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新華人壽保險股份有限公司

NEW CHINA LIFE INSURANCE COMPANY LTD.

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

(Stock Code: 01336)

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

The board of directors of New China Life Insurance Company Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2021. This announcement, containing the full text of the Annual Report 2021 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in relation to information to accompany preliminary announcements of annual results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.newchinalife.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). Printed version of the Company's Annual Report 2021 will be delivered to the holders of H share of the Company and available for viewing on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of the Company (www.newchinalife.com) in early April 2022.

By Order of the Board
New China Life Insurance Company Ltd.
Xu Zhibin
Chairman

Beijing, China, 29 March 2022

As at the date of this announcement, the chairman and non-executive director of the Company is XU Zhibin; the executive directors are LI Quan and ZHANG Hong; the non-executive directors are YANG Yi, HE Xingda, YANG Xue, HU Aimin, LI Qiqiang, PENG Yulong and Edouard SCHMID; and the independent non-executive directors are LI Xianglu, ZHENG Wei, CHENG Lie, GENG Jianxin and MA Yiu Tim.

IMPORTANT INFORMATION

- 1 The board of directors (the “**Board**”), the board of supervisors and directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.
- 2 The Annual Report 2021 of the Company was considered and approved at the 29th meeting of the seventh session of the Board of the Company on 29 March 2022, which 15 directors were required to attend and 14 of them attended in person. Director Edouard SCHMID authorized chairman XU Zhibin to attend and vote on behalf of him at the meeting.
- 3 Ernst & Young conducted the auditing on the 2021 Consolidated Financial Statements of the Company prepared in accordance with the International Financial Reporting Standards and issued the standard unqualified audit report.
- 4 The Company plans to distribute an annual cash dividend of RMB1.44 (tax included) per share to all shareholders for 2021, approximately RMB4,492 million in total, representing approximately 30.1% of net profit attributable to shareholders of the Company as contained in the 2021 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the *Articles of Association*. The above dividend distribution plan is subject to the approval of the shareholders’ general meeting.
- 5 Mr. XU Zhibin, chairman of the Board of the Company, Mr. LI Quan, chief executive officer (the “**CEO**”) and president of the Company, Mr. YANG Zheng, chief financial officer and person in charge of finance of the Company, Mr. GONG Xingfeng, chief actuary of the Company and Mr. ZHANG Tao, the officer in charge of accounting department of the Company, guarantee the correctness, accuracy and completeness of the financial statements in the Annual Report 2021.
- 6 In addition to the facts stated herein, this report includes some forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warranty or undertaking as to its future performance. The investors and relevant persons should have adequate awareness of risks and understand the differences between plans, forecasts and undertakings.
- 7 There is no non-operating usage of funds by the controlling shareholder or its related parties for the Company.
- 8 There is no external guarantee provided by the Company which violates the decision-making procedures of the Company.
- 9 There is no more than half of directors of the Company who cannot guarantee the correctness, accuracy and completeness of this report.
- 10 The major risks of the Company include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk, liquidity risk, etc. The Company has taken various measures to effectively manage and control all sorts of risks. Please refer to the “Risk Management” of this annual report for details.

MILESTONES

2021-**25**th Anniversary
of Founding
10th Anniversary of Listing



In September, New China Life was founded in Beijing. It was a nationwide life insurance company approved by the State Council and the People's Bank of China.



New China Life had basically covered its business across the whole country.

1996

2005

2021



The year 2021 marked the 25th anniversary of the founding of New China Life, and also the 10th anniversary of its listing.

The Party membership of the Company was transferred to CIC, realizing the organic integration of Party building and corporate governance.



New China Life was simultaneously listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange.

New China Life achieved gross written premiums over RMB100,000 million for the first time, making it a large life insurance company in China.

2011

2013

2019

2016



New China Life established the "1 + 2 + 1" strategy with life insurance business as the main body, wealth management, old-age care and healthcare as two wings, and technology empowerment as the support. The strategy gradually formed a coordinated development model to jointly build a path with NCI's characteristics and long-term vitality.



New China Life successfully became a member of Top 500 by Fortune and Forbes for the first time.

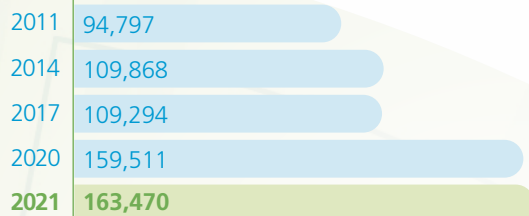
HIGH-LIGHTS

2011-2021



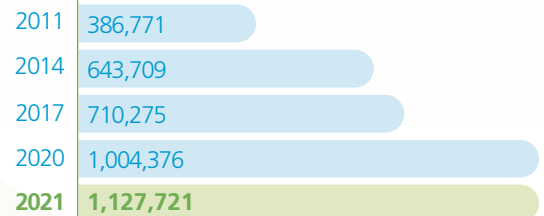
Gross Written Premiums

Unit: RMB in millions



Total Assets

Unit: RMB in millions



Net Profit

Unit: RMB in millions



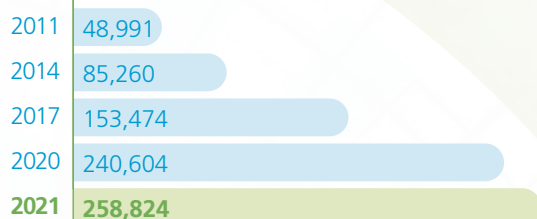
Total Cash Dividend (tax included)

Unit: RMB in millions



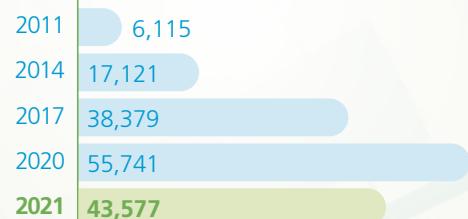
Embedded Value

Unit: RMB in millions



Claim Payment

Unit: RMB in millions



DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of Asset Management Company
Xinhua Seniors Service	Xinhua Village Seniors Service (Beijing) Co., Ltd., a subsidiary of the Company
New China Pension	New China Pension Co., Ltd., a subsidiary of the Company
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	New China Life Hefei Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Foundation	New China Life Foundation
CIC	China Investment Corporation
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
National Social Security Fund	National Council for Social Security Fund of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
Pt	Percentage point(s)
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
Company Law	Company Law of the People's Republic of China
Insurance Law	Insurance Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Articles of Association	Articles of Association of New China Life Insurance Company Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)



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SECTION 1 CORPORATE INFORMATION

BASIC INFORMATION

Legal Name in Chinese	新華人壽保險股份有限公司(簡稱「新華保險」)
Legal Name in English	NEW CHINA LIFE INSURANCE COMPANY LTD. ("NCI")
Legal Representative	XU Zhibin
Registered Office and its Historic Change	Registered Office of the Company changed from No.1, East Hunan Road, Yanqing District, Beijing, P.R.C. to No.16, East Hunan Road, Yanqing District, Beijing, P.R.C. (Zhongguancun Yanqing Park) in November 2019.
Postal Code	102100
Place of Business	NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Postal Code	100022
Place of Business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Website	http://www.newchinalife.com
Email	ir@newchinalife.com
Customer Service and Complaint Hotline	95567

CONTACT INFORMATION

Board Secretary/Joint Company Secretary	GONG Xingfeng
Securities Representative	XU Xiu
Telephone	86-10-85213233
Fax	86-10-85213219
Email	ir@newchinalife.com
Address	13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Joint Company Secretary	NG Sau Mei
Telephone	852-35898647
Fax	852-35898359
Email	Jojo.Ng@tmf-group.com
Address	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

INFORMATION DISCLOSURE AND PLACE FOR OBTAINING THE REPORT

Newspapers and Websites for Publishing Annual Report (A Share)	China Securities Journal, https://epaper.cs.com.cn Shanghai Securities News, https://www.cnstock.com
Websites of Stock Exchange for Publishing Annual Report	http://www.sse.com.cn (A Share) http://www.hkexnews.hk (H Share)
Place where copies of Annual reports are kept	Board of Directors Office of the Company

SECTION 1

CORPORATE INFORMATION

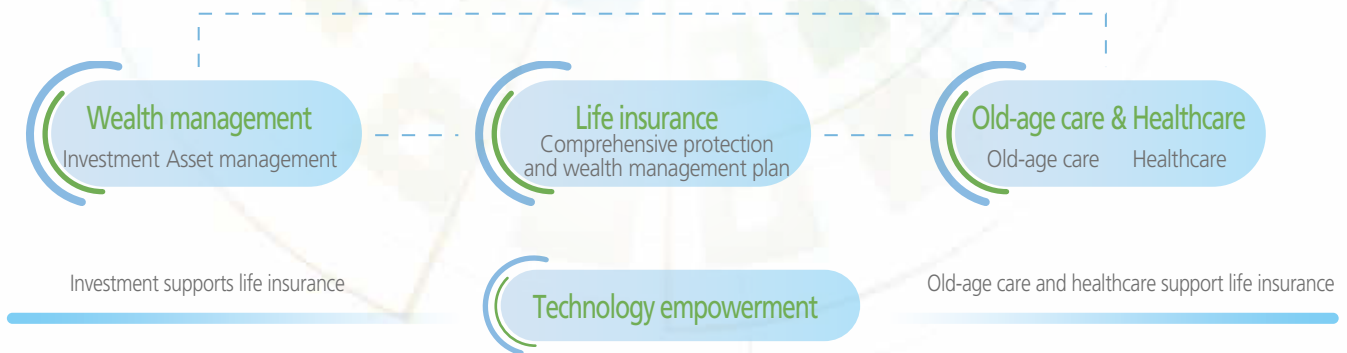
STOCK INFORMATION			
Stock Type	Stock Exchange	Stock Name	Stock Code
A Share	The Shanghai Stock Exchange	新華保險	601336
H Share	The Stock Exchange of Hong Kong Limited	NCI	01336
OTHER RELEVANT INFORMATION			
A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch		
Address	No. 188 Yanggao South Road, Pilot Free Trade Zone, Shanghai, China		
H Share Registrar	Computershare Hong Kong Investor Services Limited		
Address	Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong		
Domestic Auditor	Ernst & Young Hua Ming LLP		
Address	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, P.R.C.		
Signing Certified Public Accountants	WU Zhiqiang and WANG Ziqing		
International Auditor	Ernst & Young (Public Interest Entity Auditor Registered in accordance with the Financial Reporting Council Ordinance)		
Address	27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong		
Domestic Legal Advisor	Commerce & Finance Law Offices		
Address	12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Beijing, China		
Hong Kong Legal Advisor	Clifford Chance LLP		
Address	27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong		

SECTION 2 BUSINESS OVERVIEW

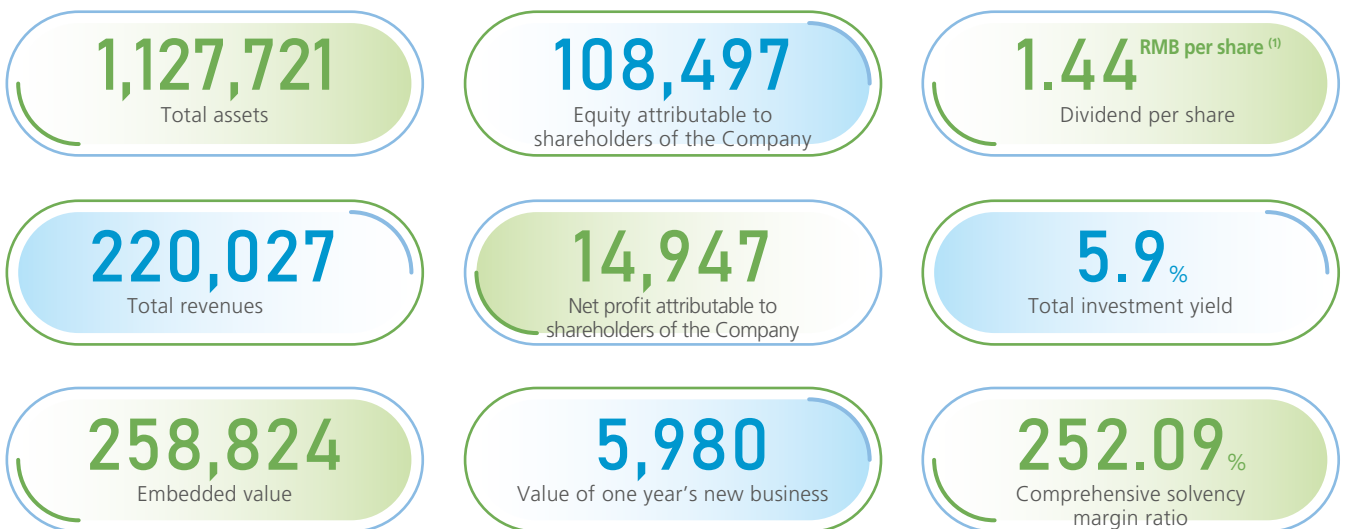
Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing. New China Life offers comprehensive life insurance products and services to more than 33,251 thousand individual customers and 89 thousand institutional customers through nationwide distributional networks and diversified marketing channel, manages and deploys insurance funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in 2011.



To be China's best financial service group with comprehensive life insurance business as its core



Unit: RMB in millions



Note:

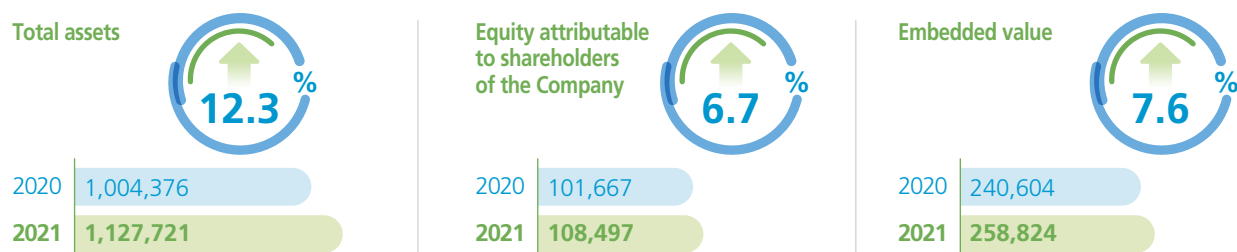
1. Subject to approval of the general meeting of shareholders.

SECTION 2 BUSINESS OVERVIEW

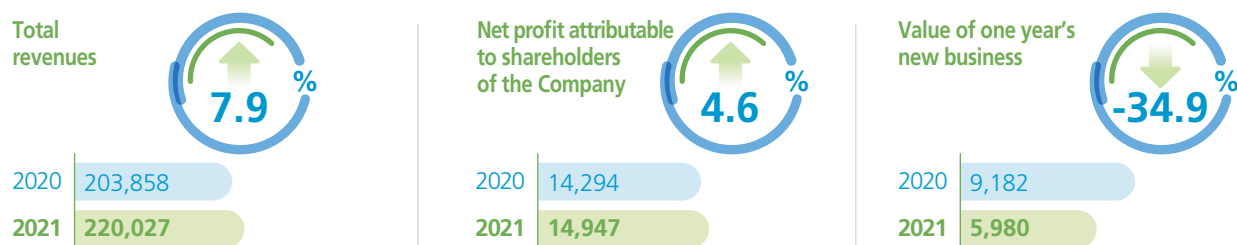
MAJOR INDICATORS

Unit: RMB in millions

As of 31 December



For the 12 months ended 31 December



Unit: RMB in millions

Key Operational Indicators	2021/As of 31 December 2021	2020/As of 31 December 2020	Change
Gross written premiums	163,470	159,511	2.5%
First year premiums from long-term insurance business	40,962	39,022	5.0%
Regular premiums	21,764	20,924	4.0%
Regular premiums with payment periods of ten years or more	6,136	9,612	-36.2%
Renewal premiums	116,862	112,964	3.5%
Number of total individual agents (in thousands)	389	606	-35.8%
Investment assets	1,082,803	965,653	12.1%
Total investment yield (%)	5.9	5.5	0.4pt
Net investment yield (%)	4.3	4.6	-0.3pt
Value of one year's new business	5,980	9,182	-34.9%
New business margin (%)	12.9	19.7	-6.8pt
Embedded value	258,824	240,604	7.6%
Core solvency margin ratio (%)	243.35	268.28	-24.93pt
Comprehensive solvency margin ratio (%)	252.09	277.84	-25.75pt

HONORS AND AWARDS

Assessment Institution	Honors & Awards
Fortune	Ranking 415 in Fortune 500 in 2021
Forbes	Ranking 356 in World's Top 2000 Public Companies in 2021
Fortune China	Ranking 54 in Fortune China 500 in 2021
World Brand Lab	- Ranking 238 in Asian Top 500 Brands in 2021 - Ranking 81 in China's 500 Most Valuable Brands in 2021
Brand Finance	Ranking 30 in the World's 100 Most Valuable Insurance Brands in 2021
WPP & Millward Brown	Ranking 93 in BrandZ™ 100 Most Valuable Chinese Brands in 2021
China Enterprise Confederation	Ranking 115 in Top 500 Chinese Enterprises in 2021
Securities Times	Ark Award for Green Development of Insurance in 2021
China Investment Network	Golden Jubilee Award · ESG Star of 2021
Shanghai Securities News	Golden Wealth Management · Social Responsibility Award of 2021
National Business Daily	Golden Tripod Award · Outstanding Life Insurance Company of 2021
Finance.sina.com.cn	China ESG Golden Awards for Best Insurance Company for Responsible Investment of 2021

SECTION 3 STATEMENTS



Dear shareholders,

The year 2021 marked the 100th anniversary of the founding of the Communist Party of China (the “**Party**”), the 25th anniversary of the founding of the Company and the 10th anniversary of its listing. The Party’s 100 years of striving has left us precious spiritual wealth. The Company’s 25 years of development has cultivated an “iron army” adhering to the original mission, pioneering and fighting hard. The Company’s corporate governance and operation have constantly improved over the past 10 years since its listing.

In 2021, the Company made concerted efforts to deal with severe market environment and complex industry situation, intensified the leadership of the Party, and promoted various reform. The overall operating results rose steadily, and investment return ranked in the forefront of the industry.

In 2021, the Company implemented the new development philosophy, served the real economy and national development, participated in pilot program for commercial pension insurance, and vigorously supported national strategies such as Belt and Road Initiative, Healthy China and Rural Revitalization.

In 2021, the Company stayed true to its original mission when reviewing the century-long striving of the Party and the twenty-five years’ glory of the Company. History shall enlighten future. The Company extracted and summarized its NCI spirit, and formulated the “14th Five Year Plan” for development.

Looking into the general trend, we are fully confident in the future of the life insurance industry. Despite both structural over-capacity and structural under-capacity challenging the life insurance industry, the resilience and potential of China’s economy, and the yearning and demand for a better life of Chinese people bring great growth room for insurance, high-quality healthcare, medical care, senior care, and wealth management, etc.

To seek further development, we work together and work hard. We pay tribute to and draw wisdom and strength from history, inherit and carry forward NCI spirit. We embrace future, seize opportunities for high-quality development, and usher a new chapter among changes. We listen to voices from shareholders, customers, fellow-employees and all walks of life, and form broad consensus on future development.

In the new year, the Company will remain true to its original mission, dedicate itself to be an advocate of life and health, an organizer and provider of related products and services, allocate high-quality resources, and build an open, shared and inclusive insurance ecosystem to meet people’s more sophisticated demands in insurance.

In the new year, the Company will maintain strategic focus, integrate the strategy into day-to-day business, strengthen closed-loop management, be down-to-earth and work step by step to draw the blueprint of the “14th Five Year Plan” to the end.

In the new year, the Company will persist in pioneering and innovation, promote healthcare and senior care layout, marketing capacity and digitalization, improve ESG, and integrate Party leadership with corporate governance.

During the “14th Five Year Plan”, the Company will stand on new development stage, apply the new development philosophy, create a new development pattern to promote high-quality development. Adhering to the general principle of pursuing progress while ensuring stability, the Company will promote the overall development layout with life insurance as the core, supported by wealth management, healthcare and senior care, and empowered by science and technology. The Company will focus on supply-side structural reform and customers’ demands, serve national development, take hold in the mass market, broaden

the middle and high-end market, optimize products and services, reform development model, innovate system and mechanism, and spare no effort to create an excellent Company with “growing value, first-class customer service and popular brand”.

We’re grateful to all shareholders, customers and all walks of life, for your trust and support for the Company. Let’s face the challenges of the times and market hand in hand with confidence and hope, write a new development chapter with unity, courage and wisdom, and build a new future featuring innovation, sharing and win-win cooperation!

Chairman
XU Zhibin
29 March 2022

Consensus on Future Development

- 1 Adhere to the overall leadership of the Party, and guide high-quality development with high-level Party building.
- 2 Adhere to the original mission of insurance, devote to people’s welfare and integrate into national development.
- 3 Draw a blueprint to the end and maintain the strategic focus on life insurance business.
- 4 Uphold the general principle of seeking progress while ensuring stability, deepen transformation, carry forward tradition and innovation.
- 5 Stick to long-termism, prioritize business value and give due consideration to business volume.
- 6 Persist in prudent investment and form synergy between assets and liabilities.
- 7 Sustain meritocracy and market-oriented incentive mechanism.
- 8 Put customers first and build customer-oriented and business-oriented atmosphere.
- 9 Uphold pragmatic attitude, efficiency, and determination.
- 10 Stick to strict disciplines, manage risks proactively and ensure compliance management.

SECTION 3 STATEMENTS



Dear shareholders,

The year 2021 was a year for further transformation and development.

Situations both at home and abroad were complicated and volatile. Macroeconomic growth was under pressure, life insurance industry was undergoing transformation while the market still going down. All of these challenged the determination and tenacity of insurance enterprises' managers. Facing new situations, we are aware that the period of extensive high-speed growth has gone, and high-quality development philosophy shall be thoroughly implemented in the new era. The Company shall identify service targets, shift to new growth drivers, and integrate its development into the waves of national rejuvenation and fight to serve the real economy and people's livelihoods.

In 2021, the Company braved danger and difficulty. The Company has always insisted on high-quality development, focused on life insurance business, adhered to development strategy, served the national development, scientifically responded to market changes, promoted transformation and upgrading, prevented risks and achieved steady development through transformation.

In 2021, the Company achieved steady progress in operation. Facing severe external situations, New China Life, by adhering to the strategy of asset-liability dual engine driving growth, achieved sound operating results. Total assets exceeded RMB1 trillion, and operating revenue and profit achieved positive growth. Gross written premiums (the "GWP") reached RMB163,470 million, growing by 2.5% year on year. Investment income overachieved and total investment yield reached 5.9%, up by 0.4 percentage point year on year. Net profit totaled RMB14,947 million, rising by 4.6% year on year. Total assets amounted to RMB1,127,721 million, increasing by 12.3% compared with the end of last year. The embedded value reached RMB258,824 million, increasing by 7.6% compared with the end of last year. The number of total customers exceeded 30 million. The Company was listed in Top 500 by Fortune and Forbes and awarded several brand honors by World Brand Lab, Brand Finance, Brand Z, etc.

In 2021, the Company served the national strategy. Leveraging on the strength of insurance enterprise, the Company devoted itself into social and national development and invested over RMB380,000 million in aggregate. The sum assured of insurance was over RMB1.3 trillion. The Company carried out Healthy China strategy. The policy-oriented insurance has covered about 9.42 million people in 8 provinces, helping 246.8 thousand people with claim payment of RMB179 million. The Company supported the building of commercial pension insurance system, put in place the pilot program for exclusive commercial pension insurance. The Company also launched the exclusive critical illness insurance product for Guangdong-Hong Kong-Macao Greater Bay Area to support regional economic development. The Company served the real economy and invested more in innovative financial products. The Company put over RMB9.7 million in aggregate to help Shibing county in Guizhou province, Huangyangcheng town in Inner Mongolia Autonomous Region. The Company also devoted itself to public welfare and charity with donation over RMB20 million, sponsored the project caring for sanitation workers for 5 consecutive years which covered more than 0.9 million sanitation workers in 158 large and medium-sized cities all over the country.

In 2021, marketing channels made multiple breakthroughs. Facing complicated market situations, individual insurance channel realized first year premiums of RMB18,479 million and maintained its market position. Bancassurance channel got off to a good start, and achieved positive growth of regular premiums, first year premiums and business value. First year regular premiums from long-term insurance business in bancassurance channel grew by 26.7% year on year, and took up 15% market share, up by 2.3 percentage points year on year. Group insurance channel adhered to short-term insurance business, and realized premiums from short-term insurance business of RMB2,567 million, up by 11.8% year on year. 60% institutions in the channel realized positive growth.

In 2021, management efficiency improved. During the critical period of transformation, the Company continued to step up professional operation and delicacy management. The value management system completed upgrading smoothly, and core growth drivers and management tools were sorted out. The Company adhered to the principle of “benchmarking against the advanced and first-class peers”, and enhanced various core capabilities. The Company followed the market incentive mechanism to stimulate talents, broadened the talent pool and improved talent training mechanism. **Above all**, the fearlessness and efficiency spirit of NCI iron army were carried forward and “problem-solving, concise and efficient” principles were carried out. Instead of evading or shirking key issues, the Company faced up to and spared no efforts to solve problems, thus improving management efficiency and building consensus on development.

In 2021, the “14th Five Year Plan” was unveiled. While ensuring steady growth, the Company made breakthroughs via innovation. With courageous internal reform, the Company strove to break the dependence on the original development model and cleared its development direction.

The new journey is ahead as the direction set. The only path for future development is to promote transformation and upgrading in a down-to-earth manner. Only with firm faith, can the Company maintain its strategic focus and keep doing difficult but right things.

In the new year, the Company will push forward high-quality development step by step. Since the blueprint has been drawn, taking the “14th Five Year Plan” as an opportunity and following high-quality development, the Company will concentrate resources to accelerate the conversion of growth drivers, overcome difficulties, and in particular make breakthroughs on key strategic matters to drive all-round transformation and upgrading.

In the new year, the Company will focus on building its own brand features. Over the past 25 years, the Company has always committed itself to life insurance business, and will never ever waver. In the future, the Company will offer more and better services to customers, improve customer experience, enhance service offering and build its own features in terms of product, service and brand.

In the new year, the Company will continue to forge the NCI iron army. On the one hand, the Company will upgrade its management logic and improve the quality of sales team based on principles of youth, profession and urbanization. On the other hand, the Company will start from improving agents’ productivity and income, integrate with wealth management, healthcare and old-age care resources to build new drivers for team development.

“Ambition should be firm rather than sharp; success should be long-distance run rather than sprint.” After adaptation and adjustment, NCI iron army, containing market gene, set foot on a new journey again. Although the competition in 2022 is fiercer, the Company shall continue to maintain its strategic focus on life insurance, promote the NCI spirit of pioneering and fighting, and gather the wisdom and power from all NCI staffs. With “steady” measures, “breaking” courage, “chasing” dream, and “real” action, the Company will make concerted efforts to drive NCI “run” as a striver.

Chief Executive Officer & President
LI Quan
29 March 2022

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. Major accounting data and financial indicators

Unit: RMB in millions

Key accounting data	2021	2020	Change	2019	2018	2017
Total revenues	220,027	203,858	7.9%	172,103	151,964	143,082
Gross written premiums and policy fees	163,535	159,556	2.5%	138,171	122,341	109,356
Profit before income tax	15,670	15,491	1.2%	13,221	10,510	7,330
Net profit attributable to shareholders of the Company	14,947	14,294	4.6%	14,559	7,922	5,383
Net cash flows from operating activities	73,853	67,179	9.9%	42,102	13,768	7,865

	As at 31 December 2021	As at 31 December 2020	Change	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Total assets	1,127,721	1,004,376	12.3%	878,970	733,929	710,275
Total liabilities	1,019,207	902,696	12.9%	794,509	668,333	646,552
Equity attributable to shareholders of the Company	108,497	101,667	6.7%	84,451	65,587	63,715

Key financial indicators	2021	2020	Change	2019	2018	2017
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	4.79	4.58	4.6%	4.67	2.54	1.73
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	4.79	4.58	4.6%	4.67	2.54	1.73
Weighted average return on equity attributable to shareholders of the Company	14.22%	15.36%	-1.14pt	19.41%	12.25%	8.76%
Weighted average net cash flows from operating activities per share (RMB)	23.67	21.53	9.9%	13.49	4.41	2.52

	As at 31 December 2021	As at 31 December 2020	Change	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Net assets per share attributable to shareholders of the Company (RMB)	34.77	32.59	6.7%	27.07	21.02	20.42

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

2. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	2021/As at 31 December 2021	2020/As at 31 December 2020	Change	2019/As at 31 December 2019	2018/As at 31 December 2018	2017/As at 31 December 2017
Investment assets	1,082,803	965,653	12.1%	839,447	699,826	688,315
Total investment yield ⁽¹⁾	5.9%	5.5%	0.4pt	4.9%	4.6%	5.2%
Gross written premiums and policy fees	163,535	159,556	2.5%	138,171	122,341	109,356
Growth rate of gross written premiums and policy fees	2.5%	15.5%	-13.0pt	12.9%	11.9%	-2.9%
Benefits, claims and expenses	203,902	187,281	8.9%	158,342	140,755	134,334
Surrender rate ⁽²⁾	2.0%	1.5%	0.5pt	1.8%	4.8%	5.2%

Notes:

- Total investment yield = (total investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables).
- Surrender rate = surrenders/(balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + premium income of long-term insurance contracts).

3. The reasons of the change of main financial indicators

Unit: RMB in millions

	2021/As at 31 December 2021	2020/As at 31 December 2020	Change	Reason(s) for change
Total assets	1,127,721	1,004,376	12.3%	The increase of business scale
Total liabilities	1,019,207	902,696	12.9%	The increase of insurance liabilities
Equity in total	108,514	101,680	6.7%	The impact of profit for the reporting period
Net profit attributable to shareholders of the Company	14,947	14,294	4.6%	The decrease of income tax expenses for the reporting period

4. The discrepancy between the P.R.C. GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year 2021 or the consolidated equity of the Company as at 31 December 2021 as stated in the financial statements prepared by the Company in accordance with the P.R.C. GAAP and the IFRS.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

5. The items and reasons for the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance sheet	As at 31 December 2021	As at 31 December 2020	Change	Reason(s) for Change
Financial assets at fair value through profit or loss	70,226	32,298	117.4%	Increase of certificates of deposit held for trading and corporate bonds
Loans and receivables	59,895	41,384	44.7%	Increase of debt investment plans
Term deposits	168,540	122,640	37.4%	Increase of term deposits
Financial assets purchased under agreements to resell	4,112	1,832	124.5%	The allocation of investment assets and the requirement of liquidity management
Other assets	5,484	3,047	80.0%	Increase of investment clearing account receivables and corporate income tax to be refunded
Unearned premiums liabilities	1,585	2,349	-32.5%	Increase sales of long-term medical insurance products led to the decrease of short-term insurance business
Financial liabilities at fair value through profit or loss	2,612	14,837	-82.4%	Decrease of payables to the third party investors of controlled structured entities
Financial assets sold under agreements to repurchase	55,415	41,888	32.3%	The allocation of investment assets and the requirement of liquidity management
Deferred tax liabilities	1,118	2,673	-58.2%	Decrease of taxable temporary difference

Unit: RMB in millions

Income statement	2021	2020	Change	Reason(s) for Change
Net change in unearned premiums liabilities	616	(215)	N/A	Increase sales of long-term medical insurance products led to the decrease of short term insurance business
Other income	1,405	1,015	38.4%	Increase of investment management fees
Policyholder dividends resulting from participating in profits	(1,207)	(577)	109.2%	Continuous growth of participating business
Finance costs	(833)	(1,350)	-38.3%	Decrease of interests on financial assets sold under agreements to repurchase
Income tax expense	(719)	(1,194)	-39.8%	Increase of non-taxable income
Total other comprehensive income for the year, net of tax	(3,785)	7,290	N/A	The Company sold certain available-for-sale financial assets at proper time

II. BUSINESS ANALYSIS

(1) Trend of Insurance Industry

In 2021, Covid-19 pandemic continued to spread, global financial market and insurance industry suffered severe shocks. Life insurance industry in China was increasingly unbalanced and insufficient. The growth of first year premiums was under pressure, industrial competition significantly differentiated, and sales team shrank. As new regulatory policies were carried out, life insurance industry has entered into critical transformation period of shifting from high-speed growth to high-quality growth. On the one hand, transformation accelerated and operation philosophy changed in the industry, which stressed on improving agents' quality and returning to protection. On the other hand, innovation speeded up and new technologies applied, which promoted delicacy management from product design to cost control. The insurance industry explored new model to build a new ecosystem and effectively promoted supply-side structural reform from the perspective of customers, so as to meet new requirements of China's economic and social development.

(2) Development of Insurance Business

In the face of pressures and challenges, the Company insisted on returning to the essence and giving play to the protection function of insurance, and made positive response to changes. Centering on customers' needs, the Company constantly enriched protection product system with long-term saving, health, old-age care and medical insurance products. The Company strived to build a development layout with life insurance as the core and wealth management, healthcare and old-age care as important support, constantly improved customer service and consolidated a solid foundation for development. As a result, the Company steadily enhanced its business scale and comprehensive strength.

(3) Analysis of Core Competitiveness

Prominent brand value. New China Life has always been committed to forging "China's best financial service group with comprehensive life insurance business as its core" and deepening the "customer-centered" operation philosophy. While serving people's livelihoods and undertaking social responsibilities, the Company realizes healthy and sustainable development. In 2021, the Company has been a member of Top 500 listed companies by Forbes for eight consecutive years, Asian Top 500 Brands by World Brand Lab for sixteen consecutive years and Fortune China 500 for ten consecutive years.

Solid main business. The Company has always adhered to the essence of life insurance, explores market demands, and establishes professional marketing channels, sales team and service network with broad customer base. In 2021, the Company realized GWP of RMB163,470 million, up by 2.5% year on year.

Supportive industrial collaboration. With Asset Management Company as the main body, the Company has an integrated wealth management platform with total assets under management over RMB1 trillion. The investment remains prudent and forms excellent synergy with liabilities. In 2021, the Company rolled out healthcare and old-age care layout step by step as Beijing Lianhuachi, Beijing Yanqing and Boao aged-care community projects put in place.

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MANAGEMENT DISCUSSION AND ANALYSIS

Convenient and high-quality service. The Company continues to strengthen application of technology and boost integrate development of online and offline businesses. The Company optimizes service supply and service process to enhance operation and service efficiency. In 2021, the Company strengthened the intelligent operation and service system, innovated service such as caring for the elderly to improve service quality and quantity and bring efficient and convenient experience to customers.

Professional and efficient management. After 25 years of development and accumulation, the Company has a management team with rich experience and keen market insight as well as a group of talents with high-quality and professional underwriting, actuarial, risk management skills. Management efficiency constantly improves.

(4) Insurance Business

In 2021, macroeconomic and regulatory environment, as well as marketing channels changed rapidly, which brought unprecedented challenges to life insurance industry. The Company adhered to the general principle of "pursuing progress while ensuring stability", overcame difficulties and challenges to integrate itself into national development. The Company optimized product and service supply and promoted transformation and high-quality development in business. As a result, the Company pushed forward work step by step, and enhanced its comprehensive strength.

Business volume

Although the growth of first year premiums was under pressure in 2021, the Company realized GWP of RMB163,470 million with growth rate of 2.5% year on year. First year premiums from long-term insurance business totaled RMB40,962 million, up by 5.0% year on year. Renewal premiums amounted to RMB116,862 million, growing by 3.5% year on year.

Embedded value

By the end of 2021, the embedded value of the Company reached RMB258,824 million, increasing by 7.6% compared with the end of last year. The Company realized the value of one year's new business of RMB5,980 million, decreasing by 34.9% year on year.

Business structure

As macroeconomic environment changed rapidly and Covid-19 continued to spread, the long-term regular premium products and critical illness products suffered pressure in marketing. In 2021, renewal premiums accounted for as high as 71.5% of GWP, a solid contributor for GWP growth. First year regular premiums from long-term insurance business accounted for 53.1% of first year premiums from long-term insurance business. First year premiums from long-term traditional and participating insurance businesses in aggregate accounted for 79.5% of first year premiums from long-term insurance business, rising by 6.0 percentage points year on year. And first year premiums from long-term health insurance business accounted for 20.5% of first year premiums from long-term insurance business, a lower proportion compared with last year.

Business quality

13-month persistency ratio of individual life insurance business was 83.7%, down by 6.2 percentage points compared with last year, and 25-month persistency ratio of individual life insurance business was 83.8%, decreasing by 1.1 percentage points compared with last year. The surrender rate reached 2.0% in 2021, increasing by 0.5 percentage point year on year.

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MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
GWP	163,470	159,511	2.5%
First year premiums from long-term insurance business	40,962	39,022	5.0%
Regular premiums	21,764	20,924	4.0%
Regular premiums with payment periods of ten years or more	6,136	9,612	-36.2%
Single premiums	19,198	18,098	6.1%
Renewal premiums	116,862	112,964	3.5%
Premiums from short-term insurance business	5,646	7,525	-25.0%

Note: Numbers may not be additive due to rounding.

1. Analysis by distribution channels

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
Individual insurance channel			
First year premiums from long-term insurance business	15,438	15,919	-3.0%
Regular premiums	14,561	15,252	-4.5%
Single premiums	877	667	31.5%
Renewal premiums	101,353	96,330	5.2%
Premiums from short-term insurance business	3,041	5,150	-41.0%
Total	119,832	117,399	2.1%
Bancassurance channel			
First year premiums from long-term insurance business	25,206	23,027	9.5%
Regular premiums	7,181	5,667	26.7%
Single premiums	18,025	17,360	3.8%
Renewal premiums	15,493	16,623	-6.8%
Premiums from short-term insurance business	38	79	-51.9%
Total	40,737	39,729	2.5%
Group insurance			
First year premiums from long-term insurance business	318	76	318.4%
Renewal premiums	16	11	45.5%
Premiums from short-term insurance business	2,567	2,296	11.8%
Total	2,901	2,383	21.7%
GWP	163,470	159,511	2.5%

Note: Numbers may not be additive due to rounding.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Individual life insurance business

① Individual insurance channel

In 2021, individual insurance channel made positive response to external changes and pushed forward transformation and development, explored customers' needs and balanced product structure. Individual insurance channel realized premiums of RMB119,832 million, growing by 2.1% year on year. First year premiums from long-term insurance business amounted to RMB15,438 million, reducing by 3.0% year on year. Renewal premiums amounted to RMB101,353 million, growing by 5.2% year on year.

In 2021, the Company cleaned agent headcount. As of the end of December 2021, agent headcounts in individual insurance channel totaled 389,000, decreasing by 35.8% year on year. The monthly average number of qualified agents⁽¹⁾ was 91,000, decreasing by 28.9% year on year and the monthly average qualified rate⁽²⁾ was 19.1%, down by 4.7 percentage points year on year. The monthly average comprehensive productivity per capita⁽³⁾ was RMB2,725, growing by 4.1% year on year.

Notes:

1. Monthly average number of qualified agents = $(\sum \text{number of qualified agents in a month}) / \text{the number of months in the reporting period}$, where monthly number of qualified agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month is equal to or greater than RMB800.
2. Monthly average qualified rate = $\text{monthly average number of qualified agents} / \text{monthly average number of agents} * 100\%$. Monthly average number of agents = $\{\sum [(\text{number of agents at start of the month} + \text{number of agents at end of the month}) / 2]\} / \text{the number of months in the reporting period}$.
3. Monthly average comprehensive productivity per capita = $\text{monthly average first year premiums} / \text{monthly average number of agents}$.

② Bancassurance channel

In 2021, bancassurance channel deepened cooperation with important partners, optimized product and service offerings to grow regular premium business. Bancassurance channel realized premiums of RMB40,737 million in 2021, increasing by 2.5% year on year. First year regular premiums from long-term insurance business amounted to RMB7,181 million, representing an increase of 26.7% year on year. Renewal premiums totaled RMB15,493 million, down by 6.8% year on year.

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(2) Group insurance

Group insurance focused on short-term insurance business, optimized business structure and strived to innovate in business growth. In 2021, group insurance realized premiums of RMB2,901 million, rising by 21.7% year on year. Premiums from short-term insurance business amounted to RMB2,567 million, increasing by 11.8% year on year. The Company realized premiums of RMB513 million from policy-oriented health insurance in 2021, increasing by 104.4% year on year. The policy-oriented health insurance covered 8.62 million customers, rising by 15.9% year on year.

2. Analysis by insurance products

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
GWP	163,470	159,511	2.5%
Participating insurance⁽¹⁾	56,746	60,381	-6.0%
First year premiums from long-term insurance business	18,250	17,963	1.6%
Renewal premiums	38,496	42,418	-9.2%
Premiums from short-term insurance business	—	—	—
Health insurance	60,724	60,039	1.1%
First year premiums from long-term insurance business	8,405	10,350	-18.8%
Renewal premiums	48,638	44,434	9.5%
Premiums from short-term insurance business	3,681	5,255	-30.0%
Traditional insurance	44,123	36,909	19.5%
First year premiums from long-term insurance business	14,307	10,709	33.6%
Renewal premiums	29,683	26,068	13.9%
Premiums from short-term insurance business	133	132	0.8%
Accident insurance	1,832	2,138	-14.3%
First year premiums from long-term insurance business	—	—	—
Renewal premiums	—	—	—
Premiums from short-term insurance business	1,832	2,138	-14.3%
Universal insurance⁽¹⁾	45	44	2.3%
First year premiums from long-term insurance business	—	—	—
Renewal premiums	45	44	2.3%
Premiums from short-term insurance business	—	—	—
Unit-linked insurance	—	—	—
First year premiums from long-term insurance business	—	—	—
Renewal premiums	—	—	—
Premiums from short-term insurance business	—	—	—

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MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.
2. “–” means less than RMB500,000, herein after the same.

In 2021, the Company strived to meet customers’ diversified demands. First year premiums from long-term traditional insurance amounted to RMB14,307 million, increasing by 33.6% year on year. First year premiums from long-term participating insurance amounted to RMB18,250 million, increasing by 1.6% year on year. Due to sluggish health insurance and the cleaning of agent headcount, first year premiums from long-term health insurance reached RMB8,405 million, decreasing by 18.8% year on year.

3. Analysis by branches

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
GWP	163,470	159,511	2.5%
Shandong Branch	15,812	15,323	3.2%
Henan Branch	13,482	12,441	8.4%
Beijing Branch	11,265	10,492	7.4%
Guangdong Branch	9,264	8,976	3.2%
Zhejiang Branch	8,344	7,955	4.9%
Shaanxi Branch	8,139	8,171	-0.4%
Jiangsu Branch	8,058	7,649	5.3%
Hubei Branch	8,036	7,959	1.0%
Hunan Branch	6,425	6,120	5.0%
Inner Mongolia Branch	6,284	7,024	-10.5%
Other Branches	68,361	67,401	1.4%

As of the end of 2021, the Company has established 35 branches across the country. In 2021, around 58.2% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Henan and Beijing.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

4. The top 5 insurance products in terms of premium income

Unit: RMB in millions

Rank	Product	Original premium income	Main distribution channel	Surrender value
1	Wendeying endowment insurance (Participating) 穩得盈兩全保險(分紅型)	15,403	Bancassurance channel	669
2	Huitianfu annuity insurance 惠添富年金保險	14,774	Individual insurance channel, bancassurance channel	599
3	Jiankangwuyou Type C critical illness insurance 健康無憂C款重大疾病保險	6,328	Individual insurance channel	385
4	Huijinsheng annuity insurance 惠金生年金保險	5,812	Individual insurance channel	62
5	Multiple Protection critical illness insurance 多倍保障重大疾病保險	5,569	Individual insurance channel	128

Rank	Product	First year premiums
1	Wendeying endowment insurance (Participating) 穩得盈兩全保險(分紅型)	15,403
2	Huijinsheng annuity insurance 惠金生年金保險	5,623
3	Ronghuashijia whole life insurance 榮華世家終身壽險	3,643
4	Wendefu endowment insurance (Participating) 穩得福兩全保險(分紅型)	2,805
5	Kangjianhuazun medical insurance (Adjustable premium) 康健華尊醫療保險(費率可調)	2,273

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5. Top five customers

During the reporting period, the premium income of top five customers accounted for about 0.68% of total premium income of the Company, and there was no related party of the Company. In view of the nature of the Company's business, the Company has no suppliers directly related to its business.

6. Business quality

For the 12 months ended 31 December	2021	2020	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio ⁽¹⁾	83.7%	89.9%	-6.2pt
25-month persistency ratio ⁽²⁾	83.8%	84.9%	-1.1pt

Notes:

1. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.
2. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

7. Analysis on claims and interests of policyholders

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
Surrender value	17,786	12,258	45.1%
Insurance benefits and claims	43,577	55,741	-21.8%
Claims recoverable	(1,827)	(1,339)	36.4%
Policyholder dividends resulting from participating in profits	1,207	577	109.2%
Net change in insurance contract liabilities	112,721	86,651	30.1%

Surrender value increased by 45.1% year on year because of accumulation of insurance policy year by year.

Claims recoverable increased by 36.4% year on year because of the increase of claims for products and business ceded out.

Policyholder dividends resulting from participating in profits increased by 109.2% year on year mainly due to the continuous growth of participating business.

Net change in insurance contract liabilities increased by 30.1% year on year mainly due to the increase of premiums and decrease of claims.

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Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
Insurance benefits and claims	43,577	55,741	-21.8%
Participating insurance ⁽¹⁾	28,097	43,515	-35.4%
Health insurance	10,431	8,110	28.6%
Traditional insurance	4,373	3,457	26.5%
Accident insurance	651	635	2.5%
Universal insurance ⁽¹⁾	25	24	4.2%
Insurance benefits and claims	43,577	55,741	-21.8%
Claims	3,366	2,959	13.8%
Annuity benefits	9,366	10,756	-12.9%
Maturity and survival benefits	21,157	34,349	-38.4%
Casualty and medical benefits	9,688	7,677	26.2%

Note:

- Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In 2021, insurance benefits and claims decreased by 21.8% year on year, and maturity and survival benefits decreased by 38.4% year on year due to the decrease of maturity benefits from participating insurance.

