	257,590
Held-to-maturity, at amortised cost	198,393	197,346
TOTAL	536,254	494,550

As at 31 December 2022 and 31 December 2021, all the debt securities at fair value through profit or loss are held for trading.

19. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES

	31 December 2022	31 December 2021
Investments, at fair value		
Mutual funds	120,310	115,276
Shares	55,604	62,843
Investment schemes and others	72,692	77,760
Trust schemes	9,341	6,385
Subtotal	257,947	262,264
Investments, at cost less impairment Shares	75	93
TOTAL	258,022	262,357

	31 December 2022	31 December 2021
Classification by accounting categories		
Available-for-sale, at fair value	239,086	244,419
At fair value through profit or loss, at fair value	18,861	17,845
Available-for-sale, at cost less impairment	75	93
TOTAL	258,022	262,357

As at 31 December 2022, financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB7,104 million (December 31 2021: RMB4,766 million). The rest are trading assets.

(Amounts in millions of Renminbi, unless otherwise stated)

20. INSURANCE RECEIVABLES, NET

	31 December 2022	31 December 2021
Premiums receivable and agents' balances	59,589	45,186
Receivables from reinsurers	21,436	16,521
Subtotal	81,025	61,707
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(4,142)	(3,415)
– Receivables from reinsurers	(174)	(162)
TOTAL	76,709	58,130

(a) The movements of provision for impairment of insurance receivables are as follows:

	2022	2021
At the beginning of the period	3,577	3,503
Recognition of impairment losses *(note 11)*	825	98
Amount written off as uncollectible	(86)	(24)
At the end of the period	4,316	3,577

(b) Analysis of insurance receivable as at the end of the reporting period, based on the payment past due date and net of provision, is as follows:

	31 December 2022	31 December 2021
Not yet due and up to 3 months	59,000	45,592
More than 3 months to 6 months	6,674	4,300
More than 6 months to 12 months	7,439	5,827
More than 1 year to 2 years	3,080	1,956
More than 2 years	516	455
TOTAL	76,709	58,130

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A-(or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and allowances for impairment of reinsurance assets have been provided to reflect the expected losses arising from non-performance of the reinsurers.

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21. REINSURANCE ASSETS

	31 December 2022	31 December 2021
Reinsurers' share of		
Unearned premium reserves	15,957	13,941
Claim reserves	25,628	20,908
Long-term life insurance reserves	4,840	5,414
TOTAL	46,425	40,263

22. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	31 December 2022	31 December 2021
More than 3 months to 12 months	3,274	2,181
More than 1 year to 2 years	19	2
More than 2 years to 3 years	11,801	9,152
More than 3 years	86,086	83,006
TOTAL	101,180	94,341

These term deposits of the Group bear fixed interest rate ranging from 0.30% – 7.44% per annum as at 31 December 2022 (31 December 2021: bear fixed interest rate ranging from 0.10% – 7.44% per annum).

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2022	31 December 2021
Debt investment schemes	88,833	71,018
Trust schemes	73,353	60,194
Asset management products	15,220	14,893
Subtotal	177,406	146,105
Less: Impairment provisions	(1,324)	(1,502)
TOTAL	176,082	144,603

The interest rate of these debt investment schemes is in the range of 3.68% – 6.52% per annum as at 31 December 2022 (31 December 2021: 4.15% – 7.50%).

Trust schemes predominantly invest in debt instruments and offer the Group returns ranging from 3.65% – 6.34% (31 December 2021: ranging from 4.25% – 7.59%) per annum.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in an active market. These financial products include securitised assets, creditor's right of return and asset-backed security offered by banks, securities companies or asset management companies. The interest rate of these products is in the range of 3.77% – 6.08% per annum as at 31 December 2022 (31 December 2021: 4.00% – 6.08%).

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries as of 31 December 2022 and 2021 are set out below:

Name	Place of incorporation and type of legal entity	Paid up/ registered share capital	Proportion of shareholders' interest and voting rights				Principal activities/place of operation
			31 December 2022		31 December 2021		
			Direct	Indirect	Direct	Indirect	
PICC P&C	Beijing, PRC Corporation	RMB22,242,765,303	68.98%	–	68.98%	–	Non-life insurance, PRC
PICC Life	Beijing, PRC Corporation	RMB25,761,104,669	71.08%	8.92%	71.08%	8.92%	Life insurance, PRC
PICC Asset Management Company Limited ("PICC AMC")	Shanghai, PRC Limited Liability	RMB1,298,000,000	100.00%	–	100.00%	–	Investment management of insurance companies, PRC
PICC Health	Beijing, PRC Corporation	RMB8,568,414,737	69.32%	26.13%	69.32%	26.13%	Health insurance, PRC
PICC Pension Company Limited ("PICC Pension")	Hebei, PRC Limited Liability	RMB4,000,000,000	100.00%	–	100.00%	–	Endowment insurance, PRC
PICC Investment Holding Company Limited ("PICC Investment Holding")	Beijing, PRC Limited Liability	RMB800,000,000	100.00%	–	100.00%	–	Investment holding, PRC
PICC Capital Insurance Asset Management Co.,Ltd. ("PICC Capital")	Beijing, PRC Limited Liability	RMB200,000,000	100.00%	–	100.00%	–	Investment management, PRC
PICC Reinsurance Company Limited ("PICC Reinsurance")	Beijing, PRC Corporation	RMB4,000,000,000	51.00%	49.00%	51.00%	49.00%	Reinsurance business, PRC
PICC (Hong Kong) Limited ("PICC HK") *(note 1)*	Hong Kong Corporation	HKD1,609,999,956.25	89.36%	–	89.36%	–	P&C insurance, Hong Kong SAR
PICC Financial Services Company Limited ("PICC Financial Services")	Tianjin, PRC Limited Liability	RMB1,414,866,044.32	70.68%	29.32%	70.68%	29.32%	Internet finance, PRC
PICC Information Technology Co., Ltd. *(note 2)*	Shanghai, PRC Limited Liability	RMB400,000,000	100.00%	–	–	–	Technology service, PRC

Note 1: Since there are no registered capital requirements for companies incorporated in Hong Kong, PICC HK is disclosed as its paid up capital.

Note 2: PICC Information Technology Co., Ltd., a wholly owned subsidiary funded by the Company, was formally established after the approval of the CBIRC on 21 January 2022 with a registered capital of RMB400 million.

Only principal subsidiaries which are directly held by the Company and have material impact on the consolidated financial statements are listed above. Other subsidiaries did not materially affect the Group's net financial position and operating results and were therefore not separately disclosed.

As at 31 December 2022, market value of shares of PICC P&C which is listed on the Main Board of The Stock Exchange of Hong Kong Limited is RMB101,558 million (31 December 2021: RMB79,908 million).

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(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Capital supplementary bonds issued by these subsidiaries are set out in note 35 to these consolidated financial statements.

The Company and the following subsidiaries had outstanding capital supplementary bonds at the end of the year, which are all held by third parties:

	31 December 2022		31 December 2021	
	Nominal Amount	Carrying Amount	Nominal Amount	Carrying Amount
The Company	18,000	17,998	18,000	17,991
PICC Life	12,000	12,254	12,000	12,190
PICC P&C	8,000	8,097	8,000	8,058
PICC Health	3,000	3,009	3,500	3,567
PICC Reinsurance	2,000	1,998	2,000	1,998
	43,000	43,356	43,500	43,804

At the end of the reporting period, the Company had other indirectly held subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities of the subsidiaries	Place of incorporation and operation in the PRC	31 December 2022	31 December 2021
Insurance intermediaries	Beijing, Shanghai, Shenzhen and others	5	5
Insurance training services	Dalian, Hainan and others	2	4
Property development and management	Beijing, Shenzhen and others	12	13
Hotels, restaurants and others	Beijing, Shanghai, Chongqing and others	12	8
		31	30

The legal form of above-mentioned subsidiaries is Limited Liability Company.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(b) Details of the non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of the non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests: 31 December 2022	31 December 2021	Profit allocated to non-controlling interests: 2022	2021	Accumulated non-controlling interests: 31 December 2022	31 December 2021
PICC P&C and its subsidiaries	Beijing, PRC	**31.02%**	31.02%	**8,268**	6,938	**65,994**	63,792

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination. Please refer to Note 4 operating segment information for the financial information of other subsidiaries.

In particular, an interest in the equity interest of Industrial Bank is accounted for as an available-for-sale financial assets in the consolidated financial statements of PICC P&C but when combined with voting rights held by the Company and PICC Life, this interest is accounted for as an associate in the Group's consolidated financial statements. The information presented in this note does not consider the impact had these equity interests been accounted for as an associate in the consolidated financial statements of PICC P&C.

PICC P&C

	31 December 2022	31 December 2021
Total assets	**751,887**	682,622
Total liabilities	**539,139**	476,973
Total shareholders' equity	**212,748**	205,649
Equity attributable to owners of the Group	**146,754**	141,857
Non-controlling interests of the Group	**65,994**	63,792

	2022	2021
Total income	**443,560**	420,411
Total benefits, claims and expenses	**(416,771)**	(398,907)
Share of profits of associates	**4,225**	4,524
Dilution loss arising on a reduced stake in an associate	**(95)**	–
Income tax expense	**(4,266)**	(3,663)
Profit for the year	**26,653**	22,365
Profit attributable to owners of the Group	**18,385**	15,427
Profit attributable to non-controlling interests of the Group	**8,268**	6,938
Other comprehensive (expense)/income for the year	**(10,607)**	1,356
Total comprehensive income for the year	**16,046**	23,721
Dividends paid to non-controlling interests	**2,808**	2,587
Net cash inflow from operating activities	**42,710**	16,336
Net cash outflow from investing activities	**(32,188)**	(8,158)
Net cash outflow from financing activities	**(6,997)**	(16,845)
Net cash inflow/(outflow)	**3,525**	(8,667)

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(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(c) Significant restrictions

As certain major subsidiaries of the Company are engaged in insurance business and regulated by the relevant insurance regulatory authorities, the ability of the Company and its subsidiaries to access assets held by these insurance subsidiaries to settle liabilities of the Group is restricted. As such, there are restrictions on the Group's ability to access or use the assets of these insurance subsidiaries to settle the liabilities of the Group. Please refer to note 43.1 (b) for detailed disclosure on the relevant regulatory capital requirements.