8. Analysis on commission and brokerage expense

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
Commission and brokerage expense⁽¹⁾	14,592	17,826	-18.1%
Participating insurance ⁽²⁾	716	832	-13.9%
Health insurance	10,151	14,322	-29.1%
Traditional insurance	3,260	2,108	54.6%
Accident insurance	465	564	-17.6%
Universal insurance ⁽²⁾	—	—	—

Notes:

- This item does not include the commission and brokerage expense under non-insurance contracts.
- Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In 2021, commission and brokerage expense reduced by 18.1% year on year. The commission and brokerage expense of health insurance decreased by 29.1% year on year, and the commission and brokerage expense of traditional insurance increased by 54.6% year on year mainly due to the changes in structure of first year premiums.

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9. Analysis on insurance contract liabilities

Unit: RMB in millions

Component	As at 31 December 2021	As at 31 December 2020	Change
Unearned premiums liabilities	1,585	2,349	-32.5%
Outstanding claims liabilities	2,184	1,802	21.2%
Life insurance liabilities	707,345	634,501	11.5%
Long-term health insurance liabilities	152,581	115,757	31.8%
Insurance contract liabilities in total	863,695	754,409	14.5%
Participating insurance ⁽¹⁾	554,499	517,162	7.2%
Health insurance	136,917	101,475	34.9%
Traditional insurance	171,214	134,622	27.2%
Accident insurance	1,037	1,124	-7.7%
Universal insurance ⁽¹⁾	28	26	7.7%
Insurance contract liabilities in total	863,695	754,409	14.5%
Including: residual margin ⁽²⁾	226,048	227,161	-0.49%

Notes:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.
2. The residual margin is the liabilities appropriated by the Company for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts.

The insurance contract liabilities at the end of 2021 increased by 14.5% compared with the end of 2020 due to the increase of insurance business and accumulation of insurance liabilities. As at the date of the balance sheet, all types of insurance contract liabilities of the Company passed the adequacy test.

(5) Asset Management Business

Covid-19 prevention and control in 2021 still brought challenges, and capital markets both at home and abroad were complex and capricious. Staying committed to “prudent, long-term and value-oriented” investment philosophy, the Company adopted flexible investment tactics under strategic guidance, emphasized on both investment return and risk control and actively seized market opportunities in asset management business. Facing investment climate of assets shortage and low interest rates, the Company continued to manage and control investment risks, abide by investment discipline and work hard to innovate. As a result, the Company achieved sound investment return throughout the year.

In 2021, the Company’s total investment yield was 5.9% and net investment yield was 4.3%.

The debt financial assets amounted to RMB577,214 million, accounting for 53.3% of total investment assets, decreasing by 5.5 percentage points compared with the end of last year. From the perspective of strategic investment, the Company continued to invest in interest rate bonds such as long-duration local government bonds and treasury bonds, and seized swing trading opportunities. In terms of financial products, the Company focused on absolute return and carried out both online and offline researches to prevent and defuse credit risks. The Company invested in high-quality financial assets on the premise of controllable risks.

The equity financial assets amounted to RMB257,436 million, accounting for 23.8% of total investment assets, increasing by 2.4 percentage points compared with the end of last year. Structural opportunities existed while equity market divided in 2021. The Company committed itself to value-oriented and long-term investment philosophy in equity investment, selected industries and stocks from the bottom up and seized structural opportunities to achieve sound investment return. In addition, the Company focused on high dividend and invested more in the undervalued assets in the Hong Kong stock market.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

1. Investment portfolio

Unit: RMB in millions

As at 31 December	2021		2020		Change
	Amount	Proportion	Amount	Proportion	
Investment assets	1,082,803	100.0%	965,653	100.0%	12.1%
Classified by investment type					
Term deposits ⁽¹⁾	168,540	15.6%	122,640	12.7%	37.4%
Debt financial assets	577,214	53.3%	567,171	58.8%	1.8%
– Bonds	416,579	38.5%	390,587	40.4%	6.7%
– Trust products	83,733	7.7%	99,831	10.3%	-16.1%
– Debt plans ⁽²⁾	57,747	5.3%	41,135	4.3%	40.4%
– Others ⁽³⁾	19,155	1.8%	35,618	3.8%	-46.2%
Equity financial assets	257,436	23.8%	206,290	21.4%	24.8%
– Funds	75,306	7.0%	55,858	5.8%	34.8%
– Stocks ⁽⁴⁾	91,716	8.5%	85,364	8.8%	7.4%
– Others ⁽⁵⁾	90,414	8.3%	65,068	6.8%	39.0%
Investments in associates and joint ventures	5,452	0.5%	4,967	0.5%	9.8%
Cash and cash equivalents ⁽¹⁾	15,459	1.4%	12,993	1.3%	19.0%
Other investment assets ⁽⁶⁾	58,702	5.4%	51,592	5.3%	13.8%
Classified by investment purpose					
Financial assets at fair value through profit or loss	70,226	6.5%	32,298	3.3%	117.4%
Available-for-sale financial assets	403,427	37.3%	426,703	44.2%	-5.5%
Held-to-maturity investments	301,102	27.8%	273,076	28.3%	10.3%
Loans and others ⁽⁷⁾	302,596	27.9%	228,609	23.7%	32.4%
Investment in associates and joint ventures	5,452	0.5%	4,967	0.5%	9.8%

Notes:

- Term deposits exclude those with maturity of three months or less, while cash and cash equivalents include term deposits with maturity of three months or less.
- Debt plans mainly consist of infrastructure and real estate funding projects.
- Others include perpetual bonds, asset management products, certificates of deposit and asset funding plans, etc.
- Stocks include common stocks and preferred stocks.
- Others include asset management products, private equity, equity plans, unlisted equity investments, perpetual bonds, etc.
- Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividend receivables and interest receivables, etc.
- Loans and others mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividend receivables, interest receivables, loans and receivables, etc.
- Numbers may not be additive due to rounding.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
Interest income from cash and cash equivalents	138	148	-6.8%
Interest income from term deposits	5,710	4,405	29.6%
Interest income from debt financial assets	25,884	26,722	-3.1%
Dividend income from equity financial assets	7,876	6,066	29.8%
Interest income from other investment assets ⁽¹⁾	2,246	1,941	15.7%
Net investment income⁽²⁾	41,854	39,282	6.5%
Realized gains on investment assets	17,985	11,721	53.4%
Unrealized losses	(327)	(1,900)	-82.8%
Impairment losses on financial assets	(2,269)	(2,703)	-16.1%
Share of results of associates and joint ventures under equity method	378	264	43.2%
Total investment income⁽³⁾	57,621	46,664	23.5%
Net investment yield ⁽⁴⁾	4.3%	4.6%	-0.3pt
Total investment yield ⁽⁴⁾	5.9%	5.5%	0.4pt

Notes:

- Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell, etc.
- Net investment income includes interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets and dividend income from equity financial assets.
- Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on financial assets + share of results of associates and joint ventures under equity method.
- Investment yield = (investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables).

3. *Investment in non-standard assets*

As of the end of 2021, the non-standard investment assets amounted to RMB221,906 million, accounting for 20.5% of total investment assets, decreasing by 3.6 percentage points compared with the end of last year. In 2021, the Company invested in non-standard assets with eligible returns and controllable risks, and selected assets with strict criteria and improved post investment management. The non-standard assets held by the Company have good quality and controllable risks. The financing entities are industrial giants and large financial institutions. The non-standard assets are taken sound credit enhancement measures.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Ratings

Excluding equity financial products and portfolio products issued by insurance asset management companies not requiring external ratings, the non-standard assets held by the Company with AAA ratings accounted for 96.88% of total non-standard assets. The overall credit risk was limited.

(2) Investment portfolio

Unit: RMB in millions

As at 31 December 2021	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	143,425	64.6%	-10.5pt	(31,636)
– Trust products	83,733	37.7%	-5.1pt	(16,098)
– Debt plan	57,747	26.0%	8.3pt	16,612
– Asset funding plans	1,900	0.9%	0.9pt	1,900
– Wealth management products	–	–	-12.5pt	(29,050)
– Perpetual bonds	–	–	-2.1pt	(5,000)
– Asset management plans	45	–	–	–
Non-standard equity investments	78,481	35.4%	10.5pt	20,589
– Asset management plans	42,055	19.0%	7.3pt	14,944
– Private equity	10,664	4.8%	0.8pt	1,253
– Unlisted equity	17,472	7.9%	0.8pt	902
– Equity investment plans	8,290	3.7%	1.6pt	3,490
Total	221,906	100.0%		(11,047)

(3) Major management institutions

Unit: RMB in millions

Top 10 management institutions of financial products	Paid amount	Proportion
New China Asset Management Co., Ltd.	86,386	38.9%
Zhongrong International Trust Co., Ltd.	14,043	6.3%
CITIC Trust Co., Ltd.	12,490	5.6%
Everbright Xinglong Trust Co., Ltd.	12,469	5.6%
Huaneng Guicheng Trust Co., Ltd.	10,496	4.7%
Zhongyuan Trust Co., Ltd.	8,484	3.8%
China Insurance Investment Co., Ltd.	8,202	3.7%
Generali China Asset Management Co., Ltd.	6,199	2.8%
Taikang Asset Management Co., Ltd.	5,150	2.4%
China Fortune International Trust Co., Ltd.	4,985	2.3%
Total	168,904	76.1%

III. ANALYSIS BY COMPONENT

i. Solvency

New China Life Insurance Company Ltd. calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. Solvency margin ratios of a insurance company in PRC must meet the prescribed thresholds as required by the CBIRC.

Unit: RMB in millions

	As at 31 December 2021	As at 31 December 2020	Reason(s) for Change
Core capital	278,510	280,817	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	288,510	290,817	
Minimum capital	114,448	104,672	Growth and structural change of insurance and investment business
Core solvency margin ratio⁽¹⁾	243.35%	268.28%	
Comprehensive solvency margin ratio⁽¹⁾	252.09%	277.84%	

Note:

- Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

ii. Liquidity

1. Gearing Ratio

	As at 31 December 2021	As at 31 December 2020
Gearing ratio	90.4%	89.9%

Note: Gearing ratio = total liabilities/total assets.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. Liquidity

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020	Change
Net cash flows from operating activities	73,853	67,179	9.9%
Net cash flows from investing activities	(106,531)	(67,728)	57.3%
Net cash flows from financing activities	35,241	1,972	1,687.1%

Facing the impact of Covid-19, the Company actively carried out various operating, investing and financing activities. The Company's cash flows in 2021 were not significantly affected.

The net inflow from operating activities increased slightly compared with the same period of last year.

The net outflow from investing activities increased by 57.3% year on year, mainly due to the increase of cash paid to investments.

The net inflow from financing activities increased by 1,687.1% year on year, mainly due to the net cash inflow from financial assets sold under agreements to repurchase this year compared with net cash outflow last year.

3. Source and use of liquidity

The principal cash inflows of the Company are comprised of insurance premiums, income from investment contracts, proceeds from sales and maturity of investment assets and investment income. The liquidity risks with respect to these cash inflows primarily arise from surrenders of contract holders and policyholders, defaults by debtors, fluctuation of interest rate and other market fluctuations. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provided liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB15,459 million. The term deposits amounted to RMB168,540 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. Moreover, the investment portfolio of the Company also provided liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB577,214 million, and the book value of equity financial assets amounted to RMB257,436 million.

The principal cash outflows of the Company are comprised of liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, distribution of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from insurance activities primarily relate to benefit payments of insurance products, as well as payments for policy surrenders and policy loans.

The Company believes that its sources of liquidity are sufficient to meet its current cash requirements.

iii. Reinsurance

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd. Beijing Branch and China Life Reinsurance Company Ltd., etc. The premiums ceded out are as follows:

1. Premiums ceded out for reinsurers

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020
Swiss Reinsurance Company Ltd. Beijing Branch	1,696	1,642
China Life Reinsurance Company Ltd.	761	747
Others ⁽¹⁾	315	509
Total	2,772	2,898

Note:

- Others primarily included General Reinsurance AG Shanghai Branch, SCOR SE Beijing Branch, Hannover Rückversicherung AG Shanghai Branch, and Munich Reinsurance Company Beijing Branch, etc.

2. Premiums ceded out by insurance products

Unit: RMB in millions

For the 12 months ended 31 December	2021	2020
Life insurance	276	276
Health insurance	2,464	2,588
Accident insurance	32	34
Total	2,772	2,898

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

IV. FUTURE PROSPECT

(1) Trend of Insurance Industry

As China's economy and society enter high-quality development, life insurance industry is endowed with new mission and higher requirements. That points out the way for the industry to achieve high-quality development. The life insurance industry shall participate in the construction of the multi-level social security system, make its service system more adaptable, competitive and universal-benefited and build the system and mechanism that effectively support the real economy. Looking forward to 2022, under the guidance of regulatory policies, life insurance industry will pay more attention to participating in social governance and giving play to its protection function in development. Digitization is becoming the only way forward. Disruptive changes make the industry more necessary and urgent to transform and upgrade. Only by thinking out of the box and deepening supply-side structural reform can the industry stand higher and go further. The point is to make supply structure more adaptable and flexible to changing demands, and shift from "volume-oriented" to "both value and volume-oriented", from "marketing-leading" to "both marketing and service-leading", and from "agent-driven" to "both agent and technology-driven" growth.

(2) Development Strategy of New China Life

During the "14th Five Year Plan", New China Life has always committed itself to the vision of "forging China's best financial service group with comprehensive life insurance business as its core" since listing. Guided by Xi Jinping thought on socialism with Chinese characteristics for a new era, the Company will seize new opportunities, apply new development philosophy and integrate itself into new development pattern. Adhering to the Party's overall leadership and the general principle of pursuing progress while ensuring stability, the Company will promote high-quality development, deepen supply-side structural reform, make reform and innovation as fundamental driving forces and return to the essence of insurance. The Company will also earnestly fulfill its obligations, give play to the protection function of insurance, optimize service supply, reform development mode, promote the reform of system and mechanism and resolutely prevent major risks. Focusing on enhancing new drivers for growth, the Company will promote the overall development layout with life insurance as the core, supported by wealth management, old-age care and healthcare, and empowered by science and technology. Through promoting the development of old-age care and healthcare business, asset management business and scientific and technological empowerment, the Company strives to make life insurance business bigger and stronger. The Company will also offer excellent service, growth and management to achieve the "second take-off of New China Life", and healthy, sustainable and high-quality development.

(3) Business Plan

In 2022, facing complex and severe external situations, the Company will adhere to high-quality development, stand on new development stage, implement new development philosophy to serve the national development, real economy and people's livelihoods. In terms of business growth, the Company will highlight business value and give due consideration to business volume, strengthen value management while maintaining steady volume growth, focusing on regular premium business to consolidate the foundation for long-term development. Meanwhile, the Company will strive to improve its basic management, continue to strengthen business performance-oriented, accelerate the reform of marketing system, further strengthen product innovation, and improve agents' quality, business quality and input-output ratio, strengthen risk prevention and control, unswervingly follow the path of high-quality development and lay a solid foundation for higher-quality, more sustainable and long-term development.

(4) Possible risks and measures to be taken

1. *Possible risks*

Covid-19 pandemic continues to spread and global environment is still grim. The complex internal and external environments have exacerbated the interaction of market, credit and liquidity risks. Financial risks accumulated rapidly. Insurance funds suffer great pressure in safety and income. The rapid development of Internet finance further expedites the circulation of public opinion, which brings new challenges to the prevention and control of reputation risk.

2. *Measures to be taken*

In order to deal with the above possible risks, the Company will, in accordance with the requirements and standards of the second phase of CROSS-II, optimize comprehensive risk management system and consolidate the foundation for risk management, improve tools, mechanism and system for risk management to make sure risk management more effective operation.

SECTION 5

EMBEDDED VALUE

WILLIS TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCI" or "the Company") has prepared embedded value results for the financial year ended 31 December 2021 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("Willis Towers Watson", "WTW" or "we") has been engaged by NCI to review its EV Results as of 31 December 2021. This report is addressed solely to NCI in accordance with the terms of our engagement letter and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2021, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;
- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's new business as at 31 December 2021; and
- A review of the results of NCI's calculation of the EV Results, comprising:
 - the embedded value and the value of one year's new business as at 31 December 2021;
 - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2021; and
 - the analysis of change of the embedded value from 31 December 2020 to 31 December 2021.

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

Opinion

Based on the scope of work above, we have concluded that:

- The embedded value methodology used by NCI is consistent with the requirements of the “CAA Standards of Actuarial Practice: Appraisal of Embedded Value” issued by the CAA. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the Company’s current and expected future asset mix and investment strategy;
- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience; and
- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI’s 2021 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

Lingde Hong, FSA, CCA

29 March 2022

SECTION 5 EMBEDDED VALUE

1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2021 and have disclosed the relevant information in this section.

Embedded Value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a series of assumptions about future experience. But it does not incorporate the contribution of economic value from future new business. Value of New Business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued during a certain period of time. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

The reporting of embedded value and value of new business provides useful information to investors in two respects. First, Value of In-Force business (VIF) represents the total amount of after-tax shareholder distributable profits in present value terms, which can be expected to emerge over time, based on the assumptions used. Second, Value of New Business provides a metric to measure the value created for investors from new business activities and hence the potential growth of the company. However, the information on embedded value and value of new business should not be viewed as a substitute of financial measures under other relevant financial bases. Investors should not make investment decisions based solely on embedded value and value of new business information.

As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when the results of different companies are compared. Also, embedded value calculations involve substantial technical complexity and estimates of value can vary materially as key assumptions are changed.

In November 2016, China Association of Actuaries (CAA) issued CAA [2016] No. 36 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" (hereafter referred to as "Appraisal of Embedded Value" standard). The embedded value and value of new business in this section are prepared by us in accordance with the "Appraisal of Embedded Value" standard. Willis Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Willis Towers Watson is contained in the "Willis Towers Watson's Review Opinion Report on Embedded Value" section.

2. DEFINITIONS OF EMBEDDED VALUE

Embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital held by the company.

“Adjusted Net Worth” (ANW) is equal to the sum of:

- Net assets, defined as assets less policy liabilities valued under the “Appraisal of Embedded Value” standard; and
- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments for differences between China Accounting Value Standards reserves and reserves under the “Appraisal of Embedded Value” standard.

The market value of assets can fluctuate significantly over time due to the impact of the prevailing market environment. Hence, the adjusted net worth can fluctuate significantly between valuation dates.

The “value of in-force business” is the discounted value of the projected stream of future after-tax shareholder distributable profits for existing in-force business at the valuation date. The “value of one year’s new business” is the discounted value of the projected stream of future after-tax shareholder distributable profits for sales in the 12 months immediately preceding the valuation date. Shareholder distributable profits are determined based on policy liabilities, required capital in excess of policy liabilities, and minimum capital requirement quantification standards prescribed by the CBIRC.

The value of in-force business and the value of one year’s new business have been determined using a traditional deterministic discounted cash flow methodology. This methodology is consistent with the “Appraisal of Embedded Value” standard and is also commonly used in determining EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the deviation of the actual experience from the projected and the economic cost of capital, through the use of a risk-adjusted discount rate.

3. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year’s new business as at 31 December 2021, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

SECTION 5

EMBEDDED VALUE

(1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of one year's new business is 11.0% p.a.

(2) Investment Returns

The table below shows investment return assumptions for the main funds to calculate VIF and the Value of One Year's New Business.

	2022	2023	2024	2025+
Non-participating	5.00%	5.00%	5.00%	5.00%
Participating	5.00%	5.00%	5.00%	5.00%
Universal life	5.00%	5.00%	5.00%	5.00%
Unit-linked	6.00%	6.00%	6.00%	6.00%
New Non-participating	6.00%	6.00%	6.00%	6.00%
Specific participating	5.50%	5.50%	5.50%	5.50%
Specific Non-participating	5.25%	5.25%	5.25%	5.25%
Specific participating II	5.50%	5.50%	5.50%	5.50%

Note:

- Investment return assumptions are applied to calendar year.
- The new product "NCI Wendefu Endowment Insurance (Participating)" has been sold since March 2021. Capital of this product is managed solely in fund Specific participating II.

(3) Mortality

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2010 to 2013)".

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience, and taking into consideration future morbidity deterioration trend. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2020)".

(5) Discontinuance Rates

Assumptions have been developed based on the Company's past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

(6) Expenses

Unit cost assumptions have been developed based on the Company's past actual expense experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) Commission and Handling Fees

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

(8) Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CBIRC is to be held by the Company in the calculation of the value of in-force business and the value of one year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

(11) Other Assumptions

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

SECTION 5 EMBEDDED VALUE

4. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2021 and their corresponding results as at prior valuation date.

Embedded Value

Unit: RMB in millions

Valuation Date	31 December 2021	31 December 2020
Adjusted Net Worth	163,027	147,291
Value of In-Force Business Before Cost of Required Capital Held	120,279	115,285
Cost of Required Capital Held	(24,481)	(21,972)
Value of In-Force Business After Cost of Required Capital Held	95,797	93,313
Embedded Value	258,824	240,604

Notes:

1. Numbers may not be additive due to rounding.
2. The impact of major reinsurance contracts has been reflected in the embedded value.

Value of One Year's New Business

Unit: RMB in millions

Valuation Date	31 December 2021	31 December 2020
Value of One Year's New Business Before		
Cost of Required Capital Held	8,642	11,813
Cost of Required Capital Held	(2,662)	(2,631)
Value of One Year's New Business After Cost of Required Capital Held	5,980	9,182

Notes:

1. Numbers may not be additive due to rounding.
2. The first year premiums used to calculate the value of one year's new business as at 31 December 2021 and 31 December 2020 were RMB46,380 million and RMB46,657 million respectively.
3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

SECTION 5 EMBEDDED VALUE

Value of One Year's New Business by Channel

Unit: RMB in millions

Valuation Date	31 December 2021	31 December 2020
Individual insurance channel	5,780	8,987
Bancassurance channel	497	326
Group insurance channel	(297)	(131)
Total	5,980	9,182

Notes:

- Numbers may not be additive due to rounding.
- The first year premiums used to calculate the value of one year's new business as at 31 December 2021 and 31 December 2020 were RMB46,380 million and RMB46,657 million respectively.
- The impact of major reinsurance contracts has been reflected in the value of one year's new business.

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2020 to 31 December 2021 is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2020 to 31 December 2021		
1.	EV at the beginning of period	240,604
2.	Impact of Value of New Business	5,980
3.	Expected Return	19,342
4.	Operating Experience Variances	88
5.	Economic Experience Variances	(1,440)
6.	Operating Assumption Changes	(3,101)
7.	Economic Assumption Changes	1,242
8.	Capital Injection/Shareholder Dividend Payment	(4,336)
9.	Others	(100)
10.	Value Change Other Than Life Insurance Business	545
11.	EV at the end of period	258,824

Note: Numbers may not be additive due to rounding.

SECTION 5

EMBEDDED VALUE

Items 2 to 10 are explained below:

2. Value of new business as measured at the point of issuing.
3. Expected return on adjusted net worth and value of in-force business during the relevant period.
4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates, expenses, taxes and etc.) and the assumed at the beginning of the period.
5. Reflects the difference between actual and expected investment returns and market value adjustment in the period.
6. Reflects the change in operating assumptions between valuation dates.
7. Reflects the change in economic assumptions between valuation dates.
8. Capital injection and other dividend payment to shareholders.
9. Other miscellaneous items.
10. Value change other than those arising from the life insurance business.

6. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarized below.

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2021	VIF after Cost of Required Capital Held	the Value of One Year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	95,797	5,980
Risk Discount Rate at 11.5%	91,412	5,596
Risk Discount Rate at 10.5%	100,484	6,387
Investment Return 50bps higher	116,449	7,454
Investment Return 50bps lower	75,053	4,498
Expenses 10% higher (110% of Base)	93,888	4,738
Expenses 10% lower (90% of Base)	97,706	7,221
Discontinuance Rates 10% higher (110% of Base)	95,185	5,588
Discontinuance Rates 10% lower (90% of Base)	96,390	6,381
Mortality 10% higher (110% of Base)	94,940	5,916
Mortality 10% lower (90% of Base)	96,657	6,044
Morbidity and Loss Ratio 10% higher (110% of Base)	90,835	4,955
Morbidity and Loss Ratio 10% lower (90% of Base)	100,772	7,005
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	90,595	5,904

SECTION 6

CORPORATE GOVERNANCE REPORT

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) BASIC INFORMATION

As of the date of this report, details of the current and resigned directors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
XU Zhibin ⁽¹⁾	Chairman	In Office	Male	April 1976	Since November 2021	–	–	Yes
	Non-Executive Director							
LI Quan	Executive Director	In Office	Male	August 1963	Since November 2019	–	–	No
ZHANG Hong ⁽²⁾	Executive Director	In Office	Male	September 1964	Since June 2021	–	–	No
YANG Yi	Non-Executive Director	In Office	Male	February 1973	Since July 2018	–	–	Yes
HE Xingda ⁽³⁾	Non-Executive Director	In Office	Male	September 1979	Since October 2021	–	–	Yes
YANG Xue ⁽³⁾	Non-Executive Director	In Office	Female	June 1974	Since October 2021	–	–	Yes
HU Aimin	Non-Executive Director	In Office	Male	December 1973	Since June 2016	–	–	Yes
LI Qiqiang	Non-Executive Director	In Office	Male	November 1971	Since August 2019	–	–	Yes
PENG Yulong	Non-Executive Director	In Office	Male	October 1978	Since July 2017	–	–	Yes
Edouard SCHMID	Non-Executive Director	In Office	Male	June 1964	Since November 2019	–	–	Yes
LI Xianglu ⁽⁴⁾	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	26.72	5.28	No
ZHENG Wei ⁽⁴⁾	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	26.72	5.28	No
CHENG Lie	Independent Non-Executive Director	In Office	Male	September 1955	Since August 2016	22.68	4.32	No
GENG Jianxin	Independent Non-Executive Director	In Office	Male	March 1954	Since September 2017	26.72	5.28	No
MA Yiu Tim	Independent Non-Executive Director	In Office	Male	October 1954	Since December 2019	22.68	4.32	No
LIU Haoling ⁽⁵⁾	Chairman	Resigned	Male	July 1971	Since September 2019 until January 2021	–	–	Yes
	Non-Executive Director							
GUO Ruixiang ⁽⁶⁾	Non-Executive Director	Resigned	Male	August 1975	Since July 2019 until August 2021	–	–	Yes

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Notes:

1. On 19 January 2021, the First Extraordinary General Meeting of 2021 of the Company elected Mr. XU Zhibin as a non-executive director of the seventh session of the Board. On 25 January 2021, the 16th meeting of the seventh session of the Board elected Mr. XU Zhibin as the chairman of the seventh session of the Board. On 10 November 2021, the qualification of Mr. XU Zhibin was ratified by the CBIRC.
2. On 28 April 2021, the Second Extraordinary General Meeting of 2021 of the Company elected Mr. ZHANG Hong as an executive director of the seventh session of the Board. On 21 June 2021, the qualification of Mr. ZHANG Hong was ratified by the CBIRC.
3. On 23 September 2021, the Third Extraordinary General Meeting of 2021 of the Company elected Mr. HE Xingda and Ms. YANG Xue as non-executive directors of the seventh session of the Board. On 27 October 2021, the qualifications of Mr. HE Xingda and Ms. YANG Xue were ratified by the CBIRC.
4. On 18 March 2022, Mr. LI Xianglu and Mr. ZHENG Wei have worked as independent non-executive directors for the Company for 6 consecutive years. According to regulatory provisions, Mr. LI Xianglu resigned from positions as independent non-executive director, chairman of Risk Management and Consumer Rights Protection Committee, member of Audit and Related Party Transaction Control Committee and Nomination and Remuneration Committee of the Company. Mr. ZHENG Wei resigned from positions as independent non-executive director, chairman of Nomination and Remuneration Committee, member of Audit and Related Party Transaction Control Committee and Risk Management and Consumer Rights Protection Committee of the Company.

Since the resignation of Mr. LI Xianglu and Mr. ZHENG Wei results in the number of independent non-executive directors of the Board being lower than the requirements of regulations and *Articles of Association*, Mr. LI Xianglu and Mr. ZHENG Wei will continue to perform the duties of independent non-executive directors and respective duties on relevant Board committees until the qualification of new independent non-executive director is ratified by the CBIRC.

5. On 20 January 2021, Mr. LIU Haoling resigned from the positions as the chairman, non-executive director and chairman of Strategy Committee of the Board of the Company due to work-related reasons.
6. On 18 August 2021, Mr. GUO Ruixiang resigned from the positions as the non-executive director and member of Investment Committee, Audit and Related Party Transaction Control Committee and Risk Management and Consumer Rights Protection Committee of the Board of the Company due to work-related reasons.
7. The remuneration of the directors of the Company was calculated for their relevant term of office during the reporting period.

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As of the date of this report, details of the current and resigned supervisors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LIU Debin ⁽¹⁾	Shareholder Representative Supervisor Chairman of the Board of Supervisors	In Office	Male	August 1967	Since June 2021	–	–	Yes
YU Jiannan	Shareholder Representative Supervisor	In Office	Male	March 1973	Since February 2018	–	–	Yes
SHI Hongyu ⁽²⁾	Shareholder Representative Supervisor	In Office	Male	June 1984	Since June 2021	–	–	Yes
LIU Chongsong	Employee Representative Supervisor	In Office	Male	October 1965	Since August 2019	118.90	59.89	No
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	132.01	43.97	No
WANG Chengran ⁽³⁾	Shareholder Representative Supervisor Chairman of the Board of Supervisors	Resigned	Male	November 1959	Since July 2014 until April 2021	55.10	22.43	No

Notes:

- On 28 April 2021, the Second Extraordinary General Meeting of 2021 of the Company elected Mr. LIU Debin as a shareholder representative supervisor of the seventh session of the board of supervisors. On 15 June 2021, the qualification of Mr. LIU Debin was ratified by the CBIRC. On 29 June 2021, the 15th meeting of the seventh session of the board of supervisors of the Company elected Mr. LIU Debin as the chairman of the seventh session of the board of supervisors.
- On 28 April 2021, the Second Extraordinary General Meeting of 2021 of the Company elected Mr. SHI Hongyu as a shareholder representative supervisor of the seventh session of the board of supervisors. On 15 June 2021, the qualification of Mr. SHI Hongyu was ratified by the CBIRC.
- On 8 April 2021, Mr. WANG Chengran resigned from the positions as the shareholder representative supervisor, chairman of the board of supervisors and all other positions of the Company due to his age.
- The remuneration of the supervisors of the Company was calculated for their relevant term of office during the reporting period.

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As of the date of this report, details of the current and resigned senior management of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
LI Quan	Chief Executive Officer President	In Office	Male	August 1963	Since August 2019	179.38	101.47	No
ZHANG Hong ⁽¹⁾	Vice President (principal level)	In Office	Male	September 1964	Since June 2021	85.89	50.68	No
YANG Zheng	Vice President Chief Financial Officer (Financial Principal)	In Office	Male	May 1970	Since December 2016 Since February 2017	146.58	74.67	No
LI Yuan	Vice President	In Office	Male	August 1962	Since November 2016	124.91	56.91	No
GONG Xingfeng	Vice President Chief Actuary Board Secretary	In Office	Male	October 1970	Since November 2016 Since September 2010 Since March 2017	124.90	56.94	No
QIN Hongbo ⁽²⁾	Vice President	In Office	Male	August 1975	Since November 2021	26.10	4.52	No
YU Zhigang	Vice President	In Office	Male	December 1964	Since November 2016	124.93	56.92	No
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	121.90	54.45	No
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since August 2011	105.92	39.42	No
WANG Lianwen	Assistant to President	In Office	Male	April 1968	Since February 2017	106.49	38.85	No

Notes:

- On 8 April 2021, the 19th meeting of the seventh session of the Board appointed Mr. ZHANG Hong as vice president (principal level) of the Company. On 21 June 2021, the qualification of Mr. ZHANG Hong was ratified by the CBIRC.
- On 23 September 2021, the 24th meeting of the seventh session of the Board appointed Mr. QIN Hongbo as vice president of the Company. On 23 November 2021, the qualification of Mr. QIN Hongbo was ratified by the CBIRC.
- The date that senior management takes office is identical to the approval date by the CBIRC.
- The remuneration of senior management was calculated for their relevant term of office during the reporting period.
- The performance bonus for the senior management in 2021 is not finalized yet. Relevant details will be separately disclosed later.

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(II) BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. *Directors*

As of the date of this report, biographies of current directors of the Company are as follows:

Mr. XU Zhibin, Chinese

Mr. XU Zhibin has been the chairman of the Board of the Company since November 2021. Mr. Xu is currently a member of Executive Committee of CIC, deputy general manager and head of Equity Management Department II of Huijin. Mr. Xu served as director and general manager of Shenwan Hongyuan Group Co., Ltd. (a company listed on the SZSE, stock code: 000166; the HKSE, stock code: 06806) from November 2019 to December 2020; chairman of the board of directors of Shenwan Hongyuan (International) Holdings Limited from September 2019 to December 2020; and successively served as deputy general manager of Hong Yuan Securities Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. from June 2013 to November 2019, during which he also served as acting general manager from October 2018 to August 2019. Mr. Xu worked for China Jianyin Investment Ltd. from 2010 to 2013, during which he has served as general manager and senior director of risk management department. Prior to that, Mr. Xu worked for Goldman Sachs Group (a company listed on the New York Stock Exchange, stock code: GS) for nearly ten years, during which he once served as European head, director and executive director of operations risk management department, executive director of market risk management department and other positions. Mr. Xu graduated from the University of Edinburgh, majoring in operational research, with a master's degree in science in September 2000, and he graduated from the University of Cambridge, majoring in development studies, with a master's degree in philosophy in July 2001.

Mr. LI Quan, Chinese

Mr. LI Quan has been the executive director of the Company since November 2019, chief executive officer and president of the Company since August 2019. And he is also the chairman of the board of directors of Asset Management Company, Asset Management Company (Hong Kong) and New China Pension. Mr. Li served as the temporary responsible person of the Company from June to August 2019. He served as president of Asset Management Company from March 2010 to September 2019 and the vice chairman of the board of directors of Asset Management Company from December 2016 to September 2019. Mr. Li successively served as inspector general, deputy general manager, executive deputy general manager and deputy secretary of Party Committee of Bosera Asset Management Co., Ltd. from May 1998 to March 2010, and he also successively worked as general manager of fund department as well as assistant to general manager in Chia Tai International Finance Company Limited from January 1991 to April 1998. From July 1988 to December 1990, he served as business manager of banking department of China Rural Trust and Investment Corporation. Mr. Li obtained his master's degree in economics from Graduate School of People's Bank of China with a major in monetary banking in 1988.

Mr. ZHANG Hong, Chinese

Mr. ZHANG Hong has been the executive director and vice president (principal level) of the Company since June 2021, and deputy secretary of Party Committee (principal level) of the Company since September 2019. Mr. Zhang worked as the executive director, president, chairman of the board of supervisors of China Reinsurance (Group) Corporation (a company listed on the HKSE; stock code: 01508), the chairman of the board of directors of China Life Reinsurance Company Ltd., general manager and chairman of the board of directors of China Property & Casualty Reinsurance Company Ltd., director of China Continent Property & Casualty Insurance Company Ltd. and China Reinsurance Asset Management Co., Ltd., chairman of China Nuclear Insurance Pool. Mr. Zhang once worked in the People's Insurance Company of China and China Insurance (UK) Co., Ltd. Mr. Zhang obtained a bachelor's degree of arts in English from University of International Relations and was accredited as an economist.

Mr. YANG Yi, Chinese

Mr. YANG Yi has been the non-executive director of the Company since July 2018 and director of Asset Management Company since December 2020. Mr. Yang is currently working as managing director in Huijin. Mr. Yang successively served as project manager of insurance department and manager of insurance department/comprehensive department in Sinochem Group Co., Ltd., manager of investment management department, assistant to general manager and manager of investment management department, deputy general manager and member of Party Committee in Sinochem Finance Co., Ltd. from March 2001 to June 2018, during which Mr. Yang also worked as director of Manulife-Sinochem Life Insurance Co., Ltd. and Jiangtai Insurance Brokers Co., Ltd. Mr. Yang is a fellow member of China Association of Actuaries and a fellow member of Life Office Management Association of the United States. Mr. Yang obtained a master's degree in economics from Nankai University in 1998 and a master's degree in economics from Hong Kong University of Science and Technology in 2000.

Mr. HE Xingda, Chinese

Mr. HE Xingda has been the non-executive director of the Company since October 2021. Mr. He is currently working as managing director in Huijin. Mr. He joined Huijin in July 2005, and successively worked as deputy senior manager of Banking Department and senior manager of Banking Management Department I of Huijin, senior manager and head of Asset Management Group I of Central Huijin Asset Management Ltd. ("Huijin Asset Management"), senior manager and director of asset management division of Capital Operation Department of Huijin/Huijin Asset Management. Mr. He obtained his master's degree in accounting from Tsinghua University in July 2005.

Ms. YANG Xue, Chinese

Ms. YANG Xue has been the non-executive director of the Company since October 2021. Ms. Yang is currently working as managing director in Huijin. Ms. Yang joined CIC in December 2010, and successively worked as deputy senior manager, senior manager and the head of training and development team of Human Resources Department, senior manager of Organization Department of Party Committee/Human Resources Department, director of Training and Development Division/Party School Office. Before that, Ms. Yang worked in Societe Generale (China) Limited, BP (China) Investment Company Limited, etc. Ms. Yang obtained her master's degree from Fordham University in business administration in February 2010. Ms. Yang possesses the human resources management qualification (Level 1).

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Mr. HU Aimin, Chinese

Mr. HU Aimin has been the non-executive director of the Company since June 2016. Mr. Hu is currently the chairman of the board of directors and secretary of Party Committee of Hwabao Investment Co., Ltd., director of Hwabao Securities Co., Ltd., Chinese Capital Ride Equity Investment and Management Co., Limited, Shanghai and China Bohai Bank Co., Ltd., as well as supervisor of Xinjiang Tianshan Iron & Steel Co., Ltd. (新疆天山鋼鐵聯合有限公司). Before that, Mr. Hu once served as the director of Hwabao Trust Co., Ltd. and Baowu Group Zhongnan Iron & Steel Co., Ltd. (寶武集團中南鋼鐵有限公司), the general manager of Industrial Financial Development Center of China Baowu, the secretary of Party Committee of Shanghai Baosteel Packaging Co., Ltd., general manager of investment management department in Industrial Financial Development Center of China Baowu, deputy general manager of capital operation department of Hwabao Investment Co., Ltd. (capital operation department of Baosteel Group), a senior manager of asset management department in Baosteel Group. Mr. Hu obtained his bachelor's degree in economics from Jiangxi University of Finance and Economics in 1995.

Mr. LI Qiqiang, Chinese

Mr. LI Qiqiang has been the non-executive director of the Company since August 2019. Mr. Li is currently the chairman of board of directors and secretary of Party Committee of Hwabao Trust Co., Ltd. Mr. Li is also the director of Siyuanhe Equity Investment Management Co., Ltd., etc. Before that, Mr. Li was the head of financial department of Baoshan Iron & Steel Co., Ltd., chief accountant of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. (寶鋼集團新疆八一鋼鐵有限公司), general manager of financial department of Baosteel Group Corporation, general manager of financial department of China Baowu, general manager of Industrial Financial Development Center and secretary of Party Committee of industrial financial working committee in China Baowu, general manager of Hwabao Investment Co., Ltd., assistant to general manager of China Baowu, director of Baosteel Group Finance Co., Ltd., director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE, stock code: 601601; the HKSE, stock code: 02601), director of Hwabao Metallurgical Asset Management Co., Ltd. and chairman of board of directors of Hwabao Duding (Shanghai) Financial Leasing Co., Ltd. Mr. Li obtained his master's degree in professional accounting from Chinese University of Hong Kong in 2005 and holds the title of senior accountant.

Mr. PENG Yulong, Chinese

Mr. PENG Yulong has been the non-executive director of the Company since July 2017. Mr. Peng is now the senior assistant to president, the co-president of insurance division in Shanghai Fosun Hi-tech (Group) Co., Ltd. He is also the executive director of Fostar Insurance Agency, director of Yong An Property Insurance Company Limited, etc. and chairman of board of supervisors of Pramerica Fosun Life Insurance Co., Ltd. Mr. Peng joined the Fosun Group in 2013, and had successively served as executive general manager of financial group, executive general manager, managing director, vice president, executive president of insurance division and assistant to president of Shanghai Fosun Hi-tech (Group) Co., Ltd. Mr. Peng was an analyst in Guotai Junan Securities Co., Ltd. Mr. Peng is a certified public accountant (CPA). He obtained a PhD in management from Shanghai University of Finance and Economics in 2007.

Mr. Edouard SCHMID, Swiss

Mr. Edouard SCHMID has been the non-executive director of the Company since November 2019. Mr. Edouard SCHMID is the underwriting consultant of Swiss Re. Mr. Edouard SCHMID joined Swiss Re in 1991 and has successively served as a risk analyst, head of Cat Perils & Retrocession, chief underwriter of Property & Specialty Asia, head of Property & Casualty Risk and Actuarial Management, chief risk officer of Corporate Solutions, head of Property & Specialty Reinsurance, group chief underwriting officer, a member of Group Executive Committee of Swiss Re and chairman of Swiss Re Institute. Mr. Edouard SCHMID received his master's degree in physics from the Swiss Federal Institute of Technology in 1989.

Mr. LI Xianglu, Chinese

Mr. LI Xianglu has been the independent non-executive director of the Company since March 2016. Mr. Li is the senior counsel of Plateau Holding Co., Ltd. From 1990 to 2007, Mr. Li successively worked as the vice president and senior counsel of Kidder, Peabody & Co., Inc., investment counsel of China Agribusiness Trust & Investment (Hong Kong) Corporation, senior counsel of Clearstream Banking S.A (Luxembourg), investment counsel of Tianjin Taida Group Co., Ltd. and senior counsel of Kheng Leong (Shanghai) Investment Management Co., Ltd. Mr. Li obtained a master's degree in politics from Columbia University.

Mr. ZHENG Wei, Chinese

Mr. ZHENG Wei has been the independent non-executive director of the Company since March 2016. Mr. Zheng is a professor and dean of department of risk management and insurance of school of economics of Peking University, and also is the independent director or external supervisor of Hyundai Insurance (China) Company Limited (現代財產保險(中國)有限公司) and other companies. Before that, Mr. Zheng served as the independent director of Donghai Marine Insurance Co., Ltd., and the external supervisor of China CITIC Bank Co., Ltd. (a company listed on the SSE, stock code: 601998, and the HKSE, stock code: 00998). Mr. Zheng obtained the bachelor's, master's degree and a PhD in economics from Peking University.

Mr. CHENG Lie, Chinese

Mr. CHENG Lie has been the independent non-executive director of the Company since August 2016. Mr. Cheng served as the general manager of resources integration department of China Life Insurance (Group) Co., Ltd. from May 2013 to January 2016, general manager of bancassurance department of China Life Insurance Company Ltd. from January 2008 to April 2013. He successively worked as a member of the Party Committee of China Life Insurance (Overseas) Co., Ltd. and the deputy general manager at Hong Kong Branch from June 2006 to December 2007. Mr. Cheng graduated from Jiangxi Industry College, currently known as Nanchang University, and he holds a senior economist title.

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Mr. GENG Jianxin, Chinese

Mr. GENG Jianxin has been the independent non-executive director of the Company since September 2017. Mr. Geng enjoys the special allowance from the State Council. Mr. Geng also works as the independent director of Capitalonline Data Service Co., Ltd. (a company listed on the SZSE, stock code: 300846), and Norinco International Cooperation Company Limited (a company listed on the SZSE, stock code: 000065) and the independent supervisor of Zhuzhou CRRC Times Electric Co., Ltd. (a company listed on the HKSE, stock code: 03898). Mr. Geng was a level-2 responsible professor at the accounting department of school of business in Renmin University of China, professor, doctoral supervisor, standing deputy director of department, secretary of Party Committee, chairman of the academic committee of school of business in Renmin University of China, vice president of China Audit Society and deputy director of Academic Committee. Mr. Geng once served as the independent director of Jangho Group Company Limited (a company listed on the SSE, stock code: 601886) and Shenzhen Tatfook Technology Co., Ltd. (a company listed on the SZSE, stock code: 300134). Mr. Geng obtained a PhD in management from Renmin University of China in 1993.

Mr. MA Yiu Tim, Chinese (Hong Kong Permanent Resident)

Mr. MA Yiu Tim has been the independent non-executive director of the Company since December 2019. Mr. Ma is a barrister at Liberty Chambers. Mr. Ma started his legal career as Crown Counsel in 1985. He served as assistant legal adviser of the Legislative Council of Hong Kong. He also served as Counsel to the Legislative of Hong Kong from February 1996 to June 2015. Mr. Ma was admitted to the State Bar of California. He is also a senior fellow of The Hong Kong Institute of Directors, HKMAAL Accredited General Mediator and a senior fellow of Hong Kong Institute of Arbitrators, an arbitrator of China International Economic and Trade Arbitration Commission, an arbitrator of Shenzhen Court of International Arbitration and an arbitrator of Hainan International Arbitration Court. Mr. Ma graduated from University of London with a master's degree in law in 1988. He also obtained a PhD in law from Peking University in 2005. Mr. Ma was appointed as Justice of the Peace in 1998 and was awarded the Silver Bauhinia Star by the Chief Executive of Hong Kong Special Administrative Region in 2015.

2. *Supervisors*

As of the date of this report, biographies of current supervisors of the Company are as follows:

Mr. LIU Debin, Chinese

Mr. LIU Debin has been the shareholder representative supervisor and chairman of the board of supervisors of the Company since June 2021. Mr. Liu is currently a member of Party Committee and chief accountant of Sinosteel Group Corporation Limited, a member of standing committee of Party Committee and chief accountant of Sinosteel Corporation Limited (中國中鋼股份有限公司) ("Sinosteel Corporation") and chairman of board of directors of Sinosteel Futures Co., Ltd. Mr. Liu has worked for Sinosteel Group Corporation ("Sinosteel Group") and its subsidiaries since January 1995. He served successively as the deputy general manager of assets and finance department of Sinosteel Group, deputy general manager of assets and finance department of Sinosteel Corporation, general manager of assets and finance department of Sinosteel Group, and deputy chief accountant of Sinosteel Corporation, a member of Party Committee of Sinosteel Group, a member of standing committee of Party Committee and chief accountant of Sinosteel Corporation. He served concurrently as secretary of Party Committee and executive director of Sinosteel Deyuan Holding Company Limited (中鋼德遠控股有限公司), and secretary of Party Committee and executive director of Sinosteel Trade Holding Company Limited (中國國貿控股有限公司). Prior to that, Mr. Liu worked for The Third Construction Co., Ltd. of China Construction First Group (中建一局三公司) and China Metallurgical Import & Export Corporation (中國冶金進出口總公司). Mr. Liu received his master's degree in business administration from University of Science and Technology Beijing in January 2008 and holds the title of senior accountant.

Mr. YU Jiannan, Chinese

Mr. YU Jiannan has been the shareholder representative supervisor of the Company since February 2018. Mr. Yu is currently the deputy director of organization department of Party Committee, the deputy director of human resources department and managing director of CIC. Before that, Mr. Yu successively worked as the deputy senior manager and senior manager of human resources department in China Cinda Asset Management Corporation Co., Ltd. from May 2001 to September 2007, and was on secondment as vice head of Ledu County, Qinghai Province from November 2005 to January 2007. From July 1996 to May 2001, he worked at Guangzhou branch and Guangdong branch of China Construction Bank. Mr. Yu obtained his bachelor's degree in economics from Guangdong College of Commerce in July 1996.

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Mr. SHI Hongyu, Chinese

Mr. SHI Hongyu has been the shareholder representative supervisor of the Company since June 2021. In Shanghai Fosun High-tech (Group) Co., Ltd., Mr. Shi is currently the chief development officer of banking and insurance industry operation committee, co-president and deputy director of ecology committee of Fosun Financial Services Group. Mr. Shi joined in Fosun Group in 2019. Before that, Mr. Shi served as the general manager of innovation and development department/Internet finance department of SAIC Finance Corporation Limited (上海汽車集團財務有限責任公司), the assistant to division head of consumer and micro finance department of head office of Shanghai Pudong Development Bank, the senior product manager of retail credit department of China Merchant Bank Shanghai Branch and the chief risk officer of SAIC-GMAC Automotive Finance Co., Ltd. Mr. Shi obtained a master's degree in Laws from East China University of Political Science and Law in 2014.

Mr. LIU Chongsong, Chinese

Mr. LIU Chongsong has been the employee representative supervisor of the Company since August 2019. Mr. Liu has been the general manager of eastern region of marketing center of the individual insurance channel of the Company since December 2019, general manager (director level) of Shandong branch of the Company since June 2017, and general manager of Shandong branch of the Company since March 2013. Mr. Liu served as assistant to general manager of Qingdao branch of the Company, deputy general manager of Shandong branch, general manager of Qingdao branch, and general manager of Shanxi branch of the Company. Before that, Mr. Liu worked in Dongying sub-branch of Qingdao branch of Ping An Insurance Company of China, Ltd. and Qingdao Chemical College. Mr. Liu obtained his bachelor's degree in physics from Fudan University, Shanghai in 1986 and his EMBA degree from Peking University in 2012.

Mr. WANG Zhongzhu, Chinese

Mr. WANG Zhongzhu has been the employee representative supervisor of the Company since March 2016. Mr. Wang has been the general manager of discipline inspection and supervision office (office director of the committee for discipline inspection) of the Company since February 2011. He is also the supervisor of Hefei Supporting Operation. Mr. Wang once worked as supervisor in the following subsidiaries of the Company: New China Pension, Xinhua Seniors Service and Electronic Commerce. Mr. Wang served as deputy director (in charge of work) of the inspection office of the Company from April 2010 to January 2011. Before that, Mr. Wang worked in Central Disciplinary Inspection of the Communist Party of China. Mr. Wang received his bachelor's degree in investment economic management from Zhongnan University of Economics and Law in 1988.

3. *Members of Senior Management*

As of the date of this report, biographies of current senior management of the Company are as follows:

Mr. LI Quan, please refer to the biographies of current directors in this section.

Mr. ZHANG Hong, please refer to the biographies of current directors in this section.

Mr. YANG Zheng, Chinese

Mr. YANG Zheng has been the vice president of the Company since December 2016. He has been the chief financial officer (financial principal) of the Company since February 2017 and director of Asset Management Company since December 2016. From January to June 2019, Mr. Yang performed the duties of chief executive officer and chairman of Executive Committee of the Company. Before that, Mr. Yang served as the chief financial officer and vice president of China Life Insurance Company Limited. Mr. Yang is a fellow of American Institute of Certified Public Accountants, British Association of Chartered Certified Accountants and a member of International Financial Reporting Standards (IFRS) Interpretations Committee. He also serves as a member of the eighth council of Accounting Society of China, a member of National Technical Committee on Accounting Information of Standardization Administration of China, a member of the third session of China Insurance Solvency Regulatory Standard Committee, a member of Auditing Standards Committee of the sixth council of The Chinese Institute of Certified Public Accountants and a member of Second Financial and Accounting Committee of the Insurance Association of China. Mr. Yang obtained his MBA degree from Northeastern University in the United States in 2000.

Mr. LI Yuan, Chinese

Mr. LI Yuan has been the vice president of the Company since November 2016. Since joining the Company in October 2001, Mr. Li successively served as assistant to general manager, deputy general manager, general manager and senior general manager of Guangdong branch, the director of marketing management center of the Company, the director of individual business channel, the director of bancassurance channel, the regional director and senior general manager of Beijing branch, assistant to president and regional general manager of South China, and the general manager of Guangdong branch. Mr. Li once worked for People's Insurance Company of China and Ping An Insurance Company of China, Ltd. Mr. Li holds a senior economist title and serves as a member of Specialized Committee on Personal Insurance, vice chairman of Specialized Committee on Insurance Marketing, Specialized Committee on Bancassurance, Specialized Committee on Health Insurance and Specialized Committee on Education and Training of Insurance Association of China. He obtained his MBA degree from Sun Yat-sen University in 2010.

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Mr. GONG Xingfeng, Chinese

Mr. GONG Xingfeng has been the vice president of the Company since November 2016, chief actuary of the Company since September 2010, and board secretary of the Company since March 2017. He has been the director of New China Pension since January 2017 and chairman of board of supervisors of Asset Management Company since February 2018. Mr. Gong has successively served as an assistant to general manager of actuarial department, deputy general manager of underwriting and claim settlement department, general manager of customer service department, chief actuary, and an assistant to president since he joined the Company in January 1999. He also worked as the head of investment business of Asset Management Company. Mr. Gong holds a senior economist title and an actuary title. He is a fellow of Chartered Institute of Management Accountants (FCMA) of Chartered Institute of Management Accountants (CIMA) and he is also a fellow of China Association of Actuaries. Mr. Gong received his master's degree in economics from Central University of Finance and Economics in 1996, and obtained his MBA degree from China Europe International Business School in 2011.

Mr. QIN Hongbo, Chinese

Mr. QIN Hongbo joined the Company in September 2021 and has been the vice president of the Company since November 2021. Mr. Qin once served as the general manager of development and reform department, employee representative supervisor, director of the board of directors office, general manager of strategy and development department, chief strategy officer and spokesman of China Reinsurance (Group) Corporation. He once worked as the supervisor, director and deputy general manager of China Continent Property & Casualty Insurance Company Ltd., director of China Life Reinsurance Company Ltd. and China Reinsurance (Hong Kong) Company Limited. Mr. Qin obtained a PhD in economics from University of International Business and Economics in 2011 and holds a senior economist title.

Mr. YU Zhigang, Chinese

Mr. YU Zhigang has been the vice president of the Company since November 2016 and the chairman of board of directors of Electronic Commerce since August 2016. Mr. Yu joined the Company in April 1997, and had successively worked as the general manager of head office and the general manager of strategic planning department. Since March 2007, Mr. Yu had successively been the general manager, senior general manager of Shanghai branch, senior general manager of Beijing branch, the regional director and senior general manager of Beijing branch, the director of bancassurance channel, assistant to president and regional general manager of Central China, assistant to president and regional general manager of East China. Mr. Yu obtained his bachelor's degree in Chinese linguistic literature from Peking University in 1986 and received his EMBA degree from Guanghua School of Management of Peking University in 2010.

Mr. YUE Ran, Chinese

Mr. YUE Ran has been an assistant to president of the Company since February 2013. He once worked as chief human resources officer of the Company from April 2010 to March 2017. Mr. Yue had been the director of the Party Office and the director of investigation office since joining the Company in January 2010 until March 2010. Before that, Mr. Yue served as the deputy general manager of human resources department at China United Network Communications Group Co., Ltd., the deputy general manager of human resources department at China Netcom Group. Mr. Yue obtained his bachelor's degree in philosophy from Capital Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

Mr. YUAN Chaojun, Chinese

Mr. YUAN Chaojun has been an assistant to president of the Company since August 2011 and the president of New China Pension since March 2020. From January to March 2020, Mr. Yuan worked as temporary responsible person of New China Pension. Since joining the Company in November 2002, Mr. Yuan has successively served as the general manager of Weifang sub-branch, assistant to general manager, deputy general manager, general manager and senior general manager of Shandong branch, the director of individual business channel, an assistant to president and director of individual business channel, general manager of Beijing branch, regional general manager of North China and Northeast China of the Company. Mr. Yuan holds the mid-level professional insurance qualification. He obtained a PhD in economics from Zhongnan University of Economics and Law in 2019.

Mr. WANG Lianwen, Chinese

Mr. WANG Lianwen has been an assistant to president of the Company since February 2017 and the general manager of Zhejiang branch of the Company since September 2019. From March to September 2019, Mr. Wang worked as temporary responsible person of Zhejiang branch of the Company. He was the deputy general manager of New China Pension from July 2018 to September 2019. Since joining the Company in May 2010, Mr. Wang had successively served as the legal person business director of the Company, the director and regional general manager of Northwest China and the general manager of Shaanxi branch. Mr. Wang is an intermediate accountant and economist. He received a PhD in economics from Fudan University in 2004.

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CORPORATE GOVERNANCE REPORT

(III) POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of the report, positions of directors, supervisors and members of senior management of the Company in corporate shareholders and other entities are as follows:

1. Positions in corporate shareholders

Name	Corporate shareholders	Position	Term
XU Zhibin	China Investment Corporation Central Huijin Investment Ltd.	Member of Executive Committee	Since August 2021
		Deputy General Manager	Since December 2020
		Head of Equity Management Department II	
YANG Yi	Central Huijin Investment Ltd.	Managing Director	Since February 2021
HE Xingda	Central Huijin Investment Ltd.	Managing Director	Since August 2021
YANG Xue	Central Huijin Investment Ltd.	Managing Director	Since August 2021
PENG Yulong	Shanghai Fosun Hi-tech (Group) Co., Ltd	Senior Assistant to President	Since January 2019
		Co-president of Insurance Division	
		Director	Since June 2020
Edouard SCHMID	Swiss Re	Underwriting Consultant	Since July 2017
YU Jiannan	China Investment Corporation	Deputy Director of Human Resources Department	Since April 2011
		Deputy Director of Organization Department of Party Committee	Since January 2013
		Managing Director	Since July 2014
SHI Hongyu	Shanghai Fosun Hi-tech (Group) Co., Ltd	Chief Development Officer of Banking and Insurance Industry Operation Committee	Since September 2020
		Co-president of Fosun Financial Services Group	
		Deputy Director of Ecology Committee	

SECTION 6 CORPORATE GOVERNANCE REPORT

2. Major positions in other entities

Name	Other entities	Position	Term
LI Quan	Huixin Capital International Management Co., Ltd.	Director	Since August 2015
	National Pipe Network Group United Pipeline Co., Ltd.(國家管網集團聯合管道有限責任公司) ⁽¹⁾	Chairman of the Board of Supervisors	Since February 2016
HU Aimin	Hwabao Investment Co., Ltd.	Chairman of the Board of Directors	Since December 2019
	Chinese Capital Ride Equity Investment and Management Co., Limited, Shanghai	Director	Since January 2016
	China Bohai Bank Co., Ltd.	Director	Since September 2018
	Hwabao Trust Co., Ltd.	Director	From November 2019 to August 2021
LI Qiqiang	Baowu Group Zhongnan Iron & Steel Co., Ltd.(寶武集團中南鋼鐵有限公司)	Director	From September 2019 to July 2021
	Hwabao Securities Co., Ltd.	Director	Since December 2019
	Xinjiang Tianshan Iron & Steel Co., Ltd.	Supervisor	Since March 2020
	Hwabao Trust Co., Ltd.	Chairman of the Board of Directors	Since November 2020
	Siyuanhe Equity Investment Management Co., Ltd.	Director	Since September 2018
	Hwabao Investment Co., Ltd.	Director	Since March 2021
PENG Yulong	Fostar Insurance Agency	Executive Director	Since September 2016
	Yong An Property Insurance Company Limited	Director	Since March 2017
	Pramerica Fosun Life Insurance Co., Ltd.	Chairman of the Board of Supervisors	Since October 2017
ZHENG Wei	Yadong Xingheng Information Technology Company Limited	Executive Director and General Manager	Since September 2018
	Shanghai Nanyan Information Technology Co., Ltd.	Director	Since November 2018
	Hyundai Insurance (China) Company Limited	Independent Director	Since September 2021
GENG Jianxin	PICC Reinsurance Company Limited	External Supervisor	Since January 2022
	Capitalonline Data Service Co., Ltd.	Independent Director	Since September 2018
	Zhuzhou CRRC Times Electric Co., Ltd.	Independent Supervisor	Since August 2019
	Norinco International Cooperation Company Limited	Independent Director	Since August 2021
LIU Debin	Sinosteel Futures Co., Ltd.	Chairman of the Board of Directors	Since April 2019
	Sinosteel Corporation Limited	Chief Accountant	Since December 2014
	Sinosteel Group Corporation Limited	Chief Accountant	Since August 2019

Note:

- PetroChina Pipeline Co.,Ltd. was renamed National Pipe Network Group United Pipeline Co., Ltd. in January 2021.

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CORPORATE GOVERNANCE REPORT

(IV) CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
XU Zhibin	Chairman and Non-Executive Director	Elected
ZHANG Hong	Executive Director	Elected
	Vice President (principal level)	Appointed
HE Xingda	Non-Executive Director	Elected
YANG Xue	Non-Executive Director	Elected
LIU Haoling	Chairman and Non-executive Director	Resigned
GUO Ruixiang	Non-Executive Director	Resigned
LIU Debin	Chairman of the Board of Supervisors and Shareholder Representative Supervisor	Elected
SHI Hongyu	Shareholder Representative Supervisor	Elected
WANG Chengran	Chairman of the Board of Supervisors and Shareholder Representative Supervisor	Resigned
QIN Hongbo	Vice President	Appointed

(V) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In accordance with the principles of marketization and globalization, the remuneration of directors, supervisors and senior management of the Company is determined based on the factors such as the Company's operating results and performance evaluation with reference to the compensation in the market. The remuneration of directors and supervisors is approved by the shareholders' general meeting, while the remuneration of senior management is approved by the Board.

During the reporting period, the aggregate amount of after-tax remuneration that directors, supervisors and senior management received from the Company was RMB15.7853 million and the total amount of individual income tax paid was RMB6.856 million. For detailed remuneration of each individual, please refer to relevant part in this section.

The Nomination and Remuneration Committee of the Board is accountable for carrying out evaluation on performance of senior management of the Company. The annual performance evaluation plan is determined in accordance with the middle to long term development strategy and annual operation plan of the Company and implemented upon consideration and approval by the Board. The annual performance bonus is linked to operating results of the Company and individual evaluation results of senior management. The Company has established a position-based and performance-oriented remuneration incentive system with reference to the market benchmark. The remuneration of senior management comprises basic remuneration, performance bonus, welfare and allowances. The Company has implemented a deferred payment system of senior management performance bonus with the payment term of three years according to the regulatory requirements.

During the reporting period, the Company had no equity-based incentive plan or any other long-term incentive plans.

(VI) SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. *Shareholding of the Company's A shares by directors, supervisors and senior management*

No directors, supervisors and members of senior management currently in office or resigned during the reporting period held any of the Company's A shares directly or indirectly.

2. *Interests and short positions of directors, supervisors and chief executives in shares under Hong Kong laws and regulations*

Please refer to Section 10 "Changes in Share Capital and Shareholders' Profile" of this report.

(VII) PUNISHMENT BY SECURITY REGULATORY AUTHORITY IN THE PREVIOUS THREE YEARS

Neither the current nor resigned directors, supervisors and members of senior management of the Company during the reporting period were subject to the punishment by security regulatory authority in the previous three years.

(VIII) EMPLOYEES

As of 31 December 2021, there were a total of 34,434 employees who entered into employment contracts with the Company (life insurance headquarters, 35 branches and major subsidiaries⁽¹⁾).

1. *Expertise*

Expertise	Number	Proportion
Management	1,861	5.4%
Professional	3,853	11.2%
Marketing and marketing management	20,523	59.6%
Of which: contractual field sales personnel	9,701	28.2%
Other	8,197	23.8%
Total	34,434	100.0%

2. *Education background*

Education background	Number	Proportion
Master's degree and above	1,914	5.6%
Bachelor's degree	23,147	67.2%
Lower than bachelor's degree	9,373	27.2%
Total	34,434	100.0%

Note:

- Major subsidiaries refer to subsidiaries whose 50% or more of the shares are being held by the Company.

SECTION 6

CORPORATE GOVERNANCE REPORT

3. *Remuneration policy and training plan for employees*

In accordance with characteristics of business and demands of talent competition in the market, the Company provides employees with competitive remuneration and performance bonus with reference to the level of its counterparts in the industry. Insisting on the remuneration philosophy of paying according to the ability, position and performance, the Company encourages employees to steadily achieve and exceed the ability required by the positions through self-improving to gain corresponding remuneration. As required by the PRC government, the Company provides employees with various social security and housing provident fund. At the same time, the Company established a variety of benefit plans for its employees, including enterprise annuity fund to meet the diverse needs of employees.

In 2021, the Company adhered to the Party building as the guidance, served the Company's strategy, and improved staff ability and quality in terms of staff training. Around 22 thousand staff completed online development training and 132 thousand participants attended in 6 NCI lectures. The average training hours per capita exceeded 90 hours. Focusing on individual insurance channel, the Company emphasized training results for sales team. In 2021, 61 thousand training courses were offered for 5,862 thousand participants and cumulative learning hours per capita reached 24.4 hours.

In 2022, the Company will continue to adhere to the Party building as the guidance, deepen reform and innovation and improve training quality and results. On the basis of pragmatic special training, skill improvement and workplace general ability training, the Company will establish an integrated model of both "online training + offline training", and extensively apply remote live stream training to provide strong guarantee and intellectual support for the Company's business growth and high-quality development.

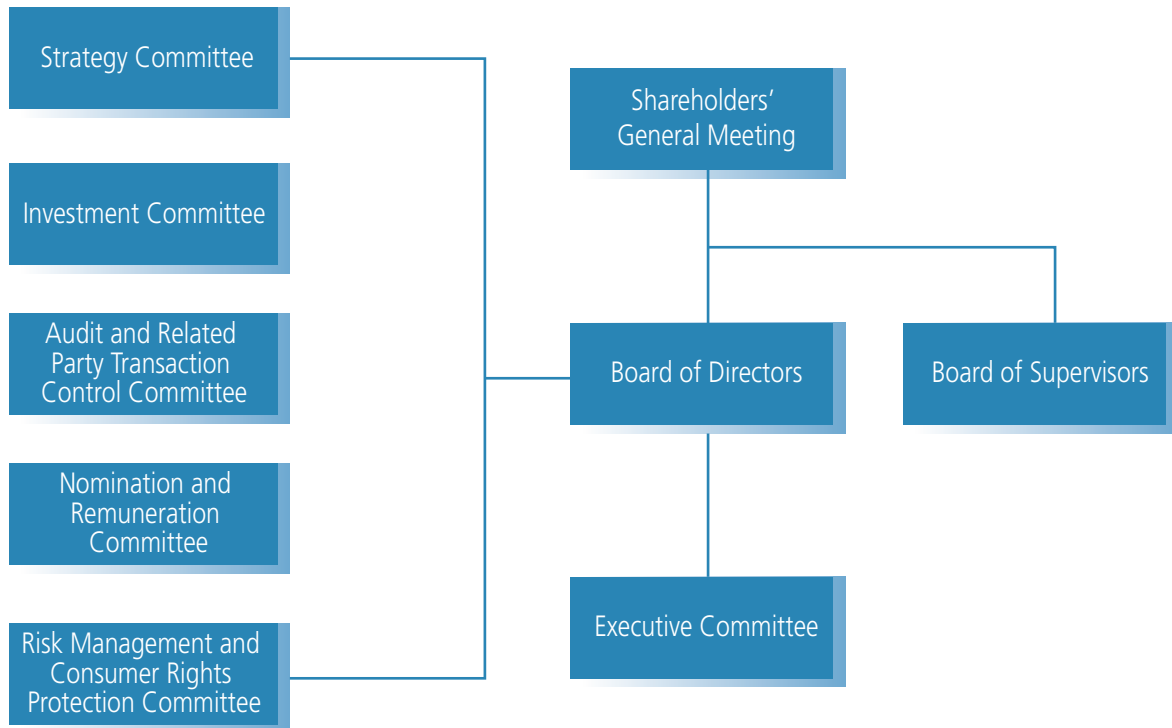
4. *The number of resigned and retired employees with expenses borne by the Company*

There were no resigned and retired employees with expenses borne by the Company.

II CORPORATE GOVERNANCE

In strict compliance with the *Company Law*, *Insurance Law*, *Securities Law*, *Corporate Governance Code* and other applicable laws and administrative regulations as well as requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of shareholders' general meeting, the Board, board of supervisors and senior management, and formed an operation mechanism under which the corporate authorities, decision-making organs, supervisory organs and executive organs supported and coordinated with each other with appropriate checks and balances. During the reporting period, the Company complied with regulatory rules of the listing places, took effective measures to increase the operation efficiency of the Board, regulated and improved information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

Corporate Governance Structure



SECTION 6

CORPORATE GOVERNANCE REPORT

(I) Shareholders and Shareholders' General Meeting

Shareholders' rights

According to the *Articles of Association*, the general meeting of shareholders is the supreme authority of the Company and shall exercise the following functions and powers: to decide the business objective, development strategy and investment plan of the Company; to elect and replace directors and supervisors who are representatives of shareholders and to decide the remuneration of directors and supervisors; to consider and approve annual financial budget and final accounts of the Company; to consider and approve the profit distribution plan and loss recovery plan of the Company; to resolve on the increase or decrease in the registered capital of the Company; and to review and amend the *Articles of Association*, etc.

Shareholder(s) shall have the right to propose convening an extraordinary general meeting. Pursuant to the *Articles of Association*, shareholder(s) individually or jointly holding 10% or more of the total voting shares of the Company for at least 90 consecutive days (the "Proposing Shareholders") shall have the right to propose to the Board to convene an extraordinary general meeting. When Proposing Shareholders propose convening an extraordinary general meeting, they shall submit topics and proposals with complete contents in writing to the Board and make sure that the aforesaid proposals do not violate laws, rules, regulations and *Articles of Association*. Shareholders shall comply with the provisions and procedures regarding the convening of extraordinary general meeting as set out in the *Articles of Association*.

Shareholder(s) shall have the right to make extraordinary proposals to the general meeting. Pursuant to the *Articles of Association*, shareholder(s) individually or jointly holding 3% or more of the Company's shares shall make extraordinary proposals 10 days prior to the convening of general meeting and notify the convener in writing.

Shareholder(s) shall have the right to make enquiries to the Company for relevant information. According to the *Articles of Association*, shareholders may obtain the information such as the list of registered shareholders, profiles of directors, supervisors and senior management, share capital and minutes of general meetings (for reference only). Shareholders shall make requests in writing and provide evidence of equity interests for inspection of or access to relevant information. The Company shall provide such information as required by shareholders after the shareholders' identities are verified.

For the contact information for making extraordinary proposals or enquiries by shareholders, please refer to Section 1 "Corporate Information" of this annual report.

SECTION 6 CORPORATE GOVERNANCE REPORT

Shareholders' general meetings

During the reporting period, the Company held 4 shareholders' general meetings in total as follows:

Session	Date	Place	Media where resolutions were published	Date of Publication of Resolutions
The First Extraordinary General Meeting of 2021	2021-1-19	Beijing	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-1-19
The Second Extraordinary General Meeting of 2021	2021-4-28	Beijing	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-4-28
The Annual General Meeting of 2020	2021-6-29	Beijing	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-6-29
The Third Extraordinary General Meeting of 2021	2021-9-23	Beijing	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-9-23

The First Extraordinary General Meeting of 2021 considered and approved the *Proposal on the Election of Mr. XU Zhibin as a Non-executive Director of the Seventh Session of the Board*.

The Second Extraordinary General Meeting of 2021 considered and approved the *Proposal on the Election of Mr. ZHANG Hong as an Executive Director of the Seventh Session of the Board of the Company, Proposal on the Election of Mr. LIU Debin as a Shareholder Representative Supervisor of the Seventh Session of the Board of Supervisors of the Company* and other proposals.

The Annual General Meeting of 2020 considered and approved the *Proposal on the Profit Distribution Plan for the Year 2020, Proposal on the Appointment of Accounting Firms for the Year 2021* and other proposals.

The Third Extraordinary General Meeting of 2021 considered and approved the *Proposal on the Election of Mr. HE Xingda as a Non-executive Director of the Seventh Session of the Board of the Company*, and the *Proposal on the Election of Ms. YANG Xue as a Non-executive Director of the Seventh Session of the Board of the Company*.

During the reporting period, the procedures of giving meeting notices, convening the meeting and voting at the meeting were all in compliance with the *Company Law, Articles of Association* and relevant regulations. The general meeting of shareholders improved the communication channels with shareholders, gathered comments and suggestions from shareholders, ensured that the shareholders had the rights to know, participate in and vote on material matters of the Company, and created a sound environment for shareholders to fully participate in decision-making process and to equally exercise rights.

SECTION 6

CORPORATE GOVERNANCE REPORT

Attendance of the general meetings of directors

During the reporting period, all directors fulfilled their duties diligently, attended the general meetings, and earnestly listened to opinions from shareholders. All directors emphasized on communication and interaction with shareholders, made informed decisions and safeguarded the interests of the Company and all shareholders. During the reporting period, attendance of the general meetings of each director was as follows:

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance rate	Remarks
Chairman and Non-executive Director				
XU Zhibin ⁽¹⁾	0	0	–	
Executive Directors				
LI Quan	4	4	100%	
ZHANG Hong ⁽¹⁾	2	2	100%	
Non-executive Directors				
YANG Yi	4	4	100%	
HE Xingda ⁽¹⁾	0	0	–	
YANG Xue ⁽¹⁾	0	0	–	
HU Aimin	4	4	100%	
LI Qiqiang	4	4	100%	
PENG Yulong	4	4	100%	
Edouard SCHMID	4	0	–	Failing to attend the First Extraordinary General Meeting of 2021, the Second Extraordinary General Meeting of 2021, the Annual General Meeting of 2020 and the Third Extraordinary General Meeting of 2021 for business reason
Independent Non-executive Directors				
LI Xianglu	4	4	100%	
ZHENG Wei	4	4	100%	
CHENG Lie	4	4	100%	
GENG Jianxin	4	4	100%	
MA Yiu Tim	4	4	100%	
Resigned Non-executive Directors				
LIU Haoling ⁽²⁾	1	0	–	Failing to attend the First Extraordinary General Meeting of 2021 for business reason
GUO Ruixiang ⁽²⁾	3	3	100%	

Notes:

- During the reporting period, saved for the foresaid, the proposed director of the Company, XU Zhibin attended the First Extraordinary General Meeting of 2021. The proposed director of the Company, ZHANG Hong attended the Second Extraordinary General Meeting of 2021. The proposed directors of the Company, HE Xingda and YANG Xue attended the Third Extraordinary General Meeting of 2021.
- As of the date of this report, for the details of the Company's newly appointment and resignation of directors, please refer to "Directors, Supervisors and Senior Management" of this section.

(II) Directors and the Board of Directors

As of the end of the reporting period, the Board of the Company consisted of 15 directors, including 2 executive directors, 8 non-executive directors and 5 independent non-executive directors. Directors serve a term of three years and are eligible for re-election, but the cumulative term of independent non-executive directors shall not exceed 6 years. The number of directors and composition of the Board of the Company are in compliance with applicable laws and regulatory requirements and *Articles of Association*.

Members of the Board, directors, supervisors and senior management do not have any financial, business, family or other material relations with other directors, supervisors or senior management.

Corporate governance function

The Board of the Company is responsible for exercising corporate governance function and has fulfilled its duties and responsibilities as set out in Article D.3.1 of Corporate Governance Code. During the reporting period, the Board has reviewed the Company's compliance with laws, regulations and Corporate Governance Code and the disclosure in Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, and further improved the Company's corporate governance policies and practices. Details of corporate governance function of the Board are as follows: to formulate and review the Company's policies and practices on corporate governance; to formulate the Company's overall strategy, objectives and approaches, business plans and investment proposals; to formulate the Company's annual budgets, financial statements and monitor the Company's business performance; to perform the corporate governance function, monitor, evaluate and ensure the effectiveness of internal control system and compliance with relevant laws and regulations of the Company; to review the Company's compliance with Corporate Governance Code and the disclosure in Corporate Governance Report. Responsibilities, functions and types of decisions delegated to senior management include: to implement the Company's overall strategy, objectives and approaches, business plans and investment proposals as determined by the Board; to manage the Company's ordinary business.

Duties of the Board

In accordance with the *Articles of Association*, the Board shall exercise the following functions and powers: to convene the shareholders' general meeting and report its work to the shareholders' general meeting; to implement the resolutions passed at the shareholders' general meeting; to determine the operation plan and investment scheme of the Company, to control and monitor financial conditions and usage of funds of the Company; to formulate the development strategy of the Company; to formulate the annual financial budget and final accounts of the Company; to formulate the profit distribution plan and loss recovery plan of the Company; to appoint or remove senior management, and to decide and implement the annual performance evaluation, annual remuneration, reward and punishment scheme of senior management of the Company, etc.

SECTION 6

CORPORATE GOVERNANCE REPORT

Board meetings

During the reporting period, the Board held 4 regular Board meetings and 7 ad hoc Board meetings. The details were as follows:

Session	Date	Proposals
The 16th meeting of the seventh session of the Board	2021-1-25	The meeting considered and approved 8 proposals including the <i>Proposal on the Election of the Chairman of the Seventh Session of the Board</i> and <i>Proposal on Solvency Report for the Fourth Quarter of 2020</i> .
The 17th meeting of the seventh session of the Board	2021-2-25	The meeting considered and approved the <i>Proposal on Product Retrospective Report of 2020</i> .
The 18th meeting of the seventh session of the Board	2021-3-24	The meeting considered and approved 23 proposals including the <i>Proposal on Special Explanation on Changes in Accounting Estimates of 2020</i> and <i>Proposal on the Annual Report and its Summary for the Year 2020</i> .
The 19th meeting of the seventh session of the Board	2021-4-8	The meeting considered and approved 4 proposals including the <i>Proposal on the Nomination of Mr. ZHANG Hong as a Candidate for Executive Director of the Seventh Session of the Board</i> and <i>Proposal on the Adjustment of Member of the Board Committees</i> .
The 20th meeting of the seventh session of the Board	2021-4-29	The meeting considered and approved 15 proposals including the <i>Proposal on the First Quarter Report of 2021</i> and <i>Proposal on Comprehensive Evaluation Report on Development Plan of 2020</i> .
The 21st meeting of the seventh session of the Board	2021-5-26	The meeting considered and approved 10 proposals including the <i>Proposal on the Performance Evaluation Results of Senior Management of 2020</i> and <i>Proposal on Report on Insurance Asset Liability Management of 2020</i> .
The 22nd meeting of the seventh session of the Board	2021-7-23	The meeting considered and approved the <i>Proposal on Solvency Report for the Second Quarter of 2021</i> .
The 23rd meeting of the seventh session of the Board	2021-8-26	The meeting considered and approved 10 proposals including the <i>Proposal on Special Explanation on Changes in Accounting Estimates for the First Half of 2021</i> and <i>Proposal on Interim Report (A shares/H Shares) and its Summary of 2021</i> .
The 24th meeting of the seventh session of the Board	2021-9-23	The meeting considered and approved 4 proposals including the <i>Proposal on the Adjustment of Member of Audit and Related Party Transaction Control Committee</i> and <i>Proposal on the Appointment of Vice President and Member of Executive Committee</i> .
The 25th meeting of the seventh session of the Board	2021-10-28	The meeting considered and approved 6 proposals including the <i>Proposal on Special Explanation on Changes in Accounting Estimates for the Third Quarter of 2021</i> and <i>Proposal on the Third Quarter Report of 2021</i> .
The 26th meeting of the seventh session of the Board	2021-12-23	The meeting considered and approved 14 proposals including the <i>Proposal on the Asset Allocation Plan for the Next Three Years (2022-2024)</i> and <i>Proposal on Asset Allocation Plan for the Year 2022</i> .

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Attendance of Board meetings of directors

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Attendance rate in person	Failing to attend the meeting in person for two consecutive times
Chairman and Non-executive Director					
XU Zhibin	1	1	0	100%	No
Executive Directors					
LI Quan	11	11	0	100%	No
ZHANG Hong	5	5	0	100%	No
Non-executive Directors					
YANG Yi	11	11	0	100%	No
HE Xingda	1	1	0	100%	No
YANG Xue	1	1	0	100%	No
HU Aimin	11	11	0	100%	No
LI Qiqiang	11	11	0	100%	No
PENG Yulong	11	11	0	100%	No
Edouard SCHMID	11	10	1	91%	No
Independent Non-executive Directors					
LI Xianglu	11	11	0	100%	No
ZHENG Wei	11	11	0	100%	No
CHENG Lie	11	11	0	100%	No
GENG Jianxin	11	11	0	100%	No
MA Yiu Tim	11	11	0	100%	No
Resigned Non-executive Directors					
LIU Haoling	0	0	–	–	–
GUO Ruixiang	7	7	0	100%	No

None of the directors raised any objection to the proposals of the board of directors.

(III) Committees under the Board

The Board of the Company establishes 5 committees which are Strategy Committee, Investment Committee, Audit and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Risk Management and Consumer Rights Protection Committee. The committees are accountable to the Board and perform their duties by giving professional opinions to the Board.

Strategy Committee

As of the end of the reporting period, Strategy Committee consisted of 7 directors, including 2 executive directors LI Quan and ZHANG Hong, 4 non-executive directors XU Zhibin, YANG Yi, HU Aimin, Edouard SCHMID and 1 independent non-executive director CHENG Lie, and XU Zhibin served as the chairman.

SECTION 6

CORPORATE GOVERNANCE REPORT

1. Duties of Strategy Committee

The Strategy Committee performs the following duties and responsibilities: to review the Company's development strategy and annual operation plan, increase or decrease in the registered capital, the profit distribution and loss recovery plan; amendment to the Articles of Association, etc., and make recommendations to the Board.

2. Meetings

During the reporting period, Strategy Committee held 6 meetings. The meeting details were as follows:

Date	Content of meeting	Important comments and suggestions
2021-3-23	To consider 7 proposals including the <i>Proposal on Proposed Profit Distribution Plan for the Year 2020</i> , and listen to <i>Performance Report of Strategy Committee for the Year 2020</i>	
2021-4-28	To consider the <i>Proposal on Comprehensive Evaluation Report on Development Plan of 2020</i>	
2021-8-25	To consider the <i>Proposal on the Donation of RMB10 Million to New China Life Foundation</i> and <i>Proposal on Annual Operation Plan of 2021</i>	
2021-9-23	To listen to the <i>Report on Rectification and Implementation of "Focusing on Main Business and Streamlining Management Hierarchy"</i> and <i>Report on Regulatory Evaluation and Rectification of Corporate Governance of 2020</i>	
2021-10-27	To consider the <i>Proposal on Issuance of Domestic Capital Supplementary Bonds</i> and <i>Proposal on Formulating Recovery and Disposal Plan</i>	When deliberating on the <i>Proposal on Issuance of Domestic Capital Supplement Bonds</i> , the meeting suggested that the first is to improve the efficiency of capital usage, optimize the endogenous mechanism of solvency management, and effectively improve the comprehensive solvency margin ratio; and the second is to choose a suitable issuance time to control costs.
2021-12-21	To consider the <i>Proposal on Development Outline of the 14th Five Year Plan</i>	The meeting considered that the Company's <i>Development Outline of the 14th Five Year Plan</i> was in line with China's "14th Five Year" plan, regulatory requirements and the Company, and opinions from all parties were listened. The Outline has a relatively complete system and comprehensive supporting measures.

The important opinions and suggestions put forward by Strategy Committee were adopted by the Company.

3. Attendance

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
XU Zhibin ⁽¹⁾	1	1	0
LI Quan	6	6	0
ZHANG Hong ⁽²⁾	4	4	0
YANG Yi ⁽³⁾	0	0	–
HU Aimin	6	6	0
Edouard SCHMID	6	4	2
CHENG Lie	6	6	0

Notes:

- Chairman XU Zhibin worked as chairman of Strategy Committee since 10 November 2021.
- Director ZHANG Hong worked as a member of Strategy Committee since 21 June 2021.
- Director YANG Yi worked as a member of Strategy Committee since 23 December 2021.

Investment Committee

As of the end of the reporting period, Investment Committee consisted of 7 directors, including 2 executive directors LI Quan and ZHANG Hong, 4 non-executive directors YANG Yi, HE Xingda, HU Aimin, PENG Yulong and 1 independent non-executive director CHENG Lie, and YANG Yi served as the chairman.

1. Duties of Investment Committee

The Investment Committee performs the following duties and responsibilities: to consider the overall objective and strategy of asset liability management of the Company, the rules and policies of asset liability management and asset allocation, the rules and guidelines of usage of insurance funds and asset management, management of usage of insurance funds, etc., and make recommendations to the Board.

SECTION 6

CORPORATE GOVERNANCE REPORT

2. Meetings

During the reporting period, Investment Committee held 7 meetings. The meeting details were as follows:

Date	Content of meeting	Important comments and suggestions
2021-1-25	To consider 2 proposals including the <i>Proposal on Asset Backed Securitization of Policy Loans</i> , and listen to <i>Report on Operation of Personal Tax-Deferred Pension Insurance Products B1 and B2 of 2020</i>	
2021-2-25	To consider the <i>Proposal on Product Retrospective Report of 2020</i>	
2021-3-23	To consider 6 proposals including the <i>Proposal on Increasing Investment Varieties of "Credit Risk Management Tools"</i> , and listen to 2 matters including <i>Performance Report of Investment Committee for the Year 2020</i>	When deliberating on the <i>Proposal on Increasing Investment Varieties of "Credit Risk Management Tools"</i> , the meeting suggested that first is to limit to hedging risks; and the second is to focus on underlying assets and strictly control investment risks.
2021-4-28	To consider the <i>Proposal on Report of Non-Insurance Subsidiaries of 2020</i>	The meeting suggested that the first is to increase the annual profit and loss of non-insurance subsidiaries in the subsequent reports; and the second is to pay attention to the coordination with life insurance business and related party transactions.
2021-5-25	To consider 2 proposals including the <i>Proposal on Report on Insurance Asset Liability Management of 2020</i> , and listen to <i>Report on 2021 Risk Investigation of Investment Assets (Phase I)</i>	
2021-8-25	To consider 2 proposals including the <i>Proposal on Related Party Transactions with China CITIC Bank and China Bohai Bank</i> , and listen to <i>Independent Evaluation Report on Asset Liability Management Capability of 2020</i>	
2021-12-21	To consider 5 proposals including the <i>Proposal on Related Party Transactions with Hwabao WP Fund Management Co., Ltd</i> and the <i>Proposal on Asset Allocation Plan of 2022</i> , and listen to the <i>Report on 2021 Risk Investigation of Investment Assets (Phase II)</i>	

The important opinions and suggestions put forward by Investment Committee of the Board were adopted by the Company.

3. Attendance

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
YANG Yi	7	7	0
LI Quan	7	7	0
ZHANG Hong ⁽¹⁾	2	2	0
HE Xingda ⁽²⁾	0	0	–
HU Aimin	7	7	0
PENG Yulong	7	7	0
CHENG Lie	7	7	0
GUO Ruixiang (Resigned)	5	5	0

Notes:

1. Director ZHANG Hong worked as a member of Investment Committee since 21 June 2021.
2. Director HE Xingda worked as a member of Investment Committee since 23 December 2021.

Audit and Related Party Transaction Control Committee

As of the end of the reporting period, Audit and Related Party Transaction Control Committee consisted of 7 directors, including 3 non-executive directors YANG Yi, LI Qiqiang and PENG Yulong, 4 independent non-executive directors GENG Jianxin, LI Xianglu, ZHENG Wei, CHENG Lie, and GENG Jianxin served as the chairman.

1. Duties of Audit and Related Party Transaction Control Committee

The Audit and Related Party Transaction Control Committee performs the following duties and responsibilities: to assess the effectiveness of risk management and internal control, to guide internal auditing, review the financial information and disclosure of the Company, to manage, review, approve and control risks of related party transactions, to manage the identification and maintenance of related parties, the information disclosure of related party transactions, etc., and make recommendations to the Board.

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CORPORATE GOVERNANCE REPORT

2. Meetings

During the reporting period, Audit and Related Party Transaction Control Committee held 12 meetings in total. The meeting details were as follows:

Date	Content of meeting	Important comments and suggestions
2021-1-25	To consider the <i>Proposal on Solvency Report for the Fourth Quarter of 2020</i> and <i>Proposal on Amending the Administrative Measures for Emergency Management</i>	
2021-2-25	To listen to <i>Report on Accounting Policies and Accounting Estimates Related to Reserves Assessment of 2020</i>	
2021-3-23	To consider 13 proposals including the <i>Proposal on Special Explanation on Changes in Accounting Estimates of 2020</i> , and listen to 6 reports including <i>Report on Auditing Work and Management Recommendations of 2020</i>	
2021-4-28	To consider 6 proposals including the <i>Proposal on the First Quarter Report of 2021</i> , and listen to Ernst & Young's <i>Report on Implementation of Agreed Procedures for the First Quarter of 2021</i>	
2021-5-25	To consider 5 proposals including the <i>Proposal on Consolidated Statement Management Report of 2020</i> , and listen to 2 reports including the <i>First Quarter Report on Management of Related Parties of 2021</i>	
2021-7-23	To consider the <i>Proposal on Solvency Report for the Second Quarter of 2021</i>	
2021-8-25	To consider 5 proposals including the <i>Proposal on Group Interim Solvency Report of 2021</i> , and listen to 7 reports including <i>Report on Embedded Value Assessment Results on 30 June 2021</i>	When deliberating the <i>Proposal on Group Interim Solvency Report of 2021</i> , the meeting suggested a prospective study on the impact of the implementation of C-ROSS Phase II on the Company.
2021-9-23	To listen to the <i>Report on Plan of Change and Engagement of Accounting Firm</i>	The meeting agreed to push forward the selection and appointment of accounting firm for the Company according to the plan and agreed to report the matter to the Board.
2021-10-27	To consider 4 proposals including the <i>Proposal on Amending the Administrative Measures for Reinsurance</i> , and listen to 3 reports including the <i>Independent Evaluation Report on Solvency Risk Management of 2020</i>	When deliberating on the <i>Proposal on Amending the Administrative Measures for Reinsurance</i> , the meeting suggested that the overall annual cap of reinsurance should be maintained.

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Date	Content of meeting	Important comments and suggestions
2021-12-10	To study and discuss the selection and appointment of accounting firm for the year 2022	
2021-12-20	To study and discuss the selection and appointment of accounting firm for the year 2022	
2021-12-21	To consider 6 proposals including the <i>Proposal on Special Audit Report on Anti-Money Laundering 2020-2021</i> , and listen to 2 matters including <i>Special Audit Report on Anti-Insurance Fraud 2020-2021</i>	

The important opinions and suggestions put forward by Audit and Related Party Transaction Control Committee of the Board were adopted by the Company.

3. Attendance

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
GENG Jianxin	12	12	0
YANG Yi ⁽¹⁾	4	4	0
LI Qiqiang	12	12	0
PENG Yulong	12	12	0
LI Xianglu	12	12	0
ZHENG Wei	12	11	1
CHENG Lie	12	12	0
GUO Ruixiang (Resigned)	6	6	0

Note:

- Director YANG Yi worked as a member of Audit and Related Party Transaction Control Committee since 23 September 2021.

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CORPORATE GOVERNANCE REPORT

4. Performance of duties of Audit and Related Party Transaction Control Committee

The Audit and Related Party Transaction Control Committee, in accordance with the requirements for the preparation of annual report of the Company and relevant rules of procedures, kept sufficient and timely communication with external auditors; reviewed the financial statements and offered written comments; offered professional opinions on the Annual Report 2020 and agreed to the submission to the Board for its consideration at the 15th meeting of Audit and Related Party Transaction Control Committee of the seventh session of the Board in 2021. The Audit and Related Party Transaction Control Committee has held several meetings to discuss the engagement of accounting firm for the year 2022.

The Audit and Related Party Transaction Control Committee paid special attention to internal control of the Company. Relevant departments of the Company reported work to Audit and Related Party Transaction Control Committee regularly or irregularly, so that Audit and Related Party Transaction Control Committee promptly understood problems in the internal control management of the Company.