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) The Group's investments in associates and joint ventures as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Associates		
Cost of investment in associates	67,974	67,892
Share of post-acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable *(note)*	75,313	64,396
Subtotal	143,287	132,288
Joint ventures		
Cost of investment in joint ventures	3,086	3,086
Share of post-acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable *(note)*	(140)	196
Subtotal	2,946	3,282
TOTAL	146,233	135,570

Movement of investments in associates and joint ventures is as follows:

Associates and joint ventures	1 January 2022	Additions	Disposals	Share of profit	Share of other comprehensive income	Share of other movement	Dividend received	Impairment	31 December 2022
Industrial Bank	76,128	–	–	10,964	(251)	1	(2,773)	–	84,069
Hua Xia Bank	39,972	–	–	3,696	(431)	(158)	(866)	–	42,213
Others	19,470	82	–	806	113	(5)	(515)	–	19,951
Total	135,570	82	–	15,466	(569)	(162)	(4,154)	–	146,233

Note: As permitted by Amendments to IFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank, Hua Xia Bank and other associates and joint ventures.

As at 31 December 2022, the carrying amounts of associates, Hua Xia Bank and Industrial Bank, companies listed on the Shanghai Stock Exchange, exceeded their market values. Management performed impairment assessment accordingly considering such impairment indicator exist. Based on management's assessment results, there was no impairment as at 31 December 2022 (31 December 2021: none).

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows:

			Percentage of ownership interest and voting rights held by the Group			
		Principal activities/	**31 December 2022**		31 December 2021	
Associates	Place of registration	Place of operation	**Direct**	**Indirect**	Direct	Indirect
Industrial Bank (1)	Fujian Province, PRC	Banking, PRC	**0.85%**	**12.05%**	0.85%	12.05%
Hua Xia Bank (2)	Beijing, PRC	Banking, PRC	**–**	**16.11%**	–	16.66%

The above table lists out the associates of the Group which principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised consolidated financial information in respect of each of the Group's material associates is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the PRC, and adjusted for any material differences from IFRS.

Industrial Bank and Hua Xia Bank are financial institutions. Therefore, their abilities to distribute dividends are subject to fulfillment of the relevant regulatory capital requirements.

(1) Industrial Bank

On 31 December 2012, the Company, PICC P&C and PICC Life in aggregate subscribed for approximately 1.38 billion shares of Industrial Bank through a private placement. After the completion of the subscription, the Group as a whole became the second largest shareholder of Industrial Bank.

In 2013, a member of senior management of PICC Life was nominated to be a director of Industrial Bank. The Group has been able to exercise significant influence on Industrial Bank, and therefore accounted for its equity interest in Industrial Bank as an associate using equity method of accounting.

On 9 July 2015, PICC P&C and PICC Life, the Company's subsidiaries, acquired 280 million and 328 million shares, respectively, of Industrial Bank in the open market. Therefore, the Group's aggregate interest in this associate was increased from 10.87% to 14.06%.

On 31 March 2017, Industrial Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Industrial Bank was diluted from 14.06% to 12.90%. The Group is of the view that it still has significant influence over Industrial Bank, as it appointed one director to the board of directors of Industrial Bank and the Group was the second largest shareholder of Industrial Bank.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows:*(continued)*

(1) Industrial Bank (continued)

As permitted by IAS 28 "Investments in Associates and Joint Ventures", for 2022, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2021 to 30 September 2022, taking into account any significant events or transactions for the period 1 October 2022 to 31 December 2022.

For 2021, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2020 to 30 September 2021, taking into account any significant events or transactions for the period 1 October 2021 to 31 December 2021.

	30 September 2022	30 September 2021
Total assets	**9,089,088**	8,497,055
Total liabilities	**8,348,795**	7,823,522
Net assets attributable to		
Equity holders of Industrial Bank	**729,807**	663,849
Non-controlling interests	**10,486**	9,684
Total equity	**740,293**	673,533

	Period from 1 October 2021 to 30 September 2022	Period from 1 October 2020 to 30 September 2021
Revenue	**228,043**	215,401
Profit attributable to		
Equity holders of Industrial Bank	**90,450**	78,789
Non-controlling interests	**917**	1,007
Profit for the period	**91,367**	79,796
Other comprehensive (expense)/income attributable to		
Equity holders of Industrial Bank	**(1,945)**	6,303
Non-controlling interests	**(1)**	(14)
Other comprehensive (expense)/income for the period	**(1,946)**	6,289
Total comprehensive income attributable to		
Equity holders of Industrial Bank	**88,505**	85,092
Non-controlling interests	**916**	993
Total comprehensive income for the period	**89,421**	86,085
Dividends received from the associate during the period	**2,773**	2,149

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(1) Industrial Bank (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Industrial Bank recognised in the consolidated financial statements:

	30 September 2022	30 September 2021
Net assets of Industrial Bank attributable to equity holders of Industrial Bank	729,807	663,849
Total preference shares issued by Industrial Bank	(55,842)	(55,842)
Total perpetual bonds issued by Industrial Bank	(29,960)	(29,960)
Equity component of convertible bonds issued by Industrial Bank	(3,158)	–
Net assets attributable to ordinary share holders of Industrial Bank	640,847	578,047
Proportion of the Group's interests in Industrial Bank	12.90%	12.90%
The Group's interests in net assets of Industrial Bank	82,669	74,568
Goodwill	445	445
Net fair value adjustment to the investee's identifiable assets and liabilities	2,426	2,426
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	(1,471)	(1,311)
Carrying amount of the Group's interests in Industrial Bank	84,069	76,128

	31 December 2022	31 December 2021
Fair value of shares listed in Mainland China	47,124	51,009

(2) Hua Xia Bank

On 28 December 2015, PICC P&C entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien ("Sal. Oppenheim") and Deutsche Bank Luxembourg S.A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to PICC P&C 877 million shares, 267 million shares and 992 million shares of Hua Xia Bank, respectively, held by them (amounting to a total of 2,136 million shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and PICC P&C conditionally agreed to purchase these shares. This transaction was completed on 17 November 2016. Management has assessed the level of influence that the Group has on Hua Xia Bank, and determined that it has significant influence over Hua Xia Bank since 17 November 2016 even though the respective shareholding is below 20% because of the board representation and other arrangements made. Consequently, this investment has been classified as an associate and is accounted for using equity method.

On 28 December 2018, Hua Xia Bank completed its private offering. The PICC P&C did not subscribe for the shares proportionately, therefore, its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%.

On 18 October 2022, Hua Xia Bank completed its private offering of shares, issued 527,704,485 new shares, raising net proceeds of RMB7,994 million. The PICC P&C, a subsidiary of the Group, did not subscribe for the shares proportionately, therefore its total equity interest in Hua Xia Bank was diluted from 16.66% to 16.11%. As such, a deemed disposal loss amounting to RMB95 million was recognised in dilution loss arising on a reduced stake in an associate.

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(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(2) Hua Xia Bank (continued)

	31 December 2022	31 December 2021
Total assets	3,900,167	3,676,287
Net assets attributable to equity holders of Hua Xia Bank	320,457	298,292

	2022	2021
Revenue	93,808	95,870
Profit attributable to equity holders of Hua Xia Bank	25,035	23,535
Dividends received from the associate during the year	866	772

Reconciliation of the above summarised financial information to the carrying amount of interest in Hua Xia Bank recognised in the consolidated financial statements:

	31 December 2022	31 December 2021
Net assets of Hua Xia Bank attributable to equity holders of Hua Xia Bank	320,457	298,292
Total preference shares issued by Hua Xia Bank	(19,978)	(19,978)
Total perpetual bonds issued by Hua Xia Bank	(39,993)	(39,993)
Net assets attributable to ordinary share holders of Hua Xia Bank	260,486	238,321
Proportion of the Group's interests in Hua Xia Bank	16.11%	16.66%
The Group's interests in net assets of Hua Xia Bank	41,954	39,704
Net fair value adjustment to the investee's identifiable assets and liabilities	(63)	(65)
Amortisation of intangible assets recognised in fair value adjustments	322	333
Carrying amount of the Group's interests in Hua Xia Bank	42,213	39,972
Fair value of shares listed in Mainland China	13,303	14,354

(c) Aggregate information of associates and joint ventures that are not individually material

As at 31 December 2022, apart from the two associates disclosed above, the Group has in aggregate 19 (31 December 2021: 19) immaterial associates and joint ventures and their aggregate information is presented below:

	2022	2021
The Group's share of profit	806	428
The Group's share of other comprehensive income/(expense)	113	(25)
The Group's share of total comprehensive income	919	403
Aggregate carrying amount of the Group's interests in these associates and joint ventures	19,951	19,470

(Amounts in millions of Renminbi, unless otherwise stated)

26 INVESTMENT PROPERTIES

	2022	2021
At beginning of the year	13,340	13,246
Additions	218	71
Transfers from property and equipment *(note 27)*	1,609	220
Transfer from right-of-use assets *(note 28)*	58	49
Gains on revaluation of properties upon transfer from property and equipment	467	555
Gains on revaluation of properties upon transfer from right-of-use assets	147	213
Decrease in fair value of investment properties *(note 6 (c))*	(182)	(143)
Transfer to property and equipment *(note 27)*	(391)	(700)
Transfer to right-of-use assets *(note 28)*	(169)	(154)
Disposals	(12)	(17)
At end of the year	15,085	13,340

The Group was still in the process of applying for title certificates for investment properties with a carrying value of RMB616 million as at 31 December 2022 (31 December 2021: RMB548 million). The directors of the Company do not expect this to have any impacts on the operation of the Group.

As at 31 December 2022, the Group's investment properties with a carrying value of RMB917 million were pledged as collateral (31 December 2021: RMB905 million).

The Group's investment properties were revalued at the end of the reporting period by independent professional valuers. The investment properties held by PICC P&C were revalued by Cushman & Wakefield Shenzhen Valuation Co., Ltd. and Jones Lang LaSalle (Beijing) Land and Real Estate Appraisal Consultant Co., Ltd.. The investment properties held by PICC Life were revalued by Shenzhen Shilian Land Real Estate Appraisal Co., Ltd.. The investment properties held by PICC Investment Holding were revalued by Shenzhen Shilian Land Real Estate Appraisal Co., Ltd.. Valuations were carried out by the following two approaches:

(1) The direct comparison approach assumes sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors; or

(2) The income approach determines the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate.

The fair value of the investment properties is usually determined by these approaches according to professional judgement. Therefore, these fair values are categorised as Level 3.

There has been no change in the valuation technique used from the prior years. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

When adopting the second approach to evaluate the valuation of the investment properties, one of the key inputs is the capitalisation rate used, which ranges from 4.00% to 7.50% as at 31 December 2022 (31 December 2021: ranges from 4.00% to 7.50%).

There was no transfer in or out of Level 3 of the Group during the year.

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27. PROPERTY AND EQUIPMENT

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2022	38,696	10,867	2,053	3,823	55,439
Additions	369	706	92	3,538	4,705
Transfer of construction in progress	803	1	–	(804)	–
Transfer from investment properties *(note 26)*	391	–	–	–	391
Transfer to investment properties *(note 26)*	(1,909)	–	–	–	(1,909)
Transfer to right-of-use assets *(note 28)*	–	–	–	(2)	(2)
Disposals	(138)	(468)	(210)	(1)	(817)
As at 31 December 2022	38,212	11,106	1,935	6,554	57,807
ACCUMULATED DEPRECIATION					
As at 1 January 2022	11,141	8,692	1,403	–	21,236
Provided for the year *(note 11)*	1,504	897	225	–	2,626
Transfer to investment properties *(note 26)*	(288)	–	–	–	(288)
Disposals	(88)	(442)	(201)	–	(731)
As at 31 December 2022	12,269	9,147	1,427	–	22,843
IMPAIRMENT LOSSES					
As at 1 January 2022	829	2	–	15	846
Transfer to investment properties *(note 26)*	(12)	–	–	–	(12)
As at 31 December 2022	817	2	–	15	834
NET CARRYING VALUES					
As at 31 December 2022	25,126	1,957	508	6,539	34,130
As at 1 January 2022	26,726	2,173	650	3,808	33,357

(Amounts in millions of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT *(continued)*

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2021	32,569	10,772	2,256	9,106	54,703
Additions	696	605	215	820	2,336
Transfer of construction in progress	6,066	36	–	(6,102)	–
Transfer from investment properties *(note 26)*	700	–	–	–	700
Transfer to investment properties *(note 26)*	(425)	–	–	–	(425)
Transfer to intangible assets *(note 29)*	–	–	–	(1)	(1)
Transfer to right-of-use assets *(note 28)*	(845)	–	–	–	(845)
Disposals	(65)	(546)	(418)	–	(1,029)
As at 31 December 2021	38,696	10,867	2,053	3,823	55,439
ACCUMULATED DEPRECIATION					
As at 1 January 2021	10,129	8,162	1,538	–	19,829
Provided for the year *(note 11)*	1,240	1,036	246	–	2,522
Transfer to investment properties *(note 26)*	(205)	–	–	–	(205)
Disposals	(23)	(506)	(381)	–	(910)
As at 31 December 2021	11,141	8,692	1,403	–	21,236
IMPAIRMENT LOSSES					
As at 1 January 2021 and 31 December 2021	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2021	26,726	2,173	650	3,808	33,357
As at 1 January 2021	21,611	2,608	718	9,091	34,028

As at 31 December 2022, certain acquired buildings of the Group with a net book value of RMB622 million (31 December 2021: RMB654 million) were still in the process of title registration. The directors of the Company do not expect this to have any impact on the operation of the Group.

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(Amounts in millions of Renminbi, unless otherwise stated)

28. RIGHT-OF-USE ASSETS

	Leasehold lands	**Leased properties**	**Others**	**Total**
COST				
As at 1 January 2022	**7,002**	**5,456**	**13**	**12,471**
Additions	**26**	**614**	**12**	**652**
Transfer from investment properties *(note 26)*	**169**	**–**	**–**	**169**
Transfer to investment properties *(note 26)*	**(112)**	**–**	**–**	**(112)**
Transfers from property and equipment *(note 27)*	**2**	**–**	**–**	**2**
Disposals	**(87)**	**(998)**	**(10)**	**(1,095)**
As at 31 December 2022	**7,000**	**5,072**	**15**	**12,087**
ACCUMULATED DEPRECIATION				
As at 1 January 2022	**2,034**	**2,391**	**12**	**4,437**
Provided for the year*(note 11)*	**208**	**1,301**	**10**	**1,519**
Transfer to investment properties *(note 26)*	**(54)**	**–**	**–**	**(54)**
Disposals	**(37)**	**(925)**	**(9)**	**(971)**
As at 31 December 2022	**2,151**	**2,767**	**13**	**4,931**
IMPAIRMENT LOSSES				
As at 1 January 2022 and As at 31 December 2022	**47**	**–**	**–**	**47**
NET CARRYING VALUES				
As at 31 December 2022	**4,802**	**2,305**	**2**	**7,109**
As at 1 January 2022	**4,921**	**3,065**	**1**	**7,987**

	Leasehold lands	Leased properties	Others	Total
COST				
As at 1 January 2021	6,179	4,788	56	11,023
Additions	3	1,446	9	1,458
Transfer from investment properties *(note 26)*	154	–	–	154
Transfer to investment properties *(note 26)*	(110)	–	–	(110)
Transfers from property and equipment *(note 27)*	845	–	–	845
Disposals	(69)	(778)	(52)	(899)
As at 31 December 2021	7,002	5,456	13	12,471
ACCUMULATED DEPRECIATION				
As at 1 January 2021	1,960	1,856	46	3,862
Provided for the year*(note 11)*	188	1,277	9	1,474
Transfer to investment properties *(note 26)*	(61)	–	–	(61)
Disposals	(53)	(742)	(43)	(838)
As at 31 December 2021	2,034	2,391	12	4,437
IMPAIRMENT LOSSES				
As at 1 January 2021 and As at 31 December 2021	47	–	–	47
NET CARRYING VALUES				
As at 31 December 2021	4,921	3,065	1	7,987
As at 1 January 2021	4,172	2,932	10	7,114

(Amounts in millions of Renminbi, unless otherwise stated)

28. RIGHT-OF-USE ASSETS *(continued)*

The above items of leasehold land are amortised on a straight-line basis over 30 – 70 years. For the year ended 31 December 2022, expense relating to leases of low-value assets and short-term leases that applied the simplified approach is approximately RMB160 million (2021: RMB235 million).

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB77 million (2021: RMB66 million) in which the Group is in the process of obtaining. The directors of the Company do not expect this to have any impact on the operation of the Group.

29. INTANGIBLE ASSETS

	Software	
	2022	2021
COST		
At beginning of the year	**6,482**	5,360
Additions	**1,060**	1,148
Transfer from construction in progress *(note 27)*	**–**	1
Disposals	**(71)**	(27)
At end of the year	**7,471**	6,482
ACCUMULATED AMORTISATION		
At beginning of the year	**3,005**	2,249
Amortisation *(note 11)*	**1,007**	770
Disposals	**(71)**	(14)
At end of the year	**3,941**	3,005
IMPAIRMENT LOSSES		
At beginning of the year	**6**	6
Recognition *(note 11)*	**1**	–
At end of the year	**7**	6
NET CARRYING VALUES		
At end of the year	**3,523**	3,471
At beginning of the year	**3,471**	3,105

30. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Deferred tax assets	**17,960**	10,143
Deferred tax liabilities	**(260)**	(2,053)
TOTAL	**17,700**	8,090

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(Amounts in millions of Renminbi, unless otherwise stated)

30. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The movements of deferred tax assets and liabilities of the Group during the years of 2022 and 2021 are as follows:

	2022			
	As at 1 January	Credited/ (charged) to income statement during the year	(Charged)/ credited to other comprehensive income during the year	As at 31 December
Provision for impairment losses	2,300	(11)	–	2,289
Employee benefits payable	2,037	623	–	2,660
Fair value change of available-for-sale financial assets	(7,978)	–	6,695	(1,283)
Fair value change of financial assets carried at fair value through profit or loss	(689)	209	–	(480)
Fair value change of investment properties	(2,074)	54	(141)	(2,161)
Insurance contract liabilities	12,187	3,775	–	15,962
Portion of fair value changes attributable to participating policyholders	663	–	(663)	–
Handling charges and commissions payable	914	(914)	–	–
Others	730	(17)	–	713
Net value	8,090	3,719	5,891	17,700

	2021			
	As at 1 January	Credited/ (charged) to income statement during the year	(Charged)/ credited to other comprehensive income during the year	As at 31 December
Provision for impairment losses	2,045	255	–	2,300
Employee benefits payable	1,033	1,004	–	2,037
Fair value change of available-for-sale financial assets	(7,888)	–	(90)	(7,978)
Fair value change of financial assets carried at fair value through profit or loss	(131)	(558)	–	(689)
Fair value change of investment properties	(1,993)	38	(119)	(2,074)
Insurance contract liabilities	10,397	1,790	–	12,187
Portion of fair value changes attributable to participating policyholders	579	–	84	663
Handling charges and commissions payable	1,922	(1,008)	–	914
Others	924	(194)	–	730
Net value	6,888	1,327	(125)	8,090

Unrecognised deductible temporary differences and deductible tax losses arising from entities in the Group, which do not have sufficient future taxable profits available for realisation, amounted to RMB32,017 million as at 31 December 2022 (31 December 2021: RMB14,682 million), of which deductible tax losses arising from entities in the PRC amounted to RMB28,029 million as at 31 December 2022 (31 December 2021: RMB13,363 million).

(Amounts in millions of Renminbi, unless otherwise stated)

30. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The expiry dates of unused tax losses are as follows:

	31 December 2022	31 December 2021
31 December 2022	–	2
31 December 2023	1,227	988
31 December 2024	2,113	1,995
31 December 2025	1,526	1,661
31 December 2026	9,082	8,717
31 December 2027	12,362	–
TOTAL	26,310	13,363

31. OTHER ASSETS

	Notes	31 December 2022	31 December 2021
Interest receivables		11,516	10,397
Policy loans	(a)	6,419	5,889
Deductible input value-added tax		4,291	3,827
Securities settlement receivables		3,669	1,295
Receivables from co-insurers for amounts paid on behalf		2,818	2,630
Refundable deposits		1,469	1,534
Loans and advances		898	965
Prepayments and deposits		584	665
Prepaid insurance underwriting commission		483	461
Commission receivables arising from collection of motor vehicles and vessels taxes		324	456
Others		6,519	6,209
TOTAL		38,990	34,328
Less: Impairment provision on other assets	(b)	(2,279)	(2,051)
Net carrying value		36,711	32,277

(a) Policy loans are secured by cash values of the relevant insurance policies of PICC Life and PICC Health and carry interest rate at 5.20% – 5.50% per annum as at 31 December 2022 (31 December 2021: 5.22% – 6.35%).