Nomination and Remuneration Committee

As of the end of the reporting period, Nomination and Remuneration Committee consisted of 7 directors, including 3 non-executive directors YANG Xue, LI Qiqiang, Edouard SCHMID and 4 independent non-executive directors ZHENG Wei, LI Xianglu, GENG Jianxin, MA Yiu Tim, and ZHENG Wei served as the chairman.

1. Duties of Nomination and Remuneration Committee

The Nomination and Remuneration Committee performs the following duties and responsibilities: to formulate the criteria and plan for selecting directors and members of senior management, to conduct preliminary review of the candidates for directors and senior management, and the chairman of board of directors, the chairman of board of supervisors and president of important subsidiaries (as decided by the Board via regular or irregular consideration), to formulate evaluation plans and remuneration schemes for directors and members of senior management, to review the overall human resources and remuneration strategies and basic policies (including those regarding the senior management), etc., and make recommendations to the Board.

2. Election of Directors

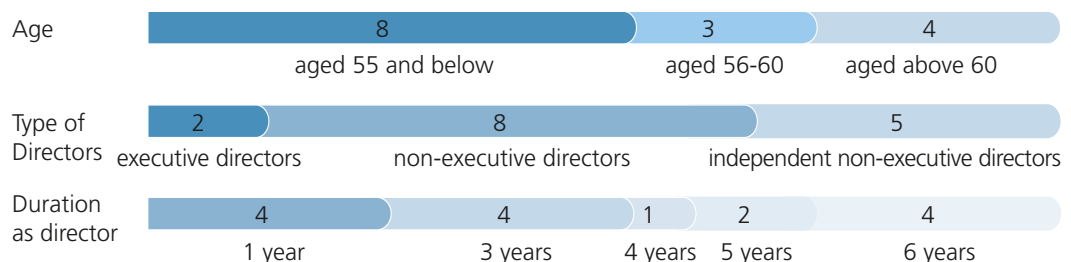
Shareholders that individually or jointly hold 5% or more of the total voting shares of the Company, or Nomination and Remuneration Committee under the Board, shall have the right to nominate candidates for directors. The number of candidates for directors that a nominator proposes to nominate shall not exceed the number of directors proposed to be appointed. Shareholders that individually or jointly hold 3% or more of the shares of the Company, Nomination and Remuneration Committee under the Board and the board of supervisors may nominate independent non-executive directors. Shareholders holding more than one third of shares of the Company and their related shareholders and persons acting in concert shall not nominate independent non-executive directors. The Nomination and Remuneration Committee under the Board and the board of supervisors shall nominate independent non-executive directors by meeting resolutions. The Nomination and Remuneration Committee under the Board shall review the candidates for directors pursuant to laws, rules, regulations and *Articles of Association*, and submit its opinions to the Board. Directors are elected by the shareholders' general meeting with a term of office for 3 years. Each director shall be reelected upon expiration of his or her term of office. But the cumulative term of independent non-executive directors shall not exceed 6 years.

3. Board Diversity Policy

The Proposal Regarding the Formulation of Board Diversity Policy was passed at the 10th meeting of the fifth session of the Board held on 27 August 2013 of the Company.

When examining qualifications of candidates for directors, Nomination and Remuneration Committee seeks to achieve board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and the term of service. Meanwhile, it will also take into consideration the business model and specific needs of the Company to ensure an appropriate balance in diversity of skills, experience and opinions of the Board members, to increase the efficiency of Board operation and help the Company better serve customers and shareholders.

As of the end of the reporting period, the composition of the Board of the Company was as follows:



Professional background: insurance, actuarial, accounting, law, economics, engineering, politics, etc.

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4. Meetings

During the reporting period, Nomination and Remuneration Committee held 10 meetings in total. The meetings were as follows:

Date	Content of meeting	Important comments and suggestions
2021-1-25	To consider 3 proposals including the <i>Proposal on the Election of the Chairman of the Seventh Session of the Board</i> and <i>Proposal on the Adjustment of Member of Strategy Committee of the Board</i>	
2021-2-25	To listen to the <i>Report on Evaluation Results of Directors' Performance for the Year 2020</i>	
2021-3-23	To consider the <i>Proposal on the Report of Directors' Performance for the Year 2020</i> and <i>Proposal on the Report of Performance of Independent Directors for the Year 2020</i> , and listen to <i>Performance Report of Nomination and Remuneration Committee for the Year 2020</i>	
2021-4-8	To consider 4 proposals including the <i>Proposal on the Nomination of Mr. ZHANG Hong as a Candidate for Executive Director of the Seventh Session of the Board</i> and <i>Proposal on the Adjustment of Member of the Board Committees</i>	When considering the <i>Proposal on the Nomination of Mr. ZHANG Hong as a Candidate for Executive Director of the Seventh Session of the Board</i> and <i>Proposal on the Appointment of Vice President and Member of Executive Committee</i> , the meeting considered that Mr. ZHANG Hong complied with relevant laws, regulations, regulatory requirements and the provisions of the <i>Articles of Association</i> regarding the qualification of director and senior management.
2021-4-28	To consider 4 proposals including the <i>Proposal on Candidate for Chairman of the Fifth Session of the Board of Directors of Asset Management Company</i> and <i>Proposal on Aggregate Remuneration Settlement for the Year 2020</i>	
2021-5-25	To consider 4 proposals including the <i>Proposal on the Adjustment of Member of Nomination and Remuneration Committee of the Board</i>	
2021-8-25	To consider the <i>Proposal on the Nomination of Mr. HE Xingda as a Candidate for Non-executive Director of the Seventh Session of the Board</i> and <i>Proposal on the Nomination of Ms. YANG Xue as a Candidate for Non-executive Director of the Seventh Session of the Board</i>	The meeting considered that Mr. HE Xingda and Ms. YANG Xue complied with relevant laws, regulations, regulatory requirements and the provisions of <i>Articles of Association</i> on the qualifications of directors.

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Date	Content of meeting	Important comments and suggestions
2021-9-23	To consider 4 proposals including the <i>Proposal on the Adjustment of Member of Audit and Related Party Transaction Control Committee of the Board</i> and <i>Proposal on Amendment of Administrative Measures for Remuneration of Senior Management</i>	
2021-10-27	To consider the <i>Proposal on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management</i>	
2021-12-21	To consider 5 proposals including the <i>Proposal on Measures for the Performance Evaluation of Directors and Supervisors (Trial Implementation)</i>	

The important opinions and suggestions put forward by Nomination and Remuneration Committee of the Board were adopted by the Company.

5. Attendance

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHENG Wei	10	9	1
YANG Xue ⁽¹⁾	0	0	–
LI Qiqiang	10	10	0
Edouard SCHMID	10	8	2
LI Xianglu	10	10	0
GENG Jianxin	10	10	0
MA Yiu Tim	10	9	1
YANG Yi ⁽²⁾	4	4	0

Notes:

- Director YANG Xue worked as a member of Nomination and Remuneration Committee since 23 December 2021.
- Director YANG Yi worked as a member of Nomination and Remuneration Committee since 26 May 2021 until 23 December 2021.

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CORPORATE GOVERNANCE REPORT

Risk Management and Consumer Rights Protection Committee

As of the end of the reporting period, Risk Management and Consumer Rights Protection Committee consisted of 7 directors, including 1 executive director LI Quan, 3 non-executive directors HE Xingda, YANG Xue, LI Qiqiang and 3 independent non-executive directors LI Xianglu, ZHENG Wei, MA Yiu Tim, and LI Xianglu served as the chairman.

1. Duties of Risk Management and Consumer Rights Protection Committee

The Risk Management and Consumer Rights Protection Committee performs the following duties and responsibilities: to review the overall objective, fundamental policy and work system of risk management and internal control, to review risk preference and tolerance, the structure and duties of risk management organization of the Company, to assess the effectiveness of solvency risk management system of the Company, to review risk assessment of major decisions and solutions of major risks of the Company, to study major issues and important policies regarding the protection of consumers' rights and interests, to guide and urge the establishment and improvement of consumer rights protection management system, etc., and make recommendations to the Board.

2. Meetings

During the reporting period, Risk Management and Consumer Rights Protection Committee held 8 meetings in total. The meetings were as follows:

Date	Content of meeting	Important comments and suggestions
2021-1-25	To consider 4 proposals including the <i>Proposal on Asset Backed Securitization of Policy Loans</i> and <i>Proposal on Amending Administrative Measures for Emergency Management</i>	
2021-3-23	To consider 3 proposals including the <i>Proposal on Business Plan for 2021-2023</i> , and listen to 2 matters including <i>Report on Investment for the Year 2020</i>	
2021-4-28	To consider 6 proposals including the <i>Proposal on Statement of Risk Preference for the Year 2021</i> , and listen to <i>Report on the Special Evaluation Report on Anti-Money Laundering Information Security</i>	The meeting considered the <i>Proposal on Statement of Risk Preference for the Year 2021</i> , and suggested that first is to decompose and refine indicators to ensure the effective transmission of risk preferences, and to maintain dynamic monitoring and immediate adjustment; second is to better implement the penetrative risk management requirements. The meeting recommended that important insurance subsidiaries should be included in the risk preference system in the next year.
2021-5-25	To consider 6 proposals including the <i>Proposal on Report on Insurance Asset Liability Management of 2020</i> , and listen to the <i>Report on 2021 Risk Investigation of Investment Assets (Phase I)</i>	
2021-7-23	To consider the <i>Proposal on Solvency Report for the Second Quarter of 2021</i>	

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CORPORATE GOVERNANCE REPORT

Date	Content of meeting	Important comments and suggestions
2021-8-25	To consider 5 proposals including <i>Proposal on Amendment of Reputation Risk Management System</i> , and listen to 2 matters including <i>Report on Anti-money Laundering and Counter-terrorist Financing for the First Half of 2021</i>	The meeting considered the <i>Proposal on Amendment of Reputation Risk Management System</i> , and suggested that the Company, while focusing on public opinion monitoring and reputation risk event disposal, should stick to the bottom line of compliance in product design and marketing behavior management, guide the reasonable expectations of sales team and customers, and control reputation risk at the early stage.
2021-10-27	To consider 3 proposals including the <i>Proposal on Formulating the Recovery and Disposal Plan</i> , and listen to <i>Independent Evaluation Report on Solvency Risk Management for 2020</i>	
2021-12-21	To consider 6 proposals including the <i>Proposal on Special Audit Report on Anti-money Laundering 2020-2021</i> , and listen to 2 matters including the <i>Report on 2021 Risk Investigation of Investment Assets (Phase II)</i>	

The important opinions and suggestions put forward by Risk Management and Consumer Rights Protection Committee of the Board were adopted by the Company.

3. Attendance

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LI Xianglu	8	8	0
LI Quan	8	8	0
HE Xingda ⁽¹⁾	0	0	—
YANG Xue ⁽¹⁾	0	0	—
LI Qiqiang	8	8	0
ZHENG Wei	8	7	1
MA Yiu Tim	8	7	1
YANG Yi ⁽²⁾	8	8	0
GUO Ruixiang (Resigned)	5	5	0

Notes:

- Director HE Xingda and Director YANG Xue worked as members of Risk Management and Consumer Rights Protection Committee since 23 December 2021.
- Director YANG Yi would no longer serve as a member of Risk Management and Consumer Rights Protection Committee since 23 December 2021.

SECTION 6

CORPORATE GOVERNANCE REPORT

(IV) Performance of Independent Non-executive Directors

As of the end of the reporting period, the Board of the Company comprised 5 independent non-executive directors who were professionals in laws, insurance, finance and management, etc. The number of independent non-executive directors was in compliance with regulatory requirements and *Articles of Association*.

The independent non-executive directors of the Company have necessary professional knowledge and experience, they can perform duties in strict accordance with relevant laws and regulations, and *Articles of Association*, and have provided comments and suggestions in respect of the Company's corporate governance, business operation, risk management and internal control, etc. Independent non-executive directors participate in the decision-making on major matters with independent and objective stances, and have paid special attention to legitimate rights and interests of minority shareholders during decision-making process.

1. *Independent non-executive directors' attendance of meetings*

The details of independent non-executive directors' attendance in shareholders' general meetings and Board meetings during the reporting period were set out in this section.

2. *Objections from independent non-executive directors to major issues*

During the reporting period, independent non-executive directors had no objections to major issues of the Company.

3. *Confirmation of independence of independent non-executive directors*

The Company has obtained written confirmation of each independent non-executive director on his/her independence from the Company. The Company confirmed that all independent non-executive directors were independent from the Company during the year ended 31 December 2021.

(V) Training and Research of Directors

During the reporting period, each director received reports and materials on the latest regulatory rules and updates, industry information as well as operation and management of the Company prepared on a regular basis to enable them to continuously develop and update their knowledge and skills to work better, and to ensure that they have access to comprehensive and appropriate information in need to contribute to the Board.

In addition, the Company has arranged directors to participate in trainings on insurance policies, laws and regulations, and professional knowledge, study the latest laws and regulations issued by regulatory authorities. During the reporting period, directors ZHANG Hong, YANG Xue, HU Aimin, LI Qiqiang and PENG Yulong participated in the special training for directors and supervisors organized by The Listed Companies Association of Beijing. Independent non-executive directors LI Xianglu, CHENG Lie, GENG Jianxin and MA Yiu Tim participated in the follow-up training for independent non-executive directors organized by Shanghai Stock Exchange. The Company organized all directors to participate in the training of rules on related party transactions, the training on Environmental, Social and Governance.

In 2021, directors of the Company carried out researches on the development of the third-pillar commercial pension insurance and products at peer companies and branches, and put forward valuable advices and suggestions on the current and future development of the Company.

(VI) Supervisors and the Board of Supervisors

1. Supervisors and the Board of Supervisors

As of the end of the reporting period, the board of supervisors of the Company was comprised of 5 supervisors, including 3 shareholder representative supervisors and 2 employee representative supervisors.

The board of supervisors performs the following duties and responsibilities: to examine the Company's financial activities; to supervise directors and senior management in their performance of duties, and propose the removal of directors and senior management who have contravened any laws, regulations, regulatory documents, *Articles of Association* or resolutions of shareholders' general meetings; to nominate independent non-executive directors; to supervise the formulation, implementation and assessment of the development plan of the Company.

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During the reporting period, the board of supervisors held 4 regular meetings and 6 ad hoc meetings. All supervisors attended the meetings of the board of supervisors. The attendance was as follows:

Name of supervisor	Number of scheduled attendance	Number of actual attendance	Number of authorization	Attendance rate
Chairman of the Board of Supervisors and Shareholder Representative Supervisor				
LIU Debin	6	6	0	100%
Shareholder Representative Supervisors				
YU Jiannan	10	10	0	100%
SHI Hongyu	6	6	0	100%
Employee Representative Supervisors				
LIU Chongsong	10	10	0	100%
WANG Zhongzhu	10	10	0	100%
Resigned Chairman of the Board of Supervisors and Shareholder Representative Supervisor				
WANG Chengran	4	4	0	100%

The board of supervisors found no material risk to the Company and had no objection on matters under supervision during the reporting period.

The meetings of the board of supervisors were as follows:

Session	Date
The 11th meeting of the seventh session of the Board of Supervisors	2021-1-25
The 12th meeting of the seventh session of the Board of Supervisors	2021-3-24
The 13th meeting of the seventh session of the Board of Supervisors	2021-4-29
The 14th meeting of the seventh session of the Board of Supervisors	2021-5-26
The 15th meeting of the seventh session of the Board of Supervisors	2021-6-29
The 16th meeting of the seventh session of the Board of Supervisors	2021-7-23
The 17th meeting of the seventh session of the Board of Supervisors	2021-8-26
The 18th meeting of the seventh session of the Board of Supervisors	2021-9-23
The 19th meeting of the seventh session of the Board of Supervisors	2021-10-28
The 20th meeting of the seventh session of the Board of Supervisors	2021-12-23

For the details of the resolution announcements of the board of supervisors, please refer to the website of the Hong Kong Stock Exchange.

2. *Training and Research*

During the reporting period, the chairman of the board of supervisors LIU Debin, supervisors YU Jiannan and SHI Hongyu attended special training for directors and supervisors organized by The Listed Companies Association of Beijing. All supervisors attended trainings of rules on related party transactions, the training on Environmental, Social and Governance.

In 2021, supervisors of the Company carried out researches on the development of the third-pillar commercial pension insurance and products at peer companies and branches, and put forward valuable advices and suggestions on the current and future development of the Company.

3. *Independent Opinions Expressed by the Board of Supervisors on Relevant Matters*

(1) The Legal Operation of the Company

The board of supervisors was of the view that, during the reporting period, the Company insisted on management and operation in accordance with *Company Law* and *Articles of Association*. No violation of law or damage to the interests of shareholders in the process of business operation and management were found.

(2) The Truthfulness of Financial Statements

The board of supervisors believed that the Company's financial statements 2021 were true, objective and accurate reflection of the Company's financial situation and operating results.

(3) Acquisition and Disposal of Assets

The board of supervisors believed that, during the reporting period, the Company had no major acquisition or disposal of assets. Neither insider trading, damage to shareholders' rights and interests nor the loss of the Company's assets were found.

(4) Related Party Transaction

During the reporting period, the board of supervisors reviewed the related party transactions and special audit report on related party transactions. The board of supervisors believed that related party transactions of the Company were fair and reasonable and found no damage to the interests of shareholders and the Company.

(5) Internal Control Report Review

During the reporting period, the board of supervisors reviewed the internal control evaluation report and internal control appraisal report and believed that the Company established a relatively complete, reasonable and effective internal control system, which greatly improved the internal control of the Company.

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(6) Reputation Risk Management

During the reporting period, the board of supervisors reviewed the reputation risk management report, and proposals including the proposal on amendment to reputation risk management system, and members of the board of supervisors attended the meetings of the Board, Risk Management and Consumer Rights Protection Committee, so as to supervise performance of the board of directors and senior management on reputation risk management.

(7) Implementation of Resolutions of the Shareholders' General Meeting

During the reporting period, members of the board of supervisors attended the annual general meeting, extraordinary general meeting. The board of supervisors supervised the implementation of resolutions of shareholders' general meeting and believed that the Board could earnestly implement resolutions of shareholders' general meeting of the Company.

(8) Information Disclosure Supervision

During the reporting period, the board of supervisors supervised the information disclosure of the Company, reviewed the regular reports and thereby gave written opinions, and no illegal or non-compliance issues on information disclosure of the Company were found throughout the year.

In 2022, the board of supervisors will continue to fulfill its duties and improve its performance. In accordance with regulatory requirements and the internal policy of the Company, the board of supervisors will continue to perform the supervision function in an honest and diligent manner to better prevent risks in operation and management, protect the interests of the Company and shareholders and promote compliance management and sound development of the Company.

(VII) Executive Committee

According to *Articles of Association*, the Company establishes Executive Committee as the decision-making body for the ordinary operation and management of the Company under the leadership of the board of directors. The Executive Committee is comprised of members of senior management of the Company, and its major duties include: to implement the specific tasks and measures of the resolutions of the Board; to implement plans in connection with material mergers and acquisitions, equity and real estate investments and financings, and assets disposals, subject to the authorization by the Board or in accordance with resolutions of the Board; to study on the material operation decisions; to monitor the material operations and activities of the Company; to organize and implement solvency risk management; and to review and evaluate the corporate governance structure of the Company.

(VIII) Chairman and Chief Executive Officer

As of the end of the reporting period, Mr. XU Zhibin served as the chairman of the Board of the Company and Mr. LI Quan served as the CEO of the Company. The chairman shall preside over the shareholders' general meeting, convene and preside over the Board meeting, and exercise other powers granted by the Board. The CEO is held accountable for the Board and in charge of operation and management of the Company. The duties between the chairman and CEO are clearly defined in the *Articles of Association*.

(IX) Company Secretary

The Company appointed, externally, Ms. NG Sau Mei to work as joint company secretary of the Company. The main contact person of Ms. NG Sau Mei in the Company is Mr. GONG Xingfeng, the board secretary and joint company secretary of the Company. The contact information of Mr. GONG Xingfeng is set out in “Corporate Information” of this report.

During the reporting period, both Mr. GONG Xingfeng and Ms. NG Sau Mei attended relevant professional trainings for no less than 15 hours.

(X) Amendments to the Articles of Association and Other Corporate Governance Systems

The Company did not amend the *Articles of Association* and other corporate governance systems during the year.

(XI) Information Disclosure and Investor Relations

During the reporting period, the Company strictly observed various regulatory rules of the listing places, and revised the Company’s information disclosure system pursuant to the latest regulatory requirements to ensure its effective implementation. Meanwhile, the Company strengthened internal communication and training to enhance the compliance awareness of information disclosure, to ensure the standardization of information disclosure. And the Company proactively managed information disclosure to ensure that domestic and overseas investors obtained true, accurate and complete information in a timely and equal manner. There was no violation of regulations of information disclosure.

During the reporting period, abiding by requirements on pandemic prevention and control, the Company enriched and innovated the content and form of investor relations. The Company convened the results announcement and non-deal roadshow through live-streaming, phone call, question and answer, providing investors with diversified communication channels, thus minimized the adverse impact arising from the pandemic. Meanwhile, the Company actively responded to the call for strengthening the protection of minority investors. The senior management answered especially in detail the concerned questions from minority investors collected in advance of results announcement, and established a channel especially for minority investors to propose questions during the results announcement, to safeguard the legal rights and interests of minority investors. Through daily reception of investors and analysts visits, participation in investment summits and other activities, the Company maintained the smooth communication with capital market, provided sufficient information on its operation and development timely. Besides, the Company had active daily interaction with minority investors by answering hotlines and replying to messages on its investor relations emails and the E-interactive platform of the SSE, so as to safeguard their rights to be informed.

SECTION 6

CORPORATE GOVERNANCE REPORT

III. THE CONTROLLING SHAREHOLDER GUARANTEED THE COMPANY'S INDEPENDENCE IN ASSETS, PERSONNEL, FINANCE, INSTITUTIONS AND BUSINESS

On the basis of abiding by national laws and regulations and not interfering in the ordinary operation and management of the Company, Huijin, the controlling shareholder of the Company, exercised shareholders' rights through corporate governance channel to ensure the Company's independence in assets, personnel, finance, institutions and business. The Company runs independent and complete business and is capable of independent business operation. The Company is an independent legal person responsible for its own profits and losses. The business of the Company is independent from Huijin and other enterprises controlled by it and the Company has no horizontal competition with the controlling shareholder or any unfair related party transaction with Huijin and other enterprises controlled by it.

IV. DIVIDEND DISTRIBUTION

(I) Dividend distribution policies

According to Article 289 of *Articles of Association*, the major dividend distribution policies of the Company are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim dividend.
2. If the profit for the year and the accumulated undistributed profit of the Company are positive, the annual profit distribution plan will be formulated by the Board based on the Company's solvency margin ratio, business development and operation results, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio.
3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the Board considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all Shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.
4. The Board shall thoroughly discuss the rationality of profit distribution plan and produce a special resolution to the shareholders' general meeting for consideration. The independent non-executive directors of the Company shall also express their independent opinions on profit distribution plan. In considering the profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with shareholders, particularly minority shareholders through various channels, carefully listen to the feedbacks and requests of minority shareholders, and give timely response to minority shareholders on the relevant matters. After a resolution approving such profit distribution plan is passed at the general meeting, the Board of the Company shall distribute the dividends within two months from the convention of such general meeting.

During the reporting period, the decision-making process and mechanism of the Company's profit distribution plan are complete, the dividend standard and proportion are clear, which are in line with *Articles of Association* and relevant review procedures, fully protect the legitimate rights and interests of minority investors, and have been approved by all the independent non-executive directors of the Company.

(II) Distributable reserve for shareholders

Net profit attributable to shareholders of the Company as contained in the 2021 Consolidated Financial Statements of the Company reached RMB14,947 million and net profit attributable to the parent company as contained in the financial statements totaled RMB14,397 million. As of 31 December 2021, the accumulative profit for the parent company from previous years reached RMB37,600 million. And there is no deficit to be covered. According to the *Articles of Association*, the distributable net profit for 2021 of the Company totaled RMB14,397 million.

(III) Profit distribution plan of 2021

According to the proposed profit distribution plan of 2021 considered and approved by the 29th meeting of the seventh session of the Board on 29 March 2022, the Company planned to distribute an annual cash dividend of RMB1.44 (including tax) per share to all shareholders of the Company of 2021, totaling approximately RMB4,492 million, representing approximately 30.1% of the net profit attributable to shareholders of the Company as contained in the 2021 financial statements of the Company. The remaining retained profits shall be carried forward to 2022 and distributed in future.

The Company did not implement transfer of capital reserve to share capital in 2021.

The aforementioned proposed profit distribution plan has yet to be approved by the shareholders' general meeting. The Company expects that 2021 annual dividend will be distributed on Wednesday, 10 August 2022 to all shareholders.

To best knowledge of directors of the Company, none of the shareholders has waived or agreed to waive any dividends.

(IV) Dividend distribution in recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements
2021	1.44	4,492	14,947	30.1%
2020	1.39	4,336	14,294	30.3%
2019	1.41	4,399	14,559	30.2%

SECTION 6

CORPORATE GOVERNANCE REPORT

(V) Withholding and payment of dividend income tax for individual foreign shareholders and non-resident enterprise shareholders

Pursuant to the *Enterprise Income Tax Law of the People's Republic of China* and its implementation regulations, *Individual Income Tax Law of the People's Republic of China* and its implementation regulations, the *Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents taxpayers under Tax Treaties* (Guo Shui Fa [2019] No. 35) (《國家稅務總局關於發佈〈非居民納稅人享受協議待遇管理辦法〉的公告》(國稅發[2019]35號)), the *Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws and regulations and regulatory requirements, the Company shall, as a withholding agent, withhold and pay dividend income tax for H shareholders in respect of the dividend to be distributed to them, including individual income tax for individual foreign shareholders and enterprise income tax for non-resident enterprise shareholders. For details regarding withholding and payment of dividend income tax for H shareholders and materials that H shareholders need for tax deduction, please refer to announcements to be published by the Company in due course.

V. COMPLIANCE WITH MODEL CODE

The Company has formulated the *Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd.* (《新華人壽保險股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理辦法》) to regulate the securities transactions of directors, supervisors and senior management of the Company, the standards of which are not lower than that required in Model Code. After making specific enquiries with all directors and supervisors, the Company confirmed that each director and supervisor has observed the code of conduct set out in Model Code and the *Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd.* during the reporting period.

VI. RESPONSIBILITIES OF DIRECTORS TOWARDS FINANCIAL STATEMENTS

Directors confirmed that they were obliged to prepare financial statements and to truly and fairly report the Company's situation. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in *Audited Financial Statements 2021* of this report. To the knowledge of the directors, there were no issues or conditions occurred in the reporting period that might have significant adverse effects on the Company's sustained operation. After making appropriate enquiries, directors considered that the Company had enough resources for sustained operation in the future, therefore the financial statements should be prepared on a going concern basis.

VII. MANAGEMENT OF SUBSIDIARIES

In order to strengthen the management over subsidiaries and ensure that there are laws and regulations to follow in the management of subsidiaries, the Company has formulated internal management systems such as *Administrative Measures for Insurance Subsidiaries of New China Life Insurance Company Ltd. (Trial Implementation)* (《新華人壽保險股份有限公司保險類子公司管理辦法(暫行)》) and *Administrative Measures for Non-Insurance Controlled Shareholding Companies of New China Life Insurance Company Ltd.* (新華人壽保險股份有限公司非保險控參股公司管理辦法). Such systems have made it clear that the Company has adopted the mode of focusing on key issues with proper authorization to its subsidiaries. Namely, the subsidiaries shall operate and manage independently in accordance with the *Company Law* and regulations as well as *Articles of Association*. And major matters of subsidiaries shall be submitted to the Company for examination and approval, and daily operation and management matters shall be independently decided by the subsidiaries in accordance with the authorization of the Company.

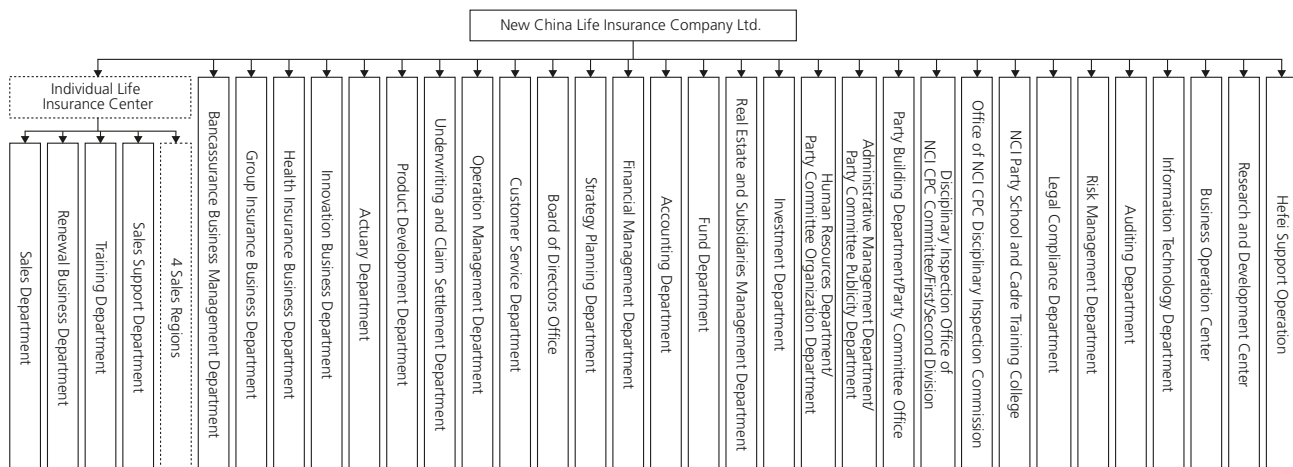
In terms of risk management, the Company has issued risk management systems such as *Comprehensive Risk Management Policy*, *Internal Auditing Policy*, *Administrative Measures for Related Party Transaction* and *Internal Control Management Policy*, all of which include subsidiaries for unified management.

In addition, the Company formulated a number of administrative measures specifically for subsidiaries to carry out standardized management in various areas such as operation and management, finance and capital, and personnel performance of subsidiaries.

VIII. DEPARTMENT AND BRANCH OFFICES OF THE COMPANY

(I) Department of the Company

The headquarters has 30 departments, 3 directly-subordinate secondary units and 4 sales regions.



(II) Branch offices

As of 31 December 2021, there are 1,772 branches and offices of the Company, including 35 branches, 272 sub-branches, 761 outlets, 669 marketing service offices and 35 business offices.

SECTION 6

CORPORATE GOVERNANCE REPORT

IX. THE OVERALL EVALUATION OF CORPORATE GOVERNANCE

Before 30 April 2021, the Company, according to the requirements of *Announcement on Launching Special Action for Corporate Governance of Listed Companies* (《關於開展上市公司治理專項行動的公告》) issued by CSRC, sorted out its corporate governance and finished the self-inspection. On the basis of self-inspection, the Company established sound corporate governance systems, the shareholders' general meeting, the board of directors, the Board committees, the board of supervisors and senior management all perform their duties and coordinated with each other. The corporate governance structure maintained effective checks and balances.

During the reporting period, the CBIRC conducted an on-site assessment of the Company's 2020 corporate governance. The result is that the Company attaches great importance to corporate governance, that the Company has a sound corporate governance mechanism, good shareholder governance, and effective operation of the shareholders' general meeting, the board of directors meeting and board of supervisors meeting. The internal control system is relatively complete and its implementation is generally in place. The Company was rated B in the 2020 corporate governance.

X. THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board of the Company is responsible for fulfilling corporate governance responsibilities as set out in the terms of reference of Article D.3.1 of Corporate Governance Code. During the reporting period, the Board of the Company held a meeting to review the Company's compliance with Corporate Governance Code and the disclosures in the Corporate Governance Report. Directors of the Company were not aware of any information that would reasonably indicate that the Company had not complied with the applicable code provisions as set out in Corporate Governance Code at any time during the period from 1 January 2021 to 31 December 2021.

XI. INTERNAL CONTROL

The Company has been committed to improving its internal control system to promote the sustainable development. The internal control system aims at providing reasonable assurance that the Company's operation and management are in compliance with relevant laws and regulations; the Company's assets are properly safeguarded; financial statements and related information are true and complete; the operation efficiency and results are improved; and development strategies are implemented, to guarantee that the Company operates legally, robustly and efficiently.

SECTION 6 CORPORATE GOVERNANCE REPORT

The Board is responsible for establishing, improving and implementing internal control of the Company, as well as evaluating its effectiveness. The Audit and Related Party Transaction Control Committee under the Board is responsible for supervising the implementation and self-assessment of internal control, appointing and coordinating with external auditors. The board of supervisors is responsible for overseeing the establishment and implementation of internal control by the Board. The Risk Management Committee under Executive Committee is responsible for organizing operation of internal control. The risk management department is responsible for organizing and promoting the internal control of the Company. Each of the functional departments and business units observed the provisions and requirements of internal control. The audit department is in charge of overseeing the internal control.

Based on the internal control requirements such as the *Basic Standard for Enterprise Internal Control* (《企業內部控制基本規範》) (Cai Kuai [2008] No.7) and *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), *Basic Standards for Internal Control of Insurance Companies* (《保險公司內部控制基本準則》) (Bao Jian Fa [2010] No.69), and *Internal Control Guidelines for Insurance Funds Usage* (《保險資金運用內部控制指引》) (Bao Jian Fa [2015] No.114), the Company has observed the basic principles of comprehensiveness, significance, balancing, adaptation, and cost-effectiveness, and established a top-down internal control system covering such areas as marketing, operation, finance, use of funds and information technology management.

The Company has established and enhanced internal control system composing of five elements, including internal environment, risk assessment, control activities, information and communication, and internal supervision. The functional departments and business units, the internal control management department and the audit and supervision department act as the three defence lines of the Company. Through the work division and coordination among these three defence lines, the Company has met the requirements of internal control and risk management and established the internal control system of "complete coverage, clear highlights and effective control".

The Company continued to identify risks in business, finance and use of funds and determined key risk areas through qualitative and quantitative analysis, thereby fully identifying the defects and loopholes in internal control and improving the deficiency rectification and management system. The Company stressed on the practical effects of rectification, unified and coordinated management and control mechanism with precautionary measures, process control and post-supervision and guaranteed the efficiency and results of operating activities. In 2021, the Company carried out the "Internal Control and Compliance Management" campaign, crackdown on violations in life insurance market, special inspection on risks in illegal fundraising and fund cases, comprehensive risk investigation and other risk inspection and rectification activities, strengthened monitoring and on-site inspection, and improved management measures. The basic risk control was further improved.

SECTION 6

CORPORATE GOVERNANCE REPORT

The Company, focusing on transformation and development, strengthened the “internalization of external regulations”, consolidated the internal control management foundation and steadily pushed forward internal control in various business areas. In respect of marketing control, the Company improved the marketing management structure, established complete systems to manage business and sales agents, continued to manage intermediary channels and improve systems to manage sales agents, training and quality, and strictly regulated promotion and marketing activities, continued to improve business quality, strengthen marketing risk monitoring, implemented thoroughly quality management and accountability, to prevent the risk of misleading marketing. In respect of operation control, the Company continued to optimize operation management system, and optimized the business management processes, the management and control measures in the key links and the construction of systems of new policies, underwriting, updating information, claim settlement, customer service, reinsurance and others, and continued to improve customer information management mechanism, strengthened the protection of consumers’ rights and interests and continued to improve the integrated risk management of operation. In respect of accounting and financial control, the Company established a comprehensive and standardized accounting and financial management structure and system, enhanced various management systems, including budget management, accounting calculation, tax management, funds payment and receivable management, expense management, etc. Besides, the Company also optimized information system, identified, managed and controlled financial and accounting risks effectively, improved efficiency of finance and information quality to ensure the truthfulness, completeness, accuracy and timeliness of financial statements and relevant information. In respect of the utilization of funds, the Company formulated a standardized funds management system, defined the process of funds allocation, tightened the authorization and approval system to ensure the safety of the Company’s funds; formulated administrative measures on entrusted investment, administrative measures on real estate investment, administrative measures on the risk classification of investment assets and other relevant systems, prepared guidelines on the usage of insurance funds annually, strictly complied with the regulatory requirements of the CBIRC and the relevant regulatory authorities on the usage of funds, controlled risks and standardized utilization of insurance funds to effectively prevent risks. In respect of information technology, the Company set up information security management system, strengthened overall planning and basic management of information system through the formulation of the system, preparation of process, implementation of specific operation and safety publicity training, strengthened the design, development, operation, maintenance, security management, confidentiality management, disaster relief management, outsourcing service management, and continued to improve information technology and security management and control.

The Company has established a clear and effective internal and external information communication system, which imposes strict requirements on the timeliness of information transfer so as to implement the information disclosure management system and intensify the registration and filing of inside information. The Company has also formulated the system of accountability for material errors of information disclosure in the annual report. The criteria for identifying material errors and the accountability mechanism have been established and strictly complied with.

SECTION 6 CORPORATE GOVERNANCE REPORT

The Company has established a relatively independent internal auditing system with centralized management. The audit department is in charge of internal auditing and exercising the supervision function in internal control. The Company has continued to improve the standardized guidelines for auditing, strengthen the supervision of regular auditing, economic responsibility auditing and specific auditing, diversified its auditing methods, enhanced information application and auditing quality. By expanding the scope and coverage of auditing, the Company also strengthened the auditing supervision ability, and enhanced the value of internal auditing.

The Company has established a series of administrative measures for accountability, including accountability for non-compliances, specifying the scope, ways, criteria and procedures of accountability as well as the information reporting mechanism. Non-compliance to laws and regulations and provisions of the Company will be handled by relevant departments according to applicable criteria for accountability, giving full play to the role of punishment and deterrence.

The Board of the Company is responsible for risk management and internal control and supervising their effectiveness. Meanwhile, the specialized department for risk management and internal control of the Company is designed to manage rather than eliminate the risk of failing to achieve objectives. The Company provides reasonable but not absolute assurance for non-existence of material false statements or loss. The Company carried out the construction and self-assessment of solvency risk management in 2021 in accordance with the regulatory requirements of C-ROSS. Through a comprehensive benchmarking analysis, the Company identified its own problems, carried out targeted rectification and improved its risk management.

On the basis of the *Basic Standard for Enterprise Internal Control* (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11) and other regulatory requirements, taking into account its internal control system and assessment methods, the Board of the Company conducted annual assessment on internal control in a comprehensive way, the scope of which covered marketing, operation, finance, use of funds, information technology management and other aspects of headquarters, branches and subsidiaries. The time interval of 2021 assessment is from 1 January 2021 to 31 December 2021. After the assessment, the Board is of the view that the Company's internal control system and risk management construction and operation are effective and adequate as a whole and the auditor has issued a standard and unqualified internal control audit report.

For details of the Company's internal control assessment, please refer to the *2021 Internal Control Assessment Report* separately disclosed by the Company and the internal control audit report issued by the auditor.

SECTION 7

RISK MANAGEMENT

I. RISK MANAGEMENT SYSTEM – OVERALL STRATEGIES

The Company has established a risk management system spanning all major business areas which the Board is ultimately held accountable for, and which is under the direct leadership of Executive Committee, coordinated by risk management department, closely assisted by relevant functional departments and branches, and independently audited by audit department. In 2021, according to the regulatory requirements of solvency risk management and its own management needs, the Company further improved the risk management organizational structure, adjusted the composition of members of Risk Management Committee under Executive Committee and strengthened organizational leadership.

Based on value and internal control, the Company enhanced the comprehensive risk management system via both quantitative and qualitative analysis to realize the professional operation of risk management and meet requirements of solvency risk management and asset liability management required by the CBIRC, making risk management the important basis for the decision-making of the Board and Executive Committee. Considering the general operation objective and expectations of all stakeholders, the Company formulated risk strategy aiming at striking a balance among capital, value, profit and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, and safeguarding the reputation and brand image so as to achieve sustainable and sound development of the Company.

The Company made steady progress in risk management system and procedure, continued to improve risk management system and optimize the management process. In 2021, the Company carried out evaluation and inspection on annual risk preference system, updated *Statement of Risk Preference of 2021* (《2021年度風險偏好陳述書》); improved the special risk management system, formulated *Strategic Risk Management System* (《戰略風險管理制度》), amended *Reputation Risk Management System (2021)* (《聲譽風險管理制度(2021版)》) and other special risk management systems; improved anti-money laundering management system and formulated the *Administrative Measures for Self-Assessment of Risks on Money Laundering and Terrorist Financing* (《洗錢和恐怖融資風險自評估管理辦法》) and *Administrative Measures for Anti-Money Laundering and Information Security Protection* (《反洗錢信息安全保護管理辦法》); improved the emergency management system and amended *Administrative Measures for Emergency Management* (《突發事件應急管理辦法》). In 2021, the Company further strengthened the construction of risk management process, improved compliance management in various business areas; amended *Corporate Compliance Manual* (《公司合規手冊》); improved internal control management system; amended the *Practice Manual for Internal Control (2020)* (《內部控制實務手冊(2020版)》); promoted standardized management of defect rectification; and formulated *Guidelines for the Defects Rectification of Internal Control in Branches (2021)* (《分公司內控缺陷整改工作指引(2021版)》).

The Company improved its own risk management capability in consideration of the requirements of the C-ROSS. Through self-assessment of solvency risk management and comprehensive benchmarking analysis, the Company identified problems and made specific rectification to effectively enhance risk management.

In 2021, the Company constantly optimized its risk monitoring and reporting mechanism, set up early warning intervals for monthly monitoring and analysis of the key indicators for seven major risks under the comprehensive risk management system, including market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk. Meanwhile, the Company focused on the progress of asset allocation and its risk control to provide the headquarters and branches with risk warning and reminder of related risks.

In 2021, the Company constantly optimized its risk control and compliance management system. The risk management subsystem was able to collect and process data, monitor key risk indicators and give early warning, and manage risk statement, to timely identify risks and give warnings by monitoring data and indicators through modern information technology. The internal control subsystem covered the whole internal control management modules including internal control evaluation, defect rectification, operational risk event management and risk investigation, which advanced the basic risk control management. The compliance management system was able to monitor and give early warning for marketing misleading indicators, monitor key compliance assessment indicators, report important compliance information, achieved the efficient application of information technology in compliance management and enhanced the overall efficiency of compliance monitoring and compliance management of institutions. The anti-money laundering system includes various functional modules such as monitoring and reporting of large-sum and suspicious transactions, analysis and maintenance of monitoring lists, retrospective monitoring, and levels of client risk, providing strong support for the risk management of money laundering of the Company.

II. RISK IDENTIFICATION AND CONTROL

The major risks of the Company in the course of operation and management include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk, liquidity risk, etc.

(I) Market risk

Market risks refer to the risks that expose the Company to unexpected losses due to adverse movements in interest rates, equity prices, real estate prices, exchange rates, etc.

The Company continued to monitor the proportion of high-risk assets, value at risk (VaR), asset duration and other key market risk indicators. Benchmark threshold values were set up for risk warning. In addition, in case of extreme circumstances, the Company adopted sensitivity analysis and stress test to measure the potential loss to the Company under stress with focus on the impacts brought by market volatility and interest rate movements on fair value of investment assets and solvency of the Company. The proportion of each category of investment assets was in line with the requirements of CBIRC and the internal requirements of the Company. According to the results of monitoring, the indicators relating to market risks fluctuated at the reasonable range within risk preference constraint.

In order to handle market risks, the Company primarily adopted the following measures in 2021: 1. placing emphasis on macroeconomic studies and prudently projecting domestic and international market trends; 2. analyzing historical risks and returns of major assets on a regular basis; 3. proactively managing the positions of equity assets and conducting regular stress tests to measure their impact on investment return and solvency margin ratio to keep risk exposures under control; 4. making prudent investment and insisting on asset liability matching management; 5. sticking to value-oriented investment, selecting assets with potential value appreciation, and pursuing middle to long term investment earnings; 6. centering on both value and the overall liquidity of assets and gradually adjusting investment portfolio by adding new assets, so as to match the risk and return characteristics of overall investment portfolio with the value and risk management requirements of the Company; and 7. enhancing risk monitoring and early warning to strengthen emergency management.

SECTION 7 RISK MANAGEMENT

(II) Credit risk

Credit risks refer to the risks that expose the Company to unexpected losses due to non-performance or delay in the performance of contractual obligations by counterparties, or adverse movements in their credit. The credit risks that the Company is exposed to mainly relate to investment deposits, bonds, non-standard financial products and reinsurance arrangements, etc.

1. *Credit risk of investment business*

The Company primarily monitored the credit rating and concentration of investment targets and counterparties to ensure the overall credit risk exposure is within control by limiting the proportion of investments with low credit rating. More than 95% of investment deposits and bonds held by the Company have a credit rating of AAA and credit ratings of major counterparties are AAA with low credit default risk. The non-standard financial products held by the Company have good credit enhancement arrangements. According to the results of monitoring, the indicators relating to credit risk of investment business fluctuated at the reasonable range within risk preference constraint.

To address the credit risks of investment business, the Company primarily adopted the following measures in 2021: 1. implementing a strict internal credit and credit rating system for counterparties and stringently check on the categories of credit investment products; 2. implementing subject credit to non-standard financial products to prevent credit risks; 3. reinforcing credit enhancement arrangements with respect to non-standard financial products; 4. regularly tracking down and monitoring the credit risk of investment portfolios, analyzing and assessing the possibility and impact of credit default events; and 5. establishing a “Negative List” management mechanism in key funds utilization areas, and updating dynamic assessment based on market changes.

2. *Reinsurance credit risk*

The Company assessed the credit ratings of reinsurance counterparties to mitigate reinsurance credit risk.

In 2021, there were 19 reinsurance companies under contractual arrangements with the Company, and all of their credit ratings were above A. Fifteen of them obtained Standard & Poor’s rating: one company had AA+, three companies AA-, eight companies A+, three companies A. The other four companies obtained A.M. Best’s ratings: one company A+, two companies A and one A-. The Company had good credit distribution within the reinsurance ceding business.