(b) The movements of provision for impairment of other assets are as follow:

	2022	2021
At 1 January	2,051	1,514
Recognition of impairment losses *(note 11)*	246	306
Others	(18)	231
At 31 December	2,279	2,051

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32. PLEDGED ASSETS AND RESTRICTED DEPOSITS

(a) Deposits with restricted rights or ownership

As at 31 December 2022, demand deposits and term deposits amounting to RMB3,444 million (31 December 2021: RMB4,244 million) were subject to various restrictions, in particular for the Group's involvement in agricultural insurance and satellite launch risk insurance.

(b) Securities pledged for repurchase transactions

As described in note 33 to these consolidated financial statements, the Group entered into a number of arrangements to sell certain bond securities with commitments to repurchase in the future. These bond securities are continued to be recognised in these consolidated financial statements and classified as at fair value through profit or loss, available-for-sale, or held-to-maturity securities, but they are in effect pledged as collaterals for these transactions.

	31 December 2022	31 December 2021
Carrying amount of transferred assets	133,048	104,619
Carrying amount of associated liabilities		
– Securities sold under agreements to repurchase	100,890	77,598

33. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2022	31 December 2021
Transactions by market places:		
Stock exchange	39,280	43,931
Inter-bank market	61,610	33,667
TOTAL	100,890	77,598

Debt securities are pledged for these transactions and details are set out in note 32 (b) to these consolidated financial statements.

34. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2022	31 December 2021
Payables to reinsurers	27,661	22,767

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

(Amounts in millions of Renminbi, unless otherwise stated)

35. BONDS PAYABLE

As at 31 December 2022, bonds payable represent supplementary capital bonds issued.

	31 December 2022	31 December 2021
Carrying amount repayable in		
– More than five years	43,356	43,804
TOTAL	43,356	43,804

On 29 March 2022, PICC Health issued capital supplementary bond of RMB3,000 million.

The terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's capital supplementary bonds range from 3.59% – 5.05% in the first five years (2021: 3.59% – 5.05%) and 4.59% – 6.05% in the second five years (2021: 4.59% – 6.05%).

36. LEASE LIABILITIES

	31 December 2022	31 December 2021
Within one year	787	983
Within a period of more than one year but not more than two years	641	728
Within a period of more than two years but not more than five years	753	1,025
Within a period of more than five years	110	257
TOTAL	2,291	2,993

The incremental borrowing rates applied to lease liabilities range from 2.84% to 5.32% (2021: from 3.40% to 4.50%)

37. INSURANCE CONTRACT LIABILITIES

	31 December 2022		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contract reserves *(a)*	459,041	4,840	454,201
Short-term health insurance contract reserves *(b)*			
– Claim reserves	8,737	233	8,504
– Unearned premium reserves	2,684	104	2,580
Non-life insurance contract reserves *(c)*			
– Claim reserves	207,354	25,395	181,959
– Unearned premium reserves	182,760	15,853	166,907
Total insurance contract liabilities	860,576	46,425	814,151

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(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

	31 December 2021		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contract reserves *(a)*	420,722	5,414	415,308
Short-term health insurance contract reserves *(b)*			
– Claim reserves	7,433	146	7,287
– Unearned premium reserves	2,234	65	2,169
Non-life insurance contract reserves *(c)*			
– Claim reserves	172,650	20,762	151,888
– Unearned premium reserves	170,059	13,876	156,183
Total insurance contract liabilities	773,098	40,263	732,835

(a) long-term life and health insurance contract reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2021	348,652	4,099	344,553
Additions	113,667	2,745	110,922
Payments	(16,368)	(1,430)	(14,938)
Surrenders	(25,229)	–	(25,229)
At 31 December 2021	420,722	5,414	415,308
Additions	104,896	1,132	103,764
Payments	(35,705)	(1,706)	(33,999)
Surrenders	(30,872)	–	(30,872)
At 31 December 2022	**459,041**	**4,840**	**454,201**

As at 31 December 2022, long-term life and health insurance contracts liabilities include no eligible surplus that has not been declared and paid (31 December 2021: RMB2,652 million). The change is recognised in other comprehensive income for the year. The increase in related amount (net of tax) that is attributable to owners of the Company is RMB1,536 million (31 December 2021: reduced by RMB192 million), and is included in the consolidated statement of changes in equity.

(b) Short-term health insurance contract reserves

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2021	7,279	120	7,159
Claims incurred	14,227	98	14,129
Claims paid	(14,073)	(72)	(14,001)
At 31 December 2021	7,433	146	7,287
Claims incurred	16,566	667	15,899
Claims paid	(15,262)	(580)	(14,682)
At 31 December 2022	**8,737**	**233**	**8,504**

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

(b) Short-term health insurance contract reserves *(continued)*

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2021	2,502	60	2,442
Premiums written	15,642	46	15,596
Premiums earned	(15,910)	(41)	(15,869)
At 31 December 2021	2,234	65	2,169
Premiums written	19,801	699	19,102
Premiums earned	(19,351)	(660)	(18,691)
At 31 December 2022	**2,684**	**104**	**2,580**

(c) Non-life insurance contract reserves

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2021	155,942	18,436	137,506
Claims incurred	323,508	25,700	297,808
Claims paid	(306,800)	(23,374)	(283,426)
At 31 December 2021	172,650	20,762	151,888
Claims incurred	342,021	30,920	311,101
Claims paid	(307,317)	(26,287)	(281,030)
At 31 December 2022	**207,354**	**25,395**	**181,959**

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2021	159,897	12,463	147,434
Premiums written	385,131	33,476	351,655
Premiums earned	(374,969)	(32,063)	(342,906)
At 31 December 2021	170,059	13,876	156,183
Premiums written	419,743	40,309	379,434
Premiums earned	(407,042)	(38,332)	(368,710)
At 31 December 2022	**182,760**	**15,853**	**166,907**

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38. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	31 December 2022	31 December 2021
Interest-bearing deposits	50,242	42,565
Non-interest-bearing deposits	1,689	1,687
Total	51,931	44,252

The movements in investment contract liabilities for policyholders are as follows:

	2022	2021
At beginning of the year	44,252	38,671
Deposits received after deducting fees	16,444	12,192
Deposits withdrawn	(11,018)	(8,129)
Interest credited to policyholders *(note 9)*	2,253	1,518
At end of the year	51,931	44,252

39. PENSION BENEFIT OBLIGATION

The Group is committed to defined benefit retirement benefit plans. Through the retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The amounts of these pension and medical benefits are paid monthly according to a policy agreed with these employees and number of years of services of these employees with the Group. The Group also offered an early retirement program to certain employees during its group reorganisation in 2003. For employees who joined this program, they are entitled to various periodic benefits up to their normal retirement ages. The beneficiaries of these pension benefits are not in active employment with the Group and these benefits are fully vested. There is no plan asset for these pension benefits.

(a) The movements in the present value of early retirement and retirement benefits are shown below:

	2022	2021
At beginning of the year	2,872	2,833
Interest cost on pension benefit obligation *(note 9)*	81	89
Actuarial losses arising from experience adjustments	50	35
Actuarial losses arising from changes in financial assumptions	–	139
Benefits paid	(227)	(224)
At end of the year	2,776	2,872

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: an increase/(decrease) in the bond interest rate will (decrease)/increase the plan liability.

- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

In aggregate, actuarial losses of RMB50 million were charged to other comprehensive income for the current year of 2022 (2021: actuarial losses of RMB174 million).

(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(a) The movements in the present value of early retirement and retirement benefits are shown below: *(continued)*

For defined benefit retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The Group employs a third-party actuary annually to conduct an actuarial assessment of the pension benefit scheme and issue a special actuarial report. At the end of 2022, Towers Watson was engaged to conduct an actuarial assessment of the pension benefit plan and issued the Actuarial Assessment Report for PICC Group as at 31 December 2022. The actuarial report was signed by Wu Haichuan, a North American actuary, a member of the American Association of Actuaries and a member of the China Association of Actuaries.

(b) The discount rates and the principal actuarial assumptions for the above obligations are as follows:

	31 December 2022	31 December 2021
Discount rates:		
– Early retirement benefits	**2.50%**	2.50%
– Retirement benefits	**2.75%**	2.75%
– Supplementary medical benefits	**3.00%**	3.00%
Average annual growth rates:		
– Early retirement benefits	**2.50%**	2.50%
– Medical expenses	**8.00%**	8.00%

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. The durations of early retirement benefits, retirement benefits and supplementary medical benefits are 4 years, 8 years and 11 years as at 31 December 2022 (31 December 2021: 4 years, 8 years and 12 years).

(c) The maturity of these benefits, in terms of undiscounted cash flows, is presented as follows:

	31 December 2022	31 December 2021
No more than 3 months	**50**	50
3 to 12 months (including 12 months)	**151**	151
1 to 5 years (including 5 years)	**782**	787
More than 5 years	**2,815**	2,981
Total	**3,798**	3,969

In order to reimburse the Company for this pension benefit obligation, a receivable of RMB2,847 million from MOF was recognised during the restructuring and reorganisation of the Company, as described in note 42(d)(2).

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39. PENSION BENEFIT OBLIGATION *(continued)*

(d) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and average annual growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumptions	Effect on the pension benefit obligation	
		2022	2021
Discount rate	+50bps	(128)	(136)
Discount rate	-50bps	139	148
Average annual growth rate	+50bps	134	144
Average annual growth rate	-50bps	(125)	(134)

40. OTHER LIABILITIES

	31 December 2022	31 December 2021
Premiums received in advance *(a)*	29,453	27,390
Salaries and welfare payable	26,865	22,180
Handling charges and commission payable	9,536	8,535
Claims payable	9,068	10,751
Value added tax and other taxes payable	7,780	7,720
Payables to non-controlling interests of consolidated structures entities	6,662	9,797
Premium payable *(b)*	4,927	4,161
Suppliers payable	2,268	2,520
Interests payable	1,294	1,236
Insurance security fund	1,286	1,024
Insurance deposit received	817	942
Bank borrowings	548	637
Others	8,161	7,071
TOTAL	108,665	103,964

(a) Premiums received in advance represent amounts collected from policies not yet effective as at 31 December 2022 and 31 December 2021, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(b) Premium payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.