(III) Insurance risk

Insurance risks refer to the risks arising from the unfavorable deviation of the actual situation from the projections in terms of assumptions on mortality rate, morbidity rate, compensation rate, surrender rate and expense rate, etc.

The Company assessed and monitored insurance risks through regular review of experience and data, sensitivity analysis of main assumptions and other techniques, with focus on the impact of surrender rate, mortality rate and morbidity rate on the Company's operating results. According to the results of monitoring, the indicators relating to insurance risk fluctuated at the reasonable range within risk preference constraint.

The Company managed insurance risks in areas such as product development, underwriting tactics and reinsurance arrangements mainly via the following mechanisms and measures: 1. implementing effective product development and management system, designing proper insurance liabilities and setting the product price on the basis of market research, predicting the product profitability based on the Company's empirical analysis, so as to maintain a rational expense ratio and profitability of the product; 2. making customized underwriting through prudent underwriting tactics and processes, to ensure the risk is within control; 3. arranging appropriate reinsurance based on the risk characteristics of the insured, and ensuring that reinsurance contract basically covered products with risk liabilities to effectively transfer insurance risk; 4. reviewing the Company's operating data on a regular basis to conduct empirical analysis and trend research, which served as the basis for adjusting pricing assumptions and assessing assumptions; and 5. reflecting problems identified in empirical analysis and relevant information timely to product development, underwriting approval and claims settlement to optimize business procedures and risk management.

(IV) Operational risk

Operational risks refer to the risks that expose the Company to direct or indirect losses due to inappropriate internal operational processes, personnel, internal or external events, including legal and regulatory risks. The major operational risks facing the Company include misleading sales, insurance litigations as well as illegal sales of non-insurance financial products.

1. Risk of misleading sales

Risks of misleading sales refer to various misleading acts such as deceit and fraudulent inducement in the marketing caused by sales team and insurance agencies, which results in customer complaints, negative media coverage, regulatory penalties and collective complaint events, and thus may bring the economic loss, reputation damage or other adverse impacts to the Company. Comprehensive rectification of misleading sales based on regulatory requirements and the Company's strategy is a major task of the Company.

To effectively address the risk of misleading sales, the Company mainly adopted the following measures in 2021: 1. further improving assessment indicators, focusing on the misleading sales rectification, and urging its rectification through regular tracking; 2. strengthening daily risk monitoring and early warning, providing risk reminders to institutions with high risk on misleading sales according to the daily monitoring results, urging them to take measures to prevent and defuse potential risks; 3. strengthening review on promotional materials of products, paying close attention to regulations and enhancing the marketing management of institutions; 4. strengthening compliance training, summarizing misleading sales problems, and initiating trainings and education about risk prevention in the Company.

SECTION 7

RISK MANAGEMENT

2. Risk of criminal cases and illegal sales of non-insurance financial products

Risks of criminal cases and illegally selling non-insurance financial products refer to risks arising from infringement, misappropriation, fraud, professional embezzlement, illegal fund-raising and illegally selling non-insurance financial products of the insurer that result in economic losses, reputation damage or other adverse impacts for the Company. In 2021, the Company had 4 criminal cases, with the number of criminal cases and the amount involved decreased compared with the previous year.

To effectively address risks of criminal cases and curb illegal sales of non-insurance financial products, the Company mainly adopted the following measures in 2021: 1. improving the prevention and control system, formulating and issuing *Interim Administrative Measures for the Investigation and Management of Abnormal Behaviors by Agents* (《從業人員異常行為排查管理暫行辦法》), focusing on the monitoring and investigation of abnormal behaviors of agents, and strengthening the case prevention linkage mechanism of departments at all levels; 2. continuing to carry out risk monitoring, including regular indicator monitoring, complaint monitoring, urging and guiding branches to conduct risk clues screening to timely identify and deal with risks; 3. proactively carrying out risk screening of criminal cases, and two risk screening being carried out by the Company throughout the year. First is to launch special investigation on illegal fund-raising case, and conducting investigations on agents using insurance business for illegal fund-raising, illegal sale of non-insurance financial products, fraud and embezzlement of funds of customers and the Company. Second is to investigate the risk of illegal fund-raising cases by the management personnel of grass-roots institutions, focus on the background of agents, regular job rotation, abnormal behavior, etc., and screen the hidden risks of the Company; 4. carrying out publicity and education, and conducting regular warning education and training internally to ensure compliance; carrying out publicity activities to prevent risks of illegal fund-raising externally, raising the public's rational concepts of insurance, investment and wealth management, and enhancing customers' awareness of risk prevention; 5. strengthening disposal and reporting of criminal cases. Once any insurance criminal case occurs, the Company urged to conduct timely investigation, and reported to the regulatory authorities as required.

In addition to above measures, the Company also mitigated daily operational risks by optimizing management processes, strengthening internal control and compliance management, conducting risk investigations and strengthening internal auditing supervision.

(V) Reputation risk

Reputation risks refer to the risk that expose the Company to losses due to the negative comments to the Company because of operation and management of the Company or external events. Generally speaking, the coverage of the Company by external media in 2021 was primarily positive and objective. According to the results of monitoring, the indicators relating to reputation risk fluctuated at the reasonable range within risk preference constraint.

The reputation risk management follows the principle of risk prevention by establishing a routine, long-term and effective management mechanism which focuses on advance assessment and daily precaution. The Company has established a comprehensive reputation risk management system that covers all channels and institutions in terms of organizational structure, system, daily monitoring and disposal with excellent linkage mechanism. Through timely identifying and addressing potential problems in operation and management, the Company eliminates potential risks that may affect its reputation and image.

(VI) Strategic risk

The strategic risks refer to the risk of mismatch between strategies, market conditions and capabilities of the Company arising from ineffective formulation or implementation of strategies or changing environment.

In 2021, with repeated outbreaks of Covid-19, the life insurance industry stepped into a period of in-depth transformation and adjustment, and the pressure on new business growth increased. The Company committed to the general principle of “seeking progress while ensuring stability”, enriching product supply, balancing product structure, strengthening the training of high-performing teams so as to realize steady increase of gross written premiums.

To address strategic risks, the Company mainly adopted the following measures: 1. analyzing and studying hotspots and development trends of the industry, thereby identifying opportunities for the development of life insurance business, and mapping out the growth path and strategic layout in view of the actual operation of the Company; 2. compiling the *Outline of the “14th Five Year Plan”*, and making clear the core operating indicators for balanced development of volume and value based on the Company’s operating conditions; 3. adhering to both pandemic prevention and business growth, capturing the operating philosophy of “strategic guidance, high quality development, benchmark surpassing, improving weakness”, implementing practical measures, strengthening business drivers and improving core indicators; 4. implementing the operation measures, promoting the guidance and management of strategies for the completion of operational plans, thus ensuring that the strategic plans of the Company could be thoroughly implemented at all levels; 5. tracking the assessment, establishing a tracking and assessment system on strategies by making assessment indicators and regularly tracking their implementation; 6. strengthening communication and coordination, strengthening the communication between strategy management department and related function departments to form a coordination and feedback system on strategy planning and adjusting the strategic objectives in a timely manner based on the change of internal and external circumstances.

(VII) Liquidity risk

The liquidity risks refer to the risk that the Company fails to have access to sufficient funds in time or at reasonable costs to pay its debts as they become due or fulfill other payment obligations.

The Company constantly monitored future cash flow and carried out stress tests with attention to the indicators such as the consolidated liquidity ratio and the liquidity coverage ratio, and formulating solutions in advance by putting daily risk monitoring in place and paying attention to unusual changes of indicators.

To address liquidity risks, the Company primarily adopted the following measures: 1. strictly controlling illegal sales to enhance business quality and prevent the large scale payment induced by unusual concentrated surrenders; 2. establishing settlement reserve system for contingency payments in case of short-notice request for large amount payments; 3. planning and managing long-term liquidity, and adjusting middle to long term asset allocation by considering the overall liquidity of assets and liabilities with reference to our investment guidelines; and 4. strengthening emergency management and formulating emergency plans on liquidity risks.

SECTION 8

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENT INFORMATION

The Company strictly abides by the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》) and other laws and regulations, adheres to a low-carbon and environmental-friendly operation mode to actively respond to climate change, and pursue eco-environmental progress. The Company, through technology empowerment, carries out various measures to save energy and reduce emission to build the image of a responsible green company under “carbon neutrality”, and create value for shareholders, customers, employees, communities and environment, and partners.

The Company integrated the key areas of operation with its own energy conservation and emission reduction action and specified the Company's nature as a life insurance company. By identifying the risk of the Company's operation on climate change and the risk of climate change on the Company's operation, the Company takes NCI Tower as the target for energy conservation and emission reduction. Through the estimation of carbon footprint of NCI Tower, the Company has developed a targeted plan for energy conservation and emission reduction since 2021, so as to drive its sustainable development.

During the reporting period, the Company received no administrative penalty because of environmental issue.

For environmental information, please refer to the Corporate Social Responsibility Report 2021 disclosed on the website of Hong Kong Stock Exchange.

II. SOCIAL RESPONSIBILITY

(I) Rural Revitalization

In 2021, the Company put over RMB9.7 million in aggregate in Shibing county of Guizhou province and Huangyangcheng town in Inner Mongolia Autonomous Region to support school construction, cadre training, etc., and actively purchased products from these areas. Agricultural and sideline products of RMB5.75 million were directly purchased from areas designated for targeted assistance.

The Company's branches recruited personnel from those areas, and employed 10 staff from Shibing, Guizhou province and Xunhua, Qinghai province. Meanwhile, the Company encouraged its young cadres to undertake assistance tasks in remote and hard places. A total of 17 cadres has been dispatched to such places, of which 4 serve as the first secretary of villages.

In 2021, the Company continued to serve the national strategy through Foundation, and carried out rural revitalization projects in Gansu and Xinjiang, including 1 education support project and 1 infrastructure construction project. In 2021, the Company's institutions also worked on rural revitalization, donated funds over RMB888,700, and supplies amounting to RMB1,083,800, and also made insurance donations with the sum assured over RMB59 million.

(II) Other Social Responsibilities

Help Employees Grow

The Company has always put people first, strictly abided by various laws and regulations, including *Labor Contract Law of the People's Republic of China*, and *Labor Law of the People's Republic of China*. The Company always believes that the comprehensive improvement of employees is one of the most important targets. By creating a tolerant, equal, mutual trust and collaborative environment for employees, the Company makes efforts to guarantee the rights and interests of employees, promote their mental and physical health and build platforms for improvement to unify the Company's values and employees' values.

Guarantee Customer Service

The Company has always centered on customers. The Company has focused on customers' demands to innovate and upgrade products in product offerings. In terms of customer service, the Company continued to strengthen both service management and technology innovation, and enhanced technology empowerment and innovation application. More than 1,600 offline counter centers across the country interconnected with media platforms such as telephone, SMS/MMS, website, WeChat, and APP. By doing this, the Company gradually realized both professional manual services and intelligent AI services to provide convenient, efficient and quality services for customers. Meanwhile, to implement "Healthy China" strategy, the Company introduced value-added services for health management, organized a series of customer service activities and gave back to customers.

Consumer Rights Protection

1. *Important information on consumer rights protection*

The Company attaches great importance to the protection of consumer rights and interests, integrates consumer rights protection into all aspects of corporate governance, and has established a complete system and mechanism for consumer rights protection.

In 2021, the Company strictly observed the relevant laws and regulations, and internal management system for consumer rights protection, publicly released its exclusive image of consumer rights protection, and further enriched consumer rights protection affairs committees at all levels. The Company upgraded the online and offline consumer education, and formulated and revised more than 10 documents related to consumer rights protection, such as *Administrative Measures on Internet Insurance Business* (《互聯網保險業務管理辦法》), *Administrative Measures on Information Disclosure* (《信息披露管理辦法》) and *Administrative Measures for Emergency Management* (《突發事件應急管理辦法》) to optimize the working mechanism for consumer rights protection such as product and service examination, information disclosure, personal information protection, staff training, internal evaluation, internal auditing, ensured the continuous and effective operation of various working mechanism and promoted the comprehensive improvement of quality and efficiency of consumer rights protection. Meanwhile, the Company continued to strengthen the management of product and service marketing and publicity, marketing behavior, cooperation partners, and service quality, carried out consumer education and publicity on a regular basis, and properly resolved various consumer complaints and disputes to effectively protect legitimate rights and interests of consumers.

SECTION 8

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

2. *Consumer complaints and handling*

According to the report of insurance consumer complaints by the CBIRC, the Company received 7,610 complaints transferred from CBIRC and its local offices in 2021. In terms of the types of complaints, marketing disputes accounted for 42.39%, and claim disputes accounted for 11.92%; and in terms of the regional distribution, 26.15% complaints were mainly concentrated in North China, 22.31% in Northeast China, and 13.97% in Northwest China. All complaints have been handled and responded within the specified time limit.

Public Welfare Actions and Charitable Donations

The Company continued to respond to the call of the CPC Central Committee. It leveraged on the advantages of insurance industry to gradually form a unique public welfare model of “insurance products + public welfare platforms + volunteer services”, being a distinctive path for undertaking social responsibility. In 2021, the donation for public welfare exceeded RMB21.26 million, and the donated supplies amounted to approximately RMB2.35 million.

- (I) In 2021, the Company continued to carry out the public welfare activity of “NCI Accompanies You in Building Beautiful Cities – Donating Insurance to Sanitation Workers Nationwide” through the Foundation. More than 900,000 sanitation workers in 158 cities across the country were provided accidental injury insurance of RMB100,000 per person. Since the launch of the project in 2017 until the end of 2021, the Company has donated total sum assured over RMB319,200 million, and settled 277 claims, with a compensation amount of RMB25.135 million.
- (II) In July 2021, many places in Henan province suffered catastrophic flood disasters that were rarely seen in history. The Company donated RMB10 million to 14 severely affected areas in 8 cities including Zhengzhou and Xinxiang through the Foundation. The Company’s institutions donated RMB285,000 to disaster areas in Henan, and the value of goods and materials donated by the Company exceeded RMB144,000. It also donated insurance to disaster relief workers, with cumulative sum assured more than RMB105 million.
- (III) As of the end of 2021, the Company has set up 35 volunteer service teams across the country, recruiting 45,925 volunteers. In 2021, the volunteer service team carried out 2,922 activities nationwide, with 25,231 volunteers participating and service hours of 73,414.
- (IV) In 2021, in order to fight against Covid-19, the Company donated various supplies equivalent to RMB111,000, and provided pandemic prevention insurance to front-line medical staff, policeman, community cadres and other personnel, with cumulative sum assured of RMB458,800 million.

For details of fulfilling social responsibilities of the Company, please refer to the Corporate Social Responsibility Report 2021 disclosed on the website of the Hong Kong Stock Exchange.

THE BOARD OF DIRECTORS REPORT AND SIGNIFICANT EVENTS

I. MAIN BUSINESSES

As approved by regulatory authorities and company registration authorities, the business scope of the Company includes: providing life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital utilization in accordance with relevant regulations. There was no material change in major business scope of the Company during the reporting period.

II. BUSINESS REVIEW

(I) Annual business and business results analysis

Analysis on the business results of the Company during the reporting period is set out in Section 4 “Management Discussion and Analysis” of this report.

(II) Major risks and uncertain factors

Please refer to Section 7 “Risk Management” of this report for details of the major risks and uncertain factors of the Company.

(III) Environment policy

The Company is not a key pollutant discharge unit according to the environmental protection department. For details of environmental protection, please refer to the Corporate Social Responsibility Report 2021 disclosed on the website of Hong Kong Stock Exchange.

(IV) Principal employees and customers

Details of senior management and employees of the Company are set out in Section 6 “Corporate Governance Report” of this report.

During the reporting period, the premium income contributed by any single customer was less than 30% of the Company’s annual premium income. The total premium income from the top five customers was also less than 30% of the Company’s annual premium income.

(V) Compliance of relevant laws and regulations

During the reporting period, the Company strictly abided by the laws and regulations which significantly affected the Company’s operation.

(VI) Company’s relations with employees and customers

Details of the Company’s relations with employees and customers are set out in Section 8 “Environmental and Social Responsibility” of this report.

SECTION 9

THE BOARD OF DIRECTORS REPORT AND SIGNIFICANT EVENTS

(VII) Prospects

Please refer to Section 4 “Management Discussion and Analysis” of this report for details of the prospects on future business of the Company.

(VIII) Post-balance sheet events

Ernst & Young Hua Ming LLP and Ernst & Young currently serve as the Company’s domestic and international auditors, respectively. Pursuant to relevant requirements of the Administrative Measures for the Selection and Engagement of Accounting Firms by State-owned Financial Enterprises (《國有金融企業選聘會計師事務所管理辦法》) (Cai Jin [2020] No. 6) issued by the Ministry of Finance of the People’s Republic of China, the current auditors have been engaged by the Company for 8 consecutive years, being the maximum consecutive tenure of service, after the conclusion of auditing for the year 2021. The Company is required to change its auditors. The Board of the Company has considered and approved *Proposal on the Appointment of Accounting Firms for the Year 2022* at the 28th meeting of the seventh session of the Board of the Company on 25 February 2022. The Board proposed to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as domestic auditor and Deloitte Touche Tohmatsu as international auditor of the Company for the year 2022. For details, please refer to *Proposed Appointment of Auditors* disclosed on the website of Hong Kong Stock Exchange on 25 February 2022.

Please refer to Note 40 to the Consolidated Financial Statements of this report for any material event that occurs after the reporting period and has significant impact on the Company.

III. USE OF PROCEEDS

During the reporting period, the Company’s proceeds raised were all used for replenishing the capital base to support sustainable business growth, consistent with the commitments in the IPO Prospectus.

IV. PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 6 to the Consolidated Financial Statements of this report for details of property, plant and equipment of the Company during the reporting period.

V. INVESTMENT PROPERTY

No.	Address	Utilization	Term	Equity of the Company
1	New China Insurance Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, China	Office building	Middle-term lease	100%
2	No.7 Office Building of Shanghai Port International Passenger Transport Center, 558 Dongda Ming Road, Hongkou District, Shanghai, China	Office building	Middle-term lease	100%
3	Binhai International Center, Exhibition North Road, Siming District, Xiamen, Fujian Province, China	Office building	Middle-term lease	100%

The directors of the Company are of the view that the listing of all investment properties would result in an excessively lengthy list of information and therefore only listed significant properties.

VI. SHARE CAPITAL

Please refer to Section 10 “Changes in Share Capital and Shareholders’ Profile” of this report for details of changes in share capital of the Company during the reporting period.

VII. ISSUE OF BONDS

To supplement the Company’s capital and improve the solvency, the Company issued the capital supplementary bonds in the national inter-bank bond market with the amount of RMB10,000 million on 11 May 2020 and completed the issuance on 13 May 2020. For more details, please refer to the *Completion of Issuance of the Capital Supplementary Bonds* published on the website of Hong Kong Stock Exchange on 13 May 2020 by the Company.

During the reporting period, the existing issued capital supplementary bonds totalled RMB10,000 million.

VIII. MAJOR ACQUISITION AND DISPOSAL

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

IX. MAJOR INVESTMENT

During the reporting period, the Company had no major investment.

X. BANK LOANS

During the reporting period, the Company had no bank loans other than the issued capital supplementary bonds and assets sold under agreements to repurchase involved in the investment business of the Company.

XI. PLEDGE OF ASSETS

During the reporting period, the Company had no pledge of assets.

XII. SEIZURE, DISTRAINMENT OR FREEZE OF MAJOR ASSETS

During the reporting period, the Company had no event of seizure, distraintment or freeze of major assets that was required to be disclosed.

XIII. EXCHANGE RATE RISK AND HEDGING

Please refer to Note 4 to the Consolidated Financial Statements of this report for the details of exchange rate risk of the Company during the reporting period.

SECTION 9

THE BOARD OF DIRECTORS REPORT AND SIGNIFICANT EVENTS

XIV. MANAGEMENT CONTRACTS

During the reporting period, the Company did not enter into any management contract or administrative contract in relation to its entire or primary businesses.

XV. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

XVI. PRE-EMPTIVE RIGHT

Pursuant to P.R.C. laws and regulations and *Articles of Association*, shareholders of the Company had no pre-emptive right and the Company did not have any share option plan.

XVII. PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to Section 6 “Corporate Governance Report” of this report for profiles of directors, supervisors and senior management.

XVIII. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETITIVE BUSINESSES

During the reporting period, PENG Yulong, the director of the Company, also served as chairman of board of supervisors of Pramerica Fosun Life Insurance Co., Ltd (the “**Pramerica Fosun**”). Pramerica Fosun is a comprehensive life insurance company, thus constitutes one of the Company’s major competitors in the life insurance market of China. Strictly complying with relevant P.R.C. laws and regulations and *Articles of Association* in performing his duties as a director, Mr. Peng attended to his fiduciary duties and managed to avoid actual and potential conflicts in interest and post.

XIX. SERVICE CONTRACT AND REMUNERATION OF DIRECTORS AND SUPERVISORS

During the reporting period, no director or supervisor of the Company entered into with the Company or its subsidiaries any service contract which was not terminable by the Company within one year without payment of compensation, other than statutory compensation.

For details of remunerations of the directors and supervisors, please refer to Section 6 “Corporate Governance Report” of this report.

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

During the reporting period, directors and supervisors had no material interests in the contracts of significance entered into by the Company and its subsidiaries with any third parties.

XXI. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES

During the reporting period, the Company did not grant its directors, supervisors or their respective spouses or children aged under 18 the right to purchase shares or bonds of the Company and its subsidiaries.

XXII. STATEMENT OF THE BOARD ON INTERNAL CONTROL RESPONSIBILITY

According to the assessment of effectiveness of internal control performed as of 31 December 2021 by the Board in compliance with the *Basic Standard for Enterprise Internal Control* (Cai Kuai [2008] No. 7) and *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (Cai Kuai [2010] No. 11) and other internal control regulatory requirements, the Board was of the view that the operation of internal control system was effective as a whole.

XXIII. PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2021, there were no and had been no permitted indemnity provision benefiting the directors of the Company or the affiliates of the Company. The Company has purchased proper liability insurance for directors to indemnify the legal responsibility incurred by directors' fulfilling their duties. The governing law of such policy is P.R.C. law.

XXIV. SUFFICIENT PUBLIC FLOAT

According to the data obtained from public resources by the Company and according to the knowledge of the directors as of the latest practicable date before the publication of this annual report, no less than 25% of the issued share capital and no less than 15% of the H shares of the Company have been held by the public, in compliance with the requirement of the public float in accordance with the *Hong Kong Listing Rules*.

XXV. EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Company had not entered into any equity-linked agreement.

XXVI. AUDIT AND RELATED PARTY TRANSACTION CONTROL COMMITTEE

The Audit and Related Party Transaction Control Committee has reviewed the audited financial statements for this year. Please refer to Section 6 "Corporate Governance Report" of this report for the composition, role as well as the work summary of Audit and Related Party Transaction Control Committee for this year.

XXVII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company and its subsidiaries did not have any other future plans for material investments or capital assets as at 31 December 2021. However, the Company will closely follow industry opportunities to broaden its revenue base and profit potential and maximise shareholder' value in the long term.

SECTION 9

THE BOARD OF DIRECTORS REPORT AND SIGNIFICANT EVENTS

XXVIII. SIGNIFICANT CONNECTED TRANSACTIONS

In order to capture the opportunity of realizing investment return and reallocate the resources to other existing business, the Company considered and approved the *Proposal on Related Party Transactions with Hwabao WP Fund Management Co., Ltd.* on the 26th meeting of the seventh session of the Board on 23 December 2021, which intended to redeem Hwabao S&P Hong Kong – listed China Small and Mid-caps Index Securities Investment Fund (LOF) (華寶標普香港上市中國中小盤指數證券投資基金(LOF)), Hwabao CSI 1000 Index Securities Investment Fund (華寶中證1000指數證券投資基金) and Hwabao CSI Medical ETF Feeder Fund (華寶中證醫療交易型開放式指數證券投資基金聯接基金) held by the Company (the “Redemption of the Funds”). On 5 January 2022, the Company has completed Redemption of the Funds, and the redemption amount was RMB259,941,721.77. The actual management fee on Redemption of the Funds was RMB5,924,724.55 in total, calculated on a daily basis with reference to the annual management fee rate and the net value per unit of the Funds of the previous trading day. The redemption fee is RMB96,666.79, being determined with reference to the redemption amount multiplied by redemption fee rate.

As at the date of this report, China Baowu, holding approximately 12.09% of the total number of issued shares of the Company, is a substantial shareholder and connected person of the Company. Hwabao Fund, indirectly held by China Baowu by 51% of its equity interests, constitutes an associate of China Baowu and is therefore a connected person of the Company. Accordingly, Redemption of the Funds constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of Redemption of the Funds is higher than 0.1% but less than 5%, Redemption of the Funds is subject to the announcement and annual reporting requirements, but is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the information disclosed by the Company on the website of the Hong Kong Stock Exchange on 23 December 2021 and 5 January 2022.

Details of related party transactions are set out in Note 35 to the Consolidated Financial Statements of this report. Saved as disclosed above, none of the related party transactions mentioned above constitutes connected transactions or continuing connected transactions under the Listing Rules.

XXIX. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCE

- (I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit, nor there were loans or financial assistance to be disclosed.
- (II) During the reporting period, there was no external guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any guarantee for its subsidiaries.
- (III) The utilization of insurance funds of the Company is carried out mainly through entrusted management and the diversified entrusted investment management system in which the internal investment managers are main players and external investment managers are the supplemental has taken shape. The internal investment managers include Asset Management Company and Asset Management Company (Hong Kong) and external investment managers comprise fund companies, asset management division of securities firms and other professional investment management institutions. The Company selects different investment management institutions according to the requirements of asset allocation, risk-return characteristics of different types of assets and the merits of each institution, so as to build diversified investment portfolios and improve the efficiency of insurance funds utilization. The Company enters into the entrusted investment management agreement with each manager, manages the investment through measures including investment guidance, asset custody, dynamic tracking and communication, assessment and evaluation, and takes targeted risk control measures according to the characteristics of different managers and investment targets.

In 2021, the Company made provisions for asset depreciation for such entrusted assets and recognized asset impairment losses of RMB2,269 million.

- (IV) Unless otherwise disclosed in this report, the Company had no other material contract during the reporting period.

XXX. CONTINGENT LIABILITIES

So far as known to the directors of the Company, as at 31 December 2021, there had been no litigation, arbitration or claim of material importance in which the Company or its respective subsidiaries was engaged or pending or which as threatened against the Company or its respective subsidiaries.

XXXI. MAJOR EQUITY INVESTMENT, NON-EQUITY INVESTMENT

During the reporting period, the Company had no major equity investment event or non-equity investment event.

SECTION 9

THE BOARD OF DIRECTORS REPORT AND SIGNIFICANT EVENTS

XXXII. MAJOR ASSET AND EQUITY SALES

During the reporting period, the Company had no major asset and equity sales.

XXXIII. CHANGES IN ACCOUNTING ESTIMATES

The Company determined actuarial assumptions, including assumptions on discount rates, mortality rates, morbidity rates, expense, surrender rates, and policyholder dividend, etc., based on information available as at the date of the balance sheet. These assumptions were used to calculate the liabilities of insurance contracts as at the date of the balance sheet.

The Company determined the above assumptions on 31 December 2021 according to the information available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in the income statement. The aforementioned change in assumptions resulted in an increase of RMB2,635 million in the life insurance liabilities, an increase of RMB9,441 million in the long term health insurance liabilities as at 31 December 2021, and a decrease of RMB12,076 million in profit before income tax for the year 2021.

XXXIV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

The Annual General Meeting of 2020 of the Company held on 29 June 2021 considered and approved the *Proposal on the Appointment of Accounting Firms for the Year 2021*, and resolved to appoint Ernst & Young Hua Ming LLP as domestic auditor and Ernst & Young as international auditor of the Company for the year 2021. For details, please refer to the *Announcement on the Voting Results of the Annual General Meeting of 2020* published by the Company on 29 June 2021. The Audit and Related Party Transaction Control Committee of the Company has no dissenting opinion regarding appointment of accounting firm. The Company has changed its auditors in 2014, please refer to the *Announcement of Proposed Appointment of Auditors* published by the Company on 22 January 2014 for details. Ernst & Young Hua Ming LLP and Ernst & Young have been offering auditing services for the Company for eight consecutive years.

During the previous three years, the Company did not change its auditors.

During the reporting period, the expense paid to auditors was as follows:

Unit: RMB10,000

	2021	2020
Auditing service fees for financial statements– auditing, reviewing and executing agreed-upon procedures	1,682.5	1,666.5
Internal control and auditing services	160.0	160.0
Other attestation services	20.0	32.0
Total	1,862.5	1,858.5

XXXV. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHARES DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the *Announcement on the Conditions of Unfulfilled Commitments of the Company's Shareholders, Related Parties and the Company* published on 13 February 2014 by the Company on the website of the Hong Kong Stock Exchange.

During the reporting period, the commitment relating to avoidance of horizontal competition was still being fulfilled continuously and normally.

XXXVI. NON-OPERATING USAGE OF FUNDS BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES

There is no non-operating usage of funds by the controlling shareholder and other related parties for the Company.

XXXVII. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

During the reporting period, the Company and its controlling shareholder were not subject to large amount enforceable judgements of the court or outstanding due and payable debts.

XXXVIII. SUSPECTED VIOLATIONS OF LAWS OR REGULATIONS AND PENALTY OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDER

During the reporting period, the Company was not subject to any investigations for suspected crime. Neither the Company's controlling shareholder nor its directors, supervisors or members of senior management were subject to compulsory measures for suspected crimes. Neither the Company nor its controlling shareholders, directors, supervisors or members of senior management were subject to criminal penalties, or received investigations or administrative penalty for suspected violations of laws or regulations by the CSRC, or received major administrative penalty by other authority. Neither the Company's controlling shareholder nor its directors, supervisors or members of senior management were subject to serious violations of discipline and law or duty crimes which led to detention by discipline inspection and supervision departments and affected their performance of duties. The Company's directors, supervisors and members of senior management were not subject to compulsory measures that affect the performance of their duties for suspected violations of laws and regulations by other competent authorities.

During the reporting period, neither the Company nor its controlling shareholder, directors, supervisors or members of senior management were subject to any administrative supervision by the CSRC and disciplinary action by the stock exchange.

SECTION 9

THE BOARD OF DIRECTORS REPORT AND SIGNIFICANT EVENTS

XXXIX. SIGNIFICANT LITIGATION, ARBITRATION EVENTS

During the reporting period, the Company had no significant litigation or arbitration events.

XXXX. CONTRIBUTION SCHEME

Employees of the Company participate in the workforce social-security system established and managed by the government, including endowment insurance, medical care insurance, housing provident fund and other social security schemes. The Company contributes social insurance premiums and welfare for employees based on a certain percentage of their salary and within the upper limit prescribed by the government and pays them to the human resources and social security agency. Such expenditure is included in current costs or expenses. The abovementioned social-security system is a defined contribution plan. Contributions to basic social endowment insurance system cannot be forfeited for that all contributions are fully vesting in employees at the time of payment. In addition to the above basic social endowment insurance, the Company established enterprise annuity fund in January 2014, and the enterprise annuity fund has been reported to the Ministry of Human Resources and Social Security for the record. The Company paid monthly to the enterprise annuity fund according to the agreed payment base and percentage. During the accounting period when the employees participating in the enterprise annuity plan provide services, the amount calculated and paid by the Company according to the enterprise annuity plan is recognized as liabilities and included in income statement or related asset costs. The fund is a defined contribution scheme. Contribution not attributed to the resigned employee in the enterprise annuity fund shall not offset the existing contribution, instead it will be transferred into a public account of the enterprise annuity fund and distributed to other members of enterprise annuity fund after performing the stipulated approval procedures.

XU ZHIBIN

Chairman

Beijing, China

29 March 2022

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

SECTION 10

I. CHANGES IN SHARE CAPITAL

The share capital of the Company as of 31 December 2021 remained unchanged.

Unit: share

	31 December 2020		Increase or decrease during the reporting period (+, -)					31 December 2021	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	2,085,439,340	66.85%	-	-	-	-	-	2,085,439,340	66.85%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	-	-	-	-	-	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
Total	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%
3. Total number of shares	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%

II. ISSUE AND LISTING OF SECURITIES

During the reporting period, the Company had no issue of listed securities.

As of the end of the reporting period, there was no share issued by the Company to its employees.

III. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there were 116,969 shareholders of the Company, including 116,686 A shareholders and 283 H shareholders.

As of 28 February 2022, there were 115,361 shareholders of the Company, including 115,080 A shareholders and 281 H shareholders.

SECTION 10

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

As of the end of the reporting period, details of the shares held by top ten shareholders were set out below:

Unit: share

Name of the shareholders	Total number of shares held at the end of reporting period	Percentage of the shareholding (%)	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions ⁽¹⁾	Shares pledged or frozen			
					Status	Number of shares	Character of the shareholders	Types of shares
HKSCC Nominees Limited ⁽²⁾	1,033,254,831	33.12	-105,400	-	Unknown	Unknown	Overseas legal person shares	H
Central Huijin Investment Ltd.	977,530,534	31.34	-	-	-	-	State-owned shares	A
China Baowu Steel Group Corporation Limited	377,162,581	12.09	-	-	-	-	State-owned legal person shares	A
China Securities Finance Corporation Limited	93,339,003	2.99	-42	-	-	-	State-owned legal person shares	A
HKSCC ⁽³⁾	35,943,891	1.15	+2,934,382	-	-	-	Overseas legal person shares	A
Central Huijin Asset Management Ltd.	28,249,200	0.91	-	-	-	-	State-owned legal person shares	A
Kehua Tianyuan (Tianjin) Business Operation Management Company Limited	15,500,000	0.50	+15,500,000	-	-	-	Domestic legal person shares	A
Guosen Securities Co., Ltd. – Founder Fubon CSI Insurance Theme Index Security Investment Fund ⁽⁴⁾	11,238,977	0.36	+9,330,309	-	-	-	Others	A
Dacheng Fund-ABC-Dacheng China Securities Financial Asset Management Plan	8,713,289	0.28	-	-	-	-	Others	A
National Social Security Fund 114 Combination	8,431,721	0.27	-768,200	-	-	-	State-owned legal person shares	A
Description of related relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.							

Notes:

- As of the end of the reporting period, none of the Company's A shares and H shares were subject to selling restrictions.
- HKSCC Nominees Limited is a company that holds shares on behalf of the clients of Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.
- Hong Kong Securities Clearing Company (HKSCC) is a nominal holder of stock in the Shanghai-Hongkong Stock Connect.
- The number of shares held by Guosen Securities Co., Ltd. – Founder Fubon CSI Insurance Theme Index Security Investment Fund and shares held by Dacheng Fund-ABC-Dacheng China Securities Financial Asset Management Plan failed to rank the top 10 shareholders list as at 31 December 2020. The increased shareholding during the reporting period made them rank the top 10 shareholders.

(II) Controlling shareholder and the actual controller

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing on 16 December 2003. The registered capital of Huijin is RMB828,209 million. The legal representative of Huijin is Mr. PENG Chun. Huijin, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, nor does it intervene in the daily operations of the major state-owned financial enterprises which it controls.

As of the end of the reporting period, the information of the listed companies that Huijin controlled or participated in equity investment was listed below:

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited★☆	34.71%
2	Agricultural Bank of China Limited★☆	40.03%
3	Bank of China Limited★☆	64.02%
4	China Construction Bank Corporation★☆	57.11%
5	Shenwan Hongyuan Group Co., Ltd.★☆	20.05%
6	China Reinsurance (Group) Corporation☆	71.56%
7	New China Life Insurance Company Limited★☆	31.34%
8	China International Capital Corporation Limited★☆	40.11%
9	China Securities Co., Ltd.★☆	30.76%

Note: ★: a company listed on SSE; ☆: a company listed on HKSE.

The Company does not have such entity who is not the shareholder of the Company but can actually control the Company through investment relations, agreements or other arrangements. Therefore, the Company does not have any actual controller.

SECTION 10

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

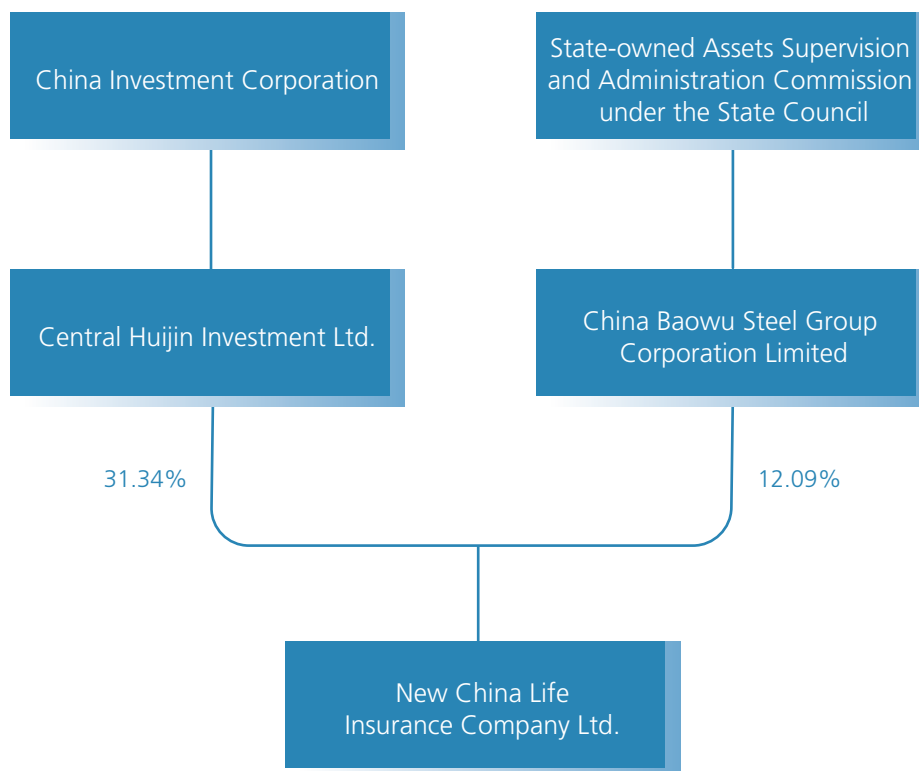
(III) Other corporate shareholders holding 10% or more of the shares in the Company

China Baowu

China Baowu was jointly reorganized by the former Baosteel Group Corporation and Wuhan Iron and Steel (Group) Corporation. China Baowu, established on 1 December 2016 in accordance with law, is a wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission of the State Council performs the duties of investor on behalf of the State Council. The registered capital of China Baowu is RMB52,790 million. The legal representative of China Baowu is Mr. CHEN Derong. The business scope of China Baowu includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment, operation businesses. (Projects that need to be approved according to law can only be run with the approval of relevant departments.)

Saved as disclosed above, as at 31 December 2021, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% or more of shares in the Company as at 31 December 2021:



SECTION 10

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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

So far as the directors of the Company are reasonably aware of, as at 31 December 2021, China Baowu held 377,162,581 A shares of the Company, representing 12.09% of the total issued shares of the Company and 18.09% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as at 31 December 2021, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Unit: share

Name of substantial shareholder	Types of shares	Capacity	Number of shares	Approximate percentage of the total shares issued	Approximate percentage of the total number of A shares issued	Percentage of the total number of H shares issued	Long Position/ Short Position/ Interest in a lending pool
				%	%	%	
1 Central Huijin Investment Ltd.	A Share	Beneficial owner	977,530,534	31.34	46.87	–	Long Position
		Interests of Controlled Corporation	28,249,200	0.91	1.35	–	Long Position
2 Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	176,799,500 ⁽³⁾	5.67	–	17.10	Long Position
3 Fosun International Limited	H Share	Interests of Controlled Corporation	145,697,600	4.67	–	14.09	Long Position
		Beneficial owner	31,101,900 ⁽³⁾	1.00	–	3.01	Long Position
4 GUO Guangchang	H Share	Interests of Controlled Corporation	176,799,500 ⁽³⁾	5.67	–	17.10	Long Position
5 Fidelidade – Companhia de Seguros, S.A.	H Share	Beneficial owner	62,126,100 ⁽³⁾	1.99	–	6.01	Long Position

Notes:

- Data disclosed in the table above are mainly based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled. Therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
- Mr. GUO Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited, Fidelidade – Companhia de Seguros, S.A. and other companies controlled or indirectly controlled by them.

Saved as disclosed above, as of 31 December 2021, the Company was not aware of anyone (other than the directors, supervisors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which have been entered into the register maintained by the Company pursuant to Section 336 of the SFO.

SECTION 10

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

IV. THE INTEREST AND SHORT POSITION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES UNDER HONG KONG LAWS AND REGULATIONS

As of 31 December 2021, according to the information available to the Company and the information our directors are aware of, there were no interests and short positions (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code.

INDEPENDENT AUDITOR'S REPORT

To the members of New China Life Insurance Company Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 132 to 312, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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") issued by the International Auditing and Assurance Standards Board. 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 are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of insurance contract liabilities</i>	
The Group has significant insurance contract liabilities amounting to RMB863.70 billion as at 31 December 2021, representing 85% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. Assumptions used in the valuation of insurance contract liabilities, such as investment return, discount rate, mortality, morbidity, expense, lapse also require the use of significant judgments and estimates. The Group's disclosures about valuation of insurance contract liabilities are included in Note 2 (12), Note 3 Estimation Uncertainty (1), Note 3 Estimation Uncertainty (9) and Note 15 (1), which specifically explains the uncertainties surrounding key assumptions applied in the valuation. Please refer to Note 4 (1) (c) to understand the sensitivities of changes in these assumptions on the Group's operating results.	In our audit, we tested the underlying data used in the valuation of these liabilities to source documentation. Based on our industry knowledge and experience, we compared the methodology, models and assumptions used against recognized actuarial practices. With the assistance of our internal actuarial specialists, we performed the following procedures in this area, which included among others: – Assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for assumptions used, actuarial analyses including estimated versus actual results and experience studies; – Assessed the assumptions with reference to historical experience, business expectations of the Group, and industry practices; – Independently established models to test the valuation of liabilities for selected insurance products; – Assessed the impact of changes in assumptions adopted by the Group.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of available-for-sale financial assets</i>	
As at 31 December 2021, the Group held RMB403.43 billion of available-for-sale financial assets. The Group carries out impairment tests on available-for-sale financial assets at the end of each reporting period, and impairment losses are recognized accordingly. The Group determines whether there is impairment on debt financial assets after evaluating objective impairment indicators such as significant adverse financial condition of the issuer or debtor, default in repayment or a breach of debt covenants, etc. For equity financial assets, objective evidence of impairment includes a significant or prolonged decline in the fair value of an investment below its cost. What is considered significant or prolonged involves significant judgment. In addition to other objective evidences, if the market price of the available-for-sale equity financial assets is equal or more than 50% (including 50%) below its cost at the end of the reporting dates, or the market price of the available-for-sale equity financial assets was below its cost for a period of more than one year, the Group management determines that the available-for-sale equity financial assets are impaired. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. It involves significant judgment when the Group management is evaluating whether impairment evidence exists on available-for-sale financial assets. Note 2 (10) (h) and Note 3 Estimation Uncertainty (3) discloses the impairment test policy, and Note 26 discloses the impairment loss recognized in the current period.	In our audit, we assessed and tested the design and operating effectiveness of the controls over impairment tests process. We assessed the significant judgment and rationale used by the Group management in evaluating the impairment evidence for impaired available-for-sale financial assets and determining the amount of impairment loss, and independent tests were performed to evaluate objective evidence for available-for-sale financial assets that were potentially impaired.

Section 11

Financial Statements

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Fair value of financial assets with no quoted prices in an active market</i>	
As at 31 December 2021 the Group holds RMB403.43 billion available-for-sale financial assets and RMB70.23 billion financial assets at fair value through profit or loss. About RMB91.36 billion of these financial assets are trust products, preferred stock, etc., which do not have a quoted price in an active market. These investments are classified as level 3 in the fair value hierarchy, as their fair values are measured using valuation techniques applying unobservable significant inputs. Fair value measurement is a subjective area and more so for financial assets reliant on model based valuation or with weak liquidity and price discovery. Valuation techniques for these financial assets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different valuation results of fair value. Note 3 Estimation Uncertainty (2) explains the uncertainty surrounding assumptions applied in the valuation, Note 4(3) discloses the valuation techniques and significant unobservable inputs used in measurement of the fair values for these investments and the related fair value hierarchy information.	In our audit, we assessed and tested the design and operating effectiveness of the controls over valuation on financial assets which do not have a quoted price in an active market held by the Group, including price verification and model approval. With the assistance of our internal valuation specialists, we performed the following procedures, including independently assessing the valuation technique against industry practice and acceptable valuation methods, comparing assumptions used against appropriate benchmarks, analyzing the reason of significant differences and performing our own independent valuations.