(Amounts in millions of Renminbi, unless otherwise stated)

41. ISSUED CAPITAL

	31 December 2022	31 December 2021
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224

42. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) General risk reserve

Pursuant to "Financial Standards of Financial Enterprises – Implementation Guide" issued by the MOF of the PRC on 30 March 2007, a general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations for such reserve based on their respective annual profit, year-end risk assets or asset management fee income as determined in their annual financial statements. This reserve is not available for profit distribution and cannot be transferred to capital.

(b) Catastrophic loss reserve

Pursuant to the relevant regulatory requirements, the Group is required to make appropriation to a reserve when the agriculture and nuclear insurance business records underwriting profits. This reserve cannot be used for dividend distribution or conversion into capital, but can be utilised when there are catastrophic losses.

(c) Surplus reserve

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriation to a statutory surplus reserve based on its profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC in their annual statutory financial statements. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriation to a discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

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(Amounts in millions of Renminbi, unless otherwise stated)

42. RESERVES *(continued)*

(d) Principal items of other reserves were summarised as follows:

	Transfer to issued capital (1)	Compensation for post-employment benefit obligation (2) (note 39 (c))	Transactions with non-controlling interests	Other reserves of associates	Total
As at 31 December 2022	**(17,942)**	**2,847**	**(69)**	**(45)**	**(15,209)**
As at 31 December 2021	(17,942)	2,847	(58)	–	(15,153)

(1) In 2009, the Company obtained approval from the MOF for converting into a joint stock company. During the process, certain assets were revalued and the corresponding revaluation surplus was transferred to the issued capital. On consolidation, these revaluations were reversed, creating a negative balance.

(2) In 2009, the Company recognised an amount of RMB2,847 million recoverable from the MOF as compensation for the Company's assumption of post-employment benefit obligation. The amount was recognised as a special capital contribution from the MOF and was credited to other reserves. The amount has been fully recovered from the MOF.

43. CAPITAL AND RISK MANAGEMENT

43.1 Capital management

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The risk management structure runs through the board of directors, the management and all functional departments and covers all business sectors and branches at all levels of the Group. The board of directors is ultimately responsible for the risk management, internal control, and compliance policy formulation of the Group. A risk management committee is responsible for having a comprehensive understanding of significant risks faced by the Group and relevant risk management, as well as supervising the effectiveness of the operation of risk management system.

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to adjust the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and issued bonds. The Group also makes reinsurance arrangements to manage its regulatory capital requirements.

The solvency results of the Group's principal subsidiaries of the fourth quarter of 2022 are prepared in accordance with the requirements of the "Notice on the Distribution of the Regulatory Rules on the Solvency of Insurance Companies(II)" (CBIRC [2021] No. 51) and the "Notice on Matters concerning the Formal Implementation of the the Regulatory Rules on the Solvency of Insurance Companies(II)" (CBIRC [2021] No. 52) and the relevant notices issued by the CBIRC.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.1 Capital management *(continued)*

(b) Capital management approach (continued)

Insurance companies carrying out business in China are required to comply with capital requirements imposed by the CBIRC. These capital requirements are generally known as solvency requirements in the insurance industry.

Insurance companies comply with requirements on both the core capital and actual capital (sum of core and supplementary capital). Under China Risk Oriented Solvency System, the minimum capital is calculated by formula prescribed by the CBIRC. The minimum capital requirement is a result of quantifications of underwriting risks, market risks, credit risks and results of an internal control assessment.

Comprehensive and core solvency margin ratios are defined as actual capital and core capital divided by the minimum capital requirements, respectively. Comprehensive and core solvency margin ratio have to be higher than 100% and 50% respectively for compliance with the solvency requirements. The solvency results of PICC P&C, PICC Life and PICC Health of the fourth quarter of 2022 meet the above regulatory requirements.

The CBIRC can take a number of regulatory measures against any insurance company non-compliant with the solvency requirements. These regulatory measures include restriction on business scope, dividend distributions, investment strategy; order to transfer business or place reinsurance; removal of senior executives of the insurance companies.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

43.2 Risk management

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk. This section summarises these risks.

(a) Insurance risk

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This 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 costs of the events will differ from those expected.

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

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(1) Insurance risk types (continued)

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful risk selection and implementation of underwriting strategy and guidelines.

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters, they may result in earlier or more claims than expected; when the underwriting risks principally are longevity risks, continued improvement in medical science and social conditions that would improve longevity, they may result in losses to annuity or similar contracts. For contracts with discretionary participation features, a significant portion of these insurance risks is shared with the insured parties.

Insurance risk of life insurance contracts is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resulting insurance risk is subject to policyholders' behaviour and decisions.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

Gross and net premiums written to certain extent represent the risk of the Group before and after reinsurance and the information is presented in note 5 to these consolidated financial statements.

(2) Insurance risk concentration

Non-life claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC (including Hong Kong SAR).

The Group's concentration of non-life insurance risk before and after reinsurance, measured by geographical turnover and net written premiums of non-life insurance, is as follows:

	2022		2021	
	Gross	Net	Gross	Net
Coastal and developed provinces/cities (including Hong Kong SAR)	219,565	198,639	199,246	181,374
North-eastern China	28,106	24,727	26,418	23,516
Northern China	64,415	57,214	58,974	52,003
Central China	81,949	75,492	75,373	70,121
Western China	97,038	87,436	92,217	83,754
Total premiums written from non-life insurance contracts	491,073	443,508	452,228	410,768

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(2) Insurance risk concentration (continued)

For life and health insurance contracts, their insurance risks usually do not vary significantly in relation to the geographical locations of the insured and therefore geographical concentration by locations is not presented.

The concentration of insurance risk for life and health insurance contracts is reflected by the major lines of business. Prior to August 2013, traditional long-term life insurance products sold by the Group was priced at a valuation interest rate of 2.5% per annum. Subsequently, this pricing assumption was relaxed for traditional products in 2013 and then for participating products in 2015. Among the gross long-term liabilities of RMB459,041 million as at 31 December 2022 (31 December 2021: RMB420,722 million), RMB204,811 million (31 December 2021: RMB193,035 million) was reserved for products priced/guaranteed at 2.5%, while RMB39,959 million (31 December 2021: RMB56,519 million) was reserved for products priced/guaranteed at 4.025%. If the actual investment returns generated by premiums of long term life insurance products were less than those assumed in the pricing, the Group may incur losses on these insurance contracts.

Participating insurance products are very common in the PRC insurance market. Long term life insurance liabilities in relation to participating insurance products were RMB245,414 million as at 31 December 2022 (31 December 2021: RMB228,383 million), which constitutes around 53% (31 December 2021: 54%) of the total long term life insurance liabilities of the Group.

(3) Reinsurance

The Group limits its exposure to losses within non-life and short-term health insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis or the surplus line basis with retention limits varying by product lines. There are profit commission, sliding, scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's non-life premiums ceded to the top three reinsurance companies amounted to RMB23,640 million in total (2021: RMB19,184 million) and thus a credit exposure exists with respect to the businesses ceded, to the extent that these reinsurers are unable to meet their obligations assumed under such reinsurance agreements.

The claim reserves were projected with the loss triangle data on gross and net of the reinsurance basis and actuarial valuation methodologies. The reinsurances' share of claim reserves equal to gross minus net claim reserves, which is the amount expected to be reimbursed from reinsurers.

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43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis

Long-term life insurance contracts

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the pre-tax impact on profit and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reasons for the asymmetry of sensitivities. The impacts to future dividend distributions to policyholders are considered in determining the impact of changes in individual assumptions.

Long-term life and health insurance contracts held by PICC Life:

	Change in assumptions	Pre-tax impact on profit and equity	
		2022	2021
Discount rate	+50bps	**20,175**	18,359
Discount rate	-50bps	**(24,047)**	(22,204)
Mortality/morbidity	+10%	**(4,984)**	(4,777)
Mortality/morbidity	-10%	**5,191**	4,958
Lapse and surrenders rate	+25%	**2,076**	2,033
Lapse and surrenders rate	-25%	**(2,293)**	(2,299)
Expenses	+10%	**(892)**	(884)
Expenses	-10%	**892**	883

Long-term life and health insurance contracts held by PICC Health:

	Change in assumptions	Pre-tax impact on profit and equity	
		2022	2021
Discount rate	+25bps	**708**	600
Discount rate	-25bps	**(745)**	(629)
Mortality/morbidity	+10%	**(4,437)**	(5,157)
Mortality/morbidity	-10%	**4,433**	4,844
Lapse and surrenders rate	+10%	**405**	473
Lapse and surrenders rate	-10%	**(424)**	(500)
Expenses	+10%	**(189)**	(284)
Expenses	-10%	**178**	283

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Long-term life insurance contracts (continued)

Sensitivity analysis (continued)

The above analyses do not take into account the mitigating effect from asset-liability management and possible actions taken by management in view of these changes. Any change in discount rate is assumed to be a parallel shift in yield curve.

When the sensitivity analysis was performed for these actuarial assumptions, reasonably possible changes in discount rates and lapse and surrender rates were determined to be 25 basis points and 10% for PICC Health, compared with 50 basis points and 25% for PICC Life. It is because the size of operations of PICC Health was smaller than that of PICC Life and the duration of liabilities was shorter for former.

Non-life insurance and short-term health insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The range of reasonable estimates of claim reserve, projected using different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

It is not possible to quantify the sensitivity of certain variables such as legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve is not quantifiable with certainty at the end of 2022 and 2021.

If the average cost per claim or the number of claims changes, the claim reserves will change proportionately. When the other assumptions remain unchanged, if the future average cost per claim increases by 5%, the net claim reserves of the Group will increase by approximately RMB9,523 million as at 31 December 2022 (31 December 2021: RMB7,959 million).

As the claims of life insurance are usually settled within one year, an analysis of the development of claims was not reflected in the table below.