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Ng Chi Keung.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2022

Section 11

Financial Statements

Consolidated Statement of Financial Position

As at 31 December 2021 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2021	2020
ASSETS			
Property, plant and equipment	6	17,971	15,692
Investment properties	7	9,427	8,857
Right-of-use assets	8	1,200	1,243
Intangible assets	9	3,792	3,753
Investments in associates and joint ventures	10	5,452	4,967
Debt financial assets		577,214	567,171
– Held-to-maturity	11(1)	301,102	273,076
– Available-for-sale	11(2)	181,346	238,957
– At fair value through profit or loss	11(3)	34,871	13,754
– Loans and receivables	11(4)	59,895	41,384
Equity financial assets		257,436	206,290
– Available-for-sale	11(2)	222,081	187,746
– At fair value through profit or loss	11(3)	35,355	18,544
Term deposits	11(5)	168,540	122,640
Statutory deposits	11(6)	1,715	1,715
Policy loans		40,806	37,732
Financial assets purchased under agreements to resell		4,112	1,832
Derivative financial Instruments		4	–
Accrued investment income	11(7)	12,065	10,313
Premiums receivable	12	2,867	2,312
Deferred tax assets	22	196	153
Reinsurance assets	13	3,981	3,666
Other assets	14	5,484	3,047
Cash and cash equivalents		15,459	12,993
Total assets		1,127,721	1,004,376

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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021 (All amounts in RMB millions unless otherwise stated)

		As at 31 December	
	Notes	2021	2020
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	15	859,926	750,258
Short-term insurance contract liabilities			
– Outstanding claims liabilities	15	2,184	1,802
– Unearned premiums liabilities	15	1,585	2,349
Investment contracts	16	57,915	51,672
Policyholder dividends payable		9	3
Borrowings	17	10,000	10,000
Lease liabilities	8	1,040	1,064
Financial liabilities at fair value through profit or loss	18	2,612	14,837
Financial assets sold under agreements to repurchase	19	55,415	41,888
Benefits, claims and surrenders payable		5,971	6,445
Premiums received in advance		5,095	6,458
Reinsurance liabilities	20	504	297
Other liabilities	21	15,770	12,920
Current income tax liabilities		63	30
Deferred tax liabilities	22	1,118	2,673
Total liabilities		1,019,207	902,696
Shareholders' equity			
Share capital	23	3,120	3,120
Reserves	24	53,046	52,604
Retained earnings	24	52,331	45,943
Equity attributable to owners of the parent		108,497	101,667
Non-controlling interests		17	13
Total equity		108,514	101,680
Total liabilities and equity		1,127,721	1,004,376

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

Section 11

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December	
		2021	2020
REVENUES			
Gross written premiums and policy fees	25	163,535	159,556
Less: premiums ceded out		(2,772)	(2,898)
Net written premiums and policy fees		160,763	156,658
Net change in unearned premiums liabilities		616	(215)
Net premiums earned and policy fees		161,379	156,443
Investment income	26	57,243	46,400
Other income	27	1,405	1,015
Total revenues		220,027	203,858
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	28	(3,446)	(2,875)
Life insurance death and other benefits	28	(56,481)	(63,937)
Increase in long-term insurance contract liabilities	28	(112,330)	(86,499)
Policyholder dividends resulting from participating in profits		(1,207)	(577)
Investment contracts benefits		(2,288)	(2,042)
Commission and brokerage expenses		(14,593)	(17,827)
Administrative expenses	29	(12,472)	(12,395)
Other expenses	30	(1,085)	(1,129)
Total benefits, claims and expenses		(203,902)	(187,281)
Share of profits and losses of associates and joint ventures		378	264
Finance costs	31	(833)	(1,350)
Profit before income tax		15,670	15,491
Income tax expense	22	(719)	(1,194)
Net profit for the year		14,951	14,297
Net profit for the year attributable to:			
– Owners of the parent	32	14,947	14,294
– Non-controlling interests		4	3

The notes attached form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December	
		2021	2020
Earnings per share (RMB)			
Basic	33	4.79	4.58
Diluted	33	4.79	4.58
Net profit for the year		14,951	14,297
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		(3,785)	7,290
Available-for-sale financial assets			
Changes in fair value		7,542	24,650
Gains transferred to profit or loss from other comprehensive income		(16,865)	(8,971)
Impairment transferred to profit or loss from other comprehensive income		1,012	2,703
Changes in liabilities for insurance and investment contracts arising from net unrealized gains		3,159	(8,818)
Currency translation differences		(14)	(20)
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts		123	188
Income tax relating to components of other comprehensive income		1,258	(2,442)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		–	–
Total other comprehensive income for the year, net of tax		(3,785)	7,290
Total comprehensive income for the year		11,166	21,587
Total comprehensive income for the year attributable to:			
– Owners of the parent		11,162	21,584
– Non-controlling interests		4	3

The notes attached form an integral part of these consolidated financial statements

Section 11

Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	Reserves (Note 24)	Retained Earnings (Note 24)	Total	Non-controlling interests	Total equity
For the year ended 31 December 2020						
As at 1 January 2020	3,120	41,254	40,077	84,451	10	84,461
Net profit for the year	–	–	14,294	14,294	3	14,297
Other comprehensive income	–	7,290	–	7,290	–	7,290
Total comprehensive income	–	7,290	14,294	21,584	3	21,587
Others	–	31	–	31	–	31
Dividends paid (Note 34)	–	–	(4,399)	(4,399)	–	(4,399)
Appropriation to reserves	–	4,029	(4,029)	–	–	–
Total transactions with owners	–	4,029	(8,428)	(4,399)	–	(4,399)
As at 31 December 2020	3,120	52,604	45,943	101,667	13	101,680
For the year ended 31 December 2021						
As at 1 January 2021	3,120	52,604	45,943	101,667	13	101,680
Net profit for the year	–	–	14,947	14,947	4	14,951
Other comprehensive income	–	(3,785)	–	(3,785)	–	(3,785)
Total comprehensive income	–	(3,785)	14,947	11,162	4	11,166
Others	–	4	–	4	–	4
Dividends paid (Note 34)	–	–	(4,336)	(4,336)	–	(4,336)
Appropriation to reserves	–	4,223	(4,223)	–	–	–
Total transactions with owners	–	4,223	(8,559)	(4,336)	–	(4,336)
As at 31 December 2021	3,120	53,046	52,331	108,497	17	108,514

The notes attached form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	15,670	15,491
Adjustments for:		
Investment income	(57,243)	(46,400)
Finance costs	833	1,350
Net change in outstanding claims liabilities	391	152
Net change in unearned premiums liabilities	(616)	215
Increase in long-term insurance contract liabilities	112,330	86,499
Investment contract benefits	2,288	2,042
Policy fees	(65)	(45)
Depreciation and amortization	1,746	1,656
Impairment losses on other receivables	4	37
Losses on disposal of property, plant and equipment	5	14
Changes in operational assets and liabilities:		
Receivables and payables	(3,862)	4,232
Investment contracts	4,040	3,103
Income tax paid	(1,668)	(1,167)
Net cash flows from operating activities	73,853	67,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	30,317	2,018
Proceeds from maturities of debt financial assets	88,714	60,753
Proceeds from sales of equity financial assets	252,920	243,860
Purchases of financial assets investments		
Purchase of debt financial assets	(127,525)	(119,300)
Purchase of equity financial assets	(294,339)	(253,730)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	7	1
Purchase of property, plant and equipment, intangible assets and other assets	(3,258)	(3,035)
Interests received	31,692	39,192
Dividends received	5,787	6,213
Term deposits, net	(45,900)	(58,600)
Financial assets purchased under agreements to resell, net	(2,990)	4,204
Others	(41,956)	10,696
Net cash flows from investing activities	(106,531)	(67,728)

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

Section 11

Financial Statements

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(585)	(598)
Interests and dividends paid	(4,886)	(4,416)
Received from borrowings	–	10,000
Capital injected into subsidiary by non-controlling interest	41,159	31,891
Financial assets sold under agreements to repurchase, net	13,611	(25,957)
Others	(14,058)	(8,948)
Net cash flows from financing activities	35,241	1,972
Effect of foreign exchange rate changes	(97)	(195)
Net increase in cash and cash equivalents	2,466	1,228
Cash and cash equivalents		
Beginning of the year	12,993	11,765
End of the year	15,459	12,993
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	15,459	12,993
Total of cash and cash equivalents	15,459	12,993

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the “Company”) was established as a joint stock limited company in September 1996 in Beijing, the People’s Republic of China (the “PRC”) with the authorization of the State Council of the PRC and the approval by the People’s Bank of China. The Company’s initial registered capital on the date of incorporation was Renminbi (“RMB”) 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the former China Insurance Regulatory Commission (the “former CIRC”). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in overseas markets, and issued 2,586,600 shares of H shares of the overallotment shares. Upon the approval of the former CIRC, the Company’s registered capital was increased to RMB3,120 million. The address of the Company’s registered office is No.16 East Hunan Road (Zhongguancun Yanqing Park), Yanqing District, Beijing, the PRC. The Company is headquartered in Beijing.

The business scope of the Company is: life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any major change of business scope of the Company during the reporting period.

As at 31 December 2021, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 38(5). The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the “Group”.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the “IASB”). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value and insurance contract liabilities measured based on actuarial methods.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise professional judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

All IFRSs that remain in effect which are relevant to the Group have been applied except for new accounting standards and amendments that are effective but temporary exemption is applied by the Group.

(a) ***New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2021***

Standards/Amendments	Content
IFRS 16 Amendment	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	<i>Interest Rate Benchmark Reform -Phase 2</i>

IFRS 16 Amendment – Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months (the "2021 Amendment"). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. Because the Group was not provided with a significant amount of rent concessions arising as a direct consequence of Covid-19, the amendment did not have any significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) ***New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2021 (Continued)***

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments – Interest Rate Benchmark Reform -Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments did not have any significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group

Standards/Amendments	Content
IFRS 9	<i>Financial Instruments</i>
IFRS 9 Amendments	<i>Prepayment Features with Negative Compensation</i>

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together all phases of the financial instruments project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's consolidated financial statements.

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of a business model (hold to collect contractual cash flows, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on their respective business models. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of the business model.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) *Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)*

IFRS 9 – Financial Instruments (Continued)

Classification and measurement (Continued)

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale financial assets being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("OCI"). Should the Group elect to record equity investments at FVOCI, gains and losses would never be recognized in income except for the received dividends not representing a recovery of part of the investment cost.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impacts.

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) *Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)*

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2023. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

The Group performed an assessment of the amendments, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reasons that:

- (i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;
- (ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Since 31 December 2015, there has been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities since 1 January 2018.

The associates and joint ventures of the Group have adopted Hong Kong Financial Reporting Standard 9 *Financial Instruments*, IFRS 9 *Financial Instruments* or *Accounting Standard of Finance Instruments* issued by the Ministry of Finance of the PRC. The Group elected not to make adjustments for the consistency with accounting policies when using the equity method.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(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 2021 and 31 December 2020:

	Fair value as at 31 December 2021	Fair value as at 31 December 2020
Held for trading financial assets (A)	70,226	32,298
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	4	–
Non-Class-A and Non-Class-B financial assets		
– 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)	538,702	494,584
– Financial assets with contractual terms that do not meet SPPI criterion (D)	258,811	269,227
Total	867,743	796,109

Note: Only including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, derivative financial instruments and loans and receivables. All other financial assets held by the Group are financial assets that meet SPPI criterion.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(i) Fair value of financial assets (Continued)

The table below presents the fair value changes for the year ended 31 December 2021 and 2020:

	Fair value changes for the year ended 31 December	
	2021	2020
Held for trading financial assets (A)	931	2,040
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	2	(504)
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that meet SPPI terms (C)	17,583	(2,825)
– Financial assets with contractual terms that do not meet SPPI terms (D)	1,200	31,435
Total	19,716	30,146

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is 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	Carrying amount as at 31 December 2021	Carrying amount as at 31 December 2020
Rating not required (Note)	315,418	266,704
AAA	190,048	222,079
AA+	2,262	2,619
AA	2,100	2,100
A (inclusive) or below	3,374	205
Total	513,202	493,707

Note: Mainly including government bonds, government agency bonds and policy financial bonds.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure (Continued)

For the overseas bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 31 December 2021	Carrying amount as at 31 December 2020
A3	14	–
Baa1	–	22
Baa2	696	730
Baa3	58	125
Total	768	877

	As at 31 December 2021	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	7,736	7,736

	As at 31 December 2020	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	4,924	4,924

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) *Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)*

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortized cost or at fair value through other comprehensive income, rather than at fair value through profit or loss. The amendments clarify that a financial asset passes the “solely payments of principal and interest on the principal amount outstanding” criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments did not apply to the Group as the Group did not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognized in profit or loss. IFRS 9 Amendments is effective for the annual periods beginning on or after 1 January 2019. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) *New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2021*

Standards/Amendments	Content	Effective for annual periods beginning on or after
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
IAS 37 Amendments	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>	1 January 2022
IFRS 3 Amendments	<i>Reference to the Conceptual Framework</i>	1 January 2022
IAS 1 Amendments	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IAS 1 Amendments and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IAS 12 Amendments	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 17 and IFRS 17 Amendments	<i>Insurance Contracts</i>	1 January 2023/Note 1
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Note 2

Note 1: As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

Note 2: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

Except for the IFRS 16 Amendment issued in April 2021, the Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Besides the following new accounting standards and amendments, others have no significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) ***New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2021 (Continued)***

Annual Improvements to IFRSs 2018-2020

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) **New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2021 (Continued)**

IAS 8 Amendments – Definition of Accounting Estimates

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

IFRS 17 and IFRS 17 Amendments – Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

Amendments to IFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to IFRS 17. In addition, the amendments defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the IASB issued the amendments to IFRS 4 to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The Group is currently assessing the impact of the standard upon adoption.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group contains control, and continue to be consolidated until the date that such control ceases.

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over subsidiaries, it derecognizes (i) the assets (including goodwill) and liabilities of subsidiaries, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(a) *Subsidiaries*

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group in return for the subsidiary. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated on consolidation unless they indicate impairment of the asset transferred.

The investments in subsidiaries are accounted for only in the Company's statement of financial position at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(b) Transactions with non-controlling shareholders

The Group treats transactions with non-controlling shareholders as transactions with shareholders of the Group. For purchases from non-controlling shareholders, the difference between the consideration paid and the carrying value of share of the net assets of the subsidiary acquired is recorded in shareholders' equity. Gains or losses on disposal to non-controlling shareholders are also recorded in shareholders' equity.

When the Group ceases to have control or significant influence, any retained interests in the entity is re-measured at its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a long term interest between 20% and 50% of the equity voting rights. Significant influence is the power of participate in the financial and operating policy decisions of the investee.

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

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost in both the Group's consolidated financial statements and the Company's separate financial statements. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(c) *Associates and joint ventures (Continued)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or the joint venture, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture. Investments in associates and joint ventures are assessed for impairment (Note 2 (9)).

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates and joint ventures are recognized in the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(d) *Structured entities*

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

It depends on management judgment whether the Group, as the asset manager, is an agent or a responsible organization for a structured entity. As an agent, the Group's mainly protects the interests of stakeholders and does not control the structural entity; on the contrary, as a responsible organization, the Group mainly protects its interests of the Group and controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans, asset management products and asset funding plans, except for those that are controlled, are investments in unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by trust companies or asset managers who invest the funds in loans or equities in other companies. Debt investment plans are managed by asset managers and their major investment objectives are infrastructure and real estate funding projects. Trust products, debt investment plans, equity investment plans, asset management products and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holder to a proportional stake in income of the respective investment products. The Group holds beneficiary certificates in each of its trust products, debt investment plans, equity investment plans, assets management products and asset funding plans.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Segment reporting

The Group's segments information is presented in a manner consistent with the internal operating segments, the Group decides operating segments according to internal organization structure, management requirements, and internal management reporting policy.

Operating segment refers to the segment within the Group that satisfies the following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluates the operating results of the segment to make resource allocation decisions and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operation results, cash flows and other financial performance indicators. If more than two segments possess similar economic characters and meet certain conditions, they are combined into one segment for disclosure.

(4) Foreign currency translation

Both the functional currency and the presentation currency are RMB. Transactions in foreign currency are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the spot exchange rate at the end of the reporting period. Gains or losses resulted from changes in exchange rates are recognized in profit or loss in the current period. Non-monetary assets or liabilities denominated in foreign currency measured at historical cost are translated using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the consolidated statement of cash flows.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciation and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of a major renovation is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be received by the Group.

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. For impaired property, plant and equipment, the related depreciation expense is prospectively determined based upon the adjusted carrying amounts over its remaining useful lives.

The estimated useful lives and the estimated residual values are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%
Office equipment	5-8 years	5%	11.88%-19.00%
Motor vehicles	5-12 years	5%	7.92%-19.00%

The assets' estimated useful lives, residual values and depreciation method are reviewed by the Group at the end of each year and adjusted if appropriate. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount (Note 2(9)).

Property, plant and equipment are derecognized when they are disposed of or put out of operation permanently, or no future economic benefits can be expected from operation or disposal. The gain or loss on sale, transfer, disposal or damage of property, plant and equipment is the proceeds less the carrying amount, adjusted for related taxes and expenses, and is included in profit or loss.

Construction in progress represents buildings and fixtures under construction and is recorded at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for use. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount (Note 2(9)).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Investment properties

Investment properties are properties that are held for rental income, capital appreciation, or both. Investment properties comprise buildings that are leased out. Investment properties are initially measured at cost. Cost of subsequent expenditures is included in the cost of investment properties if future economic benefits associated with such expenditures will probably flow to the Group and the relevant cost can be reliably measured. Other expenditures are expensed as incurred.

The Group's investment properties are subsequently measured using the cost method. Depreciation on investment properties is computed on a straight-line basis to write down the cost of the assets to their residual values over their estimated useful lives. The estimated useful lives and the estimated residual values expressed as a percentage of cost are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%

When the purpose of investment properties changes to self-use, they are transferred to property, plant and equipment on the date of the change. When the purpose of self-use properties changes to rental income or capital appreciation, they are transferred to investment properties on the date of the change. The carrying value before transfer is the carrying value after transfer.

The Group reviews the estimated useful life, the estimated residual value, and the depreciation method at the end of every year, and makes appropriate adjustments if necessary. An impairment loss is recognized for the amount by which the investment property's carrying amount exceeds its recoverable amount (Note 2(9)).

Investment properties are de-recognized if they are disposed of or are put out of operation permanently, and no future economic benefits can be expected from disposal. The gain or loss on sale, transfer, disposal, or damage of investment properties is the proceeds less the carrying amount of the investment properties, adjusted for related taxes and expenses, and is included in profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

Buildings	1 to 10 years
Others	1 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of the lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its IBR at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases 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 lease of low-value assets recognition exemption to leases of assets that are considered to be low value (i.e., original value of the asset is less than or equal to RMB40,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

(8) Intangible assets

Intangible assets are purchased computer software and land use rights, and are initially measured at actual costs. Computer software and land use rights are amortized over their estimated useful lives using the straight-line method. The estimated useful life and amortization method are reviewed annually and adjusted as necessary. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount (Note 2(9)).

Useful lives of intangible assets are listed below:

	Useful lives
Land use rights	40 years
Computer software and others	3-5 years

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets that have an indefinite useful life – for example goodwill, are not subject to amortization and are tested annually for impairment. Assets other than financial assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are reviewed individually. When review of individual asset is impractical, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

(10) Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: held-to-maturity investments, financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. Management determines the classification of the Group's financial assets at initial recognition based upon the purpose for which the financial assets are acquired.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable payments that the Group has the positive intention and ability to hold to maturity and do not meet the definition of loans and receivables nor designated as available-for-sale financial assets or financial assets at fair value through profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(a) Classification (Continued)

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are classified as held for trading if they meet one of the requirements: they are acquired for the purpose of sale in the near term; they are part of recognizable financial instrument combination which is under centralized management, and there is objective proof to show that entities make profits by trading this combination or they are derivatives, except for derivatives designated as hedging instruments in an effective hedge, derivatives that belong to financial guarantee contracts and derivatives that are linked to and need to be settled by trading an investment in equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably. Other financial assets may be designated at fair value through profit or loss at inception by the Group.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in either of the other categories.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, other than those that the Group intends to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables in debt financial assets as presented in the consolidated statement of financial position.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(b) Recognition and measurement

Purchases and sales of financial assets are recognized on the date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets are recognized and derecognized at the trade date and they are traded using the ordinary method. An ordinary method means that financial assets are received or delivered within the statutory term or terms that are accepted practices, according to the terms in the contracts.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Investment gains and losses on sales of financial assets are determined principally by specific identification. Realized and unrealized gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category, and changes of available-for-sale debt financial assets’ fair value due to foreign exchange impact on the amortized cost are included in the net profit in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the net profit as realized gains and losses on financial assets.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the consolidated statement of comprehensive income. The loss arising from impairment is recognized in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables and held-to-maturity investments.

Fair value of financial assets with an active market is based on the quoted price in the active market. If the market for a financial asset is not active, the Group establishes fair value using valuation techniques. These techniques include the use of recent arm’s length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis models. When using valuation techniques, the Group maximizes usage of market inputs and minimizes using the Group’s specific inputs.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairment.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(c) *Derecognition of financial assets*

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from 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 Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

(d) *Term deposits*

Term deposits primarily represent traditional bank deposits which have fixed maturity dates and are carried at amortized cost.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(e) *Policy loans*

Policy loans are carried at amortized cost less impairment.

(f) *Financial assets purchased under agreements to resell*

Financial assets purchased under agreements to resell are funds advanced through purchasing financial assets such as notes, securities, and loans, under agreements to resell at predetermined prices. These agreements, with terms of no more than six months, are carried at amortized cost using the effective interest method.

(g) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) *Impairment of financial assets other than financial assets at fair value through profit or loss*

Financial assets other than those accounted for as at fair value through profit or loss are adjusted for impairments, where there are declines in value that are considered to be impairment.

In evaluating whether a decline in value is an impairment for financial assets, the Group considers several factors including, but not limited to: (1) Significant financial difficulty of the issuer or debtor; (2) A breach of contract, such as a default or delinquency in payments; (3) It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization; (4) The disappearance of an active market for that financial asset because of financial difficulties. In evaluating whether a decline in value is impairment for equity financial assets classified as available-for-sale, the Group also considers the extent or the duration of the decline, financial position of the issuer, and recent prospects.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(h) *Impairment of financial assets other than financial assets at fair value through profit or loss (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 Group reviews whether a decline in value is impairment for available-for-sale equity financial assets separately at the end of the reporting period. If the market price of the equity financial assets was more than 50% below its cost (50% included) at the end of the reporting period, or the market price of the equity financial assets was below its cost for a period of more than one year (one year included), this indicates that the equity investment is impaired. 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 recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of equity investments classified as available-for-sale carried at cost, if there is 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, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Financial assets (Continued)

(h) *Impairment of financial assets other than financial assets at fair value through profit or loss (Continued)*

When the decline in value is considered impairment, held-to-maturity investments or loans and receivables are written down to their present value of estimated future cash flows discounted at the effective interest rates. The impairment loss is reversed through the net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the net profit. The carrying amount after reversal should not be more than the amortized cost of the financial asset at the reverse date if it has not been written down.

(11) Cash and cash equivalents

Cash comprises cash on hand and demand deposits held in banks. Cash equivalents are short-term and highly liquid investments with original maturity of 90 days (90 days included) or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(12) Insurance contracts and investment contracts

(a) *Classification*

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment contracts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. Some insurance and investment contracts contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

Premiums from the sale of short duration accident and health insurance products are recorded when written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Claims and claim adjustment expenses are charged to the net profit as incurred. Liabilities for short duration insurance products consist of unearned premiums liabilities and outstanding claims liabilities.

Unearned premiums liabilities represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

Outstanding claims liabilities consist of the liabilities for reported and unreported claims and liabilities for claim expenses with respect to insured events. In developing these liabilities, the Group considers the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margin. Methods used for reported and unreported claims include the chain ladder method, loss ratio method, Bornhuetter-Ferguson method, the average compensation method, etc.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance, annuity policies, and long-term health insurance contracts with significant insurance risk, such as mortality and morbidity risk. Premium are recognized as revenue when due from policyholders.

The Group uses the discounted cash flow method to estimate the liabilities for long-term insurance contracts. Liabilities for long-term insurance contracts consist of a reasonable estimate of liability, a risk margin and a residual margin. Long-term insurance contract liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption, and based on the following principles:

The reasonable estimate of liabilities for long-term insurance contracts is the present value of reasonable estimates of future cash outflows less future cash inflows. The expected future cash inflows include cash inflows of future premiums arising from the undertaking of insurance obligations, with consideration of decrement mostly from death and surrenders. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, consisting of the following:

- The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.
- Additional non-guaranteed benefits, such as policyholder dividends.
- Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expense and claim settlement expense. Future administration expenses are included in the maintenance expense. Expenses are determined based on an expense analysis with consideration of estimate of future inflation and the likely impact of the Group's expense management.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

On each reporting date, the Group reviews the assumptions for reasonable estimates of liabilities and risk margins, with consideration of all available information, and taking into account the Group's historical experience and expectation of future events. Changes in assumptions are recognized in the net profit.

Margins have been taken into consideration while computing the liabilities of insurance contracts, measured separately and recognized in the net profit in each period over the life of the contracts.

Margin comprises risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. The residual margin is the liabilities appropriated by the Group for not being recognized as "Day-one" gain at the inception of the contracts, and amortized over the life of the contracts, whereas on the other hand, "Day-one" loss is recognized as incurred. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimates of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

The Group has considered the impact of time value on the liability calculation for insurance contracts.

Universal life contracts and unit-linked contracts

Universal life contracts and unit-linked contracts are unbundled into the following components:

- Insurance components
- Non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts (Note 2(12)(c)), which are stated in investment contract liabilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(ii) Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flows with available information at the end of each reporting period. If that assessment shows that the carrying amount of its insurance contract liabilities is inadequate, the insurance contract liabilities will be adjusted accordingly, and any changes of the insurance contract liabilities will be recognized in the net profit.

(iii) Reinsurance contracts held

Contracts with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts with reinsurers that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment as at the end of the reporting period. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the net profit.

(c) Investment contracts

Revenue from investment contracts with or without DPF is recognized as policy fee income, which consists of various charges (handling fees, management fees, etc.) during the period.

The liabilities with investment nature in investment contracts are recorded as liabilities of investment contracts. Except for unit-linked contracts, the liabilities of investment contracts are carried at amortized cost. Unit-linked contracts are measured at fair value by reference to the value of the underlying asset value at the end of each reporting period.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Insurance contracts and investment contracts (Continued)

(d) *DPF in long-term insurance contracts and investment contracts*

DPF is contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. The Group is obligated to pay to policyholders of participating contracts as a group at 70% of accumulated surplus available or at the rate specified in the contracts when higher and it is fully classified as a liability. The accumulated surplus available mainly arises from investment income and gains and losses arising from the assets supporting these contracts. To the extent unrealized gains or losses from available-for-sale financial assets affect the surplus owed to policyholders, shadow adjustments are recognized in other comprehensive income. The surplus owed to policyholders is included in the long-term insurance contract liabilities when they are not declared. The amount and timing of distribution to policyholders of participating contracts are subject to future declarations by the Group.

(13) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities when they are initially recognized. The Group's financial liabilities include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowings. The relevant transaction costs of financial liabilities at fair value through profit or loss are recorded in profit or loss. The relevant transaction costs of other financial liabilities are recorded at their initial recognized value.

(a) *Financial assets sold under agreements to repurchase*

Financial assets sold under agreements to repurchase are funds financed through sale of notes, securities, loans, etc. under agreements to repurchase at predetermined prices, which are carried at amortized cost using the effective interest method.

(b) *Liabilities of investment contracts*

The accounting policy for investment contracts liabilities is stated in Note 2(12) (c).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Financial liabilities (Continued)

(c) Borrowings

Borrowings are initially recorded as liabilities at the amount equal to original fund raised. The difference between fund raised and bonds' par value is booked as premium or discount, which is amortized using the effective interest method over the term of the bonds.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

(14) Derivative instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognized in the consolidated statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, taking into consideration recent market transactions or valuation techniques, including discounted cash flow models and option pricing models, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through profit or loss. The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded derivatives that are closely related to host insurance contracts including embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Employee benefits

Employee benefits represent all forms of returns or reimbursement that the Group pays employees for their services or for termination of labor relationship. The compensation includes salaries, bonuses, allowances and subsidies, staff welfare expenses, social insurance and housing accumulation funds, labor union fees and employee education fees, etc.

All employees of the Group participate in social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated on a regulated basis, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred. These social security plans are defined contribution plans. There are no forfeited contributions in social security plans, because all contributions are fully attributable to employees at the time of the payment.

In addition to the above social security plans, the Group set up an annuity fund in January 2014, whereby the Group is required to contribute to the annuity fund according to certain contribution bases and percentages monthly. Contribution amounts calculated in accordance with the annuity fund are recognized as liabilities and are recorded as expenses during the period of which service is provided by the employees participating in the scheme. The annuity fund is defined contribution plan. Forfeited contributions by those employees who leave the annuity fund prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recoded in the public account of the annuity fund to be attributed to the members of the annuity fund after fulfilling the approval procedures.

Other long-term employee benefits are all the other benefits besides short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, other long-term service benefits, long-term disability benefits, long-term profit-sharing plan and long-term bonus, etc. Other long-term employee benefits provided by the Group are long-term bonus plans. For the long-term bonus plans, which are recognized in liabilities and are recorded as expenses when incurred.

(16) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Revenue recognition

(a) Premium and policy fee

The recognition of premium and policy fee income is stated in Note 2(12)(b)(i) and Note 2(12)(c), respectively.

(b) Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt financial assets, financial assets purchased under agreements to resell, dividend income from equity financial assets, net fair value gains or losses on financial assets at fair value through profit or loss, and realized gains or losses on financial assets at fair value through profit or loss and available-for-sale financial assets less impairment loss or plus reversed impairment losses. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive dividend payment is established.

(c) Other income

Other income is comprised of revenue generated from other operation activities except for the revenue above, including service management fees received under investment contracts.

(18) Commission and brokerage expenses

Commission and brokerage expenses are recognized in profit or loss when incurred.

(19) Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the net profit, except to the extent that it relates to goodwill generated from business combination and it relates to items recognized directly in other comprehensive income, where the tax is recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries or associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the end of the reporting period. Substantively enacted tax rates are used in the determination of deferred income tax.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Income tax (Continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be recognized.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not 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 profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(20) Government grants

Government grants are recognised by the Group when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (i) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; or (ii) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses. A government grant relating to an asset shall be recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(21) Provisions

Provisions are recognized when there is a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Future operating losses should not be recognized as provisions. The initial measurement of provisions is based on the best estimate to the outflow of present obligation by considering relevant risks, uncertainty and time value of money, etc. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. The Group reviews the carrying amount of provisions at the end of the reporting period and makes appropriate adjustments in order to reflect the current best estimate.

(22) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized in the statement of financial position but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably measured, it will then be recognized as a provision.

(23) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the consolidated financial statements would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgments

(1) *Unbundling and classification of hybrid contracts*

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

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

(2) *Testing the significance of insurance risk*

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Significant judgments (Continued)

(2) *Testing the significance of insurance risk (Continued)*

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is obtained by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

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

(3) *Property lease classification – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(4) *Determination of control over investee*

The Group applies its judgment to determine whether the control indicators set out in Note 2(2) indicate that the Group controls structured entities such as debt investment plans, trust products and asset management products.

The Group issues certain structured entities (e.g. asset management products and debt investment plans), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of 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. As at 31 December 2021, the Group has consolidated certain asset management products and debt investment plans issued and managed by the Company's subsidiary, New China Asset Management Co., Ltd. ("Asset Management Company"), certain trust products, etc. issued and managed by third parties in the consolidated financial statements. Please refer to Note 38(5) for the details.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty

(1) *Estimate of future benefit payments and premiums arising from long-term insurance contracts*

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the risk margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses assumptions) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognized in the consolidated financial statements as insurance contracts benefits and insurance contract liabilities.

The impacts of the various assumptions are described in Note 3(9).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(2) Fair value of financial instruments

The Group's principal investments are debt financial assets, equity financial assets and term deposits. The significant judgments and estimates are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.
- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and funding companies or the net asset value of the last trading day of the year.
- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair value approximate their carrying amounts.
- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate their carrying amounts.

(3) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgments about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(4) *Deferred income tax assets*

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

(5) *Contingencies and provisions*

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Mr. GUAN Guoliang Irregularities as described in Note 3(7) below; and other pending lawsuits and disputes. Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

(6) *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Former Chairman Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as Chairman from 1998 to 2006 (the "Former Chairman Mr. GUAN Guoliang"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Mr. GUAN Guoliang Irregularities") and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman Mr. GUAN Guoliang, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

In 2015, the Company received RMB170 million plus additional interest accrued during settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of Former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. ("Shenzhen Huirun") and issued a plan. On 25 May 2016, the Company received RMB16 million. On 7 August 2018, Beijing No.2 Intermediate People's Court deducted RMB42 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun and issued a plan. According to the plan, the Company should receive RMB41 million. On 21 August 2018, the Company received RMB41 million.

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB874 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB874 million was made as at 31 December 2021 (as at 31 December 2020: RMB874 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(8) *Taxation*

The Group pays value added tax, corporate income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during the normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimates of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amounts, the difference will impact current tax and deferred tax.

(9) *Change of significant accounting estimates*

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, expenses assumption, policy dividend and lapse rates. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. For the year ended 31 December 2021, variations of related insurance contract reserves due to changes in these assumptions are recognized in the consolidated statement of comprehensive income. The abovementioned changes in accounting estimates resulted in an increase in long-term insurance contract liabilities increased by RMB12,076 million, and profit before income tax decreased by RMB12,076 million.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 29 March 2022.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(1) Insurance risk

(a) *Types of insurance risk*

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, and the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

The Group offers long-term life insurance, critical illness insurance, annuity, accident and short-term health insurance products. Social and economic development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence on the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover most of the products with risk responsibilities. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfill their responsibilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

Currently the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

Product Name	As at/for the year ended 31 December 2021					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
	Amount	% of total	Amount	% of total	Amount	% of total
Jixinggaozhao Type A endowment insurance (Participating) (i)	51,399	5.98%	3,673	2.33%	912	1.57%
Furudonghai Type A whole life insurance (Participating) (ii)	44,109	5.13%	2,427	1.54%	672	1.16%
Zunxiang Rensheng annuity insurance (Participating) (iii)	43,273	5.03%	1,239	0.78%	2,034	3.51%
Wendeying endowment insurance (Participating) (iv)	38,488	4.48%	15,403	9.75%	702	1.21%
Fuxiang Yisheng whole life annuity insurance (Participating) (v)	38,060	4.43%	5,157	3.26%	3,340	5.76%
Others	644,597	74.95%	130,058	82.34%	50,337	86.79%
Total	859,926	100.00%	157,957	100.00%	57,997	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

Product Name	As at/for the year ended 31 December 2020					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
	Amount	% of total	Amount	% of total	Amount	% of total
Jixinggaozhao Type A endowment insurance (Participating) (i)	46,462	6.19%	3,749	2.46%	669	1.03%
Furudonghai Type A whole life insurance (Participating) (ii)	40,749	5.43%	2,592	1.70%	447	0.69%
Zunxiang Rensheng annuity insurance (Participating) (iii)	42,581	5.68%	1,580	1.04%	2,228	3.43%
Wendeying endowment insurance (Participating) (iv)	23,341	3.11%	17,809	11.71%	150	0.23%
Fuxiang Yisheng whole life annuity insurance (Participating) (v)	34,623	4.61%	6,849	4.50%	2,645	4.07%
Others	562,502	74.98%	119,538	78.59%	58,902	90.55%
Total	750,258	100.00%	152,117	100.00%	65,041	100.00%

(i) Jixinggaozhao Type A endowment insurance (Participating)

Jixinggaozhao Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 2 types of periods: 15, 20 and 30 years for duration and age 50, 55, 60, 65 and 70 for age. For death due to illness and completely disability within the 1st year, benefit is calculated based on the following formula: benefit = base insured amount x 10% + premium paid; for death due to illness and completely disability after the 1st year, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for death and completely disability due to accident, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for maturity, benefit is the total of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured or other condition which leads to the termination of contract.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(ii) Furudonghai Type A whole life insurance (Participating)

Furudonghai Type A whole life insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. For death due to illness within 1st year, the sum of 10% of the base insured amount and premium (interest excluded) is refunded. For death due to illness after the 1st year or death due to accident, benefit is the sum of base insured amount and dividend accumulation. For death or completely disability due to accident, benefit is the sum of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

(iii) Zunxiang Rensheng annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires on the insurance effective date of the year when the insured is 80. If the insured stays alive on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured stays alive on every second anniversary of the policy date from the effective date of the insurance contract to the 60-year-old policy anniversary date, the survival benefit is 9% of the base insured amount at the effective date of the policy. If the insured stays alive on every effective date of the insurance policy from the 60-year-old policy anniversary date to the 80-year-old policy anniversary date, the survival benefit is 9% of the insured amount at the effective date of the policy. For death and completely disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For policy holders between 18 and 60 years old who encountered with death or completely disability, the insured would be exempt from the renewal of insurance premium from the date of death or completely disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(iv) Wendeying endowment insurance (Participating)

Wendeying endowment insurance (Participating) is participating endowment insurance with single premium payment with a duration of 5 years. For death due to illness within 180 days (inclusive) from the effective date, death benefit is the premium paid, for death due to accident within 180 days (inclusive) from the effective date and for death after 180 days (exclusive) from the effective date, benefit is calculated according to the following circumstances when the insured die: If the insured person died before the corresponding date of the age of 18 (exclusive), death benefit is the greater of the premium paid and the cash value; If the insured died after the corresponding date of the effective policy of the age of 18 and before the corresponding date of the effective policy of the age of 41 (exclusive), death benefit is 1.6 times the premium paid, and if the insured died after the corresponding date of the effective policy of the age of 41 and before the corresponding date of the effective date of the policy of the age of 61 (exclusive), death benefit is 1.4 times the premium paid, and if the insured died after the effective date of the policy at the age of 61 (inclusive), death benefit is 1.2 times the premium paid. For maturity, benefit is the total of base insured amount. The Insured may choose any of the following annual dividend distribution methods when insured: cash payment or applying at any time or upon termination of the contract by retaining dividends in the Company and accruing interest at the accumulated interest rate of the dividends announced by the Company.

(v) Fuxiang Yisheng whole life annuity insurance (Participating)

Fuxiang Yisheng whole life annuity insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. If the insured stays alive on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the survival benefit is 20% of the sum of base insured amount and dividend accumulation. For death, benefit is the sum of premium paid and dividend accumulation. For policy holders between 18 and 61 years old who encountered with death or completely disability, the insured would be exempt from the renewal of insurance premium from the date of death or completely disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of completely disability of insured or other condition which leads to the termination of contract.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including the discount rates, mortality rates, morbidity rates, lapse rates and expenses. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase/(decrease) on profit before income tax.

Change in discount rates	For the year ended 31 December	
	2021	2020
+50 basis points ("bps")	38,410	33,987
-50bps	(43,906)	(39,179)

Change in mortality and morbidity rates	For the year ended 31 December	
	2021	2020
+10%	(8,506)	(8,720)
-10%	9,544	9,487

Change in lapse rates	For the year ended 31 December	
	2021	2020
+10%	(1,930)	(2,710)
-10%	1,815	2,590

Change in expenses	For the year ended 31 December	
	2021	2020
+10%	(4,624)	(4,194)
-10%	4,584	4,019

Key assumptions are disclosed in Note 15.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(ii) Sensitivity analysis of short-term insurance contracts

The change of claims amount for short-term insurance contracts may cause the change of loss ratio assumptions and in turn affect insurance contract liabilities.

All other variables being constant, if the loss ratio increases or decreases by 100bps, estimated profit before income tax would decrease or increase by RMB9 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB17 million). Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 15.

(d) Claims development analysis of short-term insurance contracts

Claims development analysis of the Group's short term insurance contracts gross of reinsurance is as follows:

	Accident year					
Cumulative claims	2017	2018	2019	2020	2021	Total
End of current year	1,912	2,554	3,516	3,604	4,028	15,614
1 year later	1,920	2,603	3,069	3,331	–	10,923
2 years later	1,922	2,587	3,044	–	–	7,553
3 years later	1,922	2,587	–	–	–	4,509
4 years later	1,922	–	–	–	–	1,922
Estimated claims expenses	1,922	2,587	3,044	3,331	4,028	14,912
Less: cumulative claims paid	(1,922)	(2,587)	(3,044)	(3,016)	(2,261)	(12,830)
Subtotal	–	–	–	315	1,767	2,082
Add: claims handling expenses	–	–	–	15	87	102
Unpaid claims expenses	–	–	–	330	1,854	2,184

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(d) Claims development analysis of short-term insurance contracts (Continued)

Claims development analysis of the Group's short term insurance business net of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2017	2018	2019	2020	2021	
End of current year	1,810	2,470	3,343	3,330	3,703	14,656
1 year later	1,818	2,512	2,900	3,093	–	10,323
2 years later	1,817	2,491	2,869	–	–	7,177
3 years later	1,817	2,491	–	–	–	4,308
4 years later	1,817	–	–	–	–	1,817
Estimated claims expenses	1,817	2,491	2,869	3,093	3,703	13,973
Less: cumulative claims paid	(1,817)	(2,491)	(2,869)	(2,789)	(1,999)	(11,965)
Subtotal	–	–	–	304	1,704	2,008
Add: claims handling expenses	–	–	–	15	87	102
Unpaid claims expenses	–	–	–	319	1,791	2,110

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department, accounting department and actuarial department are in close cooperation to identify, evaluate and avoid financial risk.

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 11.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, changes in interest rate and fair values).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets impacted greatly by interest rate risk are principally comprised of term deposits and debt financial assets. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates by 50bps with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in market interest rates	Impact on profit (before income tax) For the year ended 31 December	
	2021	2020
+50bps	(213)	(154)
-50bps	219	158

Change in market interest rates	Impact on reserves (before income tax) For the year ended 31 December	
	2021	2020
+50bps	(2,350)	(2,455)
-50bps	2,539	2,649

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(ii) Price risk

Price risk arises mainly from the price volatility of equity financial assets held by the Group. Prices of equity financial assets are determined by market forces. Most of the equity financial assets of the Group are in Chinese capital markets. The Group is subject to increased price risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

The analysis below is performed to show the impacts of changes in the prices of the Group's equity financial assets which have quoted prices in active markets by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in equity financial assets' prices	Impact on profit (before income tax) For the year ended 31 December	
	2021	2020
+10%	2,554	1,535
-10%	(2,554)	(1,535)

Change in equity financial assets' prices	Impact on reserves (before income tax) For the year ended 31 December	
	2021	2020
+10%	13,285	11,616
-10%	(13,285)	(11,616)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar, Hong Kong dollar, or European dollar.

For the identified currency risk, the Company took the following measures: (1) determine the risk level based on the analysis of internal and external information, so as to determine different preventive measures; (2) evaluate the possible frequency and degree of the loss of overseas investment in a certain period of time in the future, and using currency risk exposure analysis and other methods to evaluate the impact of exchange rate changes on the assets, liabilities and equity of the Group. (3) evaluate the price risk of overseas investments comprehensively in accordance with the level and impact of currency risk, combined with the risk appetite, to select appropriate risk management tools to hedge risk.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The following table summarizes financial assets denominated in currencies other than RMB, expressed in RMB equivalent:

31 December 2021	USD	HKD	EUR	Others	Total
Cash and cash equivalents	2,424	1,759	–	–	4,183
Accrued investment income	8	–	–	–	8
Held-to-maturity investments	572	–	–	–	572
Financial assets at fair value through profit or loss	–	69	–	–	69
Available-for-sale financial assets	3,282	7,420	3,251	94	14,047
Total	6,286	9,248	3,251	94	18,879

31 December 2020	USD	HKD	EUR	Others	Total
Cash and cash equivalents	1,821	1,441	–	–	3,262
Accrued investment income	9	–	–	–	9
Held-to-maturity investments	585	–	–	–	585
Financial assets at fair value through profit or loss	–	219	–	–	219
Available-for-sale financial assets	3,629	8,065	3,613	–	15,307
Total	6,044	9,725	3,613	–	19,382

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity financial assets, mainly expose themselves to price risk. Considering other foreign currencies are pegged to USD, the Group combined the USD assets with the other monetary assets when conducting the currency risk analysis.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

For the year ended 31 December 2021, if RMB had strengthened or weakened by 10% against USD dollar and other foreign currencies with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, profit before tax would have been decreased or increased by RMB469 million (for the year ended 31 December 2020: RMB390 million), other comprehensive income would have been decreased or increased by RMB1,180 million (for the year ended 31 December 2020: RMB1,299 million).

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, bank wealth investment products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2021: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. Therefore, the Group's overall exposure to credit risk is relatively low.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership if the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and asset management products and trust products are guaranteed by third parties, collateral, or use the budgeted financial income of the central government as the source of funding for repayment.