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts (continued)

Key assumptions (continued)

The following analysis shows the development of non-life claims over a period of time on a gross basis:

	Accident year – gross					
	Year ended 31 December					
	2018	2019	2020	2021	2022	Total
Estimated cumulative claims:						
At the end of current year	236,506	271,509	281,822	316,354	331,984	
One year later	238,602	273,949	278,964	316,185		
Two years later	238,703	269,736	278,693			
Three years later	235,185	270,053				
Four years later	234,566					
Estimated cumulative claims	234,566	270,053	278,693	316,185	331,984	1,431,481
Cumulative claims paid	(230,350)	(263,807)	(266,118)	(282,045)	(204,299)	(1,246,619)
Subtotal as at 31 December 2022						184,862
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						15,673
Claim reserves of PICC Reinsurance, gross						6,819
Non-life unpaid claim reserves, gross						207,354

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts (continued)

Key assumptions (continued)

The following analysis shows the development of non-life claims over a period of time on a net basis:

	Accident year – net					
	Year ended 31 December					
	2018	2019	2020	2021	2022	Total
Estimated cumulative claims:						
At the end of current year	217,295	247,761	256,770	287,729	299,766	
One year later	218,973	249,735	254,173	286,002		
Two years later	219,000	246,156	253,587			
Three years later	215,678	246,137				
Four years later	214,998					
Estimated cumulative claims	214,998	246,137	253,587	286,002	299,766	1,300,490
Cumulative claims paid	(211,728)	(241,753)	(243,603)	(258,479)	(185,594)	(1,141,157)
Subtotal as at 31 December 2022						159,333
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						16,288
Claim reserves of PICC Reinsurance, net						6,338
Non-life unpaid claim reserves, gross						181,959

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks

(1) 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 its deposit arrangements with commercial banks, debt investment schemes, interests receivable, other receivables, debt securities, trust schemes and insurance receivables. The Group holds a diversified portfolio of debt instruments and does not have concentration risk except for treasury bonds issued by the Chinese Government. The total amounts of Chinese Government issued debt securities was RMB183,485 million as at 31 December 2022 (31 December 2021: RMB183,252 million).

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above. The Group's management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

Credit exposure

The carrying amounts of financial assets included on the consolidated statement of financial position best represent the maximum credit risk exposure at the reporting date without taking account of any collaterals held or other credit enhancements.

Included in cash and cash equivalents are certain securities purchased under resale agreements, and the relevant collaterals are certain bonds.

Included in investments classified as loans and receivables are debt investment schemes which are partially guaranteed by banks or other corporates. Their carrying values are disclosed in note 23.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(1) Credit risk (continued)

Aging analysis of financial assets

	As at 31 December 2022						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	40,599	–	–	–	–	–	40,599
Debt securities	536,444	–	–	–	–	–	536,444
Insurance receivables	42,467	9,382	9,538	13,845	32,765	5,793	81,025
Reinsurance assets	46,425	–	–	–	–	–	46,425
Term deposits	101,180	–	–	–	–	–	101,180
Restricted statutory deposits	12,923	–	–	–	–	–	12,923
Investments classified as loans and receivables	176,822	–	–	–	–	584	177,406
Other financial assets	26,966	1,795	702	1,342	3,839	2,590	33,395
Total	983,826	11,177	10,240	15,187	36,604	8,967	1,029,397
Less: Impairment losses	(1,300)	–	–	–	–	(6,810)	(8,110)
Net	982,526	11,177	10,240	15,187	36,604	2,157	1,021,287

	As at 31 December 2021						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	33,276	–	–	–	–	–	33,276
Debt securities	494,578	–	–	–	–	–	494,578
Insurance receivables	32,351	7,076	4,409	12,319	23,804	5,552	61,707
Reinsurance assets	40,263	–	–	–	–	–	40,263
Term deposits	94,341	–	–	–	–	–	94,341
Restricted statutory deposits	12,994	–	–	–	–	–	12,994
Investments classified as loans and receivables	145,428	–	–	–	–	677	146,105
Other financial assets	21,641	1,986	598	1,656	4,240	1,928	27,809
Total	874,872	9,062	5,007	13,975	28,044	8,157	911,073
Less: Impairment losses	(1,365)	–	–	–	–	(5,728)	(7,093)
Net	873,507	9,062	5,007	13,975	28,044	2,429	903,980

For receivables arising from direct insurance business, the Group assesses any impairment on a collective basis according to default history of similar lines of business and aging. For financial assets other than receivables arising from direct insurance companies, the Group considers, on an individual basis, any default on amounts due, financial strength and repayment histories of the relevant counterparties when arriving at the amount of impairment.

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(1) Credit risk (continued)

Credit quality

The Group's debt securities investment mainly includes government bonds, financial bonds and corporate bonds. As at 31 December 2022, 99.76% (31 December 2021: 99.98%) of the corporate bonds held by the Group had credit rating of AA/A-2 or above. The bond's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance and updated at each reporting date.

As at 31 December 2022, 98.80% (as at 31 December 2021: 99.43%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited ("CSDCC") in the PRC. The Group believes these commercial banks and CSDCC have a high credit quality.

The credit risk associated with securities purchased under agreements to resell will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collaterals held and maturity term of no more than three months as at 31 December 2022 and 2021.

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance that permit surrender, withdrawal or other forms of early termination. As disclosed in note 23, the Group holds certain financial instruments that are classified as loans and receivables as active markets do not exist for these instruments. The Group also classified certain debt securities as held-to-maturity financial assets and is only allowed to dispose of these financial assets prior to maturities in limited situation without tainting other held-to-maturity financial assets. Therefore, the Group's ability to manage liquidity risks by disposing of these financial assets will be limited by these factors. Moreover, quoted financial assets held by the Group are mainly traded on the stock exchanges or in inter-bank markets in the Mainland China. Any significant decrease in liquidity in these markets will impair the Group's ability to manage its liquidity risk.

The Group manages the liquidity risks of its major operating subsidiaries by requiring them to perform cash flow forecasts on a quarterly basis under different scenarios and establish contingency plans for any expected shortfall of liquidity.

The Group held cash and cash equivalents which accounted for 2.69% of total assets as at 31 December 2022 (31 December 2021: 2.42%).

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(2) Liquidity risk (continued)

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

Maturity profiles of financial assets and financial liabilities

The table below summarises maturity profiles of financial assets and financial liabilities of the Group. Maturity profiles of financial assets and financial liabilities are prepared, using the contractual or expected collection or repayment dates.

All amounts are based on undiscounted cash flows.

	As at 31 December 2022						
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	21,090	19,523	–	–	–	–	40,613
Debt securities	–	14,588	26,014	193,911	558,795	–	793,308
Equity securities, mutual funds and investment schemes	–	–	–	–	–	258,022	258,022
Insurance receivables, net	34,664	16,741	18,456	6,617	231	–	76,709
Term deposits	–	463	40,330	67,685	–	–	108,478
Restricted statutory deposits	–	1,177	2,170	10,450	–	–	13,797
Investments classified as loans and receivables	584	7,253	17,675	147,196	37,627	–	210,335
Other financial assets	7,828	8,088	12,060	2,717	596	–	31,289
Total financial assets	64,166	67,833	116,705	428,576	597,249	258,022	1,532,551
Financial liabilities:							
Securities sold under agreements to repurchase	–	100,952	–	–	–	–	100,952
Payables to reinsurers	7,543	14,621	4,975	494	28	–	27,661
Bonds payable	–	182	1,343	10,443	43,789	–	55,757
Investment contract liabilities for policyholders	1,741	972	2,205	11,905	41,266	3,897	61,986
Policyholder dividends payable	5,756	–	–	–	–	–	5,756
Lease liability	–	193	690	1,466	133	–	2,482
Other financial liabilities	20,153	17,800	3,726	1,982	293	–	43,954
Total financial liabilities	35,193	134,720	12,939	26,290	85,509	3,897	298,548
Net liquidity gap	28,973	(66,887)	103,766	402,286	511,740	254,125	1,234,003

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(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities *(continued)*

	As at 31 December 2021						
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	21,298	11,986	–	–	–	–	33,284
Debt securities	27	14,588	29,698	183,893	515,879	–	744,085
Equity securities, mutual funds and investment schemes	–	–	–	–	–	262,357	262,357
Insurance receivables, net	18,693	20,133	13,785	5,368	151	–	58,130
Term deposits	–	16,302	3,917	79,362	2,157	–	101,738
Restricted statutory deposits	–	8	2,874	11,559	–	–	14,441
Investments classified as loans and receivables	34	4,743	20,254	107,488	43,822	–	176,341
Other financial assets	4,179	9,366	10,432	1,447	574	–	25,998
Total financial assets	44,231	77,126	80,960	389,117	562,583	262,357	1,416,374
Financial liabilities:							
Securities sold under agreements to repurchase	–	77,642	–	–	–	–	77,642
Payables to reinsurers	2,908	13,213	5,695	930	21	–	22,767
Bonds payable	–	72	1,456	8,731	44,769	–	55,028
Investment contract liabilities for policyholders	1,146	1,377	3,412	9,690	29,383	3,866	48,874
Policyholder dividends payable	5,480	–	–	–	–	–	5,480
Lease liability	–	196	852	2,277	277	–	3,602
Other financial liabilities	25,616	13,217	4,629	2,714	32	–	46,208
Total financial liabilities	35,150	105,717	16,044	24,342	74,482	3,866	259,601
Net liquidity gap	9,081	(28,591)	64,917	364,775	488,101	258,491	1,156,774

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(2) Liquidity risk (continued)

Maturity profiles of reinsurance assets and insurance liabilities

For reinsurance assets and insurance liabilities, the liquidity analysis presented below is prepared on the basis of expected timing of settlements of claims or benefits. These expected timing is made on various assumptions, including settlement speed of non-life claims, surrenders of certain life insurance policies, and longevity of retired former employees. Therefore, actual timing may deviate from the analysis presented below.

The table below summarises maturity profiles of reinsurance assets and insurance liabilities of the Group.

All amounts are based on undiscounted cash flows.