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products, wealth investment products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality (Continued)

Proportion	As at 31 December	
	2021	2020
Financial institution bonds issued by domestic non-policy bank having a credit rating of AA/A-2 or above	100%	100%
Corporate bonds having a credit rating of AA/A-2 or above held by the Group	100%	100%
Subordinated bonds/debts having a credit rating of AA/A-2 or above, or issued by national banks or insurance companies	100%	100%
Bank deposits with the four largest state-owned commercial banks and other banks in the PRC	99.99%	99.99%

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated financial statements of the Group for they have collateral and the maturity is within one year.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 4(2)(e)).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

The following tables set forth the contractual or expected undiscounted cash flows for major financial assets, insurance assets, financial liabilities and insurance liabilities:

As at 31 December 2021	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	577,214	–	89,476	276,822	117,632	515,157
Equity financial assets	257,436	257,436	–	–	–	–
Derivative financial instruments	4	4	–	–	–	–
Term deposits	168,540	–	33,380	103,112	44,294	3,908
Statutory deposits	1,715	–	673	1,019	118	–
Policy loans	40,806	–	40,806	–	–	–
Financial assets purchased under agreements to resell	4,112	–	4,114	–	–	–
Accrued investment income	12,065	–	11,931	132	2	–
Premiums receivable	2,867	–	2,867	–	–	–
Reinsurance assets	3,981	–	2,416	87	(82)	2,555
Cash and cash equivalents	15,459	–	15,459	–	–	–
Total financial and insurance assets	1,084,199	257,440	201,122	381,172	161,964	521,620
Financial and insurance liabilities						
Long-term insurance contracts	(859,926)	–	53,849	57,523	(30,222)	(2,015,339)
Short-term insurance contracts	(3,769)	–	(3,031)	–	–	–
Investment contracts	(57,915)	–	(6,052)	(8,912)	(7,482)	(51,631)
Financial liabilities at fair value through profit or loss	(2,612)	(2,612)	–	–	–	–
Borrowings	(10,000)	–	(330)	(660)	(10,330)	–
Financial assets sold under agreements to repurchase	(55,415)	–	(55,444)	–	–	–
Benefits, claims and surrenders payable	(5,971)	–	(5,971)	–	–	–
Reinsurance liabilities	(504)	–	(504)	–	–	–
Total financial and insurance liabilities	(996,112)	(2,612)	(17,483)	47,951	(48,034)	(2,066,970)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2020	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	567,171	–	93,940	170,344	108,724	476,170
Equity financial assets	206,290	206,290	–	–	–	–
Term deposits	122,640	–	20,710	91,530	20,488	5,450
Statutory deposits	1,715	–	109	1,002	860	–
Policy loans	37,732	–	37,732	–	–	–
Financial assets purchased under agreements to resell	1,832	–	1,833	–	–	–
Accrued investment income	10,313	–	10,093	220	–	–
Premiums receivable	2,312	–	2,312	–	–	–
Reinsurance assets	3,666	–	1,322	1,085	(117)	2,545
Cash and cash equivalents	12,993	–	12,993	–	–	–
Total financial and insurance assets	966,664	206,290	181,044	264,181	129,955	484,165
Financial and insurance liabilities						
Long-term insurance contracts	(750,258)	–	50,722	70,055	3,888	(1,926,654)
Short-term insurance contracts	(4,151)	–	(2,987)	–	–	–
Investment contracts	(51,672)	–	(13,561)	(16,206)	(14,134)	(101,571)
Financial liabilities at fair value through profit or loss	(14,837)	(14,837)	–	–	–	–
Borrowings	(10,000)	–	(330)	(660)	(10,660)	–
Financial assets sold under agreements to repurchase	(41,888)	–	(41,892)	–	–	–
Benefits, claims and surrenders payable	(6,445)	–	(6,445)	–	–	–
Reinsurance liabilities	(297)	–	(297)	–	–	–
Total financial and insurance liabilities	(879,548)	(14,837)	(14,790)	53,189	(20,906)	(2,028,225)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) *Liquidity risk (Continued)*

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB57,911 million as at 31 December 2021, payable within one year (as at 31 December 2020: RMB51,670 million).

(d) *Disclosures about interest in unconsolidated structured entities*

The Group's interests in the unconsolidated structured entities are recorded as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees or provide finance to public and private infrastructure construction. Refer to Note3 Significant judgments (4) for the determined factors of control over investee of the Group.

These structured entities that the Group has interests in either guaranteed by third parties with higher credit ratings, by pledging, by the revenue within the finance budget as the payment source, or dealing with the borrowers which with higher credit ratings.

The Group has not provided any guarantee or financing support for the structured entities that the Group has interests in or sponsored.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

i) The unconsolidated structured entities that the Group has interests in

The Group believes that the maximum risk exposure approximates the carrying amount of interest in these unconsolidated structured entities. The size of the unconsolidated structured entities, the carrying amount of the related assets recognized in the financial statements and the maximum risk exposure are as below:

As at 31 December 2021	Unconsolidated structured entities			
	Size	Carrying amount of assets	Maximum exposure of risk	Interest held by the Group
Funds managed by affiliated entities	1,111	149	149	Investment income and service fee
Funds managed by third parties	Note1	75,157	75,157	Investment income
Trust products managed by third parties	Note1	83,733	83,733	Investment income
Debt investment plans managed by affiliated entities	38,168	29,001	29,001	Investment income and service fee
Debt investment plans managed by third parties	Note1	28,746	28,746	Investment income
Others managed by affiliated entities (Note2)	235,977	14,514	14,514	Investment income and service fee
Others managed by third parties (Note2)	Note1	65,912	65,912	Investment income

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

i) The unconsolidated structured entities that the Group has interests in (Continued)

As at 31 December 2020		Unconsolidated structured entities		
	Size	Carrying amount of assets	Maximum exposure of risk	Interest held by the Group
Funds managed by affiliated entities	1,057	131	131	Investment income and service fee
Funds managed by third parties	Note1	55,727	55,727	Investment income
Trust products managed by third parties	Note1	99,831	99,831	Investment income
Debt investment plans managed by affiliated entities	27,792	13,940	13,940	Investment income and service fee
Debt investment plans managed by third parties	Note1	27,195	27,195	Investment income
Others managed by affiliated entities (Note2)	108,169	2,835	2,835	Investment income and service fee
Others managed by third parties (Note2)	Note1	84,152	84,152	Investment income

Note1: Funds, trust products, debt investment plans and others managed by third parties are sponsored by third party financial institutions and the information related to size of these structured entities are not publicly available.

Note2: Others included wealth management products, asset management products, private equity, equity investment plans, unlisted equity and asset funding plans, etc.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Disclosures about interest in unconsolidated structured entities (Continued)

- ii) *The unconsolidated structured entities that the Group has sponsored but does not have interests in*

As at 31 December 2021, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB51,282 million (as at 31 December 2020: RMB31,492 million), which were mainly asset management products, debt investment plans, endowment annuity products, occupational annuity products and enterprise annuity products etc., sponsored by the Group for collecting management service fees. In 2021, the management service fees from these structured entities were RMB192 million (2020: RMB61 million), which were recorded as other income. The Group has not transferred any assets to these structured entities.

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method. The Group uses the above techniques, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated bonds and capital supplementary bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing a competitive cost structure.

(f) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the China Banking and Insurance Regulatory Commission (the "CBIRC"), are to comply with the insurance capital requirements of the CBIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management (Continued)

The table below summarizes the solvency ratios, actual capital, and minimum capital of the Company:

	As at 31 December	
	2021	2020
Core capital	278,510	280,817
Actual capital	288,510	290,817
Minimum capital	114,448	104,672
Core solvency margin ratio	243.35%	268.28%
Comprehensive solvency margin ratio	252.09%	277.84%

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, CBIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

- (i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;
- (ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;
- (iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;
- (iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the fourth quarter of 2021 is A.

In addition, pursuant to "Notification of Related Matters on Implementation of Insurance Institution Solvency Regulations (II)" released by the CBIRC, from the first quarter of 2022, the Company will compile solvency reports in accordance with the Insurance Institution Solvency Regulation Rules (II) for Insurance Companies.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, derivative financial instruments, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial liabilities at fair value through profit or loss, financial assets sold under agreements to repurchase, borrowings and investment contracts.

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation techniques using significant inputs, other than Level 1 quoted prices, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of financial assets classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

As at 31 December 2021, financial assets measured at fair value and classified as level 3 in the fair value hierarchy are valued using unobservable significant inputs, such as discount rate, but the fair value is not significantly sensitive to the reasonable changes of the unobservable significant inputs.

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Equity financial assets					
Available-for-sale - Preferred stock	4,227	Discounted cash flow method	Discount rate	4.7% – 5.5%	The higher the discount rate, the lower the fair value
Held for trading - Preferred stock	3,253	Discounted cash flow method	Discount rate	4.7% – 5.2%	The higher the discount rate, the lower the fair value
Debt financial assets					
Available-for-sale - Trust products	83,485	Discounted cash flow method	Discount rate	4.86% – 10%	The higher the discount rate, the lower the fair value

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2021 and 2020:

As at 31 December 2021	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Assets				
Available-for-sale financial assets				
– Equity financial assets	145,464	35,929	4,305	185,698
– Debt financial assets	518	97,298	83,530	181,346
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	12,802	19,030	3,523	35,355
– Debt financial assets	708	34,163	–	34,871
Derivative financial instruments	–	4	–	4
Total	159,492	186,424	91,358	437,274
Liabilities				
Financial liabilities at fair value through profit or loss	–	2,612	–	2,612
Unit-linked contracts	–	224	–	224
Total	–	2,836	–	2,836

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

As at 31 December 2020	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	121,065	31,637	4,263	156,965
– Debt financial assets	134	105,146	128,677	233,957
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	11,548	6,996	–	18,544
– Debt financial assets	1,616	12,138	–	13,754
Total	134,363	155,917	132,940	423,220
Liabilities				
Financial liabilities at fair value through profit or loss	–	14,837	–	14,837
Unit-linked contracts	–	196	–	196
Total	–	15,033	–	15,033

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2020 and 2021.

For the year ended 31 December 2021	Level 1	Level 2
Available-for-sale financial assets		
Debt financial assets		
– Transfer in	293	30
– Transfer out	(30)	(293)
Equity financial assets		
– Transfer in	1,047	–
– Transfer out	–	(1,047)
Financial assets at fair value through profit or loss		
Held-for-trading financial assets		
Debt financial assets		
– Transfer in	120	10
– Transfer out	(10)	(120)
For the year ended 31 December 2020	Level 1	Level 2
Available-for-sale financial assets		
Debt financial assets		
– Transfer in	–	368
– Transfer out	(368)	–

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets.

There were no transfers into or out of Level 3 for the years ended 31 December 2021 and 2020.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			At fair value through profit or loss	Total
	Equity financial assets	Debt financial assets	Subtotal	Designated as at fair value through profit or loss	
1 January 2020	5,852	138,543	144,395	1,374	145,769
Purchase	505	40,717	41,222	–	41,222
Sale/Exercise	(2,094)	–	(2,094)	(1,374)	(3,468)
Maturity	–	(50,583)	(50,583)	–	(50,583)
31 December 2020	4,263	128,677	132,940	–	132,940
1 January 2021	4,263	128,677	132,940	–	132,940
Purchase	16	12,485	12,501	3,585	25,086
Recognised in profit or loss	–	(1,125)	(1,125)	(62)	(1,187)
Recognised in other comprehensive income	26	–	26	–	26
Maturity	–	(56,507)	(56,507)	–	(56,507)
31 December 2021	4,305	83,530	87,835	3,523	91,358

The assets and liabilities whose fair value measurements are classified under Level 3 above do not have material impact on the profit or loss of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, investment properties, financial assets sold under agreements to repurchase and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables, investment properties and borrowings, which all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2021 and 31 December 2020:

	As at 31 December 2021			Total
	Level 1	Level 2	Level 3	
Assets				
Held-to-maturity	18,728	307,105	–	325,833
Loans and receivables	–	–	59,895	59,895
Investment properties	–	–	12,306	12,306
Total	18,728	307,105	72,201	398,034
Liabilities				
Borrowings	–	9,893	–	9,893
Total	–	9,893	–	9,893

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed (Continued)

	As at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Held-to-maturity	20,917	264,274	–	285,191
Loans and receivables	–	–	41,384	41,384
Investment properties	–	–	11,479	11,479
Total	20,917	264,274	52,863	338,054
Liabilities				
Borrowings	–	9,620	–	9,620
Total	–	9,620	–	9,620

The Group has not disclosed fair values for certain investment contract liabilities with DPF because the fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

5 SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

Individual insurance business relates primarily to the sale of insurance contracts and investment contracts to individuals.

(ii) Group insurance business

Group insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(1) Operating segments (Continued)

(iii) Other business

Other business relates primarily to the Group's asset management and unallocated income and expenses.

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment contract liabilities at the beginning and end of the accounting period. Non-operating income and expenses are not allocated but assigned to other business operating segments directly.

(3) Allocation basis of assets and liabilities

Insurance business assets and liabilities directly attributable to operating segments will be allocated to each segment; investment assets and liabilities indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's insurance contract liabilities and investment contract liabilities at the end of the accounting period. Statutory deposits, investment properties, property, plant and equipment, intangible assets, other assets, borrowings, provision, deferred tax assets, deferred tax liabilities and current income tax liabilities are not allocated but assigned to other business operating segments directly.

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue

Substantially all of the Group's revenues are derived from its operations in the PRC. Substantially all of the Group's assets are located in the PRC.

For the year ended 31 December 2021, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

- (5) The transfer prices among operating segments are determined at fair value with reference to transactions with third parties

	For the year ended 31 December 2021		Others	Elimination	Total
	Insurance	Group			
	Individual	Group			
Revenues					
Gross written premiums and policy fees	160,412	3,123	–	–	163,535
Less: premiums ceded out	(2,697)	(75)	–	–	(2,772)
Net written premiums and policy fees	157,715	3,048	–	–	160,763
Net change in unearned premiums liabilities	736	(120)	–	–	616
Net premiums earned and policy fees	158,451	2,928	–	–	161,379
Investment income	56,600	259	384	–	57,243
Other income	578	10	1,813	(997)	1,405
Including: inter-segment transaction	19	1	977	(997)	–
Total revenues	215,629	3,198	2,197	(997)	220,027
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,105)	(2,341)	–	–	(3,446)
Life insurance death and other benefits	(56,296)	(185)	–	–	(56,481)
Increase in long-term insurance contract liabilities	(112,313)	(17)	–	–	(112,330)
Policyholder dividends resulting from participation in profits	(1,207)	–	–	–	(1,207)
Investment contract benefits	(2,149)	(139)	–	–	(2,288)
Commission and brokerage expenses	(14,055)	(538)	–	–	(14,593)
Administrative expenses	(10,986)	(1,372)	(1,096)	981	(12,472)
Including: inter-segment transaction	(855)	(105)	(21)	981	–
Other expenses	(508)	(20)	(574)	17	(1,085)
Including: inter-segment transaction	(16)	(1)	–	17	–
Total benefits, claims and expenses	(198,619)	(4,611)	(1,670)	998	(203,902)
Share of results of associates and joint ventures	363	3	12	–	378
Finance costs (other than interest on lease liabilities)	(782)	(51)	–	–	(833)
Net profit before income tax	16,591	(1,461)	539	1	15,670
Segment assets	1,066,007	9,877	52,046	(209)	1,127,721
Segment liabilities	986,007	9,683	23,726	(209)	1,019,207

Other segment information for the year ended 31 December 2021:

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	3,258	–	3,258
Depreciation and amortization	(1,427)	(173)	(146)	–	(1,746)
Interest income	33,331	159	488	–	33,978
Impairment	(2,229)	(18)	(25)	–	(2,272)
Share of results of associates and joint ventures	363	3	12	–	378

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(5) The transfer prices among operating segments are determined at fair value with reference to transactions with third parties (Continued)

	For the year ended 31 December 2020		Others	Elimination	Total
	Insurance Individual	Group			
Revenues					
Gross written premiums and policy fees	156,737	2,819	–	–	159,556
Less: premiums ceded out	(2,828)	(70)	–	–	(2,898)
Net written premiums and policy fees	153,909	2,749	–	–	156,658
Net change in unearned premiums liabilities	(100)	(115)	–	–	(215)
Net premiums earned and policy fees	153,809	2,634	–	–	156,443
Investment income	45,667	299	434	–	46,400
Other income	587	12	1,324	(908)	1,015
Including: inter-segment transaction	24	1	883	(908)	–
Total revenues	200,063	2,945	1,758	(908)	203,858
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,251)	(1,624)	–	–	(2,875)
Life insurance death and other benefits	(63,748)	(189)	–	–	(63,937)
Increase in long-term insurance contract liabilities	(86,482)	(17)	–	–	(86,499)
Policyholder dividends resulting from participation in profits	(577)	–	–	–	(577)
Investment contract benefits	(1,949)	(93)	–	–	(2,042)
Commission and brokerage expenses	(17,360)	(467)	–	–	(17,827)
Administrative expenses	(10,985)	(1,281)	(1,013)	884	(12,395)
Including: inter-segment transaction	(773)	(86)	(25)	884	–
Other expenses	(616)	(18)	(517)	22	(1,129)
Including: inter-segment transaction	(19)	(1)	(2)	22	–
Total benefits, claims and expenses	(182,968)	(3,689)	(1,530)	906	(187,281)
Share of results of associates and joint ventures	241	2	21	–	264
Finance costs (other than interest on lease liabilities)	(1,288)	(62)	–	–	(1,350)
Net profit before income tax	16,048	(804)	249	(2)	15,491
Segment assets	936,779	8,826	58,957	(186)	1,004,376
Segment liabilities	860,885	7,239	34,758	(186)	902,696

Other segment information for the year ended 31 December 2020:

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	3,035	–	3,035
Depreciation and amortization	(1,380)	(152)	(124)	–	(1,656)
Interest income	32,450	230	536	–	33,216
Impairment	(2,696)	(44)	–	–	(2,740)
Share of results of associates and joint ventures	241	2	21	–	264

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2021	12,453	1,231	147	4,059	17,890
Additions	15	188	26	3,721	3,950
Transfers upon completion	3,693	44	–	(3,737)	–
Transfer from investment properties (Note 7)	382	–	–	–	382
Transfer to investment properties (Note 7)	(23)	–	–	(1,091)	(1,114)
Transfer to intangible assets (Note 9)	–	–	–	(293)	(293)
Transfer to other assets	–	–	–	(10)	(10)
Disposals	(2)	(29)	(46)	–	(77)
Others	(45)	–	–	–	(45)
As at 31 December 2021	16,473	1,434	127	2,649	20,683
Accumulated depreciation					
As at 1 January 2021	(1,369)	(751)	(78)	–	(2,198)
Charges for the year	(336)	(160)	(11)	–	(507)
Transfer from investment properties (Note 7)	(74)	–	–	–	(74)
Transfer to investment properties (Note 7)	3	–	–	–	3
Disposals	–	26	38	–	64
As at 31 December 2021	(1,776)	(885)	(51)	–	(2,712)
Net book value					
As at 1 January 2021	11,084	480	69	4,059	15,692
As at 31 December 2021	14,697	549	76	2,649	17,971

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2020	10,762	1,091	155	4,170	16,178
Additions	139	169	1	1,806	2,115
Transfers upon completion	1,520	16	–	(1,536)	–
Transfer from investment properties (Note 7)	136	–	–	–	136
Transfer to investment properties (Note 7)	(92)	–	–	(106)	(198)
Transfer to intangible assets (Note 9)	–	–	–	(275)	(275)
Disposals	(12)	(45)	(9)	–	(66)
As at 31 December 2020	12,453	1,231	147	4,059	17,890
Accumulated depreciation					
As at 1 January 2020	(1,096)	(673)	(74)	–	(1,843)
Charges for the year	(290)	(120)	(11)	–	(421)
Transfer from investment properties (Note 7)	(7)	–	–	–	(7)
Transfer to investment properties (Note 7)	23	–	–	–	23
Disposals	1	42	7	–	50
As at 31 December 2020	(1,369)	(751)	(78)	–	(2,198)
Net book value					
As at 1 January 2020	9,666	418	81	4,170	14,335
As at 31 December 2020	11,084	480	69	4,059	15,692

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB2,253 million as at 31 December 2021 (as at 31 December 2020: RMB344 million). The Group has no property, plant and equipment under financial lease and held for sale, and no significant idle property, plant and equipment as at 31 December 2021 (as at 31 December 2020: same).

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2021	2020
Cost		
Beginning of the year	9,893	9,835
Transfer from property, plant and equipment (Note 6)	1,114	198
Transfer to property, plant and equipment (Note 6)	(382)	(136)
Others	–	(4)
End of the year	10,625	9,893
Accumulated depreciation		
Beginning of the year	(1,036)	(784)
Transfer from property, plant and equipment (Note 6)	(3)	(23)
Transfer to property, plant and equipment (Note 6)	74	7
Charges for the year	(233)	(236)
End of the year	(1,198)	(1,036)
Net book value		
Beginning of the year	8,857	9,051
End of the year	9,427	8,857

Rental income from investment properties is recognized in “Other income” (Note 27).

According to the asset valuation report issued by Jones Lang LaSalle Sallmanns Limited, the fair value of investment properties as at 31 December 2021 was RMB12,306 million (as at 31 December 2020: RMB11,479 million). The techniques used for the valuation of investment properties include the income approach and sales comparison approach. The fair value of investment properties is categorized within level 3.

The Group has obtained the legal title in respect of the ownership of buildings as at 31 December 2021. The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB37 million as at 31 December 2020.

The investment properties held by the Group has no impairment as at 31 December 2021 (as at 31 December 2020: same).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group

	Fair value at 31 December 2021	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shanghai -Shanghai Harbor	1,891	Unit price	Office RMB60,000-80,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB74,000-84,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB350,000-410,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Xiamen	1,764	Unit price	Office RMB26,000-34,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB44,000-47,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB500,000-600,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Beijing- NCI Tower	1,395	Rental value	Office RMB330-380 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB430-510 per month per square meter	The higher the rental value, the higher the fair value.
Rental units-Changsha	882	Unit price	RMB16,600-19,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB100-120 per month per square meter	The higher the rental value, the higher the fair value.

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group (Continued)

	Fair value at 31 December 2021	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Xian	736	Unit price	Office RMB18,000-20,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB20,000-22,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB144,000-161,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-130 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB290-330 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB750-900 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Chengdu	686	Unit price	Office RMB19,500-21,200 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB56,970-71,380 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB190,000-230,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-120 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB450-460 per month per square meter	The higher the rental value, the higher the fair value.
		Rental value	Garage RMB900-1,000 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Hangzhou	633	Unit price	RMB28,000-30,000 per square meter	The higher the unit price, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs for the prime investment properties of the Group (Continued)

	Fair value at 31 December 2021	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shijiazhuang	513	Unit price	Office RMB19,350-23,230 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB42,250-60,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB22,500-24,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Shandong	504	Unit price	Office RMB15,000-72,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Office RMB100-120 per month per square meter	The higher the rental value, the higher the fair value.
		Unit price	Garage RMB145,000-160,000 per unit	The higher the unit price, the higher the fair value.
		Rental value	Garage RMB450-500 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Tianjin	467	Unit price	RMB22,000-23,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	RMB135-145 per month per square meter	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

8 LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and others used in its operations. Leases of buildings generally have lease terms between 1 and 10 years, while others generally have lease terms between 1 and 5 years.

(1) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Buildings	Others	Total
Cost			
As at 1 January 2021	2,053	4	2,057
Additions	619	1	620
Decrease	(511)	(1)	(512)
As at 31 December 2021	2,161	4	2,165
Accumulated depreciation			
As at 1 January 2021	(813)	(1)	(814)
Charges for the year	(563)	(1)	(564)
Decrease	413	–	413
As at 31 December 2021	(963)	(2)	(965)
Net book value			
As at 31 December 2021	1,198	2	1,200
As at 1 January 2021	1,240	3	1,243

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(1) Right-of-use assets (Continued)

	Buildings	Right-of-use assets Others	Total
Cost			
As at 1 January 2020	1,624	2	1,626
Additions	732	2	734
Decrease	(303)	–	(303)
As at 31 December 2020	2,053	4	2,057
Accumulated depreciation			
As at 1 January 2020	(474)	–	(474)
Charges for the year	(574)	(1)	(575)
Decrease	235	–	235
As at 31 December 2020	(813)	(1)	(814)
Net book value			
As at 31 December 2020	1,240	3	1,243
As at 1 January 2020	1,150	2	1,152

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(2) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities		
	Buildings	Others	Total
As at 1 January 2021	1,061	3	1,064
Additions	528	–	528
Accretion of interest recognized during the year	33	–	33
Payment	(583)	(2)	(585)
As at 31 December 2021	1,039	1	1,040
Current	425	1	426
Non-current	614	–	614

	Lease liabilities		
	Buildings	Others	Total
As at 1 January 2020	960	1	961
Additions	662	3	665
Accretion of interest recognized during the year	36	–	36
Payment	(597)	(1)	(598)
As at 31 December 2020	1,061	3	1,064
Current	425	1	426
Non-current	636	2	638

As disclosed in note 2 (1) (a), the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year. The amendment did not have any significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

8 LEASES (Continued)

The Group as a lessee (Continued)

(3) The amounts recognized in profit or loss in relation to leases are as follows:

	2021	2020
Interest on lease liabilities	(33)	(36)
Depreciation expense of right-of-use assets	(564)	(575)
Expense relating to short-term leases (included in administrative expenses)	(66)	(86)
Total amount recognized in profit or loss	(663)	(697)

(4) For the year ended 31 December 2021, the total cash outflow for leases was RMB653 million and future cash outflows relating to leases that have not yet commenced are RMB1,069 million.

The Group as a lessor

The Group leases its investment properties (Note 7) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the year was RMB398 million (for the year ended 31 December 2020: RMB368 million), details of which are included in Note 27 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	379	351
Between 1 year and 2 years (including 2 years)	290	294
Between 2 and 3 years (including 3 years)	168	231
Between 3 and 4 years (including 4 years)	86	111
Between 4 and 5 years (including 5 years)	54	50
More than 5 years	133	115
Total	1,110	1,152

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS

The intangible assets held by the Group are computer software and land use rights.

	Computer software and others	Land use rights	Total
Cost			
As at 1 January 2021	1,788	3,396	5,184
Additions	59	–	59
Transfer from property, plant and equipment (Note 6)	293	–	293
Disposals	(1)	–	(1)
As at 31 December 2021	2,139	3,396	5,535
Accumulated amortization			
As at 1 January 2021	(1,047)	(384)	(1,431)
Amortization	(228)	(85)	(313)
Disposals	1	–	1
As at 31 December 2021	(1,274)	(469)	(1,743)
Net book value			
As at 1 January 2021	741	3,012	3,753
As at 31 December 2021	865	2,927	3,792

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS (Continued)

	Computer software and others	Land use rights	Total
Cost			
As at 1 January 2020	1,475	3,396	4,871
Additions	38	–	38
Transfer from property, plant and equipment (Note 6)	275	–	275
As at 31 December 2020	1,788	3,396	5,184
Accumulated amortization			
As at 1 January 2020	(846)	(299)	(1,145)
Amortization	(201)	(85)	(286)
As at 31 December 2020	(1,047)	(384)	(1,431)
Net book value			
As at 1 January 2020	629	3,097	3,726
As at 31 December 2020	741	3,012	3,753

The Group has obtained the legal titles in respect of the entire ownership of land use rights as at 31 December 2021 (As at 31 December 2020: Same).

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	For the year ended 31 December	
	2021	2020
Beginning of the year	4,967	4,917
Additions	127	–
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	111	–
Cash dividend from investments in associates and joint ventures	(268)	(288)
Share of profit	378	264
Share of other comprehensive income	125	194
Disposals	–	(144)
Share of other reserves	6	40
Currency translation differences	6	(16)
End of the year	5,452	4,967

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Details of investments in associates and joint ventures:

Name of entity	Type of legal entity	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership Interest	Principal activities	Measurement method
Associates						
China Jinmao Holdings Group Limited ("China Jinmao") (1)	Company limited by shares	Hong Kong, the PRC	N/A	8.86%	Real estate development	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (2)	Other limited liability company	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Huixin Capital International Management Limited ("Huixin Capital International")	Limited liability company	Cayman Islands	N/A	39.86%	Asset management	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Limited liability company	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity
Joint venture						
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	Other limited liability company	Beijing, the PRC	RMB1,127 million	45%	Asset management, etc.	Equity

- (1) According to the Articles of the Association of China Jinmao, the Group appointed the director to China Jinmao, which has significant impact on China Jinmao. Therefore, the Group measures China Jinmao as the associate of the Group through equity method.
- (2) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the consolidated financial statements, the Company has not signed any sales agreement.

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except for China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day in 2021, the stock price of China Jinmao was HKD2.41 per share.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Except China Jinmao and Huixin Capital International, the English names of the associates and joint ventures represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

Material associate investment

The following tables illustrate the summarized financial information in respect of the material associate investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2021 China Jinmao	2020 China Jinmao
Current assets	205,911	225,226
Non-current assets	206,091	162,530
Total assets	412,002	387,756
Current liabilities	201,245	197,080
Non-current liabilities	103,964	88,849
Total liabilities	305,209	285,929
Equity attributable to shareholders of the Group	49,961	46,762
Group's share of net assets of the associates	4,428	3,905
Adjustments	(448)	(425)
Carrying amount of the investment in China Jinmao	3,980	3,480
Revenues	90,060	60,054
Profit for the year	7,709	6,195
Total comprehensive income attributable to shareholders of the Group	6,224	6,228
Dividends received	235	218

China Jinmao is a material associate investment of the Group accounted for using the equity method. The investment is not strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material associate investment (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at/For the year ended 31 December	
	2021	2020
Aggregate carrying amount of the Group's investments in the associates	859	858
Total of Group's share of the following items of the associates		
Profit for the year	28	36
Other comprehensive income	–	(5)
Total comprehensive income for the year	28	31

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material joint venture investment (Continued)

The following tables illustrate the summarized financial information in respect of the material joint venture investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2021 New China Health	2020 New China Health
Current assets	951	994
Non-current assets	239	145
Total assets	1,190	1,139
Current liabilities	202	221
Non-current liabilities	106	–
Total liabilities	308	221
Equity attributable to shareholders of the Group	882	918
Group's share of net assets of the joint venture	397	413
Adjustments	216	216
Carrying amount of the investment in New China Health	613	629
Revenues	378	309
Loss for the year	(18)	(46)
Total comprehensive income for the year	(18)	(46)

New China Health, focused on health management business, is a material joint venture investment of the Group accounted for using the equity method. The investment is strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 31 December 2021	As at 31 December 2020
Debt financial assets		
Government bonds	210,703	166,188
Corporate bonds	35,789	38,611
Financial bonds	28,342	28,382
Subordinated bonds	26,268	39,895
Total	301,102	273,076
Debt financial assets		
Listed	125,212	122,963
Unlisted	175,890	150,113
Total	301,102	273,076

The fair value of the held-to-maturity investments as at 31 December 2021 was RMB325,833 million (as at 31 December 2020: RMB285,191 million).

The fair value of listed held-to-maturity investments was RMB136,582 million as at 31 December 2021 (as at 31 December 2020: RMB127,513 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(1) Held-to-maturity investments (Continued)

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

Held-to-maturity investments were not reclassified to available-for-sale financial assets or sold before maturity for the year ended 31 December 2021.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	21,989	19,546
After 1 year but within 3 years (including 3 years)	21,326	34,648
After 3 years but within 5 years (including 5 years)	21,974	18,064
After 5 years	235,813	200,818
Total	301,102	273,076

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 31 December 2021	As at 31 December 2020
Debt financial assets		
Government bonds	60,102	56,254
Financial bonds	17,545	20,727
Corporate bonds	8,962	10,993
Subordinated bonds	11,207	17,306
Perpetual bonds	–	5,000
Trust products	83,485	99,582
Wealth investment products	–	29,050
Asset management products	45	45
Subtotal	181,346	238,957
Equity financial assets		
Funds	69,553	52,488
Stock	76,156	72,281
Preferred stock	4,978	4,902
Asset management products	23,346	20,415
Private equity	10,664	9,411
Equity investment plans	8,290	4,800
Other unlisted equity investments	17,472	16,570
Perpetual bonds	11,524	6,229
Other equity investment	98	650
Subtotal	222,081	187,746
Total	403,427	426,703
Debt financial assets		
Listed	38,025	33,867
Unlisted	143,321	205,090
Subtotal	181,346	238,957
Equity financial assets		
Listed	83,059	79,022
Unlisted	139,022	108,724
Subtotal	222,081	187,746
Total	403,427	426,703

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	16,205	53,545
After 1 year but within 3 years (including 3 years)	52,315	62,305
After 3 years but within 5 years (including 5 years)	50,415	45,163
After 5 years	62,411	77,944
Total	181,346	238,957

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss

	As at 31 December 2021	As at 31 December 2020
Held for trading		
Debt financial assets		
Government bonds	10	60
Financial bonds	297	432
Corporate bonds	15,887	10,261
Subordinated bonds	1,467	1,478
Certificates of deposit	17,210	1,523
Debt financial assets subtotal	34,871	13,754
Equity financial assets		
Funds	5,753	3,370
Stocks	7,059	8,181
Preferred stock	3,523	—
Asset management products	18,709	6,696
Perpetual bonds	311	297
Equity financial assets subtotal	35,355	18,544
Subtotal	70,226	32,298
Total	70,226	32,298
Debt financial assets		
Listed	12,779	9,348
Unlisted	22,092	4,406
Subtotal	34,871	13,754
Equity financial assets		
Listed	7,616	8,913
Unlisted	27,739	9,631
Subtotal	35,355	18,544
Total	70,226	32,298

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(4) Loans and receivables

	As at 31 December 2021	As at 31 December 2020
Asset funding plans	1,900	–
Debt investment plan (i)	57,747	41,135
Trust products	248	249
Total	59,895	41,384

- (i) Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.
- (ii) The Company has equity interests in subsidiaries and consolidated loans and receivables as set out in Note 38(5).

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	29,500	19,000
After 1 year but within 3 years (including 3 years)	93,940	82,190
After 3 years but within 5 years (including 5 years)	41,200	16,350
More than 5 years	3,900	5,100
Total	168,540	122,640

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

11 FINANCIAL ASSETS (Continued)

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	665	100
After 1 year but within 3 years (including 3 years)	950	1,565
After 3 years but within 5 years (including 5 years)	100	50
Total	1,715	1,715

According to the relevant regulations issued by the CBIRC, statutory deposits can only be used by insurance companies to discharge debt upon liquidation.

(7) Accrued investment income

	As at 31 December 2021	As at 31 December 2020
Bank deposits	4,406	2,713
Debt financial assets	6,104	6,412
Dividend	44	10
Others	1,511	1,178
Total	12,065	10,313
Current	11,931	10,220
Non-current	134	93
Total	12,065	10,313

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

12 PREMIUMS RECEIVABLE

An aging analysis of premium receivables is as follows:

	As at 31 December 2021	As at 31 December 2020
Within 3 months (including 3 months)	2,575	2,240
Over 3 months and within 1 year (including 1 year)	183	56
Over 1 year	109	16
Total	2,867	2,312

13 REINSURANCE ASSETS

	As at 31 December 2021	As at 31 December 2020
Claims and claims adjustment expenses ceded (Note 15)	74	83
Unearned premiums liabilities ceded (Note 15)	69	217
Long-term insurance contracts ceded (Note 15)	3,595	3,120
Due from reinsurance companies (1)	243	246
Total	3,981	3,666
Current	2,194	1,272
Non-current	1,787	2,394
Total	3,981	3,666

- (1) The Group normally settle due from reinsurance companies on a quarterly basis. An aging analysis of due from reinsurance companies is as follows:

	As at 31 December 2021	As at 31 December 2020
Within 3 months (including 3 months)	243	246
Total	243	246

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS

	As at 31 December 2021		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	2,696	—	2,696
Prepaid and deferred expenses	950	—	950
Receivable from off-balance sheet repurchase Transactions (Note 3(7))	874	(874)	—
Prepaid income tax	794	—	794
Asset management fee receivables	136	—	136
Prepayment for Heilongjiang branch's office building (2) (Note 21)	37	(37)	—
Entrusted fund receivable from liquidation group of Minfa Securities (3)	16	(16)	—
Receivable from Huaxinrong Company (5)	12	(12)	—
Prepayment for Taizhou and Yongzhou cases (4)	11	(11)	—
Others	946	(38)	908
Total	6,472	(988)	5,484

	As at 31 December 2020		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	1,156	—	1,156
Prepaid and deferred expenses	889	—	889
Receivable from off-balance sheet repurchase Transactions (Note 3(7))	874	(874)	—
Prepaid income tax	153	—	153
Asset management fee receivables	138	—	138
Prepayment for Heilongjiang branch's office building (2) (Note 21)	37	(37)	—
Entrusted fund receivable from liquidation group of Minfa Securities (3)	16	(16)	—
Receivable from Huaxinrong Company (5)	12	(12)	—
Prepayment for Taizhou and Yongzhou cases (4)	11	(11)	—
Others	749	(38)	711
Total	4,035	(988)	3,047

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS (Continued)

	As at 31 December 2021	As at 31 December 2020
Current	5,110	2,662
Non-current	374	385
Total	5,484	3,047

(1) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the end of the reporting period.

(2) Prepayment for Heilongjiang branch's office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Since the recipient of the payment is not a party of the contract, as at the date approved for issue by Board of Directors, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

(3) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the CSRC and started administrative liquidation in 2005. The Company had investments entrusted to Minfa Securities with a carrying amount of RMB477 million which were deemed to be uncollectible at the time of the liquidation. Accordingly, the Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. From 2009 to 2012, the Company managed to recover funds amounting to RMB373 million in accordance with the distribution arrangement as approved by the Court. In 2012, the Court adjudicated to terminate bankruptcy proceedings of Minfa Securities and related companies. The Company assessed that it might still be able to recover RMB16 million but made a full provision against the amount due to significant uncertainty. The remaining balance of RMB88 million was assessed to be non-recoverable and was written off.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

14 OTHER ASSETS (Continued)

(4) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for the Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable of RMB162 million were written off.

In 2013, the Company recovered RMB9 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2015, the Company recovered RMB3 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2019, RMB3 million was written off by the Company from the Taizhou and Yongzhou cases and the Company reduced other assets and their corresponding provision.

(5) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates of the Group as at 31 December 2021 and 31 December 2020 are as follows:

	Discount rate assumption
31 December 2021	5.00%
31 December 2020	4.50%~5.00%

For Wendeying endowment insurance (Participating), the Group set up an exclusive participating account for the management of the product. Considering the yield curve of the corresponding future investment portfolios is different from other participating insurance products and a stabilization investment return assumption of 5.5% is used, the expected discount rate of this product as at 31 December 2021 was 5.5% (31 December 2020: 6%). The Group began to sell Wendefu endowment insurance (Participating) in March 2021, and managed the new product under another new exclusive participating account. Considering the yield curve of the corresponding future investment portfolios is different from other participating insurance products and a stabilization investment return assumption of 5.5% is used, the expected discount rate of this product as at 31 December 2021 was 5.5%.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(a) Discount rate assumption (Continued)

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the “yield curve of liability computation benchmark for insurance contracts”, published on the “China Bond” website, in combine with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors, the expected spot discount rates of the Group as at 31 December 2021 and 31 December 2020 are as follows:

Discount rate assumption	
31 December 2021	2.83%~4.70%
31 December 2020	3.04%~4.70%

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period.

(b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusted where appropriate to reflect the Group’s historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2020) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) *Mortality and morbidity assumptions (Continued)*

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

(c) *Expenses assumptions*

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(d) *Policy dividend assumption*

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(e) *Lapse rate and other assumptions*

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(2) Net liabilities of insurance contracts

	As at 31 December 2021	As at 31 December 2020
Gross		
Long-term insurance contract liabilities	859,926	750,258
Short-term insurance contract liabilities		
– Outstanding claims liabilities	2,184	1,802
– Unearned premiums liabilities	1,585	2,349
Total, gross	863,695	754,409
Recoverable from reinsurers		
Long-term insurance contracts (Note 13)	(3,595)	(3,120)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 13)	(74)	(83)
– Unearned premiums liabilities (Note 13)	(69)	(217)
Total, ceded	(3,738)	(3,420)
Net		
Long-term insurance contract liabilities	856,331	747,138
Short-term insurance contract liabilities		
– Outstanding claims liabilities	2,110	1,719
– Unearned premiums liabilities	1,516	2,132
Total, net	859,957	750,989

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

	For the year ended 31 December	
	2021	2020
Beginning of the year – Gross	1,802	1,611
Cash paid for claims settled in the year		
– Cash paid for current year claims	(2,261)	(2,020)
– Cash paid for prior year claims	(1,105)	(938)
Claims incurred in the year		
– Claims arising in the current year	4,130	3,687
– Claims adjusted for prior years	(382)	(538)
End of the year – Gross	2,184	1,802

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2020	2,102	(185)	1,917
Increase	7,394	(948)	6,446
Release	(7,147)	916	(6,231)
As at 31 December 2020	2,349	(217)	2,132
Increase	5,513	(439)	5,074
Release	(6,277)	587	(5,690)
As at 31 December 2021	1,585	(69)	1,516

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

15 INSURANCE CONTRACT LIABILITIES (Continued)

(4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

	For the year ended 31 December	
	2021	2020
Beginning of the year	750,258	654,478
Premiums	157,957	152,117
Release of liabilities (i)	(99,592)	(109,379)
Accretion of interest	29,769	27,612
Changes in assumption (ii)	12,076	11,644
Other movements (iii)	9,458	13,786
End of the year	859,926	750,258

- (i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.
- (ii) Changes in assumptions are impact of changes in the discount rate assumption, mortality and morbidity assumptions, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.
- (iii) Other movements include accumulated realized but not yet announced policy dividend movement and change of shadow adjustments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

16 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movements in liabilities of investment contracts:

	For the year ended 31 December	
	2021	2020
Investment contracts excluding unit-linked contracts		
Beginning of the year	51,476	46,366
Deposits received	12,041	11,478
Deposits paid and liabilities transferred out	(7,987)	(8,360)
Policy fees deducted from account balances	(65)	(45)
Interest and benefits accredited	2,246	1,983
Changes in investment contracts recorded in other comprehensive income	(20)	54
End of the year	57,691	51,476
Unit-linked contracts		
Beginning of the year	196	152
Deposits received	1	–
Deposits paid and liabilities transferred out	(15)	(15)
Fair value changes	42	59
End of the year	224	196
End of the year – Gross	57,915	51,672

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

17 BORROWINGS

Upon the approval of CBIRC and the People's Bank of China, on 11 May 2020, the Company issued 10-year capital supplementary bonds in the inter-bank market, and completed the issuance on 13 May 2020, which were in an aggregate principal amount of RMB10,000 million, and with an interest rate of 3.3% per annum for the first five years. The Company has the right to redeem the bonds partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 4.3% per annum beginning in the sixth year until the maturity date.

The repayments of principals and interests of the subordinated debts are subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

For the year ended 31 December 2021, the Group has no cash flow arising from financing activities related to borrowings. For the year ended 31 December 2020, the Group's cash flow arising from financing activities included issuing capital supplementary bonds, with the amount of RMB10,000 million in the consolidated statements of cash flows, in the consolidated statement of cash flows.

The fair value of borrowings as at 31 December 2021 was RMB9,893 million, which are within Level 2 of the fair value hierarchy.

18 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2021	As at 31 December 2020
Payable to the third party investors of controlled structured entities	2,612	14,837
Total	2,612	14,837

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Notes to Consolidated Financial Statements (Continued)

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19 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2021	As at 31 December 2020
By market		
Inter-bank market	12,982	10,600
Stock exchange	42,433	31,288
Total	55,415	41,888
By collateral		
Bonds	55,415	41,888

Maturity:

	As at 31 December 2021	As at 31 December 2020
Within 3 months (including 3 months)	55,415	41,888

As at 31 December 2021, bonds with par value of RMB14,071 million (as at 31 December 2020: RMB11,873 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values are converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

19 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE (Continued)

As at 31 December 2021, the amount of financial assets deposited in the collateral pool amounted to RMB169,848 million (as at 31 December 2020: RMB164,023 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2021, the Group's cash inflow arising from financing activities included RMB13,611 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2020, the Group's cash outflow arising from financing activities included RMB25,957 million from financial assets sold under agreements to repurchase.

20 REINSURANCE LIABILITIES

The Group normally settle due to reinsurance companies on a quarterly basis.

An aged analysis of the due to reinsurance companies is as follows:

	As at 31 December 2021	As at 31 December 2020
Within 3 months (including 3 months)	504	171
Over 3 months and within 1 year (including 1 year)	–	118
Over 1 year	–	8
Total	504	297

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

21 OTHER LIABILITIES

	As at 31 December 2021	As at 31 December 2020
Salary and welfare payable	4,386	4,404
Payables related to asset-backed securities	2,770	–
Commission and brokerage payable	2,081	2,358
Investment clearing account (Note 14(1))	1,368	2,516
Construction cost payable	1,199	163
Payable to the third party investors of controlled structured entities	730	329
External suppliers payable	649	455
Deferred income	490	504
Repayment payable for non-insurance contracts	374	471
Security deposits by agent for holding the Company's documents	184	188
Unrealized output value added tax	142	121
Taxes payable other than income tax	108	140
Insurance security fund payable	74	111
Unallocated receipts	52	96
Purchase payment for Heilongjiang branch's building (Note 14(2))	37	37
Others	1,126	1,027
Total	15,770	12,920
Current	15,549	12,695
Non-current	221	225
Total	15,770	12,920

Notes to Consolidated Financial Statements (Continued)

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22 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

(1) The amount of income tax charged to the net profit represents:

	For the year ended 31 December	
	2021	2020
Current tax	1,060	1,260
Deferred tax	(341)	(66)
Total income tax	719	1,194

(2) The reconciliation between the Group's effective tax rate and the main applicable tax rate of 25% in the PRC is as follows:

	For the year ended 31 December	
	2021	2020
Profit before income tax	15,670	15,491
Tax computed at the statutory tax rate in China	3,918	3,873
Non-taxable income (i)	(3,285)	(2,764)
Expenses not deductible for tax purpose (i)	84	76
Effect of unrecognized deferred tax assets arising from deductible loss	26	28
Use of deductible tax losses of prior years	(5)	—
Effect of different tax rate of a subsidiary	(3)	(1)
Past due income tax paid	(16)	(18)
Income tax computed at effective tax rate	719	1,194

- (i) Non-taxable income mainly includes interest income from government bonds, dividend income from applicable equity financial assets, etc. Expenses not deductible for tax purposes mainly include those expenses such as supplementary medical insurance, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

22 TAXATION (Continued)

- (3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2020	(696)	858	162
Charged to net profit	(2)	–	(2)
Charged to other comprehensive income	(7)	–	(7)
As at 31 December 2020	(705)	858	153
As at 1 January 2021	(705)	858	153
Charged to net profit	12	33	45
Charged to other comprehensive income	(2)	–	(2)
As at 31 December 2021	(695)	891	196
Net deferred tax liabilities			
As at 1 January 2020	(2,332)	2,034	(298)
Charged to net profit	436	(368)	68
Charged to other comprehensive income	(4,592)	2,157	(2,435)
Charged to other reserve	–	(8)	(8)
As at 31 December 2020	(6,488)	3,815	(2,673)
As at 1 January 2021	(6,488)	3,815	(2,673)
Charged to net profit	329	(33)	296
Charged to other comprehensive income	2,080	(820)	1,260
Charged to other reserve	–	(1)	(1)
As at 31 December 2021	(4,079)	2,961	(1,118)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

22 TAXATION (Continued)

- (3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows: (Continued)

	As at 31 December 2021	As at 31 December 2020
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	4,029	4,666
– deferred tax assets to be recovered after 12 months	1,604	1,223
Subtotal	5,633	5,889
Deferred tax liabilities		
– deferred tax liabilities to be recovered within 12 months	(5,715)	(7,767)
– deferred tax liabilities to be recovered after 12 months	(840)	(642)
Subtotal	(6,555)	(8,409)
Total net deferred tax assets	196	153
Total net deferred tax liabilities	(1,118)	(2,673)

- (4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The amount of deductible unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 31 December 2021	As at 31 December 2020
Deductible losses	590	611
Total	590	611

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

23 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1.

The Company's number of shares is as follows:

	As at 31 December 2021	As at 31 December 2020
Number of shares registered, issued and fully paid at RMB1 per share (in million)	3,120	3,120

24 RESERVES AND RETAINED EARNINGS

	Reserves					Total	Retained earnings (d)
	Share premium (a)	Other reserve	Unrealized income	Surplus reserve (b)	Reserve for general risk (c)		
As at 31 December 2020	23,964	(94)	3,960	7,357	6,067	41,254	40,077
Net profit for the year	–	–	–	–	–	–	14,294
Other comprehensive income	–	–	7,290	–	–	7,290	–
Others	–	31	–	–	–	31	–
Dividends paid	–	–	–	–	–	–	(4,399)
Appropriation to reserve	–	–	–	2,682	1,347	4,029	(4,029)
As at 31 December 2020	23,964	(63)	11,250	10,039	7,414	52,604	45,943
Net profit for the year	–	–	–	–	–	–	14,947
Other comprehensive income	–	–	(3,785)	–	–	(3,785)	–
Others	–	4	–	–	–	4	–
Dividends paid	–	–	–	–	–	–	(4,336)
Appropriation to reserve	–	–	–	2,776	1,447	4,223	(4,223)
As at 31 December 2021	23,964	(59)	7,465	12,815	8,861	53,046	52,331

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

24 RESERVES AND RETAINED EARNINGS (Continued)

(a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

(b) Surplus reserve

Surplus reserve consists of the statutory surplus reserve and the discretionary surplus reserve.

(i) **Statutory surplus reserve**

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital upon approval.

The Company appropriated RMB1,440 million for the year ended 31 December 2021 to the statutory surplus reserve (for the year ended 31 December 2020: RMB1,336 million).

(ii) **Discretionary surplus reserve ("DSR")**

After making necessary appropriations to the statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. Approved at the shareholders' general meeting on 29 June 2021, the Company appropriated RMB1,336 million (10% of the net profit for 2020) to the DSR.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

24 RESERVES AND RETAINED EARNINGS (Continued)

(c) Reserve for general risk

Pursuant to “Financial Standards of Financial Enterprises – Implementation Guide” issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2021, the Group’s financial enterprises engaged in insurance business appropriated RMB1,447 million, 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2020: RMB1,347 million, 10% of the net profit).

(d) Distributable profit

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under IFRSs. Pursuant to a resolution passed at the shareholders’ general meeting on 29 June 2021 a final dividend of RMB1.39 per share (inclusive of tax) totaling RMB4,336 million was declared and paid in 2021.

25 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended 31 December	
	2021	2020
Gross written premiums		
– Insurance contracts	163,470	159,511
Policy fees		
– Investment contracts	65	45
Gross written premiums and policy fees	163,535	159,556

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENT INCOME

	For the year ended 31 December	
	2021	2020
Held-to-maturity investments		
– Interest income	12,244	11,584
Available-for-sale financial assets		
– Interest income	10,267	12,508
– Dividend income	7,101	4,896
– Net realized gains	16,852	8,956
– Impairment losses	(2,269)	(2,703)
Financial assets at fair value through profit or loss		
– Interest income	643	134
– Dividend income	775	1,170
– Fair value losses	(202)	(1,517)
– Net realized gains	1,133	2,679
Loans and receivables		
– Interest income	2,730	2,496
Interest income from bank deposits	5,923	4,628
Interest income from policy loans	2,065	1,799
Derivative financial instruments		
– Fair value gains	5	–
Financial liabilities at fair value through profit or loss		
– Fair value losses	(130)	(383)
Interest income from financial assets purchased under agreements to resell	106	67
Others	–	86
Total	57,243	46,400
Including:		
Investment income based on the effective interest method	33,978	33,216
Investment income from listed investments	20,255	11,983
Investment income from unlisted investments	36,988	34,417
Total	57,243	46,400

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

27 OTHER INCOME

	For the year ended 31 December	
	2021	2020
Management fee income	438	260
Rental income from investment properties	398	368
Government grants	82	77
Others	487	310
Total	1,405	1,015

28 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2021	2020
Gross		
Claims and change in outstanding claims liabilities	3,748	3,150
Life insurance death and other benefits	57,997	65,040
Increase in long-term insurance liabilities	112,805	87,008
Total	174,550	155,198
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	(302)	(275)
Life insurance death and other benefits	(1,516)	(1,103)
Increase in long-term insurance liabilities	(475)	(509)
Total	(2,293)	(1,887)
Net		
Claims and change in outstanding claims liabilities	3,446	2,875
Life insurance death and other benefits	56,481	63,937
Increase in long-term insurance liabilities	112,330	86,499
Total	172,257	153,311

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

29 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2021	2020
Employee benefit expenses (including directors' emoluments) (1)	8,896	8,981
Depreciation and amortization	1,484	1,386
Operating lease expense	353	371
Official fees	285	290
Insurance guarantee fund	275	289
Electronic equipment operating costs	252	240
Entertainment fees	238	319
Travel and conference fees	228	241
Postal fees	127	138
Promotional printing cost	77	104
Regulatory fees	69	—
Advertising fees	27	56
Auditors' remuneration fees	21	22
Vehicle use fees	16	19
Less: Expenses recoverable from insurers	(400)	(780)
Others	524	719
Total	12,472	12,395

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

29 ADMINISTRATIVE EXPENSES (Continued)

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2021	2020
Salary and welfare expenses	6,421	7,128
Social security costs – pension	763	365
Social security costs – other	912	680
Including:		
Supplementary defined contribution pension expense	374	229
Supplementary medical expense	30	30
Housing fund	594	578
Employee education and labor union fees	206	230
Total	8,896	8,981

30 OTHER EXPENSES

	For the year ended 31 December	
	2021	2020
Tax and surcharges	323	263
Depreciation and amortization	262	266
Exchange losses	116	241
Others	384	359
Total	1,085	1,129

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

31 FINANCE COSTS

	For the year ended 31 December	
	2021	2020
Interest expenses for financial assets sold under agreements to repurchase	448	1,103
Interest expenses for the subordinated debts and asset-backed securities	352	211
Interest expenses for lease liabilities	33	36
Total	833	1,350

32 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2021 was RMB14,947 million (for the year ended 31 December 2020: RMB14,294 million) which is included in the consolidated financial statements of the Group.

33 EARNINGS PER SHARE

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	For the year ended 31 December	
	2021	2020
Net profit attributable to shareholders of the Company (RMB in millions)	14,947	14,294
Weighted average number of ordinary shares issued (in millions)	3,120	3,120
Basic earnings per share (RMB)	4.79	4.58

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2021 (for the year ended 31 December 2020: same).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

34 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 29 June 2021, a final dividend of RMB1.39 per ordinary share (inclusive of tax) totalling RMB4,336 million was declared and paid in 2021. The dividend has been recorded in the consolidated financial statements for the year ended 31 December 2021.

Pursuant to a resolution passed at the meeting of the Board of Directors on 29 March 2022, a final dividend of RMB1.44 per ordinary share (inclusive of tax) totalling RMB4,492 million was proposed for shareholders' approval at the forthcoming Annual General Meeting. The dividend has not been recorded in the consolidated financial statements for the year ended 31 December 2021.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

(a) Subsidiaries

Refer to Note 38 (5) for the basic and related information of subsidiaries.

(b) Associates and joint ventures

Refer to Note 10 for the basic and related information of associates and joint ventures.

(c) Other related parties

Significant related parties	Relationships
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company
China Baowu Steel Group Corporation Limited. ("China Baowu")	Shareholder that has significant influence over the Company
FOSUN International Limited and its subsidiaries ("FOSUN International")	Company under direct or indirect control of shareholder that has significant influence over the Company
Hwabao WP Fund Management Co., Ltd ("Hwabao WP Fund")	Company under indirect control of shareholder that has significant influence over the Company
Tebon Fund Management Co., Ltd ("Tebon Fund")	Company under direct or indirect control of shareholder that has significant influence over the Company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties

The table set forth below summarizes significant related party transactions:

	For the year ended 31 December	
	2021	2020
Transactions between the Group and other related parties		
– Investment income arising from investing trust products related to China Jinmao (xii)	242	183
– Cash dividends received from China Jinmao (ii)	235	218
– Investment income arising from investing financial assets of FOSUN International (ix)	106	51
– Investment income arising from investing trust products related to FOSUN International (xi)	75	75
– Health check and service fee paid to New China Health (iii)	41	47
– Interests from bonds issued by Huijin (i)	35	39
– Cash dividends received from Huixin Investment International (ii)	33	34
– Investment income arising from investing fund of Hwabao WP Fund (x)	10	7
– Rent earned from New China Health (iv)	10	9
– Cash dividends received from Zijin Century	–	36
– Investment income arising from investing fund of Tebon Fund	–	3
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company (v)	677	595
– Additional capital contribution to Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation") (Note 38(5)(ii))	180	600
– Investment management fee to New China Asset management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)") (v)	67	63
– Rent paid to Xinhua Haoran Property Management (Beijing) Co., Ltd. ("Xinhua Haoran") (vi)	54	45
– Rent earned from Asset Management Company (iv)	15	14
– Conference and training fees paid to New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology") (viii)	13	10
– IT service fee paid to New China Electronic Commerce Co., Ltd. ("Electronic Commerce") (vii)	16	18
– Rent earned from New China Pension Co., Ltd. ("New China Pension") (iv)	5	5
– Medical examination fee paid to New China Excellent Rehabilitation Hospital Co., Ltd. ("Rehabilitation Hospital") (xiii)	3	1
– Sales commissions earned from New China Pension	–	2

The above significant transactions with related parties did not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(i) *Bond interest from Huijin*

Huijin became a shareholder of the Company in 2009 and directly held 31.34% of the Company's shares as at 31 December 2021. Huijin is a state-owned investment company established in Beijing on December 2003, under the Company Law of the PRC, which is approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and the Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, 2015 and 2017, the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market respectively. The bonds with par value of RMB200 million, matured in 2018. The bonds with par value of RMB100 million, matured in 2020. At 31 December 2021, the carrying value of these bonds was RMB900 million (as at 31 December 2020: RMB900 million). The recognized bond interest for the year ended 31 December 2021 was RMB35 million (for the year ended 31 December 2020: RMB39 million).

(ii) *Cash dividends received*

In 2021, the Company received cash dividends amounted to RMB235 million from China Jinmao (for the year ended 31 December 2020: RMB218 million).

In 2021, the Company received cash dividends amounted to RMB33 million from Huixin Investment International (for the year ended 31 December 2020: RMB34 million).

(iii) *Health check and service fee paid to New China Health*

The Company entered into a contract with New China Health. According to the contract, the Company purchased health services from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB41 million of expenses were incurred in 2021 (for the year ended 31 December 2020: RMB47 million).

(iv) *Office rental contracts*

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The annual rentals were approximately RMB15 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB14 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(iv) Office rental contracts (Continued)

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The annual rentals were approximately RMB5 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB5 million).

The Company leased part of the office building located in International City Unit AB at Wuhan, Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in European City at Nanjing, and part of the office building located in part of the office building located in Xianglong Building at Yantai to New China Health. The annual rentals were about RMB10 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB9 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2021. According to this agreement, Asset Management Company provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company. The Company has the right to deduct fees based on the performance of Asset Management Company or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2021. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

The Company entrusted Asset Management Company to use domestic entrusted funds, and the investment management fee is RMB677 million (for the year ended 31 December 2020: RMB595 million). The Company entrusted Asset Management Company (Hong Kong) to use overseas entrusted funds, and the investment management fee is RMB67 million (for the year ended 31 December 2020: RMB63 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(vi) *Rent and property management fee paid to Xinhua Haoran*

The Company entered into a one-year lease contract of rent and property management for 2021 with Xinhua Haoran. According to the contract, the Company rents part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Xinhua Haoran, as well as receives property management services. The annual rent expenses and property management fees incurred in administrative expense were RMB54 million in 2021 (2020: RMB45 million).

(vii) *IT service fee paid to Electronic Commerce*

The Company paid for IT service fees to Electronic Commerce, for providing online shop and web portal services including applications, softwares, products platforms, customized development and maintenance. Approximately RMB16 millions of IT service fee which needed to be paid to Electronic Commerce were incurred in 2021 (for the year ended 31 December 2020: RMB18 million).

(viii) *Conference and training fees paid to Health Technology*

The Company paid for conference and training service fees to Health Technology. Approximately RMB13 millions of expenses were incurred in 2021 (for the year ended 31 December 2020: RMB10 million).

(ix) *Investment income arising from investing financial assets of FOSUN International*

In 2020, the Company purchased and redeemed financial assets issued by FOSUN International with insurance fund based on market principle of justice and equity. In 2020, the Company recognized investment income amounted to RMB106 million (for the year ended 31 December 2020: income amounted to RMB51 million).

(x) *Investment income arising from investing fund of Hwabao WP Fund*

In 2021, the Company did not purchase or redeem public offered funds of Hwabao Fund with insurance capital in either market in the field or over-the-counter market. In 2021, the Company recognized investment income arising from public offered funds of Hwabao Fund invested by the Company in previous periods amounted to RMB10 million (for the year ended 31 December 2020: RMB7 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(xi) *Investment income arising from trust products related to FOSUN International*

On 28 August 2019, the second meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with Five FOSUN Affiliates", which enable the Company to use insurance funds to purchase and redeem all kinds of trust products related to FOSUN International. In 2021, the Company recognized investment income amounted to RMB75 million (for the year ended 31 December 2020: RMB75 million).

(xii) *Investment income arising from trust products related to China Jinmao*

On 25 March 2020, the eighth meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with China Jinmao", which enables Asset Management Company to use the entrusted funds of the Company to purchase trust products guaranteed by China Jinmao. The Company recognized investment income of the above trust product transaction of RMB242 million (for the year ended 31 December 2020: RMB183 million).

(xiii) *Medical examination fee paid to Rehabilitation Hospital*

The Company paid medical examination fee to Rehabilitation Hospital. Approximately RMB3 million of expenses were incurred in 2021 (for the year ended 31 December 2020: RMB1 million).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fee to Asset Management Company and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health service fee and examination fee to New China Health and Rehabilitation Hospital is calculated based on market price. The rent paid to Xinhua Haoran is based on the price agreed by both of the deal. The IT service fee to Electronic Commerce, the conference and training fees to Health Technology are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated price between transaction parties.

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

	As at 31 December 2021	As at 31 December 2020
Interest receivable		
Huijin	12	12
FOSUN International	59	17
Other receivables		
New China Health	1	8
Other payables		
New China Health	7	5

	As at 31 December 2021	As at 31 December 2020
Payables to subsidiaries		
Asset Management Company	193	172
Asset Management Company (Hong Kong)	17	15
Xinhua Haoran	1	1
Electronic Commerce	16	14

No provision has been made for receivables from related parties as at 31 December 2021 (as at 31 December 2020: Same).

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2021	2020
Payroll and welfare	22	27

The annual performance bonus of key management for 2021 has not been finalized. Detailed information will be disclosed separately after it has been finalized.

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance related and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. 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. Nevertheless, the Group believes that the following captures the material related parties and has applied IAS 24 (amendment) exemption and disclosed only qualitative information.

As at 31 December 2021, most of bank deposits were with state-owned banks; the issuers of debt financial assets held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2021, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of the bank deposit interest income was from state-owned banks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

36 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

As at 31 December 2021, except for the items described above, all kinds of estimations and contingencies resulting from insurance services within the scope of this report, the Group does not have any significant contingency that needs description.

37 COMMITMENTS

(1) Capital commitments

The Group had capital commitments for the purchase of property, plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 31 December 2021	As at 31 December 2020
Contracted, but not provided for	3,127	1,996
Authorized, but not contracted for	163	101
Total	3,290	2,097

(2) Investment commitments

As at 31 December 2021, a total amount of RMB1,968 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2020: RMB1,448 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS

Statement of Financial Position

	Notes	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	38(1)	12,497	11,148
Investment properties	38(2)	9,453	8,895
Right-of-use assets	38(3)	1,154	1,222
Intangible assets	38(4)	1,871	1,796
Investments in subsidiaries	38(5)	60,041	50,632
Investments in associates and joint ventures	38(6)	5,111	4,630
Debt financial assets		562,193	551,520
– Held-to-maturity	38(7a)	300,830	272,874
– Available-for-sale	38(7b)	180,497	232,499
– At fair value through profit or loss	38(7c)	26,343	6,520
– Loans and receivables	38(7d)	54,523	39,627
Equity financial assets		236,438	190,765
– Available-for-sale	38(7b)	220,884	186,812
– At fair value through profit or loss	38(7c)	15,554	3,953
Term deposits	38(7e)	147,580	93,680
Statutory deposits	38(7f)	715	715
Policy loans		40,806	37,732
Financial assets purchased under agreements to resell		2,086	1,000
Derivative Financial Instruments		4	–
Accrued investment income	38(7g)	11,299	9,693
Premiums receivable	12	2,867	2,312
Reinsurance assets	13	3,981	3,666
Other assets	38(8)	4,726	2,274
Cash and cash equivalents		13,458	11,233
Total assets		1,116,280	982,913

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Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

Statement of Financial Position (Continued)

	Notes	31 December 2021	31 December 2020
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	15	859,926	750,258
Short-term insurance contract liabilities			
– Outstanding claims liabilities	15	2,184	1,802
– Unearned premiums liabilities	15	1,585	2,349
Investment contracts	16	57,915	51,672
Policyholder dividends payable		9	3
Borrowings	17	10,000	10,000
Lease liabilities	38(3)	993	1,044
Financial assets sold under agreements to repurchase	38(9)	52,906	40,374
Benefits, claims and surrenders payable		5,971	6,445
Premiums received in advance		5,095	6,458
Reinsurance liabilities		504	297
Other liabilities	38(10)	13,395	11,150
Deferred tax liabilities	38(11)	603	2,152
Total liabilities		1,011,086	884,004
Shareholders' equity			
Share capital		3,120	3,120
Reserves	38(12)	52,957	52,517
Retained earnings		49,117	43,272
Total equity		105,194	98,909
Total liabilities and equity		1,116,280	982,913

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2021	9,880	1,080	140	1,869	12,969
Additions	15	148	26	2,675	2,864
Transfers upon completion	1,576	39	–	(1,615)	–
Transfer from investment properties (Note 38(2))	382	–	–	–	382
Transfer to investment properties (Note 38(2))	(11)	–	–	(1,090)	(1,101)
Transfer to intangible assets (Note 38(4))	–	–	–	(292)	(292)
Disposals	(2)	(26)	(46)	–	(74)
Others	(4)	–	–	–	(4)
As at 31 December 2021	11,836	1,241	120	1,547	14,744
Accumulated depreciation					
As at 1 January 2021	(1,082)	(663)	(76)	–	(1,821)
Charges for the year	(282)	(123)	(10)	–	(415)
Transfer from investment properties (Note 38(2))	(74)	–	–	–	(74)
Transfer to investment properties (Note 38(2))	1	–	–	–	1
Disposals	–	24	38	–	62
As at 31 December 2021	(1,437)	(762)	(48)	–	(2,247)
Net book value					
As at 1 January 2021	8,798	417	64	1,869	11,148
As at 31 December 2021	10,399	479	72	1,547	12,497

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2020	8,168	951	148	2,509	11,776
Additions	130	159	1	1,258	1,548
Transfers upon completion	1,514	13	–	(1,527)	–
Transfer from investment properties (Note 38(2))	136	–	–	–	136
Transfer to investment properties (Note 38(2))	(68)	–	–	(106)	(174)
Transfer to intangible assets (Note 38(4))	–	–	–	(265)	(265)
Disposals	–	(43)	(9)	–	(52)
As at 31 December 2020	9,880	1,080	140	1,869	12,969
Accumulated depreciation					
As at 1 January 2020	(875)	(601)	(72)	–	(1,548)
Charges for the year	(221)	(102)	(11)	–	(334)
Transfer from investment properties (Note 38(2))	(7)	–	–	–	(7)
Transfer to investment properties (Note 38(2))	21	–	–	–	21
Disposals	–	40	7	–	47
As at 31 December 2020	(1,082)	(663)	(76)	–	(1,821)
Net book value					
As at 1 January 2020	7,293	350	76	2,509	10,228
As at 31 December 2020	8,798	417	64	1,869	11,148

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(2) Investment properties

	For the year ended 31 December	
	2021	2020
Cost		
Beginning of the year	9,955	9,921
Transfers from property, plant and equipment (Note 38(1))	1,101	174
Transfer to property, plant and equipment (Note 38(1))	(382)	(136)
Others	–	(4)
End of the year	10,674	9,955
Accumulated depreciation		
Beginning of the year	(1,060)	(809)
Transfers from property, plant and equipment (Note 38(1))	(1)	(21)
Transfer to property, plant and equipment (Note 38(1))	74	7
Charges for the year	(234)	(237)
End of the year	(1,221)	(1,060)
Net book value		
Beginning of the year	8,895	9,112
End of the year	9,453	8,895

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Buildings	Others	Total
Cost			
As at 1 January 2021	1,999	4	2,003
Additions	580	1	581
Decrease	(511)	(1)	(512)
As at 31 December 2021	2,068	4	2,072
Accumulated depreciation			
As at 1 January 2021	(780)	(1)	(781)
Charges for the year	(549)	(1)	(550)
Decrease	413	–	413
As at 31 December 2021	(916)	(2)	(918)
Net book value			
As at 31 December 2021	1,152	2	1,154
As at 1 January 2021	1,219	3	1,222

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Right-of-use assets (Continued)

	Buildings	Right-of-use assets Others	Total
Cost			
As at 1 January 2020	1,570	2	1,572
Additions	732	2	734
Decrease	(303)	–	(303)
As at 31 December 2020	1,999	4	2,003
Accumulated depreciation			
As at 1 January 2020	(458)	–	(458)
Charges for the year	(557)	(1)	(558)
Decrease	235	–	235
As at 31 December 2020	(780)	(1)	(781)
Net book value			
As at 31 December 2020	1,219	3	1,222
As at 1 January 2020	1,112	2	1,114

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities		
	Buildings	Others	Total
As at 1 January 2021	1,041	3	1,044
Additions	482	–	482
Accretion of interest recognized during the year	33	–	33
Payments	(564)	(2)	(566)
As at 31 December 2021	992	1	993
Current	408	1	409
Non-current	584	–	584

	Lease liabilities		
	Buildings	Others	Total
As at 1 January 2020	920	1	921
Additions	662	3	665
Accretion of interest recognized during the year	35	–	35
Payments	(576)	(1)	(577)
As at 31 December 2020	1,041	3	1,044
Current	408	1	409
Non-current	633	2	635

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Leases (Continued)

Lease liabilities (Continued)

The amounts recognized in profit or loss in relation to leases are as follows:

	2021	2020
Interest on lease liabilities	(33)	(35)
Depreciation expense of right-of-use assets	(550)	(558)
Expense relating to short-term leases (included in administrative expenses)	(64)	(83)
Total amount recognized in profit or loss	(647)	(676)

(4) Intangible assets

	Computer software	Land use rights	Total
Cost			
As at 1 January 2021	1,658	1,393	3,051
Additions	28	–	28
Transfers from property, plant and equipment (Note 38(1))	292	–	292
Disposals	(1)	–	(1)
As at 31 December 2021	1,977	1,393	3,370
Accumulated amortization			
As at 1 January 2021	(999)	(256)	(1,255)
Amortization	(211)	(34)	(245)
Disposals	1	–	1
As at 31 December 2021	(1,209)	(290)	(1,499)
Net book value			
As at 1 January 2021	659	1,137	1,796
As at 31 December 2021	768	1,103	1,871

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Financial Statements

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Intangible assets (Continued)

	Computer software	Land use rights	Total
Cost			
As at 1 January 2020	1,376	1,393	2,769
Additions	17	–	17
Transfers from property, plant and equipment (Note 38(1))	265	–	265
As at 31 December 2020	1,658	1,393	3,051
Accumulated amortization			
As at 1 January 2020	(812)	(221)	(1,033)
Amortization	(187)	(35)	(222)
As at 31 December 2020	(999)	(256)	(1,255)
Net book value			
As at 1 January 2020	564	1,172	1,736
As at 31 December 2020	659	1,137	1,796

(5) Investments in subsidiaries

	As at 31 December 2021	As at 31 December 2020
Unlisted investments at cost	60,041	50,632

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries as at 31 December 2021 are as follows:

	Place of incorporation/ registration and business	Principal activities	Type of legal entity	Registered share capital	Percentage of equity attributable to the Company	
					Direct	Indirect
Asset Management Company	Beijing, China	Asset management	Limited company	RMB500 million	99.40%	–
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	Limited company	HKD50 million	40%	59.64%
Health Technology	Beijing, China	Real estate property development and training	Limited company	RMB1,575 million	100%	–
Xinhua Village Seniors Service (Beijing) Co., Ltd.	Beijing, China	Service	Limited company	RMB964 million	100%	–
Xinhua Village Seniors Operation Management (Beijing) Co., Ltd. ("Xinhua Seniors Operation") (i)	Beijing, China	Service	Limited company	RMB260 million	100%	–
Electronic Commerce	Beijing, China	Electronic commerce	Limited company	RMB200 million	100%	–
Guangzhou Yuerong Project Construction Management Co., Ltd.	Guangzhou, China	Real estate property investment and management	Limited company	RMB10 million	100%	–
Hefei Supporting Operation (ii)	Hefei, China	Real estate property investment and management	Limited company	RMB3,200 million	100%	–
New China Pension	Shenzhen, China	Insurance service	Limited company	RMB5 billion	99.80%	0.20%
Hainan Seniors	Qionghai, China	Real estate property development and training	Limited company	RMB1,908 million	100%	–
Xinhua Haoran (iii)	Beijing, China	Real estate lease and property management	Limited company	RMB500 million	100%	–
Rehabilitation Hospital	Beijing, China	Medical service	Limited company	RMB170 million	100%	–

All subsidiaries of the Company are unlisted, there are no issued share capital or debt securities.

All subsidiaries are included in the consolidation. There are no significant restrictions on the use of assets or the discharge of liabilities of all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

All companies comprising the Group have adopted 31 December as their financial year end date.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

The English names of certain subsidiaries represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

- (i) On 28 April 2020, the ninth meeting of the seventh session of the Board of Directors of the Company considered and approved the proposal of “Adjusting Shanggu Real Estate into a Seniors Operation Management Company and Increasing the Registered Capital – Related Party Transactions”, which decided to change the name of Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. to Xinhua Village Seniors Operation Management (Beijing) Co., Ltd., adjust its business scope, change the representative of corporation and increase the registered capital of RMB245 million. On 7 January 2021, Xinhua Seniors Operation has registered the change, and the registered capital is RMB260 million after the change. As of the approval date of the financial statements, the Company has not actually paid additional capital contribution.
- (ii) The seventh meeting of the sixth session of the Board of Directors in 2016 considered and approved the proposal of “Increasing the Registered Capital of Subsidiaries of Hefei Supporting Operation – Related Party Transactions”, which decided to increase the registered capital of Hefei Supporting Operation from RMB500 million to RMB3,200 million. Hefei Supporting Operation has registered the change of the registered capital on 25 July 2017. On 19 July 2021, the Company paid a capital increase of RMB180 million to the Hefei Supporting Operation. As at 31 December 2021, the Company’s accumulated capital contributions to Hefei Supporting Operation is RMB2,180 million.
- (iii) On 4 November 2021, Xinhua Haoran Architecture Science and Technology Co., Ltd. changed its name to Xinhua Haoran Property Management (Beijing) Co., Ltd. and registered the change.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

Details of the Company's main controlled structured entities at 31 December 2021 are as follows:

	Place of incorporation/ registration and business	Principal activities	Registered share capital	Percentage of equity attributable to the Group
New China Asset Management- Mingmiao No.2 Asset Management Product	Not applicable	Asset management product	RMB5,569 million	97.98%
New China Asset Management – Mingmiao No.10 Asset Management Product	Not applicable	Asset management product	RMB5,073 million	98.02%
New China Asset Management- Mingmiao No.9 Asset Management Product	Not applicable	Asset management product	RMB4,847 million	98.58%
New China Asset Management- Minghui No.1 Asset Management Product	Not applicable	Asset management product	RMB3,432 million	100.00%
New China Asset Management- Mingyuan No.11 Asset Management Product	Not applicable	Asset management product	RMB3,002 million	100.00%
New China- Greatwall Group Infrastructure and Property Debt Investment Plan	Not applicable	Debt Investment Plan	RMB3 billion	100.00%
New China Asset Management – Jingxing Series Special Products (Fifth Phase)	Not applicable	Asset management product	RMB2,981 million	100.00%
New China Asset Management – Jingxing Series Special Products (Third Phase)	Not applicable	Asset management product	RMB2,635 million	100.00%
New China- Wanke Wuhan Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB2,625 million	100.00%
New China- Qingdao Shenlan Center Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB2,500 million	100.00%
New China Asset Management- Mingmiao No.1 Asset Management Product	Not applicable	Asset management product	RMB2,268 million	100.00%
New China-Urban Construction Infrastructure and Property Debt Investment Plan (First Phase)	Not applicable	Debt Investment Plan	RMB2 billion	100.00%
New China- Urban Construction Infrastructure and Property Debt Investment Plan (Second Phase)	Not applicable	Debt Investment Plan	RMB2 billion	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Investments in subsidiaries (Continued)

Details of the Company's main controlled structured entities at 31 December 2021 are as follows: (Continued)

	Place of incorporation/ registration and business	Principal activities	Registered share capital	Percentage of equity attributable to the Group
New China-Urban Construction Development Infrastructure and Property Debt Investment Plan (First Phase)	Not applicable	Debt Investment Plan	RMB1,800 million	100.00%
New China Asset Management – Jingxing Series Special Products (Eighth Phase)	Not applicable	Asset management product	RMB1,702 million	100.00%
New China-Wanke Logistics Infrastructure and Property Debt Investment Plan (Third Phase)	Not applicable	Debt Investment Plan	RMB1,577 million	100.00%
New China-Urban Construction Development Infrastructure and Property Debt Investment Plan (Second Phase)	Not applicable	Debt Investment Plan	RMB1,500 million	100.00%
Cigna & CMB Asset Management- Shanghai Binjiang Center Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1,500 million	93.33%
New China Asset Management- Mingyi No.17 Asset Management Product	Not applicable	Asset management product	RMB1,474 million	100.00%
New China Asset Management – Select Hong Kong Stock Connect No.1 Asset Management Product	Not applicable	Asset management product	RMB1,446 million	63.86%
New China-Haidian Stated Capital Infrastructure and Property Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1,310 million	84.73%
New China Asset Management- Mingyuan No.12 Asset Management Product	Not applicable	Asset management product	RMB1,200 million	100.00%
New China Asset Management- Mingxing No.5 Asset Management Product	Not applicable	Asset management product	RMB1,098 million	100.00%
New China Asset Management- Mingyi No.1 Asset Management Product	Not applicable	Asset management product	RMB1,045 million	39.03%
New China-Urban Construction Development Infrastructure and Property Debt Investment Plan (Third Phase)	Not applicable	Debt Investment Plan	RMB1 billion	70.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Investments in associates and joint ventures

	For the year ended 31 December	
	2021	2020
Beginning of the year	4,630	4,563
Additions	127	–
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	111	–
Share of profit	347	231
Cash dividend from investments in associates	(235)	(254)
Disposals	–	(144)
Share of other comprehensive income	125	194
Share of other reserves	6	40
End of the year	5,111	4,630

(7) Financial assets

(a) Held-to-maturity investments

	As at 31 December 2021	As at 31 December 2020
Debt financial assets		
Government bonds	210,682	166,188
Financial bonds	28,202	28,262
Corporate bonds	35,688	38,529
Subordinated bonds	26,258	39,895
Total	300,830	272,874
Debt financial assets		
Listed	125,172	122,923
Unlisted	175,658	149,951
Total	300,830	272,874

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(a) Held-to-maturity investments (Continued)

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	21,869	19,546
After 1 year but within 3 years (including 3 years)	21,285	34,528
After 3 years but within 5 years (including 5 years)	21,974	18,022
After 5 years	235,702	200,778
Total	300,830	272,874

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(b) Available-for-sale financial assets

	As at 31 December 2021	As at 31 December 2020
Debt financial assets		
Government bonds	59,690	55,887
Financial bonds	17,524	20,646
Corporate bonds	8,841	10,811
Subordinated bonds	11,207	17,306
Trust products	83,035	98,869
Wealth investment products	—	28,980
Others	200	—
Subtotal	180,497	232,499
Equity financial assets		
Funds	68,400	51,792
Stocks	76,156	72,281
Preferred stock	4,978	4,902
Asset management products	23,318	20,273
Private equity	10,664	9,411
Equity investment plans	8,290	4,750
Other unlisted equity securities	17,426	16,524
Perpetual bonds	11,524	6,229
Other equity investment	128	650
Subtotal	220,884	186,812
Total	401,381	419,311
Debt financial assets		
Listed	37,808	33,575
Unlisted	142,689	198,924
Subtotal	180,497	232,499
Equity financial assets		
Listed	83,060	78,942
Unlisted	137,824	107,870
Subtotal	220,884	186,812
Total	401,381	419,311

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	16,289	48,288
After 1 year but within 3 years (including 3 years)	52,085	61,835
After 3 years but within 5 years (including 5 years)	50,045	44,924
After 5 years	62,078	77,452
Total	180,497	232,499

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(c) Financial assets at fair value through profit or loss

	As at 31 December 2021	As at 31 December 2020
Held for trading		
Debt financial assets		
Financial bonds	10	61
Corporate bonds	7,697	4,981
Subordinated bonds	1,426	1,478
Certificates of deposit	17,210	—
Debt financial assets subtotal	26,343	6,520
Equity financial assets		
Funds	2,869	1,643
Stocks	970	488
Asset management product	11,404	1,525
Perpetual bonds	311	297
Equity financial assets subtotal	15,554	3,953
Subtotal	41,897	10,473
Total	41,897	10,473
Debt financial assets		
Listed	5,735	4,589
Unlisted	20,608	1,931
Subtotal	26,343	6,520
Equity financial assets		
Listed	1,169	486
Unlisted	14,385	3,467
Subtotal	15,554	3,953
Total	41,897	10,473

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(d) Loans and receivables

	As at 31 December 2021	As at 31 December 2020
Asset funding plans	1,900	–
Debt investment plan	52,623	39,627
Total	54,523	39,627

Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are usually with a period of 3 years to 10 years.

(e) Term deposits

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	27,460	15,000
After 1 year but within 3 years (including 3 years)	84,320	62,430
After 3 years but within 5 years (including 5 years)	33,800	12,350
More than 5 years	2,000	3,900
Total	147,580	93,680

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Financial assets (Continued)

(f) Statutory deposits

Maturity	As at 31 December 2021	As at 31 December 2020
Within 1 year (including 1 year)	615	–
After 1 year but within 3 years (including 3 years)	100	715
Total	715	715

According to the relevant regulations issued by the CBIRC, statutory deposits can only be used by insurance companies to discharge debt upon liquidation.

(g) Accrued investment income

	As at 31 December 2021	As at 31 December 2020
Bank deposits	3,805	2,235
Debt financial assets	5,943	6,275
Dividend	44	8
Others	1,507	1,175
Total	11,299	9,693
Current	11,292	9,693
Non-current	7	–
Total	11,299	9,693

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Other assets

	As at 31 December 2021		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 14(1))	2,522	–	2,522
Prepaid and deferred expenses	914	–	914
Receivable from off-balance sheet repurchase transactions (Note 3(7))	874	(874)	–
Prepaid Income tax	794	–	794
Prepayment for Heilongjiang branch's office building (Note 14(2))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 14(3))	16	(16)	–
Receivable from Huaxinrong Company (Note 14(5))	12	(12)	–
Prepayment for Taizhou and Yongzhou cases (Note 14(4))	11	(11)	–
Others	534	(38)	496
Total	5,714	(988)	4,726

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Other assets (Continued)

	As at 31 December 2020		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 14(1))	1,000	–	1,000
Receivable from off-balance sheet repurchase transactions (Note 3(7))	874	(874)	–
Prepaid and deferred expenses	722	–	722
Prepaid income tax	153	–	153
Prepayment for Heilongjiang branch's office building (Note 14(2))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 14(3))	16	(16)	–
Receivable from Huaxinrong Company (Note 14(5))	12	(12)	–
Prepayment for Taizhou and Yongzhou cases (Note 14(4))	11	(11)	–
Others	437	(38)	399
Total	3,262	(988)	2,274

	As at 31 December 2021	As at 31 December 2020
Current	4,445	1,985
Non-current	281	289
Total	4,726	2,274

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Financial assets sold under agreements to repurchase

	As at 31 December 2021	As at 31 December 2020
By market		
Inter-bank market	12,800	10,600
Stock exchange	40,106	29,774
Total	52,906	40,374
By collateral		
Bonds	52,906	40,374

Maturity:

	As at 31 December 2021	As at 31 December 2020
Within 3 months (including 3 months)	52,906	40,374

As at 31 December 2021, bonds with par value of RMB13,650 million (as at 31 December 2020: RMB10,895 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Company in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to the stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Financial assets sold under agreements to repurchase (Continued)

As at 31 December 2021, the amount of financial assets deposited in the collateral pool amounted to RMB154,221 million (as at 31 December 2020: RMB156,796 million). The collateral is restricted from trading during the period of the repurchase transaction. The Company can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2021, the Company's cash inflow arising from financing activities included RMB12,288 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2020, the Company's cash outflow arising from financing activities included RMB27,120 million from financial assets sold under agreements to repurchase.

(10) Other liabilities

	As at 31 December 2021	As at 31 December 2020
Salary and welfare payable	3,656	3,745
Payables related to asset-backed securities	3,000	–
Commission and brokerage payable	2,081	2,358
Investment clearing account (Note 14(1))	1,136	2,324
Construction cost payable	878	160
Repayment payable for non-insurance contracts	374	471
Security deposits by agent for holding the Company's documents	184	188
Insurance security fund payable	74	111
Taxes payable other than income tax	71	89
Unallocated receipts	52	96
Purchase payment for Heilongjiang branch's building (Note 14(2))	37	37
Others	1,852	1,571
Total	13,395	11,150
Current	13,174	10,925
Non-current	221	225
Total	13,395	11,150

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(11) Taxation

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Net deferred tax liabilities	Financial assets	Insurance liabilities and others	Total
As at 1 January 2020	(3,014)	2,770	(244)
Charged to net profit	436	91	527
Charged to other comprehensive income	(4,584)	2,157	(2,427)
Charged to other reserve	–	(8)	(8)
As at 31 December 2020	(7,162)	5,010	(2,152)
As at 1 January 2021	(7,162)	5,010	(2,152)
Charged to net profit	327	(37)	290
Charged to other comprehensive income	2,080	(820)	1,260
Charged to other reserve	–	(1)	(1)
As at 31 December 2021	(4,755)	4,152	(603)

	As at 31 December 2021	As at 31 December 2020
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	3,864	4,522
– deferred tax assets to be recovered after 12 months	1,508	1,158
Subtotal	5,372	5,680
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(5,135)	(7,244)
– deferred tax liabilities to be settled after 12 months	(840)	(588)
Subtotal	(5,975)	(7,832)
Total net deferred tax liabilities	(603)	(2,152)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

38 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(12) Reserves

	Share premium	Other reserve	Unrealized income	Surplus reserve	Reserve for general risk	Total
As at 1 January 2020	23,962	(94)	3,915	7,357	6,053	41,193
Other comprehensive income	–	–	7,275	–	–	7,275
Others	–	31	–	–	–	31
Appropriation to reserve	–	–	–	2,682	1,336	4,018
As at 31 December 2020	23,962	(63)	11,190	10,039	7,389	52,517
Other comprehensive income	–	–	(3,780)	–	–	(3,780)
Others	–	4	–	–	–	4
Appropriation to reserve	–	–	–	2,776	1,440	4,216
As at 31 December 2021	23,962	(59)	7,410	12,815	8,829	52,957

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

39 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

(1) Directors' emoluments

The directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation which are linked to the performance of the Group and each of the individual directors.

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2021 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Zhibin Xu (i)	-	-	-	-	-	-	-
Haoling Liu (ii)	-	-	-	-	-	-	-
Quan Li	-	2,843	-	-	-	-	2,843
Hong Zhang (iii)	-	1,386	-	-	-	-	1,386
Yi Yang	-	-	-	-	-	-	-
Ruixiang Guo (iv)	-	-	-	-	-	-	-
Xingda He (v)	-	-	-	-	-	-	-
Xue Yang (v)	-	-	-	-	-	-	-
Aimin Hu	-	-	-	-	-	-	-
Qingqiang Li	-	-	-	-	-	-	-
Yulong Peng	-	-	-	-	-	-	-
Edouard SCHMID	-	-	-	-	-	-	-
Xianglu Li	320	-	-	-	-	-	320
Wei Zheng	320	-	-	-	-	-	320
Lie Cheng	270	-	-	-	-	-	270
Jianxin Geng	320	-	-	-	-	-	320
Yiu Tim Ma	270	-	-	-	-	-	270

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

39 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

During the year, no director waived or has agreed to waive any emoluments.

- (i) The Company held the first extraordinary general meeting of 2021 on 19 January 2021. Zhibin Xu was elected as director of the seventh session of the Board of Directors.
- (ii) Resigned on 20 January 2021.
- (iii) The Company held the second extraordinary general meeting of 2021 on 28 April 2021. Hong Zhang was elected as director of the seventh session of the Board of Directors.
- (iv) Resigned on 18 August 2021.
- (v) The Company held the third extraordinary general meeting of 2021 on 23 September 2021. Xingda He and Xue Yang were elected as directors of the seventh session of the Board of Directors.

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2020 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Haoling Liu (i)	-	-	-	-	-	-	-
Quan Li	-	3,126	-	-	-	-	3,126
Zongjian Li (ii)	-	862	-	-	-	-	862
Lianhua Xiong (iii)	-	-	-	-	-	-	-
Yi Yang	-	-	-	-	-	-	-
Ruixiang Guo	-	-	-	-	-	-	-
Aimin Hu	-	-	-	-	-	-	-
Qiqiang Li	-	-	-	-	-	-	-
Yulong Peng	-	-	-	-	-	-	-
Edouard SCHMID	-	-	-	-	-	-	-
Xianglu Li	320	-	-	-	-	-	320
Wei Zheng	320	-	-	-	-	-	320
Jianxin Geng	320	-	-	-	-	-	320
Lie Cheng	270	-	-	-	-	-	270
Yiu Tim Ma	269	-	-	-	-	-	269

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

39 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

During the year, no director waived or has agreed to waive any emoluments.

- (i) Resigned on 20 January 2021.
- (ii) Resigned on 30 April 2020.
- (iii) Resigned on 3 August 2020.

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2021 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Debin Liu (i)	-	-	-	-	-	-
Jiannan Yu	-	-	-	-	-	-
Hongyu Shi (i)	-	-	-	-	-	-
Chongsong Liu	1,098	724	-	-	-	1,822
Zhongzhu Wang	1,134	660	-	-	-	1,794
Chengran Wang	775	-	-	-	-	775

- (i) The Company held the second extraordinary general meeting of 2021 on 28 April 2021. Debin Liu and Hongyu Shi were elected as supervisors of the seventh session of the Board of Supervisors.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

39 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(2) Supervisors' emoluments (Continued)

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2020 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	2,341	-	-	-	-	2,341
Zhongzhu Wang	1,293	767	-	-	-	2,060
Chongsong Liu	2,809	1,588	-	-	-	4,397
Jiannan Yu	-	-	-	-	-	-
Lizhi Gao (i)	-	-	-	-	-	-

(i) Resigned on 25 February 2021 and ceased to be the supervisors of the Company.

(3) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include 0 (for the year ended 31 December 2020: 0) director whose emoluments as the director of the Company are reflected in the analysis presented above.

For the year ended 31 December 2021, details of remuneration of the 5 (for the year ended 31 December 2020: 5) highest paid individuals are as follows (in RMB thousands):

	For the year ended 31 December	
	2021	2020
Salaries, allowances and benefits in kind	11,074	11,739
Bonuses	24,183	36,098
Pension scheme contributions	1,828	1,259
Others	459	-
Total	37,544	49,096

Section 11

Financial Statements

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2021 (All amounts in RMB millions unless otherwise stated)

39 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(3) Five highest paid individuals (Continued)

The emoluments of the 5 highest paid individuals fell within the following bands:

	As at 31 December	
	2021	2020
HK\$8,000,001 – HK\$8,500,000	2	1
HK\$9,000,001 – HK\$9,500,000	1	1
HK\$9,500,001 – HK\$10,000,000	1	–
HK\$10,500,001 – HK\$11,000,000	1	–
HK\$12,000,001 – HK\$12,500,000	–	2
HK\$16,000,001 – HK\$16,500,000	–	1

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

40 EVENTS AFTER THE REPORTING PERIOD

(1) Dividend

In accordance with the profit distribution plan for the year 2021 approved by the Board on 29 March 2022, with the appropriation to its discretionary surplus reserve of RMB1,440 million (10% of the net profit for 2021), the Company proposed to distribute cash dividends amounting to RMB4,492 million to all shareholders of the Company at RMB1.44 per share (inclusive of tax). The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.

41 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 29 March 2022.