	As at 31 December 2022				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	7,121	14,886	16,169	5,442	43,618
Insurance contract liabilities	73,211	223,836	206,813	903,736	1,407,596

	As at 31 December 2021				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	6,309	18,357	15,965	4,132	44,763
Insurance contract liabilities	65,244	221,789	177,103	868,443	1,332,579

(3) 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 foreign exchange rates (currency risk), market interest rates (interest rate risk) or market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

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(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Foreign currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal operations and transactions are conducted in RMB, and is also exposed to foreign exchange risk in respect of United States Dollars ("USD") because certain non-life insurance contracts are denominated in USD. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The table below summarises the Group's assets and liabilities by major currency, expressed in RMB equivalent:

31 December 2022	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	37,894	779	1,809	117	40,599
Debt securities	532,667	134	3,453	–	536,254
Equity securities, mutual funds and investment schemes	248,774	4,453	4,795	–	258,022
Insurance receivables, net	68,889	318	7,010	492	76,709
Reinsurance assets	43,156	835	2,308	126	46,425
Term deposits	98,487	300	2,388	5	101,180
Restricted statutory deposits	12,923	–	–	–	12,923
Investments classified as loans and receivables	176,082	–	–	–	176,082
Other financial assets	30,525	110	363	117	31,115
Total financial assets	1,249,397	6,929	22,126	857	1,279,309
Securities sold under agreements to repurchase	100,890	–	–	–	100,890
Payables to reinsurers	23,840	178	3,356	287	27,661
Bonds payable	43,356	–	–	–	43,356
Insurance contract liabilities	851,995	1,758	5,883	940	860,576
Investment contract liabilities for policyholders	51,931	–	–	–	51,931
Policyholder dividends payable	5,756	–	–	–	5,756
Other financial liabilities	41,705	71	1,861	317	43,954
Total financial liabilities	1,119,473	2,007	11,100	1,544	1,134,124
Net exposure	129,924	4,922	11,026	(687)	145,185

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

31 December 2021	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	29,074	1,407	2,496	299	33,276
Debt securities	490,810	–	3,740	–	494,550
Equity securities, mutual funds and investment schemes	253,567	3,591	5,199	–	262,357
Insurance receivables, net	51,824	302	5,666	338	58,130
Reinsurance assets	36,021	544	1,898	1,800	40,263
Term deposits	92,845	8	1,483	5	94,341
Restricted statutory deposits	12,994	–	–	–	12,994
Investments classified as loans and receivables	144,603	–	–	–	144,603
Other financial assets	24,899	129	778	17	25,823
Total financial assets	1,136,637	5,981	21,260	2,459	1,166,337
Securities sold under agreements to repurchase	77,598	–	–	–	77,598
Payables to reinsurers	19,348	191	3,080	148	22,767
Bonds payable	43,804	–	–	–	43,804
Insurance contract liabilities	763,026	1,304	4,782	3,986	773,098
Investment contract liabilities for policyholders	44,252	–	–	–	44,252
Policyholder dividends payable	5,480	–	–	–	5,480
Other financial liabilities	44,364	92	1,712	40	46,208
Total financial liabilities	997,872	1,587	9,574	4,174	1,013,207
Net exposure	138,765	4,394	11,686	(1,715)	153,130

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	31 December 2022	
Exchange rate of foreign currencies (RMB: million)	**Pre-tax impact on profit**	**Pre-tax impact on equity**
+5%	**301**	**763**
-5%	**(301)**	**(763)**

	31 December 2021	
Exchange rate of foreign currencies (RMB: million)	Pre-tax impact on profit	Pre-tax impact on equity
+5%	279	718
-5%	(279)	(718)

The method used for deriving sensitivity information and significant variables has not changed from the previous year.

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.

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of 10 trading days at a confidence level of 99% for bond investments measured at fair value. Delta-Normal method is used in measuring VaR.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Interest rate risk (continued)

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2022	2021
Interest rate VaR	**2,992**	1,796

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), 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 exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Group holds a diversified portfolio of equity instruments and therefore does not have significant concentration risk in any particular individual instrument. However, the Group principally invests in the stock markets of Hong Kong and Mainland China and is subject to price risk arising from volatilities of these two markets.

The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and mutual fund investments measured at fair value (other than those measured at level 3 fair value) over a holding period of 10 trading days at a confidence level of 99%. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2022	2021
Equity price VaR	**9,719**	7,776

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44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and investment schemes, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, and investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	40,599	40,599	33,276	33,276
At fair value through profit or loss				
– Equity securities, mutual funds and investment schemes	18,861	18,861	17,845	17,845
– Debt securities	19,440	19,440	39,614	39,614
Available-for-sale				
– Equity securities, mutual funds and investment schemes	239,086	239,086	244,419	244,419
– Debt securities	318,421	318,421	257,590	257,590
Held-to-maturity financial assets				
– Debt securities	198,393	215,334	197,346	211,937
Loans and receivables				
– Insurance receivables, net	76,709	76,709	58,130	58,130
– Term deposits	101,180	101,180	94,341	94,341
– Restricted statutory deposits	12,923	12,923	12,994	12,994
– Investments classified as loans and receivables	176,082	179,070	144,603	150,022
– Other financial assets	31,115	31,115	25,823	25,823
Total financial assets	1,232,809	1,252,738	1,125,981	1,145,991
Financial liabilities				
Other financial liabilities – measured at amortised cost				
– Securities sold under agreements to repurchase	100,890	100,890	77,598	77,598
– Payables to reinsurers	27,661	27,661	22,767	22,767
– Bonds payable	43,356	43,134	43,804	44,549
– Policyholder dividends payable	5,756	5,756	5,480	5,480
– Other financial liabilities	43,954	43,954	51,550	51,550
Total financial liabilities	221,617	221,395	201,199	201,944

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(a) *Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value			
Items	**31 December 2022**	31 December 2021	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss equity securities, mutual funds and investment schemes	**5,395**	8,543	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities, mutual funds and investment schemes	**6,362**	4,536	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
At fair value through profit or loss equity securities, mutual funds and investment schemes	**7,104**	4,766	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
At fair value through profit or loss debt securities	**2,798**	3,630	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	**16,642**	35,984	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale debt securities	**19,146**	18,520	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	**299,275**	239,070	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale equity securities, mutual funds and investment schemes	**117,667**	96,555	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and investment schemes	**63,501**	98,069	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale equity securities, mutual funds and investment schemes	**27,830**	23,508	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Available-for-sale equity securities, mutual funds and investment schemes	**30,088**	26,287	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

As at 31 December 2022, the Group transferred certain debt securities with a carrying amount of RMB10,510 million (2021: RMB10,050 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB8,616 million (2021: RMB8,290 million) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

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44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(b) Fair value of financial assets and liabilities not carried at fair value

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The levels of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

	Fair value hierarchy at 31 December 2022		
	Level 1	Level 2	Total
Financial assets			
Held-to-maturity financial assets	1,972	213,362	215,334
Financial liabilities			
Bonds payable	–	43,134	43,134

As at 31 December 2022, investments classified as loans and receivables the Group held belong to the Level 3 category mainly. The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 and Level 3 category above have been determined using discounted cash flows model, with most significant inputs being estimated cashflow and the discount rate that reflects the risk of counterparties and the Group.

(c) Reconciliation of Level 3 fair value measurements

	2022	2021
At beginning of the year	54,561	25,454
Unrealised gains recognised in other comprehensive income	168	3,246
Additions	13,209	7,527
Transfer from Level 1 to Level 3	–	26
Transfer from Level 2 to Level 3	–	19,572
Losses recognised in profit or loss	(10)	(204)
Transfer from Level 3 to Level 2	–	(1)
Transfer from Level 3 to Level 1	(410)	–
Disposals	(2,496)	(1,059)
At end of the year	65,022	54,561

The transfers into or out of Level 3 fair value measurements were because of the changes of inputs in fair value measurements.

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements is presented in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2022					
	Securities sold under agreements to repurchase *(note 33)*	Bonds payable *(note 35)*	Bank borrowings *(note)*	Interests payable *(note 40)*	Lease liabilities *(note 36)*	Total
At 1 January 2022	77,598	43,804	637	1,236	2,993	126,268
Financing cash flows	23,292	(500)	(89)	(4,195)	(1,149)	17,359
Finance costs	–	52	–	4,253	83	4,388
New leases entered/lease modified	–	–	–	–	364	364
At 31 December 2022	100,890	43,356	548	1,294	2,291	148,379

Note: Bank borrowings were included in other liabilities and disclosed in note 40.

	2021					
	Securities sold under agreements to repurchase *(note 33)*	Bonds payable *(note 35)*	Bank borrowings *(note)*	Interests payable *(note 40)*	Lease liabilities *(note 36)*	Total
At 1 January 2021	85,826	56,960	592	1,305	2,792	147,475
Financing cash flows	(8,228)	(13,000)	45	(4,062)	(1,172)	(26,417)
Finance costs	–	(156)	–	3,993	105	3,942
New leases entered/lease modified	–	–	–	–	1,268	1,268
At 31 December 2021	77,598	43,804	637	1,236	2,993	126,268

46. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

(b) Capital commitments

	31 December 2022	31 December 2021
Property and equipment commitments:		
Contracted, but not provided for	674	2,697

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47. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group leases its investment properties (note 26) under operating lease arrangements, with lease terms ranging from 1 to 15 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

Undiscounted lease payments receivable on leases are as follows:

	31 December 2022	31 December 2021
Within one year, inclusive	467	706
In the second year, inclusive	319	497
In the third year, inclusive	187	342
In the fourth year, inclusive	128	229
In the fifth year, inclusive	96	105
After five years	124	171
TOTAL	1,321	2,050

48. RELATED PARTY DISCLOSURES

(a) A party is considered to be related to the Group if:

(1) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(2) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(b) The Company is a state-owned enterprise and its controlling shareholder is the MOF.

(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(c) During the year, the Group had the following significant related party transactions:

Transactions with associates:	2022	2021
Industrial Bank		
Gross written premiums	177	242
Investment income	679	955
Dividend	2,773	2,149
Claims and policyholders' benefits	183	443
Handling charges and commissions	61	80
Hua Xia Bank		
Gross written premiums	6	15
Investment income	1	5
Dividend	866	772
Claims and policyholders' benefits	2	185
Other associates		
Investment income	39	39
Dividend	515	504
Other income	13	10
Purchase of spare parts	389	495
Other operating and administrative expense	42	57

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

(d) Balances with related parties

Receivables from associates	31 December 2022	31 December 2021
Industrial Bank		
Cash and cash equivalents	4,352	3,701
Equity securities, mutual funds and investment schemes	670	825
Term deposits	13,679	22,600
Restricted statutory deposits	578	429
Other assets	36	36
Hua Xia Bank		
Cash and cash equivalents	25	29
Term deposits	38	10
Debt securities	–	639
Other associates		
Debt securities	1,651	1,652
Other assets	52	54

Payables to associates	31 December 2022	31 December 2021
Other associates		
Other liabilities	30	22

(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(e) Compensation of key management personnel

Key management personnel of the Company include certain Directors, Supervisors and Senior Management. The summary of compensation of key management personnel for 2022 and 2021 is as follows:

	2022 (in RMB'000)	2021 (in RMB'000) (Restated)
Short-term employee benefits	10,894	18,096
Other long-term benefits	2,064	2,466
Retirement benefits	2,296	2,664
Total compensation paid to key management personnel	15,254	23,226

(f) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment dominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the "government-related entities").

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

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49. STRUCTURED ENTITIES

The Group invested in a variety of structured entities including asset management products sponsored by asset management companies, securities companies or insurance asset management companies, mutual funds sponsored by mutual fund management companies, trusts sponsored by trust companies and wealth management products sponsored by banks. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. In addition, the Group may be exposed to variability of returns as a result of holding interests in the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity.

(a) As at 31 December 2022, management determined that the Group has control of certain structured entities and the significant consolidated structured entities are as follows:

Name	Attributable equity interest	Paid-in capital (in RMB million)	Principal activities
Beijing PICC Health and Pension Industry Investment Fund (Limited Partnership)	100.00%	2,685	Equity investment schemes
PICC AMC – Shenzhou Youche Equity Investment Schemes	100.00%	2,400	Equity investment schemes
PICC AMC – China Railway Construction Debt Investment Schemes (Phase 1)	100.00%	2,300	Debt investment schemes
PICC AMC – China Railway Construction Debt Investment Schemes (Phase 2)	86.96%	2,300	Debt investment schemes
PICC AMC Anxin Tonggang No.1 Assets Management Product	87.38%	2,261	Asset management products

(b) Investments in unconsolidated structured entities are disclosed in respective notes of "Debt Securities", "Equity Securities, Mutual Funds and Investment Schemes" and "Investments Classified as Loans and Receivables". The corresponding investment income is recorded in profit or loss as changes in fair values, realised gains/losses, dividend or interest income, and impairment losses. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. Assets management income earned by the asset management segment is disclosed in note 7 to these consolidated financial statements.

The Group does not control any of these structured entities and therefore does not consolidate these structured entities. The following table shows the Groups' interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur. The Group does not provide any financial support for these unconsolidated structured entities:

	31 December 2022		
	Funding provided by the Group and carrying amount of the investment	**The Group's Maximum exposure**	**Interest held by the Group**
Products managed by the Group *(note 1)*	**96,504**	**96,504**	**Investment income and management fee**
Products managed by third parties *(note 2)*	**244,438**	**244,438**	**Investment income**
Total	**340,942**	**340,942**	

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49. STRUCTURED ENTITIES *(continued)*

	31 December 2021		
	Funding provided by the Group and carrying amount of the investment	The Group's Maximum exposure	Interest held by the Group
Products managed by the Group *(note 1)*	84,302	84,302	Investment income and management fee
Products managed by third parties *(note 2)*	227,354	227,354	Investment income
Total	311,656	311,656	

Note 1: As at 31 December 2022, the size of unconsolidated structured entities that the Group sponsored was RMB551,020 million (31 December 2021: RMB376,080 million). As at 31 December 2022, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB368,962 million (as at 31 December 2021: RMB226,937 million), which were mainly funds, asset management products and pension products, etc., sponsored by the Group to generate management service fee income. In 2022, the management service fee from these structured entities was RMB479 million (2021: RMB740 million), which was recorded as other income.

Note 2: The structured entities are sponsored by third party financial institutions and the information related to the size of these structured entities were not publicly available.

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to Amendments to IFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from IFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group has decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As permitted by Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for associates and joint ventures such as Industrial Bank and Hua Xia Bank.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2022 and 2021 and fair value changes for the year ended 31 December 2022 and 2021:

	Fair value as at 31 December 2022 RMB million	Fair value changes for the year ended 31 December 2022 RMB million	Fair value as at 31 December 2021 RMB million	Fair value changes for the year ended 31 December 2021 RMB million
Held for trading financial assets *(A)*	31,197	(804)	52,700	201
Financial assets that are managed and whose performance are evaluated on a fair value basis *(B)*	7,104	407	4,759	578
Financial assets other than A and B				
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") *(C)*	589,530	(2,982)	568,431	13,041
– Financial assets with contractual terms that do not meet SPPI terms *(D)*	362,456	(28,869)	295,630	(6,657)
Total	990,287	(32,248)	921,520	7,163

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair values. Accordingly, they have not been included in the table above.

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50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount as at 31 December 2022 ***(Note 1)***	Carrying amount as at 31 December 2021 *(Note 1)*
AAA	**458,888**	427,517
AA+	**247**	208
AA	**–**	10
A-	**–**	16
A-1	**–**	268
A or below	**97**	30
Not rated*	**112,645**	120,904
TOTAL	**571,877**	548,953

* Included in the not rated category, there is an aggregate carrying amount of RMB112,057 million (31 December 2021: RMB118,602 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB588 million (31 December 2021: RMB2,302 million) without any credit rating do not have low credit risk.

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure *(continued)*

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 31 December 2022 ***(Note 1)***	Carrying amount as at 31 December 2021 *(Note 1)*
Aaa	**66**	63
Aa (include Aa1, Aa2 and Aa3)	**256**	228
A (include A1, A2 and A3)	**2,226**	2,072
Baa (include Baa1, Baa2 and Baa3)	**706**	580
Not rated	**46**	563
TOTAL	**3,300**	3,506

	Carrying amount		**Fair value**	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) *(Note 2)*	**978**	3,397	**405**	2,755

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

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51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Company	31 December 2022	31 December 2021
ASSETS		
Cash and bank balances	1,170	777
Financial assets at fair value through profit or loss	93	391
Financial assets purchased under resale agreements	–	183
Term deposits	4,327	4,466
Available-for-sale financial assets	16,804	16,135
Held-to-maturity financial assets	134	–
Investments classified as loans and receivables	5,840	6,904
Long-term equity investment	91,142	90,404
Investment properties	2,448	2,514
Fixed assets	2,807	2,787
Intangible asset	111	92
Other assets	585	454
TOTAL ASSETS	125,461	125,107
LIABILITIES AND EQUITY		
LIABILITIES		
Securities sold under agreements to repurchase	480	773
Salaries and staff welfare payables	3,686	3,715
Tax payable	2	1
Bonds payable	17,998	17,992
Other liabilities	1,053	1,009
TOTAL LIABILITIES	23,219	23,490
EQUITY		
Issued capital	44,224	44,224
Capital reserves	35,578	35,578
Other comprehensive income	85	473
Surplus reserves	14,938	14,187
Retained profits	7,417	7,155
TOTAL EQUITY	102,242	101,617
TOTAL EQUITY AND LIABILITIES	125,461	125,107

(Amounts in millions of Renminbi, unless otherwise stated)

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

The movements in reserves and retained profits of the Company are set out below:

	2022					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2022	44,224	35,578	473	14,187	7,155	101,617
Amount of change this year						
Net profit	–	–	–	–	7,514	7,514
Other comprehensive income	–	–	(388)	–	–	(388)
Total comprehensive income	–	–	(388)	–	7,514	7,126
Profit Distribution						
Appropriations to surplus reserves	–	–	–	751	(751)	–
Profit distribution to shareholders	–	–	–	–	(6,501)	(6,501)
At 31 December 2022	44,224	35,578	85	14,938	7,417	102,242

	2021					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2021	44,224	35,578	908	13,319	5,406	99,435
Amount of change this year						
Net profit	–	–	–	–	8,676	8,676
Other comprehensive income	–	–	(435)	–	–	(435)
Total comprehensive income	–	–	(435)	–	8,676	8,241
Profit Distribution						
Appropriations to surplus reserves	–	–	–	868	(868)	–
Profit distribution to shareholders	–	–	–	–	(6,059)	(6,059)
At 31 December 2021	44,224	35,578	473	14,187	7,155	101,617

The balance sheet and reserve movement of the Company disclosed in this note are prepared in accordance with PRC GAAP, the primary GAAP for the Company to determine the amount of retained profits available for distribution.

There is no material difference in recognition and measurement between PRC GAAP and the significant accounting policies as disclosed in Note 2.5 in preparation of the above balance sheet and reserve movement of the Company.

There is no significant difference between the consolidated financial statements prepared in accordance with IFRS and PRC GAAP by the Group in the equity as at 31 December 2022 and 31 December 2021 and no significant difference in the net profit for the respective years then ended.

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(Amounts in millions of Renminbi, unless otherwise stated)

52. EVENT AFTER THE REPORTING PERIOD

On 24 March 2023, the Board of Directors of the Company proposed a final dividend of RMB16.60 cents (tax inclusive) per ordinary share for the year ended 31 December 2022, amounting to a total of approximately RMB7,341 million. The above proposal is subject to the approval of shareholders' general meeting of the Company.

53. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Company on 24 March 2023.

Corporate Information

Chinese name: 中國人民保險集團股份有限公司

Abbreviation of Chinese name: 中國人保集團

English name: THE PEOPLE'S INSURANCE COMPANY(GROUP) OF CHINA LIMITED

Abbreviation of English name: PICC Group

Person in Charge of the Company: Wang Tingke

Secretary to the Board: Zeng Shangyou

Securities affairs representative: Zeng Shangyou

Company secretary: Ng Sau Mei

Shareholders' enquiries: the Office of the Board of Directors/Board of Supervisors

Tel: (8610) 6900 9192

Fax: (8610) 6900 8264

Email: ir_group@picc.com.cn

Correspondence office address: No. 88 West Chang'an Avenue, Xicheng District, Beijing, the PRC

Registered office address: 1-13/F, No. 88 West Chang'an Avenue, Xicheng District, Beijing, the PRC

Postal code: 100031

Website: www.picc.com.cn

Designated newspapers for the Company's announcement (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Designated website for the Company's A Share announcement:
www.sse.com.cn

Place for listing of A Shares: Shanghai Stock Exchange

Short form for A Share: PICC

A Share stock code: 601319

Place for listing of H Shares: The Stock Exchange of Hong Kong Limited

Short form for H Share: PICC Group

H Share stock code: 1339

AUDITORS

International Auditor:
PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor)

Domestic Auditor:
PricewaterhouseCoopers Zhong Tian LLP

Consulting Actuary:
Ernst & Young (China) Corporate Consulting Co., Ltd.

LEGAL ADVISORS

as to Hong Kong law:
Clifford Chance

as to PRC law:
Fangda Partners

H SHARE REGISTRAR

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

Place for annual report collection:
the Office of the Board of Directors/Board of Supervisors of the Company

Designated website for the Company's H Share announcement:
www.hkexnews.hk

中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED