中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

H Share Stock Code : 1339

Being a Heart-Warming Insurer for the People

Annual Report 2021

Company Profile

The Company is the first nation-wide insurance company in the PRC, established on 1 October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, which listed on the Hong Kong Stock Exchange (H share stock code: 1339) in December 2012 and the SSE (A share stock code: 601319) in November 2018. The Company ranked the 90th in the list of Fortune Global 500 (2021) published by the Fortune magazine, up by 22 places than last year.

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

The Company's principal competitive strengths include:

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

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

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

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

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

We have the first nation-wide professional health insurance company with professional capability to create a featured healthy endowment ecosystem;

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

We serve people's livelihood, safeguard the economy, fulfil social responsibilities, grasp policy opportunities and explore new business model with an overall plan;

We have advanced applicable information technology to define a layout in financial technology area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;

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

Contents

Definitions

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

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

Financial Highlights and Operating Highlights

I. Financial Highlights

Highlights of Historical Financial Information of the Company as of the End of the Reporting Periods

Unit: in RMB million, except for percentages

	2021	2020	(% of change)	2019	2018	2017
Group consolidation						
Total assets	**1,376,857**	1,256,064	9.6	1,133,229	1,031,635	987,906
Total liabilities	**1,079,964**	982,508	9.9	885,929	825,334	801,025
Total equity	**296,893**	273,556	8.5	247,300	206,301	186,881
Gross written premiums	**585,425**	563,608	3.9	555,251	498,608	476,447
Net profit	**30,370**	28,233	7.6	31,281	18,715	23,051
Net profit attributable to owners of the Company	**21,476**	20,036	7.2	22,135	12,912	16,099
Earnings per share (RMB)[1]	**0.49**	0.45	7.2	0.50	0.30	0.38
Net assets per share (RMB)[1]	**4.96**	4.58	8.3	4.15	3.46	3.24
Weighted average return on equity (%)	**10.2**	10.4	Decrease of 0.2 pt	13.2	9.0	12.2

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

II. Operating Highlights

1. Steady Growth in Profits and Strong Capital

In 2021, the profit before tax amounted to RMB35,589 million, representing a year-on-year increase of 12.6%. Net profit amounted to RMB30,370 million, representing a year-on-year increase of 7.6%. Net profit attributable to owners of the Company amounted to RMB21,476 million, representing a year-on-year increase of 7.2%. As of 31 December 2021, the comprehensive solvency margin ratio was 301%, while the core solvency margin ratio was 264%.

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

An additional interim dividend was paid to the shareholders, and the total cash dividend for the year of 2021 amounted to RMB1.64 per 10 shares[1], representing a year-on-year increase of 5.1%. The dividend payout ratio based on the net profit attributable to the parent company amounted to 33.8%.

[1] On 25 March 2022, the Board of the Company proposed the distribution of a final dividend of RMB1.47 per 10 shares for the year of 2021. The profit distribution proposal will be implemented upon approval by the general meeting of the Company.

3. More Balanced Development of P&C Insurance with Rapid Growth in Profitability

PICC P&C continued to optimise the business model of vehicle insurance and made efforts to develop the household-owned vehicle insurance business. In 2021, the market share of the household-owned vehicle insurance recorded a year-on-year increase of 1.4 percentage points and the proportion of premiums recorded a year-on-year increase of 1.0 percentage point, which is the best historical record. With significant leading advantage in the industry, the structure and quality of motor vehicle insurance business continued to promote. Meanwhile, PICC P&C strategically developed the non-vehicle insurance business and achieved a gross written premiums (the "**GWPs**") of RMB194,258 million, representing a year-on-year increase of 16.0%. It accounted for 43.2%, representing a year-on-year increase of 4.5 percentage points, realising a more balanced overall business structure.

PICC P&C responded to the trend of comprehensive vehicle insurance reform, made proper responses to major catastrophes such as rainstorms and typhoons, and maintained steady business development. The combined ratio was 99.6%, which continuously outperformed the industry. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%.

4. Steady Rise in the Life and Health Insurance Business Scale with Satisfactory Financial Indicators

As of 31 December 2021, the embedded value of the life and health insurance grew steadily to RMB127,607 million, representing an increase of 8.8% as compared to the end of last year. As the business scale is expanding steadily, the original premiums income in 2021 was RMB132,665 million, representing a year-on-year increase of 3.3%. Its profitability continued to increase, achieving a profit before tax of RMB5,244 million, representing a year-on-year increase of 71.2%.

In face of the complex industrial environment, PICC Life recorded positive growth in original premiums income, with a year-on-year increase in profit before tax of 61.4%. The operating cash flow performance was outstanding, in which the net cash inflows from operating activities were RMB45,771 million, representing a year-on-year increase of 363.4%. The operating results of PICC Health hit a record high, which recorded a year-on-year increase of 622.2% in net profit. The premium scale ranked top among professional health insurance companies. The innovative health insurance products have earned a reputation among customers. Among which, long term insurance products "Hao Yi Bao" (好醫保) series were upgraded and achieved an original premiums income of RMB12,527 million, benefiting 50.73 million customers.

5. Serving the People's Livelihood and Demonstrating the Role of PICC

The Group safeguarded national pillar projects, exclusively underwrote the first national Mars exploration mission and "Deep Sea Warrior" (深海勇士), a manned submersible, chaired the underwriting of the launch of Fengyun 4 Satellite No.2, and actively safeguarded the 2022 Beijing Winter Olympics/ Winter Paralympics. The Group served rural revitalisation, comprehensively participated in the pilot work of full cost and income insurance, and vigorously developed an innovative agricultural insurance business. The "Rural Insurance" achieved an original premiums income of RMB26,460 million, representing a year-on-year increase of 12.0%. In addition, the Group provided inclusive insurance and security to low-income groups, with services covering 20 provinces (autonomous regions and municipalities) nationwide, serving 1.643 million people with a cumulative premiums amount of RMB54,299 million. The Group served the intelligent transportation and upgraded the "linkage between police and insurance". It covered 332 prefecture-level cities in 31 provinces (autonomous regions and municipalities), serving a total of more than 5 million people. The Group served a healthy endowment. It carried out the "Hui Min Bao" (惠民保) business in over 140 cities in 2021, actively served the construction of the national multi-level medical insurance system. As one of the six pilot insurance companies designated by the CBIRC to participate in exclusive commercial pension insurance products, PICC Life issued the first exclusive commercial pension insurance policy in the industry, expanded the first new business group project within the industry, ranked first in the industry in terms of the total number of insurance policies, and ranked second in the industry in terms of premiums scale. The Group served green environmental protection, vigorously developed environmental pollution liability insurance, and innovated green industry-related insurance adapting to sectors such as wind power, photovoltaic, energy-saving buildings and carbon trading. The Group served technological innovation, improved the technology insurance product system, and established the first national intellectual property insurance centre. It provided 6,341 enterprises with intellectual property risk protection in an amount of nearly RMB3 billion in 2021. It served social governance, actively promoted the "City Insurance" project, customised comprehensive services schemes such as "Urban Insurance" and "Community Security Insurance" to provide all-round solutions for social governance. It assisted in pandemic prevention and control, innovated vaccine insurance, and established an insurance mechanism for public health emergencies, which provided 137 million people and 61,000 enterprises with risk protection in an amount of RMB1.52 trillion. It has launched insurance services for adverse reactions to the COVID-19 vaccination and has underwritten a total of nearly 1.5 billion doses of the COVID-19 vaccination, accounting for 55% of the total vaccinations nationwide.

6. Fully Supporting Disaster Relief and Becoming the People's Insurance Company that is Suitable for All

The Group properly responded to major disasters in 2021 such as the rainstorm in Henan on 20 July, typhoon "In-fa", the heavy rainfall in Shanxi, the earthquake disaster in Yunnan and Qinghai, the gas explosion accident in Shiyan, Hubei, and the tornado in Wuhan and Suzhou. It made every effort in disaster relief and claim settlement, took the lead in providing "indiscriminate rescue services" within the industry, established an emergency insurance claim mechanism, and became "the people's insurance company that is suitable for all" with practical actions.

7. Continuous Improvement in Brand Value and Ranked among Top 100 of the Top 500 for the First Time

As the trailblazer and pioneer of the PRC insurance industry, the Group had a history of more than 70 years. Ever since the implementation of the "To be Prominent Strategy", the Group promoted "Six Strategic Services" to serve the national strategy and fulfil the responsibilities of centralised management financial enterprises. The Group is making unremitting efforts to establish an outstanding global insurance group. In 2021, we launched a new brand logo to create a brand image that can be experienced and perceived by our customers with the slogan "Meeting Your Demands and Warming Your Hearts". We were dedicated to becoming "the people's insurance company that is suitable for all" and gave full play to the brand value in enhancing the Group's performance. In 2021, the Group was ranked 90th in the Fortune 500.

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

The Group accelerated the reform of the science and technology management system mechanism and the implementation of informationisation construction plans for "the 14th Five-Year Plan". It continuously deepened science and technology innovation, accelerated digital transformation, strengthened science and technology empowerment of the insurance value chain, and supported the implementation of the "To be Prominent Strategy". Firstly, it optimised the governance, established the Group's research and development centres, data centres and sharing centres, attracted a group of science and technology professionals, prepared for the establishment of the PICC technology company, initially formed an internal corporate operation mechanism, and gradually improved the scientific and technological governance structure. Secondly, it laid a solid foundation, completed the construction and planning of the Group's consolidated data centre, accelerated the construction of the Langfang centre, completed the expansion and technical renovation of the Foshan centre, promoted the integration of diversified fundamental resources and the integration of operation and maintenance, gradually built a multi-site, multi-centre, multi-availability/disaster preparation system, and won the National Green Data Centre Award. Thirdly, it deepened innovation, built a consolidated development, technology, data and intelligence platform for the Group, improved and upgraded the core business system of the principal business of insurance, promoted structural optimisation and application innovation, strongly supported the reform and transformation of the major business companies, and created an independent, controllable, stable and safe technology ecosystem with leading technology. Fourthly, it empowered technology surrounding the "Heart-warming Projects", actively created a series of application systems, supporting business operations and enhancing management capabilities, built the Group's integrated interface and new media marketing account matrix, established a vehicle life services ecosystem, strengthened data monitoring application and risk management and control, and strongly supported the implementation of the "To be Prominent Strategy".

Chairman's Statement

Mr. Luo Xi
Chairman

2021 is a milestone in the history of the Party and the nation, and marked the start of PICC Group's "To be Prominent Strategy". Effectively responding to the triple pressures and changes in industry development, the Group has practically promoted the strategic implementation, improved the quality of insurance supply and maintained a positive development trend with stability, achieving a good start in "the 14th Five-Year Plan".

Results in 2021

In 2021, the Group achieved GWPs of RMB585,425 million, representing a year-on-year increase of 3.9%; and a net profit of RMB30,370 million, representing a year-on-year increase of 7.6%; the Group's total assets amounted to RMB1.38 trillion, representing a year-on-year increase of 9.6%.

With regards to property insurance, PICC P&C made active responses to major catastrophes, captured the market trend after the comprehensive vehicle insurance reform, and achieved more balanced development by focusing on the promotion of optimal structure of vehicle insurance while accelerating the development of non-vehicle insurance business. It achieved a GWPs of RMB449,533 million, representing a year-on-year increase of 3.8%, with an annual combined ratio of 99.6%. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%. **PICC Reinsurance** achieved a reinsurance premium income of RMB6,811 million, representing a year-on-year increase of 31.2%, by taking advantage of the professional reinsurance platform of the Group. **PICC Hong Kong** actively explored international business and achieved a GWPs of RMB1,592 million, representing a year-on-year increase of 28.4%.

With regards to life and health insurance, PICC Life accelerated development and transformation with a focus on value creation and achieved an original premiums income of RMB96,849 million, of which regular payment from new clients amounted to RMB18,101 million. The embedded value grew steadily with a net profit of RMB4,127 million. In an active effort to build a company characterised by "product, platform and technology", **PICC Health** achieved an original premiums income of RMB35,816 million, representing a year-on-year increase of 11.0%. Revenue from health management services increased by 70% year-on-year. The value of one year's new business of **PICC Health** amounted to RMB765 million; with a net profit of RMB260 million, representing a year-on-year increase of RMB224 million.

In terms of investment, adhering to the principle to "serve strategies and major businesses" while enhancing asset-liability matching and optimising the allocation of major assets, the Group achieved a total investment yield of 5.8%. Driven by our keen efforts to develop third-party asset management business, the assets under pension management amounted to RMB385.2 billion, representing a year-on-year increase of 54.6%; and the assets under trust management amounted to RMB235.2 billion, representing a year-on-year increase of 13.3%. All subsidiaries of the investment segment were profitable, among which **PICC AMC**, **PICC Pension**, **PICC Investment Holding** and **PICC Capital** achieved a net profit of RMB399 million, RMB156 million, RMB246 million and RMB177 million, respectively.

With regards to fintech, **PICC Technology** was set up to coordinate the construction of the basic technology platform of the Group. We kick-started the construction of the Langfang Data Centre, accelerated the expansion of the Foshan Data Centre and planned the construction of the Shanghai Science Park. Also, we accelerated the ramp-up of the core business system and stepped up the technology empowerment. Upholding the strategic positioning of "building an internet platform to serve the whole group", **PICC Financial Services** achieved an operating income of RMB557 million and served the main business to settle claims, reducing losses of RMB1,905 million.

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

Past Performance

In 2021, staying committed to seeking progress while maintaining a stable performance, PICC Group made positive strides in various aspects, including the planning and promotion of "Six Strategic Services", optimisation of strategic implementation mechanism, innovation of strategic projects, acceleration of system reform, step-up of technology empowerment and reinforcement in risk prevention and control.

We significantly enhanced the service capability. Riding on the "Three New and One High", PICC Group planned and promoted "Six Strategic Services" to serve the rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance. PICC Group paid claims of RMB33 billion for agricultural insurance for the year, provided coverage to 550 million people in critical illness insurance, undertook more than 100 long-term nursing care insurance projects, and carried out the "Hui Min Bao" (惠民保) business in over 140 large and medium cities. With active participation in disaster prevention, mitigation and relief, PICC Group paid claims of more than RMB5 billion solely for the torrential rain in Zhengzhou, Henan. The Group undertook total insurance responsibility valued at RMB1,694 trillion for the year, and claim settlement of various types amounting to RMB336.7 billion.

We comprehensively launched the strategic layout. The Group established a comprehensive strategic implementation mechanism in line with domestic needs, clients' demands and the Group's requirements for capacity construction. Through our strategic projects with clear delineation, the Group tapped into development resources and promoted the implementation of strategies. The Group built a complete strategic budget management system and a high-quality development index system for the purposes of safeguarding critical financial resources and strategic asset allocation. We also promoted the upgrade of principal subsidiaries, optimised development platforms, models and mechanisms and consolidated the effective driving forces which underpinned the implementation of strategies.

We profoundly reformed the system and mechanism. Abiding by the central government's requirements of state-owned enterprise reform, the Group completed the reform of its headquarters and accelerated the "three centralisations", namely auditing, collection and data, to enhance the control and management service capabilities of the headquarters. We fortified the construction of the market mechanism, amended the performance management system, and advanced the construction of the core human resource management system, creating high-quality development momentum. Also, the Group refreshed our image to highlight the new positioning of PICC Group by announcing the latest four-in-one corporate culture featuring "mission, vision, values and entrepreneurship" and adopting the new logo designed with "Chinese seal" style.

We accelerated the promotion of technology empowerment. With the formation of PICC Technology and clearer positioning of PICC Financial Services, we accelerated the construction of an IT-powered governance and operation system driven by "two wheels" and characterised by a "double-layer" structure. Also, we kick-started the construction of the Langfang Data Centre, accelerated the expansion of the Foshan Data Centre and advanced the ramp-up of the core business system. We enhanced the system development support to the front line and stepped up the technology empowerment.

We comprehensively reinforced risk prevention and control. We carried out the investigation and governance of existing risks, established the case prevention mechanism in internal control for major cases and major risks, and worked on improving our management and control capabilities of major business processes and key procedures. We handled cases with major risks in an appropriate manner, firmly safeguarded the rights and interests of state-owned capital, reinforced our risk management and control capabilities in operation and investment, boosted the overall governance for violation of laws and regulations at the grassroots level and established a full-cycle management system for investment risk.

Opportunities and Challenges

Functioning as an economic "shock absorber" and a "social stabiliser", insurance plays an effective protection role in serving the economy to seek progress while maintaining stability as well as facilitating counter-cyclical adjustments. The implementation of a series of stable growth policies by the central government will create new critical development opportunities for the insurance industry. Yet, the further promotion of common prosperity and the broad prospect of an era of longevity have introduced stricter requirements to the insurance industry regarding the promotion of service innovation on endowment and healthcare product and the extension of the relevant industry chains. The virtuous cycle of technology, industry and finance will create further headroom for technology insurance and related investment and financing markets. The steady implementation of "dual carbon" strategy by the state will present unprecedented and historic opportunities for green insurance and green investment. The new protection requirements of rural revitalisation and food security will vigorously promote the upgrade and expansion of insurance businesses serving "agriculture, rural areas, and farmers". Also, along with the deepening reform to "streamline administration, decentralise power and optimise services" by the government, insurance will take up a bigger role in social governance. PICC Group will correctly understand and get hold of the principle of seeking progress while maintaining a stable performance. Undertaking the mission and responsibility of serving the country and stabilising the macro-economy, PICC Group will respond to the changes in industry development and play an active role in promoting high-quality development through reform and innovation of our own mechanisms, platforms, products and services.

Prospects of Development in 2022

2022 is a crucial year for the full and effective implementation of PICC Group's "To be Prominent Strategy". The Group will remain committed to seeking progress while maintaining a stable performance, implement the general requirements of "Three New and One High", penetrate the general layout of risk prevention and control, promote "Six Strategic Services", conduct scientific research and development of strategic projects, innovate product technology, accelerate information technology construction, deepen system and mechanism reform, carry out strict administration over the Party and steadily promote the implementation of the Group's "To be Prominent Strategy", aiming to reward all shareholders, employees and the society with outstanding results.

We will promote "Six Strategic Services". We are determined to fulfil our mission and responsibility to serve the national strategy by meeting the needs of customers and offering specific products and services. We will strive to achieve breakthroughs in new fields and new businesses through in-depth research and analysis on the actual needs of three customer groups, namely the government, entities and individuals, as well as optimisation of customer marketing, customer services and product research and development models, in order to unleash the development potential of "Six Strategic Services".

We will consolidate the strategic development foundation. We will comprehensively promote the implementation of research and development of strategic and technological projects, improve project management, accelerate project implementation and strengthen project innovation. We will further concentrate strategic resources on projects related to transformation and reform, cultivation of development capabilities and improvement of operational efficiency, empowering the strategic projects and technological projects to pave the way for the Group's future development.

We will innovate product technology. We will build a comprehensive risk management operation platform for customers to achieve risk prevention, control and loss compensation by adopting the new insurance logic of "underwriting + loss reduction + empowerment + claims" and employing the operation model of "scenario-based, standardised, intelligent, project-based and commercialisation".

We will accelerate the information technology construction. We will improve the coordination system of technological sequence, fully promote the construction of PICC Technology, strengthen professional talent acquisition and empower the technological team. We will promote the construction of data centres, build a standardised technological structure and accelerate the construction of core systems. Also, we will focus on supporting the upgrade of principal subsidiaries, promote the construction of various application systems and effectively support the implementation of strategies.

We will enhance the investment service capabilities. Adhering to the principle to serve strategies and major businesses, we will enhance the Group's management and control capabilities, allocation capability and professional capability for investment, enhance the linkage between investment and insurance, proactively promote the industry investment and build a virtuous cycle of "Insurance, Investment and Industry".

We will reinforce risk prevention and control. In accordance with the fundamental principles of early prevention, orderly resolution and accurate disposal, we will formulate and implement action plans of comprehensive risk management, enforce strict accountability on risk prevention and control, firmly implement the three lines of defence to forestall risk and practically reinforce the comprehensiveness and effectiveness of risk prevention and control.

ACKNOWLEDGEMENT

On behalf of the Board of Directors of The People's Insurance Company (Group) of China Limited, I would like to express my sincere gratitude to all shareholders who have given us trust and support over the years. I would also like to express, on behalf of the Board of Directors, our deepest gratitude to all employees for their dedication in performing their duties.

Luo Xi
Chairman

Beijing, PRC

25 March 2022

Honours and Awards

1. The Company was ranked the 90th in the list of Fortune Global 500

   In August 2021, the Company ranked the 90th in the list of Fortune Global 500 published by the Fortune magazine in the US.

2. The Company was ranked the 28th in the list of Top 500 Enterprises of China

   In September 2021, the Company ranked the 28th in the list of Top 500 Enterprises of China in 2021.

3. The Company was awarded the “Best Corporate Governance Practice Enterprise on ESG"

   In January 2022, the Company was awarded the “Best Corporate Governance Practice Enterprise on ESG in 2021” at the “ESG Practice Survey of China Enterprise in 2021” organised by china.com.cn.

4. The Company was awarded two awards from the “Ark Prize in Chinese Insurance Industry"

   In October 2021, the Company was awarded the “Ark Prize for Insurance Company in High Quality Development 2021” and “Ark Prize for Chinese Insurance Company in Poverty Alleviation 2021” at the “Ark Prize in Chinese Insurance Industry in 2021” organised by the Securities Times.

5. The Company was awarded the “ESG Green Finance Award of the Year” and “Excellence Award"

   In December 2021, the Company was awarded the “ESG Green Finance Award of the Year” and the “Excellence Award” of Annual Insurance Company at “ESG Pioneers 60” in 2021 and “Financial Excellence Award” in 2021 organised by Jiemian.com.

6. The Company was awarded the “Financial Institution of the Year"

   In November 2021, the Company was awarded the “Financial Institution of the Year” at the “2021 Top Financial Ranking” organised by The Paper.

7. The Company was awarded the “Best Board of Directors” award

   In May 2021, the Company was awarded the “Best Board of Directors” award at the 12th China Listed Companies Investor Relations Tianma Award Forum organised by the Securities Times.

8. The Company was awarded the “Contribution to the Fight Against Pandemic Award for Multinational Corporations"

   In March 2021, the Company was awarded the “Contribution to the Fight Against Pandemic Award for Multinational Corporations” at the 13th International CEO Roundtable of Chinese and Foreign Multinational Corporations organised by China International Council for the Promotion of Multinational Corporations.

9. PICC P&C was awarded the "Best Listed Company of the Hong Kong Stock Connect"

   In December 2021, PICC P&C was awarded the "Best Listed Company of the Hong Kong Stock Connect" at the 11th China Securities Golden Bauhinia Awards Ceremony jointly organised by Hong Kong Ta Kung Wen Wei Media Group, the Listed Companies Association of Beijing, the Hong Kong Chinese Enterprises Association and other organisations.

10. PICC P&C was awarded the "Enterprise Digital Management Pioneer Award"

    In April 2021, PICC P&C was awarded the "Enterprise Digital Management Pioneer Award" for its corporate WeChat account at the "Digital Management Summit Forum" jointly organised by three institutions, namely Harvard Business Review, National School of Development at Peking University and Tencent.

11. PICC P&C was awarded the "2021 Global Green Finance Award – Innovation Award"

    In December 2021, PICC P&C was awarded the "2021 Global Green Finance Award – Innovation Award" at the 2nd "2021 Global Green Finance Award" Ceremony organised by the International Finance Forum.

12. PICC P&C won four awards at the "China Insurance Service Innovation"

    In March 2021, PICC P&C was awarded two "2020-2021 Classic Case of China Insurance Service Innovation" and two "2020-2021 Influential Claims of China Insurance" at the 2021 China Insurance Service Innovation Summit organised by China Banking and Insurance News. By winning a total of 4 awards, PICC P&C became the entity receiving the highest number of awards in the industry.

13. PICC P&C was awarded the "2021 Golden Tripod Award Excellent Property and Casualty Insurance Company of the Year"

    In October 2021, PICC P&C was awarded the "2021 Golden Tripod Award Excellent Property and Casualty Insurance Company of the Year" at the 2021 China Financial Development Forum and the 12th Golden Tripod Award (Finance) Ceremony organised by National Business Daily.

14. PICC P&C was awarded the "Ark Award of Gold Medal Insurance Service 2021"

    In October 2021, PICC P&C was awarded the "Ark Award of Gold Medal Insurance Service 2021" at the "Ark Prize in Chinese Insurance Industry in 2021" organised by Securities Times.

15. PICC P&C was awarded the "Best Property Insurance Company in Asia in 2021"

    In November 2021, PICC P&C was awarded the "Best Property Insurance Company in Asia in 2021" at the Insurance Forum of 16th Asian Finance Conference organised by 21st Century Business Herald.

16. PICC Life won two awards at the "China Insurance Service Innovation"

    In March 2021, PICC Life won two awards, namely the "2020-2021 Classic Case of China Insurance Service Innovation" and "2020-2021 Influential Claims of China Insurance", at the 2021 China Insurance Service Innovation Summit organised by China Banking and Insurance News.

17. PICC Life was awarded the certificate of "Leading Enterprise"

    In March 2021, PICC Life was awarded two certificates of "Leading Enterprise" in two service standards, namely "Standard for Personal Electronic Insurance Policies" and "Information Security Standard for Personal Electronic Insurance Policies", at the "Leading Enterprise" of Service Standard in Financial Industry for 2021 jointly organised by the People's Bank of China, CBIRC and CSRC. PICC Life was the only enterprise selected for two service standards.

18. PICC Life was awarded the “Trusted Insurance Institution” award

    In September 2021, PICC Life was awarded the “Trusted Insurance Institution” award at the 2020-2021 Annual Asset Management Summit Forum organised by The Economic Observer.

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

    In November 2021, PICC Life was awarded the “Insurance Company with Best Innovation Practice of the Year” at the 2020-2021 Outstanding Financial Enterprise Ceremony organised by The Economic Observer.

20. PICC Life was awarded the “Most Innovative Life Insurance Company of the Year” award

    In December 2021, PICC Life was awarded the “Most Innovative Life Insurance Company of the Year” award at the “2021 China Financial Institution Gold Medal List – the Golden Dragon Prize” organised by the Financial Times.

21. PICC AMC won three awards at the “2021 China Insurance Industry Investment Golden Bull Awards"

    In May 2021, PICC AMC won three awards, namely the “Insurance Asset Management Company Golden Bull Award”, the “Insurance Asset Management Product Portfolio Golden Bull Award (Fixed Income)”, and the “Insurance Asset Management Product Portfolio Golden Bull Award (Mixed)”, at the “2021 China Insurance Industry Investment Golden Bull Awards” organised by China Securities Journal.

22. PICC AMC was awarded the “2021 Ark Award for Insurance Company of High-quality Development"

    In October 2021, PICC AMC was awarded the “2021 Ark Award for Insurance Company of High-quality Development” at the “Ark Prize in Chinese Insurance Industry in 2021” organised by Securities Times.

23. PICC AMC was awarded the “Excellence Award for Insurance Asset Management Brand of the Year"

    In December 2021, PICC AMC was awarded the “Excellence Award for Insurance Asset Management Brand of the Year” under the twelfth “Golden Fortune” award at the 2021 “Golden Fortune” Award Ceremony organised by Shanghai Securities News.

24. PICC Health was awarded the “Best Selling Protective Insurance Product of the Year"

    In January 2022, PICC Health was awarded the “Best Selling Protective Insurance Product of the Year” for its “Hao Yi Bao (好醫保) – cancer prevention medical insurance” at the “Jin Ri Bao • China Insurance White Elephant List” organised by the Insure123.cn (《今日保》) and Insurance Today (《今日保險》) magazine.

25. PICC Pension was awarded the “Award for Outstanding Contribution to Innovation in the Application of New Technologies in the Financial Industry"

    In December 2021, PICC Pension was awarded the “Award for Outstanding Contribution to Innovation in the Application of New Technologies in the Financial Industry” for its financial services of personal pension construction project (Phase I) at the “Twelfth Financial Technology Application Innovation Award in 2021” organised by the "Financial Computerizing" magazine.

Management Discussion and Analysis

2021 is a milestone in the history of the Party and the nation, and marked the start of the Group's "To be Prominent Strategy". We implemented the requirements of "Three New (new infrastructure, new material and new applications) and One High (high value-added)" and stayed committed to seeking progress while maintaining a stable performance. With the confidence of gaining victory from the start, we solidly promoted the "To be Prominent Strategy", implemented the "Six Strategic Services", comprehensively launched the strategic layout, profoundly reformed the system and mechanism, and continued to strengthen corporate governance. In effectively responding to the complex environment and changes in industry development, we maintained a positive development trend with stability. It has better realised the business strategy of "exploring resources, compensating weaknesses with strengths, increasing quality and quantity and outperforming the market" formulated at the beginning of the year, and achieved a good start in "the 14th Five-Year Plan". In 2021, property insurance responded to the trend of comprehensive vehicle insurance reform. Withstanding the challenges caused by major natural catastrophe, the Group developed non-vehicle insurance business, took lead in the market in terms of premiums growth, and continued to enhance its development balance. In face of the complex industrial environment, life and health insurance deepened the transformation and development. The growth rate of life insurance premiums has rebounded steadily, promoting the construction of a health insurance company with "product, technology, and platform", and enhanced the professional service capabilities of health insurance continuously. The investment segment focused on "serving strategy and major business", strengthened the coordination with the major business, and achieved better efficiency of investment. The technology segment strengthened system and mechanism reform, enhanced technological empowerment, accelerated informationisation construction, supported cost reduction and efficiency improvement, and continued to reinforce innovative development capabilities.

I. Business Overview of the Company

(I) Review of Our Industry

In 2021, the insurance industry adhered to the development direction of providing services for the real economy, deepened the structural reform of the insurance supply side, focused on enhancing the security functions, and maintained a progressive overall development with stability. In 2021, the original premiums income of the insurance industry was RMB4.5 trillion, representing a year-on-year increase of 4.1%. The policyholders' benefits and claims was RMB1.6 trillion, representing a year-on-year increase of 14.1%, reflecting a stable improvement in safeguarding services for the real economy and people's livelihood. Among which, property insurance focused on promoting optimal structure and changing kinetic energy and comprehensively pushed the comprehensive vehicle insurance reform, which saved consumers with expenses of more than RMB250 billion. It accelerated the development of non-vehicle insurance business, with the premiums income of short-term health insurance, liability insurance, agricultural insurance and other non-vehicle insurances increased rapidly. The optimisation of insurance structure promoted the continuous enhancement of the property insurance industry's ability to serve the real economy. Facing the pressure from industry transformation, life and health insurance strengthened the security function, actively carried out the exclusive pension and annuity insurance products pilot, and developed long-term annuity, lifetime insurance and other life insurance products with stronger security functions, so as to improve the health protection level of people.

In 2021, regulatory authorities introduced a series of new policies and measures to enhance the ability to serve the real economy, strengthen the protection of consumer rights and interests, and maintain market order. In terms of serving the real economy, the Group introduced exclusive terms for new energy vehicle commercial insurance, increased the support for insurance products of emerging industries and small and medium-sized enterprises, implemented the exclusive pilot commercial endowment insurance, standardised insurance companies' participation in the pilot services for the long-term healthcare insurance system, and enriched the supply of life and health insurance products, so as to meet the demand of the real economy and people's insurance security. In terms of strengthening consumer protection, the Group formulated regulatory evaluation measures for the protection of consumer rights and interests, enhanced the supervision of accident insurance and short-term health insurance business, strengthened and improved the regulatory mechanism for Internet life and health insurance business, standardised the market order of online life and health insurance business, reinforced the behaviour regulation of insurance intermediaries, and led industry entities to return to sources security, thus creating a more standardised institutional environment for the insurance industry to accelerate high-quality development.

(II) Principal Businesses

In 2021, amidst the complex and severe domestic and international economic environment, the Group was determined to carry out the new development concept, fulfilled its responsibilities as a financial central enterprise, achieved a steady and positive progress in business development, maintained a stable and positive operating efficiency, with a significant enhancement in national strategic service capabilities, solid advancement in innovative reform and comprehensive reinforcement in risk prevention and control, promoting a good start for the "To be Prominent Strategy".

As of 31 December 2021, the market share of PICC P&C in the P&C insurance market was 32.8%, the market share of PICC Life and PICC Health in the life and health insurance market was 4.2%. In terms of the total written premiums (the "**TWPs**"), in 2021, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB448,384 million, RMB102,217 million, RMB36,083 million and RMB226 million, respectively.

1. P&C Insurance Segment: Optimised Business Structure with Steady Overall Strength

In 2021, PICC P&C responded to the trend of comprehensive vehicle insurance reform, focused on the improvement of business quality, actively adjusted the business structure, and made efforts to develop household-owned vehicle insurance business. PICC P&C strengthened and expanded its advantages in policy businesses and developed room for development of commercial non-vehicle insurance business. It achieved the GWPs of RMB449,533 million, representing a year-on-year increase of 3.8%. For motor vehicle insurance, the market share of household-owned vehicle insurance recorded a year-on-year increase of 1.4 percentage points and the proportion of premium recorded a year-on-year increase of 1.0 percentage point, which is the best historical record. With the significant leading advantage in the industry, the structure and quality of motor vehicle insurance business continued to promote. Non-vehicle insurance business achieved the GWPs of RMB194,258 million, representing a year-on-year increase of 16.0%. It accounted for 43.2%, representing a year-on-year increase of 4.5 percentage points, realising a more balanced overall business structure. The market share was 32.8%, maintaining the top position in the industry. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%.

2. *Life and Health Insurance Segment: Rapid Growth in Profit with Solid Operation Foundation*

PICC Life strengthened the professional construction of channels, constantly consolidated the operation foundation, enhanced quality and efficiency, and stabilised the overall business development. In 2021, the Company achieved an original premiums income of RMB96,849 million, representing a positive year-on-year increase. The financial indicators performed well. Profit before tax amounted to RMB5,061 million, representing a year-on-year increase of 61.4%. Net cash flows from operating activities amounted to RMB45,771 million, representing a year-on-year increase of 363.4%. As of 31 December 2021, the embedded value grew steadily to RMB111,431 million, representing an increase of 8.9% as compared to the end of last year. The operating results of PICC Health hit a record high, which recorded a net profit of RMB260 million, representing a year-on-year increase of 622.2%. The premium scale ranked the top among professional health insurance companies. The TWPs for Internet insurance business was RMB14,437 million, representing a year-on-year increase of 13.9%.

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

The investment segment adhered to the philosophy of value investment, constantly enhanced its capabilities to "serve strategies and major businesses", strengthened the optimisation and integration of internal resources, strengthened the integrated construction of investment and research, and built an investment portfolio that would realise long-term stable returns from a cross-cyclical perspective. In 2021, the Group achieved a total investment income of RMB63,068 million, representing a year-on-year increase of 11.2%; the total investment yield amounted to 5.8%, remained flat on a year-on-year basis. At the same time, the investment segment leveraged the advantages of core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. As of 31 December 2021, the scale of third-party assets management increased by 33.6% compared with the beginning of the year, among which the scale of retirement annuity insurance and pension management of PICC Pension amounted to RMB385,196 million, representing an increase of 54.6% compared with the beginning of the year.

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

The technology segment took customer experience and the perception of grassroots level as the standard and actively improved the technology support capability. Firstly, we established a subsidiary engaging in property, life and health insurances, through which we steadily pressed ahead with the optimisation and upgrade of the core systems by enhancing the development of application systems including "Yun Zhi Bao" (耘智保) APP for agricultural insurance, "Intelligent Workplace" (智慧職場) for life insurance, and the integrated system for investment and research, and conducted system reforms on targeted issues to secure a successful commencement of the "Heart-warming Project" and keep improving the technology support capability. Secondly, we integrated internal information, introduced industry risk data, labelled risk data and strengthened the risk controllability. Thirdly, we empowered the online development and transformation of organisations of all levels by continuous revamp of "PICC" APP, comprehensive e-commerce website, PICC e-Tong and other online integrated interface platforms as well as optimisation of user interface operation for individual (To C), group (To B) and employee (To E). We also built an innovative new media marketing account matrix of "one main service channel and multiple specialised services", and established a vehicle life services ecosystem with rich scenarios by applying new models of short videos, live streaming service, ecosystem value-added service and data empowerment for customer, and enhancing market development capabilities. Fourthly, the effect of technology empowerment continued to feed through. As we comprehensively sped up the construction of online sales, underwriting, claims and services, the rate of online household-owned vehicle insurance customers reached over 93.5%. We also improved customer experience in all aspects by the introduction of robots for intelligent double recording, revisits, quality control, outbound calls, damage assessment and AI pandemic investigation and other smart services. All these efforts transformed into new achievements in pursuing the digital transformation of the Group.

(III) Key Operating Data

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Original premiums income			
PICC P&C	**448,384**	432,019	3.8
PICC Life	**96,849**	96,186	0.7
PICC Health	**35,816**	32,257	11.0
Combined ratio of PICC P&C (%)	**99.6**	98.9	Increase of 0.7 pt
Value of one year's new business of PICC Life	**3,227**	5,429	(40.6)
Value of one year's new business of PICC Health	**765**	703	8.8
Total investment yield (%)	**5.8**	5.8	–

Unit: RMB million

	As of 31 December 2021	As of 31 December 2020	(% of change)
Market share (%)			
PICC P&C	**32.8**	31.8	Not applicable
PICC Life	**3.1**	3.0	Not applicable
PICC Health	**1.1**	1.0	Not applicable
Embedded Value of PICC Life	**111,431**	102,297	8.9
Embedded Value of PICC Health	**16,176**	14,947	8.2

Note:

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

	As of 31 December 2021	As of 31 December 2020	(Change)
Comprehensive solvency margin ratio (%)			
The Group	301	305	Decrease of 4 pts
PICC P&C	284	289	Decrease of 5 pts
PICC Life	249	261	Decrease of 12 pts
PICC Health	190	205	Decrease of 15 pts
Core solvency margin ratio (%)			
The Group	264	257	Increase of 7 pts
PICC P&C	266	250	Increase of 16 pts
PICC Life	221	233	Decrease of 12 pts
PICC Health	151	162	Decrease of 11 pts

(IV) Key Financial Indicators

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Gross written premiums	585,425	563,608	3.9
PICC P&C	449,533	433,187	3.8
PICC Life	96,849	96,190	0.7
PICC Health	35,816	32,257	11.0
Profit before tax	35,589	31,610	12.6
Net profit	30,370	28,233	7.6
Net profit attributable to owners of the Company	21,476	20,036	7.2
Earnings per share(1) (RMB/share)	0.49	0.45	7.2
Weighted average return on equity (%)	10.2	10.4	Decrease of 0.2 pt

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

Unit: RMB million

	As of 31 December 2021	As of 31 December 2020	(% of change)
Total assets	1,376,857	1,256,064	9.6
Total liabilities	1,079,964	982,508	9.9
Total equity	296,893	273,556	8.5
Net assets per share(1) (RMB)	4.96	4.58	8.3
Gearing ratio(2) (%)	78.4	78.2	Increase of 0.2 pt

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

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

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

Unit: RMB million

	Net profit attributable to owners of the Company		Equity Attributable to owners of the Company	
	For the year 2021	For the year 2020	**As of 31 December 2021**	As of 31 December 2020
Under the China Accounting Standards for Business Enterprises	**21,638**	20,069	**219,132**	202,194
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance *(Note 1)*	**(200)**	22	**226**	424
Impact of above adjustment on deferred income tax	**50**	(5)	**(57)**	(106)
Reclassification of insurance contracts to investment contracts *(Note 2)*	**(12)**	(50)	**(45)**	(32)
Under the International Financial Reporting Standards	**21,476**	20,036	**219,256**	202,480

Explanation for major adjustments:

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

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

II. PERFORMANCE ANALYSIS

(I) Insurance Business

P&C Insurance Business

1. PICC P&C

In face of complex environment at home and abroad along with the opportunities and challenges arising from the continuous deepening of comprehensive vehicle insurance reform and intensifying market competition, PICC P&C focused on six major strategic areas, namely rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance, proactively served domestic needs, innovated customer-centric products and services, actively implemented the new insurance logic, implemented the insurance supply side structural reform, comprehensively promoted system and mechanism reform, focused on quality improvement, costs reduction and efficiency improvement, strengthened comprehensive risk management, and made progress on transformation towards high-quality development. In 2021, PICC P&C achieved GWPs of RMB449,533 million, representing a year-on-year growth of 3.8% and the market share was 32.8%, maintaining the top position in the industry. The net investment income amounted to RMB26,154 million, representing a year-on-year increase of 12.8%. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%.

As a result of its outstanding industry position and continuous improvement in its overall strength, PICC P&C has won several honours such as the "Best Property Insurance Company of the Year 2021 in Asia" and the "Best Listed Company of the Hong Kong Stock Connect", and Moody's continued to give the highest rating of A1 in Mainland China.

(1) Underwriting

PICC P&C actively responded to the trend of comprehensive vehicle insurance reform, built a solid foundation for vehicle insurance development, and vigorously expanded room for development of non-vehicle insurance business. The original premiums income was RMB448,384 million, representing a year-on-year increase of 3.8%. The business growth was mainly derived from the growth of accidental injury and health insurance, agricultural insurance, liability insurance, cargo insurance and other businesses. As a result of the impact of the implementation of the comprehensive vehicle insurance reform and major disasters such as rainstorms and typhoons, the claim ratio was 73.7%, representing a year-on-year increase of 7.5 percentage points; the underwriting profits amounted to RMB1,521 million, representing a year-on-year decrease of 63.6%. PICC P&C actively responded to external challenges. While continuously improving its claim settlement service capabilities, it focused on "cost reduction and efficiency improvement", and recorded an expense ratio of 25.9%, representing a year-on-year decrease of 6.8 percentage points; the combined ratio was 99.6%, which continuously outperformed the industry.

- Motor vehicle insurance

While proactively responding to the trend of comprehensive vehicle insurance reform and strictly upholding the reformative principle of "increasing coverage, reducing premiums and improving quality", PICC P&C kept optimising the vehicle insurance operation model, improved the efficiency of channels, stabilised renewal business and optimised transferred-in business. The renewal rate of commercial vehicle insurance and compulsory insurance for vehicle traffic accident liability recorded a year-on-year increase of 2.0 and 2.1 percentage points, respectively, and the number of insured vehicles recorded a year-on-year increase of 11.3% and 9.9%. Yet, given the year-on-year decrease in average vehicle premiums following the decline in premium rate, the original premiums income of motor vehicle insurance for the first three quarters recorded a year-on-year decrease of 8.2%, and the original premiums income for the fourth quarter recorded a year-on-year increase of 8.9%. The original premiums income for the year was RMB255,275 million, representing a year-on-year decrease of 3.9%.

Following the comprehensive vehicle insurance reform, the coverage of compulsory insurance for vehicle traffic accident liability and vehicle damage insurance were enlarged and value-added services were incorporated as the terms of insurance policy, thereby increasing the protection for customers. While providing better services for customers, in order to guarantee the operating efficiency, PICC P&C actively improved the pricing model, continued to optimise business quality and structure, and enhanced resource utilisation efficiency. Motor vehicle insurance handling charges rate was 7.8%, representing a year-on-year decrease of 5.4 percentage points; the expense ratio was 27.2%, representing a year-on-year decrease of 11.3 percentage points. Yet, given the decrease in average vehicle premiums, increase in claim payment liability and the rainstorm in Henan on 20 July 2021, the loss ratio of motor vehicle insurance was 70.1%, representing a year-on-year increase of 12.1 percentage points; the combined ratio was 97.3%, representing a year-on-year increase of 0.8 percentage point; the underwriting profits amounted to RMB6,672 million, representing a year-on-year decrease of 24.3%.

- Accidental injury and health insurance

In terms of social medical insurance business, alongside the consolidation of inherent advantages in businesses and the development of new projects for critical illness insurance, PICC P&C further developed various other new government-sponsored health insurance businesses and contributed to a stable growth in business. In terms of commercial accident and health insurance, PICC P&C continued to increase the penetration rate of household-owned vehicle insurance customers and dug up customers' needs, resulting in a rapid development in individual business such as driving insurance, "Hui Min Bao" (惠民保) and "Millions Medical Insurance". The original premiums income of accidental injury and health insurance business amounted to RMB80,692 million, representing a year-on-year increase of 21.9%.

PICC P&C strengthened project risks monitoring process, optimised the procedures on claim settlement, and improved systematic functions. The claim ratio of accidental injury and health insurance was 85.2%, representing a year-on-year decrease of 2.9 percentage points; the expense ratio was 17.4%, representing a year-on-year increase of 4.2 percentage points. The combined ratio was 102.6%, representing a year-on-year increase of 1.3 percentage points.

- Agricultural insurance

PICC P&C implemented central government's full cost insurance and income insurance pilot work for the three major grains, actively served the ecological civilisation construction and made effort in "Six Stabilities", implemented the tasks of "Six Securities", continued to boost product innovation, enriched and optimised product supply, achieved leap forward development of emerging and featured products, and synchronised policy and commercial business growth. The business scale of planting insurance, breeding insurance and forest insurance increased comprehensively, and agricultural insurance business recorded an original premiums income of RMB42,654 million, representing a year-on-year increase of 19.3%.

Affected by natural disasters such as rainstorms, typhoon, froze and drought as well as the pandemic, the agricultural insurance claim ratio was 81.6%, representing a year-on-year increase of 6.9 percentage points. PICC P&C intensified expense control and continued to reduce operating costs. The expense ratio of agricultural insurance was 20.0%, representing a year-on-year decrease of 5.1 percentage points.

- Liability insurance

PICC P&C seized the opportunity of introducing the new Production Safety Law, proactively adapted to changes in market demand, adjusted product marketing strategy in time, and continued to promote business integration development. Large-scale growth was achieved in businesses such as production safety liability insurance and public liability insurance. The original premiums income for liability insurance business was RMB33,132 million, representing a year-on-year increase of 16.4%.

As the claim standard of personal injury increases along with the average social income level, the cost of claim settlement involving personal injury insurance increased, resulting in a year-on-year increase of 5.8 percentage points in the claim ratio of liability insurance to 67.9%. Due to the decrease in the proportion of the policy business, the expense ratio of liability insurance was 39.5%, representing a year-on-year increase of 4.4 percentage points.

- Credit insurance

As PICC P&C continued to enhance risk management and control, the original premiums income for the overall credit insurance was RMB2,840 million, representing a year-on-year decrease of 46.2%, of which the scale of financing credit insurance significantly reduced year-on-year. However, the scale of non-financing credit insurance business with higher profitability increased by 31.0% year-on-year.

PICC P&C actively adjusted business structure, continued the clearing of existing risks of financing credit insurance business, constantly strengthened the collection and process management and control, strictly controlled the quality of new business, resulting in an effective risk mitigation of financing credit insurance business. In 2021, it achieved a collection income of RMB2,596 million and a claim ratio for the overall credit insurance of 50.6%, representing a year-on-year decrease of 74.1 percentage points. Financing credit insurance business turned loss into profit, and the non-financing credit insurance business continued to maintain a relatively good underwriting profitability level. The combined ratio for the overall credit insurance was 66.7%, representing a year-on-year decrease of 78.1 percentage points; the underwriting profits amounted to RMB1,762 million, which turned loss to profit.

- Commercial property insurance

With the constant and stable recovery of domestic economy as well as the enhancement of awareness of commercial insurance, the demand for insurance gradually unleashed. PICC P&C actively captured market opportunities and served enterprises' needs of risk prevention. The original premiums income of commercial property insurance was RMB14,923 million, representing a year-on-year increase of 4.7%.

Due to the impact of natural disasters and major claims as well as a year-on-year decrease of the net earned premiums, the claim ratio for commercial property insurance was 90.7%, representing a year-on-year increase of 23.0 percentage points. The expense ratio was 39.3%, representing a year-on-year increase of 2.9 percentage points.

- Cargo insurance

PICC P&C seized the opportunity of the rebound in import and export trading and domestic logistics, and vigorously developed high-quality business. Coupled with the rise in global commodity prices resulting in the increase of the premiums, it promoted the rapid development of cargo insurance. The original premiums income was RMB4,814 million, representing a year-on-year increase of 26.5%.

PICC P&C utilised the intelligent risk monitoring platform to strengthen post-insurance risk monitoring of cargo insurance. Yet, due to the transportation and logistics control during the pandemic over the same period last year, the claim frequency during the compared period reduced. The loss ratio of cargo insurance was 52.6%, representing a year-on-year increase of 9.0 percentage points. By implementing refined management of expenses, the expense ratio was 38.6%, representing a year-on-year decrease of 0.7 percentage point. The combined ratio was 91.2%, representing a year-on-year increase of 8.3 percentage points.

- Other insurances

PICC P&C fully grasped policy and market opportunities, focused on the different insurance needs of corporate and individual customers, strengthened the three major infrastructures of professional teams, technological instruments and business platforms, vigorously developed non-vehicle insurance business. The original premiums income of other insurances was RMB14,054 million, representing a year-on-year increase of 11.4%. In addition to hull insurance which has a slight year-on-year decrease in the original premiums income due to the slowdown in the business volume growth of the inland waterway fleet and the decline in certain business rates, the original premiums income of special insurance, family property insurance and construction insurance all achieved a rapid year-on-year growth. Of which, the original premiums income of special insurance amounted to RMB4,404 million, representing a year-on-year increase of 17.9%; the original premiums income of family property insurance amounted to RMB3,814 million, representing a year-on-year increase of 14.2%; the original premiums income of construction insurance amounted to RMB3,553 million, representing a year-on-year increase of 12.7%.

PICC P&C continued to strengthen risk management and control, and the operating efficiency of special insurance continued to improve. However, due to the impact of natural disasters and the intensified market competition, the loss ratio and expense ratio of family property insurance, construction insurance and hull insurance recorded a year-on-year increase. The overall loss ratio of other insurances was 66.0%, representing a year-on-year increase of 9.8 percentage points; the expense ratio was 42.8%, representing a year-on-year increase of 7.1 percentage points.

The following table sets forth the business information on major insurances of PICC P&C for the reporting period:

Unit: RMB million

	For the year ended 31 December 2021						
	Original premiums income	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	255,275	255,275	172,460,924	169,313	199,652	6,672	97.3
Accidental injury and health insurance	80,692	80,692	913,606,685	56,350	40,810	(1,952)	102.6
Agricultural insurance	42,654	42,769	2,683,567	24,647	16,899	(478)	101.6
Liability insurance	33,132	33,134	183,641,488	13,336	31,933	(1,643)	107.4
Credit insurance	2,840	2,840	1,271,227	4,050	9,210	1,762	66.7
Commercial property insurance	14,923	15,912	35,180,296	6,180	16,995	(2,443)	130.0
Cargo insurance	4,814	4,814	16,412,840	1,292	2,957	260	91.2
Other insurances	14,054	14,097	155,416,027	4,125	20,325	(657)	108.8
Total	448,384	449,533	1,480,673,054	279,293	338,781	1,521	99.6

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

① Analysis by Insurance Type

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Motor vehicle insurance	255,275	265,651	(3.9)
Accidental injury and health insurance	80,692	66,187	21.9
Agricultural insurance	42,654	35,754	19.3
Liability insurance	33,132	28,467	16.4
Credit insurance	2,840	5,283	(46.2)
Commercial property insurance	14,923	14,258	4.7
Cargo insurance	4,814	3,807	26.5
Other insurances	14,054	12,612	11.4
Total	448,384	432,019	3.8

② Analysis by Channel

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents channel	279,707	62.4	(2.0)	285,328	66.0
Among which: Individual insurance agents	149,731	33.4	0.9	148,438	34.4
Ancillary insurance agents	38,426	8.6	(10.5)	42,933	9.9
Professional insurance agents	91,550	20.4	(2.6)	93,957	21.7
Direct sales channel	130,017	29.0	15.0	113,033	26.2
Insurance brokerage channel	38,660	8.6	14.9	33,658	7.8
Total	448,384	100.0	3.8	432,019	100.0

In 2021, PICC P&C continued to strengthen the construction of its own channels and to enhance the comprehensive sales service capabilities of the direct sales team, accelerated the transformation to a comprehensive financial sales team, improved the ability of direct sales and direct control, enhanced channel coordination and promoted the integration and development of its business. The original premiums income of direct sales increased by 15.0% from RMB113,033 million in 2020 to RMB130,017 million in 2021. The original premiums income of insurance agents decreased by 2.0% from RMB285,328 million in 2020 to RMB279,707 million in 2021.

③ Analysis by Region

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Guangdong Province	44,774	41,522	7.8
Jiangsu Province	44,144	42,343	4.3
Zhejiang Province	35,849	34,213	4.8
Shandong Province	27,410	25,860	6.0
Hebei Province	24,205	24,252	(0.2)
Sichuan Province	22,309	21,362	4.4
Hunan Province	19,217	17,983	6.9
Hubei Province	18,424	17,473	5.4
Fujian Province	18,039	16,576	8.8
Anhui Province	17,664	17,381	1.6
Other regions	176,349	173,054	1.9
Total	448,384	432,019	3.8

(2) Financial Analysis

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net earned premiums	**396,997**	393,127	1.0
Investment income	**17,207**	15,737	9.3
Other income	**1,784**	1,517	17.6
Total income	**426,793**	421,987	1.1
Net claims and policyholders' benefits	**292,588**	260,263	12.4
Handling charges and commissions	**37,674**	49,552	(24.0)
Finance costs	**1,533**	1,547	(0.9)
Other operating and administrative expenses	**77,633**	92,769	(16.3)
Total benefits, claims and expenses	**409,710**	404,752	1.2
Profit before tax	**26,028**	24,676	5.5
Less: Income tax expense	**3,663**	3,808	(3.8)
Net profit	**22,365**	20,868	7.2

Net earned premiums

Net earned premiums of PICC P&C increased by 1.0% from RMB393,127 million in 2020 to RMB396,997 million in 2021, which was mainly attributable to the growth in original premiums income.

Investment income

Investment income of PICC P&C increased by 9.3% from RMB15,737 million in 2020 to RMB17,207 million in 2021.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC P&C increased by 12.4% from RMB260,263 million in 2020 to RMB292,588 million in 2021. The claim ratio was 73.7%, representing an increase of 7.5 percentage points over the same period last year, mainly attributable to higher insurance liabilities following the comprehensive vehicle insurance reform as well as the increase in claims against disasters.

Handling charges and commissions

In 2021, PICC P&C strictly implemented the requirements of the comprehensive vehicle insurance reform, remained committed to improving quality, reducing costs and increasing efficiency, strengthened the construction of its own channels, and enhanced the direct controllability of direct sales. As a result, the handling charges rate decreased by 3.1 percentage points from 11.5% in 2020 to 8.4% in 2021, and the handling charges and commissions decreased by 24.0% from RMB49,552 million in 2020 to RMB37,674 million in 2021.

Finance costs

Finance costs of PICC P&C decreased by 0.9% from RMB1,547 million in 2020 to RMB1,533 million in 2021, which remained basically stable.

Income tax expense

Income tax expense of PICC P&C decreased by 3.8% from RMB3,808 million in 2020 to RMB3,663 million in 2021, mainly due to the increase in the proportion of income not subject to tax.

Net profit

As a result of the foregoing reasons, the net profit of PICC P&C increased by 7.2% from RMB20,868 million in 2020 to RMB22,365 million in 2021.

2. PICC Hong Kong

As of 31 December 2021, PICC Hong Kong's total assets amounted to RMB3,830 million, and net assets amounted to RMB1,357 million. In 2021, the GWPs amounted to RMB1,592 million, representing a year-on-year increase of 28.4%. The combined ratio was 98.5%, and the net profit amounted to RMB79 million.

PICC Reinsurance

In 2021, PICC Reinsurance made strides in professional capacity building and enhanced its market competitiveness by offering value-added services to customers. The proportion of third-party business increased continuously. In view of further improvement in the development layout of domestic market, PICC Reinsurance shifted its business strategy from "wide-coverage" to "dedication to perfection", with its business reach extended to head companies of P&C insurance. New strides have been made in the international layout with Moody's A3 rating and S&P's A- rating, making PICC Reinsurance the first Chinese-funded insurance institution registered in Argentina. Also, professional and technical capabilities were continuously enhanced with the development of facultative pricing system for P&C insurance business to cover the deficiencies in the facultative pricing system of other Chinese funded industry players. It has also strengthened the capital base of the Company by the issuance of capital supplementary bonds of RMB2,000 million. In 2021, the net profit of PICC Reinsurance increased by 53.0% year-on-year.

Life and Health Insurance

1. PICC Life

In 2021, PICC Life remained steadfast in the Group's "To be Prominent Strategy", actively implemented the "Six Strategic Services", and carried out innovation and reform. It improved the quality of "Comprehensive individual life insurance" agent team and its newly launched services and marketing initiatives started yielding results, while new headway was made in the construction of channel diversification and the comprehensive service capability was further improved. It also continued to consolidate the foundation of compliance and risk control and management for its operation. In 2021, PICC Life achieved an original premiums income of RMB96,849 million, representing a positive year-on-year increase. The financial indicators performed well. Profit before tax amounted to RMB5,061 million, representing a year-on-year increase of 61.4%, net cash flows from operating activities amounted to RMB45,771 million, representing a year-on-year increase of 363.4%. As of 31 December 2021, the embedded value grew steadily to RMB111,431 million, representing an increase of 8.9% as compared to the end of last year.

(1) Original Premiums Income

① Analysis by Product

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Life insurance	77,659	80.2	5.7	73,478	76.4
General life insurance	25,792	26.6	9.0	23,667	24.6
Participating life insurance	51,764	53.4	4.1	49,704	51.7
Universal life insurance	103	0.1	(2.8)	106	0.1
Health insurance	17,959	18.5	(14.8)	21,077	21.9
Accident insurance	1,232	1.3	(24.5)	1,632	1.7
Total	96,849	100.0	0.7	96,186	100.0

In an active effort to promote the professional construction of channels, PICC Life achieved an original premiums income of RMB96,849 million and the business grew steadily.

PICC Life is committed to the customer demand-oriented approach, and achieved an original premiums income of RMB77,659 million under the life insurance, representing a year-on-year increase of 5.7%, as the premiums and proportion of premiums from both general life insurance and participating life insurance increased.

As new critical illness products had yet to be fully accepted by the market following changes in relevant rules of critical illness insurance in the industry, PICC Life recorded an original premiums income of RMB17,959 million under the health insurance, representing a year-on-year decrease of 14.8%.

PICC Life kept strengthening the management and control of business risk, actively adjusted the sales structure of short-term insurance, and continuously improved the operating efficiency. The original premiums income of accident insurance amounted to RMB1,232 million, representing a year-on-year decrease of 24.5%.

In terms of TWPs, in 2021, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB25,792 million, RMB52,130 million and RMB5,098 million, respectively. TWPs of health insurance and accident insurance amounted to RMB17,966 million and RMB1,232 million, respectively.

② Analysis by Channel

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	42,725	44.1	18.9	35,930	37.4
First-year business of long-term insurance	28,479	29.4	25.3	22,737	23.6
Single premiums	20,020	20.7	31.1	15,276	15.9
First-year regular premiums	8,460	8.7	13.4	7,461	7.8
Renewal business	14,200	14.7	8.3	13,115	13.6
Short-term insurance	45	–	(42.3)	78	0.1
Individual Insurance	50,194	51.8	(8.4)	54,817	57.0
First-year business of long-term insurance	16,598	17.1	(18.5)	20,364	21.2
Single premiums	7,048	7.3	(20.6)	8,880	9.2
First-year regular premiums	9,550	9.9	(16.8)	11,484	11.9
Renewal business	32,609	33.7	(2.1)	33,304	34.6
Short-term insurance	987	1.0	(14.0)	1,148	1.2
Group Insurance	3,930	4.1	(27.7)	5,439	5.7
First-year business of long-term insurance	804	0.8	(66.5)	2,403	2.5
Single premiums	713	0.7	(68.0)	2,230	2.3
First-year regular premiums	91	0.1	(47.4)	173	0.2
Renewal business	871	0.9	(6.8)	935	1.0
Short-term insurance	2,256	2.3	7.4	2,101	2.2
Total	96,849	100.0	0.7	96,186	100.0

In 2021, the bancassurance channel brought out the channel positioning of "running business in a valuable scale" by actively promoting value transformation and continuing to optimise product structure. The original premiums income of bancassurance channel was RMB42,725 million, representing a year-on-year increase of 18.9%.

Under the guidance of the Group's "To be Prominent Strategy", PICC Life was determined to promote the effective implementation of the "Cornerstone Plan 2.0" for "Comprehensive individual life insurance" in the head office and branches by driving healthy manpower development through customer management and professional sales. The monthly average sales-in-force was 46,623 for the channel of "Comprehensive individual life insurance" (individual insurance + marketing services) and the original premiums income of individual insurance channel was RMB50,194 million, representing a year-on-year decrease of 8.4%.

PICC Life has terminated supplementary group medical products. The original premiums income of group insurance channel was RMB3,930 million, representing a year-on-year decrease of 27.7%.

In terms of TWPs, in 2021, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB43,680 million, RMB54,101 million and RMB4,437 million, respectively. As of 31 December 2021, the number of sales agents for "Comprehensive individual life insurance" was 185,944. The first-year TWPs per capita per month amounted to RMB2,993.59.

③ Analysis by Region

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Zhejiang Province	**12,282**	13,607	(9.7)
Sichuan Province	**8,548**	7,472	14.4
Jiangsu Province	**7,027**	4,970	41.4
Hunan Province	**4,403**	4,920	(10.5)
Beijing City	**4,247**	4,514	(5.9)
Shandong Province	**4,039**	2,962	36.4
Gansu Province	**3,789**	2,998	26.4
Guangdong Province	**3,642**	4,148	(12.2)
Hubei Province	**3,488**	3,752	(7.0)
Henan Province	**3,312**	3,865	(14.3)
Other regions	**42,072**	42,980	(2.1)
Total	**96,849**	96,186	0.7

④ Persistency Ratios of Premiums

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

	For the year ended 31 December	
Items	**2021**	2020
13-month premium persistency ratio[1] (%)	**76.3**	86.5
25-month premium persistency ratio[2] (%)	**82.5**	88.9

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

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

⑤ Top Five Products

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

Unit: RMB million

	For the year ended 31 December 2021		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
PICC Life Xin An Endowment Insurance (Participating) (Type C)	**Participating life insurance**	**Individual insurance channel/Bancassurance channel**	**19,468**
PICC Life Ru Yi Bao Endowment Insurance (Participating)	**Participating life insurance**	**Individual insurance channel/Bancassurance channel**	**15,508**
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	**Participating life insurance**	**Individual insurance channel**	**6,670**
PICC Life Wen Nuan Jin Sheng Annuity Insurance	**General life insurance**	**Individual insurance channel**	**4,959**
PICC Life Hua Kai Fu Gui Annuity Insurance	**General life insurance**	**Individual insurance channel/Bancassurance channel**	**4,474**

(2) Financial Analysis

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net earned premiums	**95,203**	94,288	1.0
Investment income	**22,353**	21,466	4.1
Other income	**761**	935	(18.6)
Total income	**118,544**	117,126	1.2
Net claims and policyholders' benefits	**98,087**	94,136	4.2
Handling charges and commissions	**9,034**	12,591	(28.3)
Finance costs	**2,481**	2,673	(7.2)
Other operating and administrative expenses	**8,903**	8,437	5.5
Total benefits, claims and expenses	**118,531**	117,932	0.5
Profit before tax	**5,061**	3,136	61.4
Less: Income tax expense/(credit)	**934**	(1,327)	–
Net profit	**4,127**	4,463	(7.5)

Net earned premiums

Net earned premiums of PICC Life increased by 1.0% from RMB94,288 million in 2020 to RMB95,203 million in 2021.

Investment income

The investment income of PICC Life increased by 4.1% from RMB21,466 million in 2020 to RMB22,353 million in the same period of 2021. This was primarily due to the increase in the overall scale of investment assets and better utilisation of investment opportunities.

Other income

Other income of PICC Life decreased by 18.6% from RMB935 million in 2020 to RMB761 million in 2021. This was primarily due to the year-on-year decrease in penalty income and business synergy income received in prior year.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Life increased by 4.2% from RMB94,136 million in 2020 to RMB98,087 million in 2021. This was mainly due to the increase in insurance liability reserves.

Handling charges and commissions

Handling charges and commissions of PICC Life decreased by 28.3% from RMB12,591 million in 2020 to RMB9,034 million in 2021, mainly due to the adjustments in the business structure.

Finance costs

Finance costs of PICC Life decreased by 7.2% from RMB2,673 million in 2020 to RMB2,481 million in 2021. It was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life changed from RMB-1,327 million in 2020 to RMB934 million in 2021, mainly due to the decrease in handling charges and commissions and the reversal of deferred income tax assets recognised from prior years.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life decreased by 7.5% from RMB4,463 million in 2020 to RMB4,127 million in 2021.

2. PICC Health

In 2021, PICC Health stayed committed to serving the Group's "To be Prominent Strategy" while actively participating in the "Healthy China" strategy, and the Company witnessed positive development trends including steady enhancement in both quality and efficiency, continuous enhancement in service capability, continuous consolidation of management foundation, continuous strengthening of risk prevention and control. The original premiums income of PICC Health was RMB35,816 million, representing a year-on-year increase of 11.0%. The net profit amounted to RMB260 million, representing a year-on-year increase of 622.2%. The "Hao Yi Bao" (好醫保) series long-term insurance products were upgraded iteratively and achieved an original premiums income of RMB12,527 million, benefiting 50.73 million customers.

(1) Original Premiums Income

① Analysis by Product

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
Health insurance products	**Amount**	**(% of total)**	**(% of change)**	Amount	(% of total)
Medical insurance	**22,519**	**62.9**	**4.6**	21,524	66.7
Participating endowment insurance	**8,090**	**22.6**	**35.5**	5,972	18.5
Illness insurance	**3,276**	**9.1**	**15.3**	2,842	8.8
Nursing care insurance	**1,314**	**3.7**	**2.1**	1,287	4.0
Accidental injury insurance	**530**	**1.5**	**(1.1)**	536	1.7
Disability losses insurance	**87**	**0.2**	**(9.4)**	96	0.3
Total	**35,816**	**100.0**	**11.0**	32,257	100.0

In 2021, PICC Health proactively promoted business development, continued to optimise the business structure, and realised an original premiums income of RMB35,816 million, representing a year-on-year increase of 11.0%.

PICC Health actively served the construction of multi-level medical security system and realised an original premiums income of medical insurance of RMB22,519 million, representing a year-on-year increase of 4.6%.

PICC Health proactively developed critical illness insurance products with outstanding protection attributes, and realised an original premiums income of illness insurance of RMB3,276 million, representing a year-on-year increase of 15.3%.

PICC Health seized the policy opportunity of the national long-term nursing care insurance pilot expansion, actively initiated new projects, and realised an original premiums income of nursing care insurance of RMB1,314 million, representing a year-on-year increase of 2.1%.

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

The supplementary work injury business of certain social security projects was scaled down, resulting in a year-on-year decrease of 9.4% in the original premiums income of disability losses insurance of PICC Health.

In 2021, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB22,567 million, RMB8,090 million, RMB3,276 million, RMB1,533 million, RMB530 million and RMB87 million, respectively.

② Analysis by Channel

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	6,992	19.5	40.6	4,973	15.4
First-year business of long-term insurance	6,278	17.5	41.3	4,443	13.8
Single premiums	5,934	16.6	45.5	4,078	12.6
First-year regular premiums	344	1.0	(5.8)	365	1.1
Renewal business	713	2.0	36.6	522	1.6
Short-term insurance	1	–	(87.5)	8	–
Individual Insurance	17,093	47.7	10.7	15,441	47.9
First-year business of long-term insurance	4,545	12.7	(38.8)	7,429	23.0
Single premiums	122	0.3	37.1	89	0.3
First-year regular premiums	4,422	12.3	(39.8)	7,340	22.8
Renewal business	11,866	33.1	61.4	7,352	22.8
Short-term insurance	681	1.9	3.2	660	2.0
Group Insurance	11,731	32.8	(0.9)	11,843	36.7
First-year business of long-term insurance	156	0.4	437.9	29	0.1
Single premiums	92	0.3	557.1	14	–
First-year regular premiums	64	0.2	326.7	15	–
Renewal business	35	0.1	9.4	32	0.1
Short-term insurance	11,539	32.2	(2.1)	11,782	36.5
Total	35,816	100.0	11.0	32,257	100.0

PICC Health continued to strengthen its cooperation on the bancassurance channel with the "four banks and one post", strengthened training to nurture high-performing teams, and acquired excellent customers through targeted marketing. It also dug up network resources, actively promoted the issuance of digital channels and promoted the rapid development of bancassurance business, realising an original premiums income of RMB6,992 million, representing a year-on-year increase of 40.6%.

In terms of individual insurance agent business, under the guidance of the Group's "To be Prominent Strategy", PICC Health put value at its core in serving the high-end markets, advanced the quality improvement and upgrading of the agent team, and actively planned channel innovation, transformation and development. In terms of Internet insurance business, PICC Health continued to deepen the cooperation with excellent platforms, improved the refined operation capability, and further uplifted the core competitiveness of channels. The original premiums income of individual insurance channel was RMB17,093 million, representing a year-on-year increase of 10.7%.

In terms of commercial group insurance business, PICC Health took multiple measures to promote transformation to high-quality development of group insurance business, including emphasising business expansion of corporate customers, promoting quality and efficiency enhancement of short-term insurance business and improvement of service capacity, and exploring the development model of "group insurance + medical" and the business model of vocational group development. In terms of social medical insurance business, PICC Health continued to consolidate the diversified development layout, made strides in new expansion projects of city-customised commercial medical insurance, outpatient chronic and special diseases business and long-term nursing care insurance, and continuously improved the business expansion capacity. The original premiums income of group insurance channel was RMB11,731 million, which was remaining basically flat year-on-year.

In terms of TWPs, in 2021, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB7,008 million, RMB17,292 million and RMB11,783 million respectively. As of 31 December 2021, the number of individual insurance sales agents for PICC Health was 6,309. The first-year TWPs per capita from sales agent per month amounted to RMB1,872 and the average number of new insurance policies per capita was 0.57 per month.

③ Analysis by Region

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Guangdong Province	**16,042**	15,545	3.2
Henan Province	**2,716**	2,365	14.8
Jiangxi Province	**2,464**	2,138	15.2
Liaoning Province	**1,596**	1,520	5.0
Yunnan Province	**1,447**	1,252	15.6
Shanxi Province	**1,311**	1,020	28.5
Hunan Province	**1,261**	117	977.8
Hubei Province	**1,109**	483	129.6
Anhui Province	**1,034**	899	15.0
Shandong Province	**966**	922	4.8
Other regions	**5,870**	5,996	(2.1)
Total	**35,816**	32,257	11.0

④ Persistency Ratios of Premiums

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

	For the year ended 31 December	
Items	**2021**	2020
13-month premium persistency ratio(1) (%)	**82.8**	85.0
25-month premium persistency ratio(2) (%)	**81.6**	83.2

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

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

⑤ Top Five Products

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

Unit: RMB million

	For the year ended 31 December 2021		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
Jian Kang Jin Fu You Xiang Bao Individual Medical Insurance (2018)	**Medical insurance**	**Individual insurance channel**	**10,347**
Kang Li Ren Sheng Endowment Insurance (Participating)	**Endowment insurance**	**Bancassurance channel/ Individual insurance channel/Group insurance channel**	**7,930**
Group Critical Illness Medical Insurance for Urban and Rural Residents (Type A)	**Medical insurance**	**Group insurance channel**	**4,190**
He Xie Sheng Shi Large Amount Supplementary Group Medical Insurance for Urban Employees	**Medical insurance**	**Group insurance channel**	**3,329**
PICC Health Xin Xiang Ru Yi Critical Illness Insurance	**Illness insurance**	**Individual insurance channel**	**1,091**

(2) Financial Analysis

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net earned premiums	**31,190**	27,806	12.2
Investment income	**2,582**	2,295	12.5
Other income	**337**	318	6.0
Total income	**35,523**	31,952	11.2
Net claims and policyholders' benefits	**27,899**	25,066	11.3
Handling charges and commissions	**4,199**	1,142	267.7
Finance costs	**430**	419	2.6
Other operating and administrative expenses	**2,809**	5,411	(48.1)
Total benefits, claims and expenses	**35,338**	32,043	10.3
Profit before tax	**183**	(73)	–
Less: Income tax credit	**(77)**	(109)	(29.4)
Net profit	**260**	36	622.2

Net earned premiums

Net earned premiums of PICC Health increased by 12.2% from RMB27,806 million in 2020 to RMB31,190 million in 2021 which was primarily due to the growth of insurance business scale.

Investment income

The investment income of PICC Health increased by 12.5% from RMB2,295 million in 2020 to RMB2,582 million in 2021 which was primarily due to better utilisation of structural investment opportunities in the equity market.

Other income

Other income of PICC Health increased by 6.0% from RMB318 million in 2020 to RMB337 million in 2021.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 11.3% from RMB25,066 million in 2020 to RMB27,899 million in 2021.

Handling charges and commissions

The handling charges and commissions of PICC Health increased by 267.7% from RMB1,142 million in 2020 to RMB4,199 million in 2021.

Finance costs

Finance costs of PICC Health increased by 2.6% from RMB419 million in 2020 to RMB430 million in 2021.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 622.2% from RMB36 million in 2020 to RMB260 million in 2021.

(II) Asset Management Business

In 2021, the asset management segment of the Group implemented the Group's "To be Prominent Strategy" requirements, constantly enhanced its capabilities to "serve strategies and major businesses", and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective.

As of 31 December 2021, the scale of third-party assets management of the Group amounted to RMB621,187 million, representing an increase of 33.6% compared to the beginning of the year. Among which, we actively grasped the development opportunities in annuity and pension businesses, with the scale of assets under management grew by 54.6% compared with the beginning of the year. The investment subsidiaries under the Group strengthened the optimisation and integration of internal resources and increased product innovation. In 2021, PICC AMC further enhanced its core competency in multi-asset allocation and integrated PICC AMHK which served as the Group's overseas investment management platform. PICC AMC received the qualification for trading the first batch of treasury bond futures by an insurance institution and successfully registered the industry's first "carbon-neutral green bond asset management product". After successfully obtaining the license for insurance asset management company, PICC Capital will continue to strive for stronger, better and higher debt investment capabilities, to focus on building the core capabilities of equity investment, to be committed to developing the operational capability of private equity funds and promoting the positive interaction between insurance, investment and industry.

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

The following table sets forth the income statement data of the asset management segment for the reporting period:

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Investment income	**656**	594	10.4
Other income	**2,067**	1,843	12.2
Total income	**2,723**	2,437	11.7
Finance costs	**31**	20	55.0
Other operating and administrative expenses	**1,623**	1,575	3.0
Total expenses	**1,653**	1,593	3.8
Profit before tax	**1,085**	922	17.7
Less: Income tax expense	**263**	232	13.4
Net profit	**822**	690	19.1

Investment income

Investment income of the asset management segment increased by 10.4% from RMB594 million in 2020 to RMB656 million in 2021, mainly due to the appreciation of fair value of investment assets.

Other income

Other income of the asset management segment increased by 12.2% from RMB1,843 million in 2020 to RMB2,067 million in 2021, mainly due to the year-on-year increase in management fee income and income from disposal of investment property.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment increased by 19.1% from RMB690 million in 2020 to RMB822 million in 2021.

(III) Investment Portfolio and Investment Income

In 2021, despite the adverse impacts from the low interest rate environment and the volatile and declining equity market, the Group adhered to the philosophy of value investment, maintained investment strength, focused on improving its core investment and research capacity, and strengthened the research and analysis capability of the market trends. Also, it adjusted asset allocation dynamically and established an asset allocation framework system characterised by effective coordination of strategies and tactics to actively forestall investment risk, yielding good investment results. In terms of bond investment, the Group proactively seized the opportunity of long-term debt allocation to lengthen the duration, while continuously narrowing the duration gap between its assets and liabilities. In terms of equity investment, the Group selected the right track, actively seized structural investment opportunities, strengthened the benchmarking of results and strategies, and also actively explored new revenue growth point, contributing to more diversified sources of investment income.

1. *Investment Portfolio*

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

Unit: RMB million

	As of 31 December 2021		As of 31 December 2020	
	Amount	(% of total)	Amount	(% of total)
Investment assets	1,196,920	100.0	1,088,851	100.0
Classified by investment object				
Cash and cash equivalents	33,276	2.8	78,209	7.2
Fixed-income investments	752,377	62.9	680,142	62.5
Term deposits	94,341	7.9	89,016	8.2
Treasury bonds	183,252	15.3	123,476	11.3
Financial bonds	135,335	11.3	102,833	9.4
Corporate bonds	169,032	14.1	172,613	15.9
Long-term debt investment schemes	69,738	5.8	87,903	8.1
Other fixed-income investments(1)	100,679	8.4	104,301	9.6
Fund and equity securities investments at fair value	212,939	17.8	155,888	14.3
Fund	115,276	9.6	75,460	6.9
Shares	62,843	5.3	66,548	6.1
Perpetual bond	34,820	2.9	13,880	1.3
Other investments	198,328	16.6	174,612	16.0
Investment in associates and joint ventures	135,570	11.3	124,840	11.5
Others(2)	62,758	5.2	49,772	4.6
By the purpose for which it was held				
Financial assets at fair value through profit or loss for the period	57,459	4.8	33,433	3.1
Held-to-maturity investments	197,346	16.5	181,199	16.6
Available-for-sale financial assets	502,102	41.9	379,312	34.8
Long-term equity investments	135,570	11.3	124,840	11.5
Loans and others(3)	304,443	25.4	370,067	34.0

Notes:

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

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

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

(1) Classified by investment object

In terms of fixed-income investments, the Group strengthened its research and analysis on the interest rate trends, vigorously allocated long-term government bonds and stabilised the position yield and account duration; meanwhile, we continued to optimise the credit structure of existing assets and strictly controlled the incremental credit varieties, and the credit premium was at a relatively reasonable level.

As of 31 December 2021, the bond investment accounted for 40.7%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers were rated at AA/A-1 and above, of which, those rated at AAA accounted for 99.8%. The industries associated with credit bond currently held by the Group are diversified, involving various sectors such as bank, transportation, general and non-bank finance; the ability of entities to repay debt is generally strong and the credit risks are controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC. It has deepened the need for credit risk management, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and strengthened the forward-looking and early warning, analysis and disposal of credit risk. During the year, the Group has strengthened regular credit risks inspection and carried out emergency drills for credit risk response and disposal under the combination of relevant credit risk scenarios and peer cases. By progressively reducing the proportion of credit bonds with low to medium ratings, the Group optimised the existing business structure and strictly controlled the risk of incremental business at the same time. In addition, the Group has improved the digital and intelligent level of credit risk management and increasingly empowered the investment business through active utilisation of models/systems including artificial intelligence technology for monitoring public opinion and smart credit rating.

The overall credit risk of the Group's investment in non-standard financial product asset is controllable, assets with an external credit rating of AAA account for 98.3%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, energy, public utilities, construction and decoration, and commercial real estate. These industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. Apart from actively selecting core counterparties with reliable credit qualifications as financing entities/guarantors, the Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation and others, together with stringent terms regarding accelerated expiry/fund misappropriation protection, providing a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks of the Group are large state-owned commercial banks or joint-stock commercial banks with strong financial strength and good credit qualifications.

The Group insisted on the idea of "long-term and value investment" in terms of equity investment. The proportion of equity positions was controlled within a risk tolerance range with a focus on structural opportunities and phased opportunities. The Group grasped the opportunities brought by high-quality economic transformation. In the meanwhile, it actively expanded investment channels and investment varieties which effectively resolved allocation pressure while improving portfolio returns under the unfavourable situation of heightened volatility in the capital market.

(2) Classified by investment purpose

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. The proportion of financial assets at fair value through profit or loss for the period increased by 1.7 percentage points as compared with those as at the end of last year. The proportion of held-to-maturity investments decreased by 0.1 percentage point as compared with those as at the end of last year. The proportion of available-for-sale financial assets increased by 7.1 percentage points as compared with those as at the end of last year, mainly due to the increase in non-held-to-maturity bonds and equity allocation. The proportion of loans and others decreased by 8.6 percentage points as compared with those as at the end of last year, mainly because the access standard of credit rating for non-standard financial product asset was strictly controlled, and the maturity scale was larger than that of the new allocation scale.

2. *Investment Income*

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

Unit: RMB million

	For the year ended 31 December	
Items	**2021**	2020
Cash and cash equivalents	**710**	634
Fixed-income investments	**32,083**	30,626
Interest income	**31,578**	31,482
Gains and losses from disposal of financial instruments	**616**	316
Gains and losses on fair value changes	**458**	(239)
Impairment	**(569)**	(933)
Fund and equity securities investments at fair value	**15,999**	13,410
Dividends and bonus income	**5,563**	4,656
Gains and losses from disposal of financial instruments	**10,660**	11,294
Gains and losses on fair value changes	**321**	216
Impairment	**(545)**	(2,756)
Other investments	**14,276**	12,071
Investment income from associates and joint ventures	**13,573**	11,413
Other gains and losses	**703**	658
Total investment income	**63,068**	56,741
Net investment income[(1)]	**52,270**	48,970
Total investment yield[(2)] *(%)*	**5.8**	5.8
Net investment yield[(3)] *(%)*	**4.8**	5.0

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

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

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

The total investment income of the Group increased by 11.2% from RMB56,741 million in 2020 to RMB63,068 million in 2021. The net investment income increased by 6.7% from RMB48,970 million in 2020 to RMB52,270 million in 2021. The total investment yield amounted to 5.8%, remained flat year-on-year. The net investment yield decreased by 0.2 percentage point from 5.0% in 2020 to 4.8% in 2021.

III. SPECIFIC ANALYSIS

(I) Liquidity Analysis

1. Liquidity Analysis

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

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

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

2. Statement of Cash Flows

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net cash flows from operating activities	**72,731**	31,867	128.2
Net cash flows used in investing activities	**(81,555)**	(51,370)	58.8
Net cash flows (used in)/generated from financing activities	**(35,861)**	21,114	–

The Group's net cash flows from operating activities changed from a net inflow of RMB31,867 million in 2020 to a net inflow of RMB72,731 million in 2021, mainly due to the continuous optimisation of business structure and the year-on-year decrease in surrender cash outflow.

The Group's net cash flows used in investing activities changed from a net outflow of RMB51,370 million in 2020 to a net outflow of RMB81,555 million in 2021, mainly due to the year-on-year increase in cash paid for investment.

The Group's net cash flows (used in)/generated from financing activities changed from a net inflow of RMB21,114 million in 2020 to a net outflow of RMB35,861 million in 2021, mainly due to the net cash inflow for financial assets sold under agreements to repurchase in last year change to the net cash outflow this year and the year-on-year increase of cash paid for redemption of bonds.

(II) Solvency

The Group calculated and disclosed the actual capital, core capital, minimum capital, comprehensive solvency margin ratio and core solvency margin ratio in accordance with the relevant CBIRC requirements.

Unit: RMB million

	As of 31 December 2021	As of 31 December 2020	(% of change)
The Group			
Actual capital	395,232	392,076	0.8
Core capital	345,816	329,768	4.9
Minimum capital	131,147	128,432	2.1
Comprehensive solvency margin ratio *(%)*	301	305	Decrease of 4 pts
Core solvency margin ratio *(%)*	264	257	Increase of 7 pts
PICC P&C			
Actual capital	207,421	207,246	0.1
Core capital	194,361	179,290	8.4
Minimum capital	73,082	71,757	1.8
Comprehensive solvency margin ratio *(%)*	284	289	Decrease of 5 pts
Core solvency margin ratio *(%)*	266	250	Increase of 16 pts
PICC Life			
Actual capital	113,741	120,119	(5.3)
Core capital	100,942	107,301	(5.9)
Minimum capital	45,593	45,990	(0.9)
Comprehensive solvency margin ratio *(%)*	249	261	Decrease of 12 pts
Core solvency margin ratio *(%)*	221	233	Decrease of 12 pts
PICC Health			
Actual capital	17,258	16,927	2.0
Core capital	13,691	13,379	2.3
Minimum capital	9,094	8,268	10.0
Comprehensive solvency margin ratio *(%)*	190	205	Decrease of 15 pts
Core solvency margin ratio *(%)*	151	162	Decrease of 11 pts

As of 31 December 2021, the comprehensive solvency margin ratio of the Group was 301%, representing a decrease of 4 percentage points as compared to that as of the end of 2020, and its core solvency margin ratio was 264%, representing an increase of 7 percentage points as compared to the end of 2020. While the business scale was expanding, profit before tax and net asset both achieved faster growth, the core solvency margin ratio increased year-on-year, reflecting the fruitful transformation to high-quality development.

As of 31 December 2021, the comprehensive solvency margin ratio of PICC P&C was 284%, representing a decrease of 5 percentage points as compared to the end of 2020, and its core solvency margin ratio was 266%, representing an increase of 16 percentage points as compared to the end of 2020. The comprehensive solvency margin ratio of PICC Life was 249%, representing a decrease of 12 percentage points as compared to the end of 2020, and its core solvency margin ratio was 221%, representing a decrease of 12 percentage points as compared to the end of 2020. The comprehensive solvency margin ratio of PICC Health was 190%, representing a decrease of 15 percentage points as compared to the end of 2020, and its core solvency margin ratio was 151%, representing a decrease of 11 percentage points as compared to the end of 2020.

IV. EVENT AFTER THE REPORTING PERIOD

On 21 January 2022, the establishment of PICC Information Technology Company Limited initiated by the Company was officially approved by the CBIRC. Its registered capital was RMB400 million and it was a 100% controlled subsidiary of the Company. Its operation scope include the development of artificial intelligence basic software, Internet of Things technology services, software outsourcing services, artificial intelligence basic resources and other technology platforms.

On 22 March 2022, PICC Health, a subsidiary of the Company, announced that it proposed to issue the capital supplementary bonds of RMB3,000 million in the national inter-bank bond market.

On 25 March 2022, the Board of the Company proposed a final dividend of RMB14.7 cents per ordinary share for 2021, amounting to a total of approximately RMB6,501 million. The above proposal is subject to approval by the shareholders at the forthcoming general meeting.

V. PROSPECTS AND RISK ANALYSIS

(I) Industry Landscape and Trend

It is still an important period of strategic opportunity for national development at present and in the coming period. Despite the increasing complexity, severity and uncertainty of the external environment of China, the domestic economy is resilient and the fundamentals for long-term growth remain unchanged, which laid a solid foundation for the high-quality development of the industry. The comprehensive reform of vehicle insurance which promotes premium reduction and coverage enhancement and the concept of returning to the origin of vehicle insurance, as well as the booming production and sales of new energy vehicles, have intensified the competition of vehicle insurance in the next few years. In the long run, the gradual advancement of autonomous driving technology will transform vehicle insurance from property loss risk insurance to liability risk insurance. The deepening reform to streamline administration, decentralise power and optimise services by the government, alongside with the improvement of residents' awareness on property and casualty insurance, will allow greater development opportunities for non-vehicle insurance. The "Healthy China" strategy and the active strategy against population aging promoted nationwide, coupled with residents' heightened awareness on health insurance due to the COVID-19 pandemic, are beneficial for the long-term development of life and health insurance, where the health care and endowment products with stronger coverage and better services will be more favoured by customers. Given that the development of insurance technology has been accelerating, with all aspects of insurance operation and management being empowered by big data, artificial intelligence, cloud computing, Internet of Things and other technologies, the direction of insurance companies leveraging its insurance technology as a "multiplier" for its development capability will be the future focus of competition in the industry. The new insurance logic of "underwriting + loss reduction + empowerment + claims" will promote profound changes in the business philosophy, organisational structure and product technology of insurance companies.

(II) Development Strategy of the Company

The Group is committed to a strategic vision of creating a world-class financial insurance group with excellent risk management capabilities, with a determination to implement the "1+7" strategic framework. In 2022, we will stay committed to seek progress while maintaining a stable performance, implement the general requirements of "Three New and One High", penetrate the general hub for risk prevention, promote "Six Strategic Services", conduct scientific research and development of strategic projects, innovate product technology, accelerate information technology construction, deepen system and mechanism reform, and steadily promote the implementation of the Group's "To be Prominent Strategy".

(III) Operation Plan

The insurance segment will grasp the strategic opportunity of "Three New and One High" and ensure business development is in line with macro-economic and industrial development and is in accordance with the "To be Prominent Strategy". Among which, **PICC P&C** will strengthen innovation-driven leadership, accelerate the development of corporate business, consolidate the development advantages of vehicle insurance, enhance the development capacity of individual non-vehicle insurance, and strengthen risk reduction management. It will also serve the national strategies and the livelihood of the people, facilitate the agricultural insurance transition from covering "agriculture" to "agriculture, rural areas, and farmers" and continue to optimise social insurance processing business. **PICC Life** will focus on value creation, optimise product supply and promote the implementation of high-end life insurance sales elite training project in all ways to improve the production capacity of excellent employees, and build multiple channels with value orientation. **PICC Health** will formulate and implement health projects and strengthen its efforts to integrate the resources in three medical areas of medical treatment, medicine and medical insurance, with a focus on "group insurance+medical treatment" employee welfare solutions and outpatient chronic and special diseases management to accelerate the exploration of a successful health insurance business model. **PICC Reinsurance** will actively explore markets and steadily promote its international business. **PICC Hong Kong** will integrate into the development of the Greater Bay Area and tap into the potential of business from Chinese funded enterprises.

The investment segment will adhere to serve strategies and major businesses, enhance asset-liability matching, enhance the core capability, and stabilise the investment income in order to facilitate industrial investment, enhance profit contribution, and better support the development of major businesses. Among which, **PICC AMC** will strengthen its construction of investment and research capacity, maintain its strengths on fixed income, enhance investment capacity of the rights and interests, and develop third party business. **PICC Investment Holding** will initiate the endowment business, and promote the professional layout of real estate, property and others. **PICC Capital** will provide better non-standard debt, expand private equity business, and enhance the capacity of investment banks to provide services. **PICC Pension** will seek a breakthrough and development in strengthening the second pillar, rectifying the first pillar and expanding the third pillar, and continue to expand the scale of entrusted assets.

The financial technology segment will implement the Group's information technology plan and strengthen technology empowerment. Among which, **PICC Technology** will coordinate the construction of the basic technology platform of the Group. **PICC Financial Services** will build an internet platform to serve the whole group.

(IV) Major Potential Risks and Countermeasures

The first is the risk in macro environment. Despite the volatile COVID-19 pandemic situation worldwide, together with high inflation pressure and patchy economic recovery, China has managed to keep outperforming the world in terms of economic development and pandemic prevention and control, yet the downward pressure on the domestic economy is gradually intensifying. The interweaving factors, including the unfolding COVID-19 pandemic, the changes in the external macroeconomic environment as well as the international political situation, would have certain impact on the operation and management, business development and investment of the Company. Placing a high regard for its research on the global macroeconomic environment and internal and external economic situation, the Company will pay continuous attention to the possible impact of the global pandemic on the Company, keep enhancing our awareness of opportunities and risks, and actively conduct risk assessments and risk responses.

The second is the risk in capital utilisation. As affected by the volatile pandemic and unstable global economic situation, equity markets at home and abroad have continued to fluctuate, while the low interest rate environment has made it more difficult to allocate high quality assets. Consequently, the pressure on capital utilisation has increased and the investment channels are tightenes, which in turn would cause certain impact on the efficiency of capital utilisation and bring uncertainty to investment returns. The Company closely monitors the macro situation and changes in the domestic and overseas capital markets, constantly strengthens the tracking and analysis of risk exposure on capital utilisation, conducts regular stress test and other risk assessment works, promptly conducts specific operation to lower the drawdown risk, and implements risk management and dynamic tracking of capital utilisation.

The third is the credit risk of investment. In 2021, given the marginal slowdown in global economic recovery coupled with the intensified friction of supply chain, the rebound of pandemic has widened the gap between economies across the globe, resulting in changing internal and external credit environment with frequent default risk incidents. Having a high regard for credit risk prevention, the Company actively makes forecasts of macroeconomic policy changes, continues to carry out credit risk monitoring and warnings, adjusts investment strategies with diversified tools and methodologies, and continuously improves the credit risk management and control capabilities of investment business.

The fourth is the risk in insurance business. The prevailing COVID-19 pandemic, frequent extreme weather disasters and the significant cost reduction in the market of comprehensive vehicle insurance reform have caused certain impact on the industry and the Company's business development and brought more uncertainties to the claim settlement, fees and other related aspects of the Company's insurance business. Being highly aware of the risk in insurance business, the Company continues to refine the risk management and control of the entire process of the insurance business and the risk response of the insurance business by formulating reinsurance strategies, strengthening the assessment and management of products, conducting regular monitoring of key business and promoting the rectification of business issues.

VI. CAPITAL EXPENDITURE

The capital expenditure of the Group primarily consists of property construction, acquisition of motor vehicles for business needs and development of information systems. Capital expenditure of the Group amounted to RMB3,655 million in 2021.

VII. PLEDGE OF ASSETS

Certain subsidiaries of the Company sold and repurchased securities in the market for liquidity management. During the course of transactions, securities held by the Company's subsidiaries were pledged for such transactions. The carrying amount of relevant securities as at 31 December 2021 is set out in Note 32 to the consolidated financial statements of this annual report.

VIII. BANK BORROWINGS

In addition to the capital supplementary bonds issued by the Group and the repurchase business disposed of in the investment business, the Group had bank borrowings of RMB637 million at the end of 2021. Details of the capital supplementary bonds are set out in Note 35 to the consolidated financial statements of this annual report.

IX. CONTINGENCIES

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

X. MAJOR ACQUISITIONS AND DISPOSALS

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

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position(s)	Gender	Age	Date of appointment
Luo Xi	Chairman, Executive Director	Male	61	December 2020
Wang Tingke	Vice Chairman, Executive Director	Male	57	August 2020
	President			July 2020
	Responsible Compliance Officer			June 2021
	Chief Risk Officer			April 2021
Li Zhuyong	Executive Director	Male	49	December 2020
	Vice President			November 2018
	Secretary to the Board			August 2020
Wang Qingjian	Non-executive Director	Male	57	July 2017
Miao Fusheng	Non-executive Director	Male	57	December 2020
Wang Shaoqun	Non-executive Director	Male	52	December 2020
Yu Qiang	Non-executive Director	Male	48	August 2021
Wang Zhibin	Non-executive Director	Male	54	August 2016
Shiu Sin Por	Independent Non-executive Director	Male	72	May 2018
Ko Wing Man	Independent Non-executive Director	Male	64	May 2018
Chen Wuzhao	Independent Non-executive Director	Male	52	March 2017
Cui Li	Independent Non-executive Director	Female	48	September 2021
Xu Lina	Independent Non-executive Director	Female	62	November 2021
Zhang Tao	Chairman of the Board of Supervisors	Male	58	February 2022
Xu Yongxian	Shareholder Representative Supervisor	Male	58	September 2009
Starry Lee Wai King	Independent Supervisor	Female	47	October 2021
Zhang Yan	Employee Representative Supervisor	Female	48	January 2021
Wang Yadong	Employee Representative Supervisor	Male	51	January 2021
Xiao Jianyou	Vice President	Male	53	August 2019
Yu Ze	Vice President	Male	50	April 2020
Cai Zhiwei	Vice President	Male	46	March 2021
Han Kesheng	Assistant to the President	Male	56	May 2010
	Responsible Audit Officer			February 2018
Lin Zhiyong	Business Director	Male	58	March 2019
Zhou Houjie	Responsible Financial Officer	Male	57	March 2010
	Chief Financial Officer			

(II) Resigned Directors, Supervisors and Senior Management

Name	Previous position	Date of appointment	Date of termination	Change and cause
Xie Yiqun	Executive Director	October 2017	June 2021	Retired
	Vice President	July 2015	June 2021	
Cheng Yuqin	Non-executive Director	October 2015	August 2021	Retired
Luk Kin Yu, Peter	Independent Non-executive Director	July 2015	March 2021	Resigned due to age and health issue
Lin Yixiang	Independent Non-executive Director	September 2015	September 2021	Re-election
Huang Liangbo	Chairman of the Board of Supervisors	April 2020	July 2021	Resigned due to job changes
Jing Xin	Independent Supervisor	March 2017	October 2021	Re-election
Wang Dajun	Employee Representative Supervisor	March 2016	January 2021	Resigned due to job changes
Ji Haibo	Employee Representative Supervisor	October 2017	January 2021	Resigned due to job changes
Lv Chen	Business Director	August 2013	August 2021	Resigned due to job changes

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

(III) Shareholdings of Directors, Supervisors and Senior Management

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

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

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

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

Name	Position in the Company	Name of other companies/ institutions	Position in other companies/ institutions	Date of appointment
Luo Xi	Chairman, Executive Director	Insurance Association of China	Honorary President	May 2019
		Finance Society of China	Vice Chairman	July 2021
Wang Tingke	Vice Chairman, President, Executive Director, Responsible Compliance Officer and Chief Risk Officer	Insurance Society of China	Vice Chairman	June 2019
		China Chamber of International Commerce	Vice Chairman	September 2020
Li Zhuyong	Executive Director, Vice President and Secretary to the Board	China Institute of Insurance Law of the China Law Society	Vice Chairman	October 2017
		Chairman of the 15th council of China Maritime Law Association	Chairman	July 2020
		Industrial Bank Co., Ltd.	Non-executive Director	July 2021
Wang Qingjian	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	July 2017
Miao Fusheng	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	January 2021
Wang Shaoqun	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	February 2021
Yu Qiang	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	September 2021
Shiu Sin Por	Independent Non-executive Director	New Paradigm Foundation	President	September 2017
		Chongyang Institute for Financial Studies at Renmin University of China	Senior fellow	December 2017
		School of Public Policy and Management of Tsinghua University	Senior Visiting Fellow	January 2018
		Shanghai East Asia Research Institute	Consultant	April 2018
		CITIC Foundation for Reform and Development Studies	Consultant	August 2018
		Institute of Social Governance, University of Chinese Academy of Social Sciences	Research analyst	March 2019
		Chinese Association of Hong Kong & Macao Studies	Consultant	September 2020

Name	Position in the Company	Name of other companies/ institutions	Position in other companies/ institutions	Date of appointment
Ko Wing Man	Independent Non-executive Director	Dr. Ko Wing Man Clinic	Doctor	August 2017
		Governance Committee of St. Teresa's Hospital	Non-executive member	December 2020
		Your Health Specialists Company	Independent Non-executive Director	March 2021
		Your Health Specialists Medical Group Limited	Independent Non-executive Director	March 2021
		Capital Medical Health Industry Group Limited	Honorary Chairman	September 2021
		EC Healthcare Group, Hong Kong	Chief Consultant	February 2022
Chen Wuzhao	Independent Non-executive Director	School of Economics and Management, Tsinghua University	Associate professor	October 1998
		Accounting Society of China	Member of Enterprise Accounting Standards Professional Board	January 2009
		VeriSilicon Microelectronics (Shanghai) Co., Ltd.	Independent Non-executive Director	March 2019
		Ruili Integrated Circuit Co., Ltd.	Independent Non-executive Director	September 2021
Cui Li	Independent Non-executive Director	CCB International Securities Limited	Chief Economist, Head of Macro-research and Managing Director	February 2016
		China Finance 40 Forum	Special invited member	February 2016
		China Chief Economist Forum	Director	November 2012
Xu Lina	Independent Non-executive Director	China Academy of Financial Research of Zhejiang University of Finance and Economics	Researcher	August 2015
		Actuarial Department of Columbia University	Senior Academic Director	March 2019
Starry Lee Wai King	Independent Supervisor	KPMG Hong Kong	Consultant	March 2021
		Hong Kong University of Science and Technology	Council member/ Advisor	August 2010
Xiao Jianyou	Vice President	China Foundation for Development of Financial Education	Director	November 2020
		Asian Financial Cooperation Association	Vice Chairman	June 2021
Zhou Houjie	Responsible Financial Officer and Chief Financial Officer	China Association of Chief Financial Officers	Vice chairman of the 6th Council	April 2019

II. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Luo Xi, is an Executive Director and Chairman of the Company and a senior economist. From December 1987 to December 2009, Mr. Luo worked in Agricultural Bank of China; and was the assistant president and the general manager of International Business Department since January 2002, the vice president since March 2004, and an executive director and the vice president since December 2008. From December 2009 to November 2013, he served as the executive director and vice president of Industrial and Commercial Bank of China Limited. From November 2013 to January 2016, he served as the vice chairman and general manager of China Export & Credit Insurance Corporation. From January 2016 to August 2018, he served as the vice chairman and general manager of China Resources (Holdings) Company Limited. From August 2018 to September 2020, he was the chairman of China Taiping Insurance Group Ltd. (China Taiping Insurance Group (HK) Company Limited), and also served as the chairman of China Taiping Insurance Holdings Company Limited, Taiping Life Insurance Company Limited and Taiping Asset Management Company Limited. Mr. Luo has been appointed as Executive Director and the Chairman of the Company since October 2020. Mr. Luo has also served as a non-executive director and the chairman of PICC P&C, a non-executive director and the chairman of PICC AMC, and a non-executive director and the chairman of PICC Hong Kong. Since May 2019, Mr. Luo has served as the honorary president of Insurance Association of China, and since July 2021, he has served as a vice chairman of Finance Society of China. Mr. Luo graduated from the Postgraduate Department of People's Bank of China in December 1987 and received a master's degree in economics.

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

Mr. Li Zhuyong, is an Executive Director, Vice President and Secretary to the Board of the Company and a senior economist. Mr. Li joined the Company in August 1998. From September 2003 to March 2006, he was the Responsible Legal Officer and deputy general manager. From March 2006 to March 2017, he was the general manager of the legal and compliance department, the risk management department/legal compliance department, and the legal compliance department. From August 2013 to July 2018, he served as the legal director. He was appointed as the Vice President of the Company since August 2018, as Secretary to the Board since April 2020, and as Executive Director since August 2020. Mr. Li also served as a non-executive director and the chairman of China Credit Trust. Mr. Li served as the Responsible Compliance Officer and the Chief Risk Officer of the Company; he also served as the supervisor of PICC P&C, chairman of PICC Financial Services and a director of PICC Hong Kong. Mr. Li has served as a non-executive director of Industrial Bank Co., Ltd. since July 2021, the vice chairman of the China Institute of Insurance Law of the China Law Society since October 2017, and the chairman of the 15th council of China Maritime Law Association since July 2020. Mr. Li graduated from the Capital University of Economics and Business in July 1998 with a master's degree in law, and graduated from China University of Political Science and Law in June 2011 with a doctoral degree in law.

Non-executive Directors

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

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

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

Mr. Yu Qiang, is a Non-executive Director of the Company and a senior economist. From August 1995 to July 2000, Mr. Yu worked as a staff member in the financial accounting department of the former China National Automotive Industry Sales Corp; from August 2000 to September 2003, he worked as a staff member in the Supervision Department of Operation Office of the People's Bank of China; from October 2003 to December 2018, he worked in the former CBRC Beijing Bureau and has successively served as the staff member and chief staff member of the policy and regulation division, the deputy director of the supervision division of foreign financial institutions, the deputy director of the policy and regulation division, the director of the statistics and information division, the director of the policy and regulation division, the director of the specialized institutions supervision division, and the head of the on-site inspection team III (director level); from January 2019 to May 2020, he worked in the CBIRC Beijing Bureau and has successively served as the head of the on-site inspection team III (director level) and the director of the banking institutions inspection division I; from June 2020 to August 2021, he worked as a second level inspector of the CBIRC Beijing Bureau. He has been a Non-executive Director of the Company since August 2021. He has been a director appointed by Central Huijin Investment Company Limited since September 2021. Mr. Yu graduated from Jiangxi University of Finance and Economics in 1995 with a bachelor's degree in economics; graduated from Renmin University of China in 2004 with a master's degree in economics; graduated from the National University of Singapore in 2019 with a master's degree in public administration and management (MPAM). Mr. Yu holds the professional qualification certificates of Chinese certified public accountant, lawyer, Chinese certified tax agent and Chinese certified assets valuer.

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

Independent Non-executive Directors

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

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

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

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

Ms. Xu Lina, is an Independent Non-executive Director of the Company, the director of actuarial department of Columbia University, a researcher of Society of Actuaries, and a doctor of applied mathematics and computing science. She has been engaged in the teaching and research of mathematics, statistics and actuarial science for more than 20 years and has 16 years of experience in the insurance industry. For work experience, she served as an assistant actuary in Reinsurance Group of America from December 1998 to February 2007; an actuary of American Life Insurance financial modeling/experience analysis from February 2007 to May 2009; an assistant to director of Sun Life Financial Group (an insurance company headquartered in Canada) from May 2009 to September 2010; director of Prudential Financial Company from October 2010 to September 2011; deputy director of Guggenheim Life and Annuity Company from September 2011 to September 2012; and director and consultant of Athene Annuity and Life Company (an insurance company registered in the State of Iowa) from October 2012 to December 2013. Ms. Xu has been appointed as an Independent Non-executive Director of the Company since November 2021. For teaching and research, she served as an assistant professor in Fujian Normal University from August 1982 to April 1988; a scientific research teaching assistant in the University of Iowa from August 1988 to July 1996; an assistant lecturer in Maryville University of St. Louis and Charles Community College from January 1997 to December 2006; an assistant lecturer of the actuarial department of Columbia University from May 2010 to September 2013; a researcher of China Academy of Financial Research of Zhejiang University of Finance and Economics since August 2015; director of actuarial department of Columbia University from September 2013 to March 2019; and senior academic director of the actuarial department of Columbia University since March 2019. Ms. Xu obtained a bachelor's degree in mathematics from Fujian Normal University in July 1982; a master's degree in statistics and actuarial science from the University of Iowa in the United States in December 1990; a doctor's degree in applied mathematics and computing science from the University of Iowa in the United States in July 1996; and became a member of Society of Actuaries in September 2008.

Supervisors

Mr. Zhang Tao, is the Chairman of the Board of Supervisors of the Company and a research analyst. From January 1995 to July 1997, Mr. Zhang served as a consultant of development economics of the World Bank. From July 1997 to June 2004, he was a senior economist/project officer of the Asian Development Bank. From June 2004 to August 2011, he worked in the People's Bank of China, in which he served as the deputy director of the Research Bureau from June 2004 to March 2007, the deputy section chief (deputy director) of the International Department (Hong Kong, Macao and Taiwan Affairs Office) in March 2007, the section chief of the Statistics and Analysis Department in March 2008, and the section chief (director) of the International Department (Hong Kong, Macao and Taiwan Affairs Office) and the director of the International Department of Shanghai Head Office in April 2010. From August 2011 to August 2014, he served as the executive director of the International Monetary Fund for China. From August 2014 to April 2016, he served as the director general of the Legal Affairs Department of the People's Bank of China, and in April 2016, the vice president of the People's Bank of China. From August 2016 to August 2021, he served as the deputy managing director of the International Monetary Fund. Mr. Zhang has been appointed as the Chairman of the Board of Supervisors of the Company since November 2021. Mr. Zhang graduated from the Department of Automation of Tsinghua University in July 1986 with a bachelor's degree in engineering; graduated from the School of Economics and Management of Tsinghua University in July 1989 with a master's degree in engineering; and graduated from the University of California, Santa Cruz in November 1995 with a master's and doctor's degree in International Economics.

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

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

Ms. Zhang Yan, is the Employee Representative Supervisors of the Company. Ms. Zhang worked in the Central Committee of the Communist Youth League from January 1996 to February 2013, served as deputy director of the Hong Kong, Macao and Taiwan working division of the United Front Work Department, deputy head of the Youth League Office, and the head, deputy inspector and vice head of Youth League Office. She served as the deputy secretary-general (departmental post) of the PICC Foundation (renamed as the PICC Charity Foundation in April 2014) and deputy general manager of the culture brand department of the Company from February 2013 to February 2015. She served as the general manager of the culture brand department of the Company from February 2015 to June 2018. She has been serving as the General Manager of the Department of Labor Union/Youth League Committee/Service Department for Veteran Cadres of the Company since June 2018. Since March 2021, she has been the Deputy General Manager (Department General Manager level) of Party Building and Public Work Department. Ms. Zhang has been a member of the Fifth National Committee of the PRC Financial Union and the Standing Committee of the Fifth Women’s Workers’ Committee since July 2019. She served as the secretary-general of PICC Charity Foundation from February 2015 to December 2018, a supervisor of the Foundation since December 2018, and a member of the Standing Committee of the Seventh National Council of China Financial Sports Association since November 2019. Ms. Zhang graduated from Southwest University of Political Science and Law with a bachelor’s degree in Law in July 1995, graduated from Peking University with a master’s degree in Public Administration in July 2006 and graduated from Cheung Kong Graduate School of Business in September 2014, obtaining a master’s degree in Business Administration in Senior Management.

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

Senior Management

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

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

Mr. Xiao Jianyou, is a Vice President of the Company and a senior economist. Mr. Xiao joined the Company in August 1994. From August 1996 to May 2019, he worked in China Life Insurance Company Limited (PICC Life Company Limited and China Life Insurance Company). Mr. Xiao served as an assistant to the general Manager of Jiangsu Branch in March 2008, the deputy general manager of Jiangsu Branch in August 2010, the person-in-charge of Jiangsu Branch in February 2013, the deputy general manager (presiding) in April 2013, and the general manager of Jiangsu Branch in January 2014. He was an assistant to the president in July 2015 and the vice president from October 2016 to May 2019 of China Life Insurance Company Limited. From September 2015 to May 2019, he was also a non-executive director of China Life Property and Casualty Insurance Company Limited. He has been appointed as a Vice President of the Company since June 2019. Mr. Xiao has also served as a non-executive director and the chairman of PICC Life, the chairman of PICC Reinsurance and a non-executive director and the vice chairman of PICC Hong Kong. Mr. Xiao was a member of the China Foundation for Development of Financial Education in November 2020, and the vice chairman of Asian Financial Cooperation Association in June 2021. Mr. Xiao graduated from Jiangxi Traditional Chinese Medicine College in July 1991 with a bachelor’s degree in Medicine, and graduated from Nanjing University in July 1994 with a bachelor’s degree in Law.

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

Mr. Cai Zhiwei, is a Vice President of the Company. Mr. Cai worked for the China Development Bank from July 1997 to January 2007. He worked at DTZ Corporate Finance Limited from January 2007 to May 2008. Mr. Cai worked in China Investment Corporation from May 2008 to December 2020. He was the analyst of Alternative Asset Management Department, senior deputy manager and senior manager of Private Investment Department, senior manager and managing director of Private Equity Investment Department and team leader of Real Estate Investment Team; he was appointed as the acting director and the managing director of the Real Estate Investment Department in October 2015 and the director in November 2018; he was appointed as a member of the Executive Committee of China Investment Corporation and the director of the Real Estate Investment Department in November 2019, and has also been the director of the Investment Support Department since February 2020. Mr. Cai has been appointed as the Vice President of the Company since January 2021. Mr. Cai also served as a non-executive director and the chairman of PICC Investment Holding. Mr. Cai graduated from Beijing International Studies University with a bachelor's degree in Economics in July 1997; he obtained a master's degree in Economics from Xiamen University in December 2000. and a master's degree in Philosophy from University of Cambridge in August 2006.

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

Mr. Lin Zhiyong, is a Business Director of the Company and a senior economist. Mr. Lin worked in the Yongchun County Branch of the People's Bank of China in December 1980. He joined the Company in January 1983 and was appointed as deputy general manager of Fujian Branch in June 2002. He served as deputy general manager of Fujian Branch of PICC P&C in August 2003 and the general manager of Fujian Branch from February 2006 to November 2011. He served as vice president of PICC P&C in April 2011, executive director from June 2015 to March 2019, vice chairman and president from August 2016 to February 2019. Mr. Lin has served as the Business Director of the Company since March 2019. He also served as a director of Hua Xia Bank Co., Limited and a director of PICC Hong Kong. He was awarded special allowance by the State Council in January 2019. Mr. Lin graduated from the Open University of Fujian in July 1986 and the Central Party School in December 2001 and graduated from the University of Northern Virginia, the United States in June 2004 with a master's degree in Business Administration.

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

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Amount paid (RMB10,000)	Payments for various benefits, social security contributions, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Luo Xi	61.94	29.38	91.31
Wang Tingke	61.94	29.38	91.31
Li Zhuyong	54.50	27.78	82.28
Wang Qingjian	/	/	/
Miao Fusheng	/	/	/
Wang Shaoqun	/	/	/
Yu Qiang	/	/	/
Wang Zhibin	/	/	/
Shiu Sin Por	30.00	/	30.00
Ko Wing Man	25.00	/	25.00
Chen Wuzhao	30.00	/	30.00
Cui Li	10.00	/	10.00
Xu Lina	4.17	/	4.17
Zhang Tao	10.32	/	10.32
Xu Yongxian	128.75	44.90	173.65
Starry Lee Wai King	6.00	/	6.00
Zhang Yan	104.39	37.00	141.39
Wang Yadong	90.09	35.37	125.46
Xiao Jianyou	54.50	27.78	82.28
Yu Ze	54.50	27.78	82.28
Cai Zhiwei	54.50	27.78	82.28
Han Kesheng	154.52	45.44	199.96
Lin Zhiyong	154.52	48.95	203.47
Zhou Houjie	154.52	45.14	199.66

Remuneration of Resigned Directors, Supervisors and Senior Management

Name	Amount paid (RMB10,000)	Payments for various benefits, social security contributions, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Xie Yiqun	27.87	13.85	41.72
Cheng Yuqin	/	/	/
Luk Kin Yu, Peter	4.17	/	4.17
Lin Yixiang	22.50	/	22.50
Huang Liangbo	30.97	14.65	45.62
Jing Xin	22.50	/	22.50
Lv Chen	53.73	30.10	83.84

Notes:

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

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

3. Actual payment of remuneration of directors, supervisors and senior management: After completion of the approval procedures for the remuneration of directors, supervisors and senior management, they shall be paid according to the regulations. During the reporting period, the total actual remuneration received by all directors, supervisors and senior management from the Company was RMB18.9117 million.

4. According to the relevant assessment results of the Company in 2020, the remuneration of the directors, supervisors and senior management of the Company in 2020 was adjusted, please see the disclosed information dated 29 October 2021 on the Company's website (https://www.picc.com.cn/xwzx/gkxx/zxxx/jtqt/202111/P020211207358415732153.pdf).

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

IV. EMPLOYEES OF THE COMPANY

1. Employees

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

Unit: person

Number of employees in the parent company	406
Number of employees in principal subsidiaries	183,958
Total number of employees	184,364
Number of employees to be retired for whom the parent company and principal subsidiaries have to pay pension	34,461
Category of specialty composition:	
Management personnel	2,948
Professional and technical personnel	94,064
Marketing and sales personnel	85,328
Others	2,024
Total	184,364
Category of education level:	
Master and above	9,358
Undergraduate	112,846
College graduate	51,713
Others	10,447
Total	184,364

2. Employee Compensation Policy

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

3. Training Programme

In 2021, along with the implementation of the "To be Prominent Strategy", the Company devoted great efforts to coordinating and strengthening the construction of the Group's training system, including the introduction of special training on developing political ability to strengthen the political literacy of leading cadres, the introduction of "Leadership Project" series training, digital insurance operation training and investment management training to enhance the training provided to outstanding young cadres, the introduction of officer job training, new staff training and Insurance Summit Forum to enhance the capabilities and qualities of cadres and employees, as well as the investment of more resources in training to ensure its effectiveness and efficiency.

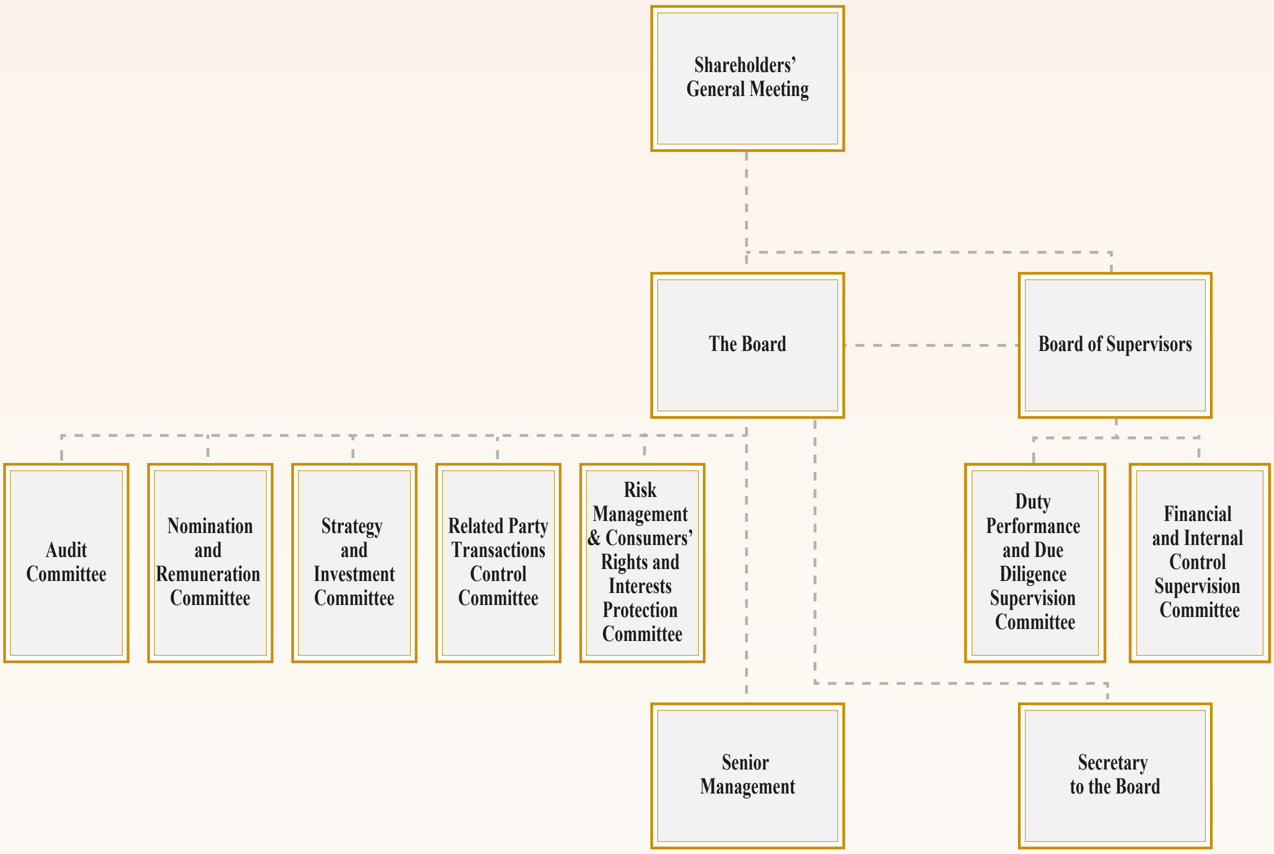
Corporate Governance Report

OVERVIEW

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

In 2021, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, and the Company has a complete corporate governance structure. The shareholders' general meeting, the Board, Board of Supervisors and senior management performed their respective duties pursuant to the Articles of Association, in compliance with laws and regulatory requirements. The Board of the Company is responsible for fulfilling the corporate governance responsibilities as set out in code provision A.2.1 of the Corporate Governance Code.

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



Shareholders' General Meeting

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

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

No.	Session of the meeting	Date of the meeting	Location of the meeting
1	2021 First Extraordinary General Meeting	10 March 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
2	2020 Annual General Meeting	18 June 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
3	2021 Second Extraordinary General Meeting	28 October 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
4	2021 Third Extraordinary General Meeting	29 December 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing

Major issues for approval in shareholders' general meetings included:

- Election of executive Directors, non-executive Directors, independent non-executive Directors, Shareholder representative Supervisor and Independent Supervisor.

- Considered and approved the Planning Outline of the "14th Five-Year Plan" Development Strategy of the Group.

- Considered and approved the report of the Board of Directors and the report of the Board of Supervisors of the Company for the year 2020.

- Considered and approved the final financial accounts of the Company for the year 2020.

- Considered and approved the profit distribution plan for the year 2020 and the profit distribution plan for the first half of 2021 of the Company.

- Considered and approved the 2021 annual charity donation plan of the Group.

- Considered and approved the fixed assets investment budgets of the Company for the year 2021.

- Considered and approved the resolution on the work report and appraisal of performance of the Independent Non-executive Directors for the year 2020.

- Considered and approved the remuneration settlement schemes of Directors and Supervisors of the Company for the years 2019 and 2020.

- Considered and approved the resolution on the formation of PICC Technology Co., Ltd.

- Considered and approved the resolutions on the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, the Procedural Rules for the Shareholders' General Meetings of The People's Insurance Company (Group) of China Limited, the Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited and the Procedural Rules for the Meetings of the Board of Supervisors of The People's Insurance Company (Group) of China Limited.

- Received the performance report of the Directors of the Company for the year 2020.

- Received the report on related party transactions of the Company for the year 2020 and the evaluation of internal transactions of the Group.

- Received the report on the solvency of the Group for the year 2020.

In addition, the conditions for the renewal of the liability insurances for Directors, Supervisors and senior management of the Company from 2020 to 2021 were also received at the shareholders' general meeting.

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

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

Methods of Convening Extraordinary General Meetings

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

Procedures for Proposing Resolutions at General Meetings

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

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

The Board

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

Composition

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

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

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

Name	Position(s)	Date of Appointment
Executive Directors		
Luo Xi	Chairman, Executive Director	10 December 2020
Wang Tingke	Vice Chairman, Executive Director	11 August 2020
Li Zhuyong	Executive Director	9 December 2020
Non-executive Directors		
Wang Qingjian	Non-executive Director	13 July 2017
Miao Fusheng	Non-executive Director	9 December 2020
Wang Shaoqun	Non-executive Director	9 December 2020
Yu Qiang	Non-executive Director	19 August 2021
Wang Zhibin	Non-executive Director	5 August 2016
Independent Non-executive Directors		
Shiu Sin Por	Independent Non-executive Director	14 May 2018
Ko Wing Man	Independent Non-executive Director	14 May 2018
Chen Wuzhao	Independent Non-executive Director	2 March 2017
Cui Li	Independent Non-executive Director	2 September 2021
Xu Lina	Independent Non-executive Director	23 November 2021

As at the date of this report, changes in the members of the Board of the Company were as follows:

On 16 March 2021, Mr. Luk Kin Yu, Peter resigned as an Independent Non-executive Director, the member of the Audit Committee of the Board and the member of the Nomination and Remuneration Committee of the Board of the Company due to his age and health.

On 15 June 2021, Mr. Xie Yiqun resigned as an Executive Director, the Vice President and the member of the Strategy and Investment Committee of the Board of the Company due to his age.

On 18 June 2021, due to the expiry of the term of the third session of the Board of the Company, the 2020 annual general meeting was convened by the Company to elect the members of the fourth session of the Board, namely: Mr. Luo Xi, Mr. Wang Tingke and Mr. Li Zhuyong, all being the Executive Directors, Mr. Wang Qingjian, Mr. Miao Fusheng; Mr. Wang Shaoqun, Mr. Yu Qiang and Mr. Wang Zhibin, all being the Non-executive Directors; and Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Chen Wuzhao, Ms. Cui Li and Ms. Xu Lina, all being the Independent Non-executive Directors. The CBIRC approved the qualification of Mr. Yu Qiang as a Director on 19 August 2021, the qualification of Ms. Cui Li as a Director on 2 September 2021 and the qualification of Ms. Xu Lina as a Director on 23 November 2021.

On 3 August 2021, Ms. Cheng Yuqin retired as a Non-executive Director of the Company and ceased to serve as her position due to her age.

On 2 September 2021, Mr. Lin Yixiang retired and ceased to serve as an Independent Non-executive Director of the Company, and the chairman of the Nomination and Remuneration Committee, the member of the Strategy and Investment Committee and the member of the Related Party Transactions Control Committee of the Board of the Company.

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

Duties and Responsibilities

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

Summary of Work Undertaken

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

	Attendance in person/attendance by proxy/scheduled attendance								
	Shareholders' General Meeting		**The Board**		**Board Committees**				
Directors	**Shareholders' General Meeting**	**Attendance**	**The Board**	**Percentage of attendance in person**	**Audit Committee**	**Nomination and Remuneration Committee**	**Strategy and Investment Committee**	**Related Party Transactions Control Committee**	**Risk Management & Consumers' Rights and Interests Protection Committee**
Executive Directors									
Luo Xi *(Chairman)*	3/4	75%	6/7	85.7%	–	–	6/0/6	–	–
Wang Tingke *(Vice Chairman)*	4/4	100%	7/7	100%	–	–	6/0/6	–	5/0/5
Li Zhuyong	4/4	100%	7/7	100%	–	–	–	2/1/3	–
Non-executive Directors									
Wang Qingjian	4/4	100%	7/7	100%	4/0/4	–	6/0/6	2/0/2	–
Miao Fusheng	4/4	100%	7/7	100%	–	6/0/6	–	–	5/0/5
Wang Shaoqun	4/4	100%	7/7	100%	–	–	2/0/2	–	5/0/5
Yu Qiang	2/2	100%	2/2	100%	1/0/1	–	–	1/0/1	–
Wang Zhibin	0/4	0%	5/7	71.4%	–	–	–	–	5/0/5
Independent Non-executive Directors									
Shiu Sin Por	4/4	100%	7/7	100%	4/0/4	–	–	3/0/3	5/0/5
Ko Wing Man	3/4	75%	5/7	71.4%	–	6/0/6	–	–	5/0/5
Chen Wuzhao	4/4	100%	7/7	100%	4/0/4	6/0/6	–	3/0/3	–
Cui Li	2/2	100%	2/2	100%	–	1/0/1	1/0/1	1/0/1	–
Xu Lina	1/1	100%	1/1	100%	0/0/0	0/0/0	–	–	–
Resigned Directors									
Xie Yiqun	0/1	0%	3/3	100%	–	–	3/0/3	–	–
Cheng Yuqin	2/2	100%	4/4	100%	–	–	4/0/4	–	–
Luk Kin Yu, Peter	0/1	0%	0/1	0%	0/0/0	1/0/1	–	–	–
Lin Yixiang	1/2	50%	5/5	100%	–	5/0/5	5/0/5	1/0/2	–

During the reporting period, the Board convened four shareholders' general meetings in which 33 resolutions were submitted for consideration and approval with three reports presented; convened seven Board meetings in which 72 resolutions were considered and reviewed.

No.	Session of the meeting	Date of the meeting	Location of the meeting
1	the 25th meeting of the third session of the Board of Directors	15 January 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
2	the 26th meeting of the third session of the Board of Directors	23 March 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
3	the 27th meeting of the third session of the Board of Directors	28 April 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
4	the 1st meeting of the fourth session of the Board of Directors	18 June 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
5	the 2nd meeting of the fourth session of the Board of Directors	20 August 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
6	the 3rd meeting of the fourth session of the Board of Directors	28 October 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing
7	the 4th meeting of the fourth session of the Board of Directors	29 December 2021	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing

The main tasks accomplished by the Board included:

- Convened four shareholders' general meetings.

- Considered and approved the Planning Outline of the "14th Five-Year Plan" Development Strategy of the Group, the 2021 annual charity donation plan, the capital planning (2021-2023) and the risk appetite statement and the audit plan for the year 2021.

- Considered and approved the final account, profit distribution plan for the year 2020 and the profit distribution plan for the first half of 2021 of the Company.

- Considered and approved the annual report, annual results announcement, corporate social responsibility report, solvency report, internal control evaluation report and internal control audit report, risk evaluation report, compliance report, corporate governance report, duty report and evaluation result of performance of duties of Independent Non-executive Directors, assessment report on the implementation of business planning, evaluation and audit report of internal control on the insurance capital use, work report on the protection of consumers' rights and interests for the year 2020, first quarterly report, interim report, interim results announcement, third quarterly report for the year 2021, and solvency report for the first half of 2021 of the Company.

- Considered and approved the resolutions on the establishment of PICC Technology Co., Ltd. and the renewal of the liability insurances for the Directors, Supervisors and senior management of the Company.

- Considered and approved the formulation of the Administrative Measures for Investment Business of The People's Insurance Company (Group) of China Limited and the Recovery and Resolution Plan of The People's Insurance Company (Group) of China Limited, and the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, the Procedural Rules for the Shareholders' General Meetings of The People's Insurance Company (Group) of China Limited, the Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited, the Administrative Measures for Related Party Transactions of The People's Insurance Company (Group) of China Limited and other relevant systems.

- Elected Chairman and Vice Chairman of the Board, elected chairman and members of the Nomination and Remuneration Committee, chairman and members of the Audit Committee, members of the Strategy and Investment Committee, chairman and members of the Related Party Transactions Control Committee, and chairman and members of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board.

- Appointed the Vice President, Responsible Compliance Officer, Chief Risk Officer and Securities Affairs Representative of the Company.

- Considered and approved the remuneration settlement schemes of the Group for the year 2020, financial budget on total salary of the Group for the year 2021, remuneration settlement scheme of the Company's responsible officers for the year 2020, and remuneration settlement scheme for Directors and Supervisors of the Company for the year 2020.

- Considered and approved the resolutions on the recommendation of candidates of chairman, executive director, non-executive director and supervisor of subsidiaries, the renewal of related party transactions with subsidiaries, and the amendments to the Articles of Association, profit distribution and issuance of capital supplementary bonds of subsidiaries.

- Received the performance reports of the Directors of the Company for the year 2020, the reports on the related party transactions and the implementation of its management system and evaluation of the Group's internal transactions for the year 2020, the report on specific auditing results of related party transactions for the year 2020, and the report on the rectification and implementation of focusing on main business and streamlining management hierarchy for the first half of 2021.

DIRECTORS

Responsibility with respect to Financial Statements

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

Securities Transactions

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

Independence of Independent Non-executive Directors

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

Training of Directors

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

Luo Xi: attended trainings and meetings organised by the regulatory authorities and the Group in relation to the performance of directors' duties, and conducted deeper study to grasp the State's reform and development situation, macroeconomic trends, and industry regulatory trends, and gained a deeper understanding of domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

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

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

Wang Qingjian: attended trainings and meetings organised by the MOF, the SSE, the Listed Companies Association of Beijing, China Business Executives Academy, Dalian, China Investment Corporation and the Group in relation to the performance of directors' duties.

Miao Fusheng: attended trainings and meetings organised by the MOF, the SSE, the Listed Companies Association of Beijing, China Business Executives Academy, Dalian, China Investment Corporation and the Group in relation to the performance of directors' duties.

Wang Shaoqun: attended trainings and meetings organised by the MOF, the SSE, the Listed Companies Association of Beijing, China Business Executives Academy, Dalian, China Investment Corporation and the Group in relation to the performance of directors' duties.

Yu Qiang: attended trainings and meetings organised by the MOF, the SSE, the Listed Companies Association of Beijing, China Investment Corporation and the Group in relation to the performance of directors' duties.

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

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

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

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

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

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

Chairman/Vice Chairman/President

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

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

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

BOARD COMMITTEES

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

Audit Committee

As at the date of this report, the Audit Committee of the Board of the Company comprised five Directors, including three Independent Non-executive Directors and two Non-executive Directors, and an Independent Non-executive Director served as the Chairman. On 16 March 2021, Mr. Luk Kin Yu, Peter resigned as the member of the Audit Committee. On 19 August 2021, Mr. Yu Qiang was appointed as the member of the Audit Committee. On 23 November 2021, Ms. Xu Lina was appointed as the member of the Audit Committee;

Composition

Chairman: Chen Wuzhao (Independent Non-executive Director)

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

Duties and Responsibilities

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

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

Auditor's Fees

In 2021, the fees in respect of the services including interim financial report review, annual financial report audit and agreed-upon procedures regarding quarterly financial information provided to the Company and its subsidiaries by PricewaterhouseCoopers Zhong Tian LLP/PricewaterhouseCoopers ("PwC") were RMB25.53 million in total, and the fees in respect of internal control audit, other special audit and other assurance engagement were RMB9.72 million in total. In addition, PwC also provided non-assurance services to the Company and its subsidiaries for a fee of RMB0.11 million in total.

Summary of Work Undertaken

In 2021, the Audit Committee of the Board held four meetings on 19 March, 27 April, 18 August and 26 October, respectively, in which 16 proposals were reviewed and considered. During the year, the main tasks accomplished by the Audit Committee included:

- Reviewed and considered the annual report, annual results announcement, relevant final account report, internal control evaluation report, risk evaluation report, evaluation and audit report of internal control on the insurance capital use, reports on related party transactions and the implementation of its management system and evaluation of internal transactions, report on the audit work, and report on comprehensive analysis of audit findings and comprehensive analysis of corrective actions for the year 2020;

- Reviewed and considered the first quarterly report, interim report, interim results announcement and third quarterly report for the year 2021;

- Reviewed and considered the audit plan for the Group for the year 2021;

- Received the auditor's report on the annual audit work for 2020 and the interim review for 2021;

- Received the special audit report on related party transactions, report on the performance of the Audit Committee of the Board, report of the audit work in the first half of 2021, and a comprehensive analysis of the problems found in the first half of the year and their rectification.

In addition, the Audit Committee of the Board and the Independent Non-executive Directors had a face-to-face communication respectively with PwC, the auditor, in respect of the 2021 annual audit work arrangement prior to the commencement of the annual audit work.

Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee comprised five Directors including four Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the chairman. On 16 March 2021, Mr. Luk Kin Yu, Peter resigned as the member of the Nomination and Remuneration Committee. On 2 September 2021, Ms. Cui Li was appointed as the chairman of the Nomination and Remuneration Committee. On 23 November 2021, Ms. Xu Lina was appointed as the member of the Nomination and Remuneration Committee.

Composition

Chairman: Cui Li (Independent Non-executive Director)

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

Duties and Responsibilities

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

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

Director Nomination

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

Remuneration of Directors and Other Senior Management

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

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

Summary of Work Undertaken

In 2021, the Nomination and Remuneration Committee of the Board held six meetings on 14 January, 22 March, 27 April, 17 June, 19 August and 27 October, respectively, in which 23 proposals were reviewed and considered. During the year, the main tasks accomplished by the Nomination and Remuneration Committee included:

- Reviewed and considered the matters in relation to the nomination of the Chairman, the Vice Chairman, Executive Directors, Non-executive Directors and member of the Board Committees of the Company, with recommendations made to and adopted by the Board;

- Reviewed and considered the matters in relation to the nomination of the Vice President, Responsible Compliance Officer, Chief Risk Officer and Securities Affairs Representative of the Company, with recommendations made to and adopted by the Board;

- Reviewed and considered the remuneration settlement schemes of the Group for the year 2020, financial budget on total salary of the Group for the year 2021, remuneration settlement scheme of the Company's responsible officers for the year 2020, and remuneration settlement scheme for Directors and Supervisors of the Company for the year 2020;

- Reviewed and considered the "Incentive and Restraint Mechanism" section of the corporate governance report for the year 2020;

- Reviewed and considered performance report of the Directors of the Company for the year 2020, and the work report and appraisal of performance of the Independent Non-executive Directors for the year 2020;

- Reviewed and considered the resolutions on the recommendation of candidates of director and supervisor of related subsidiaries.

Strategy and Investment Committee

As at the date of this report, the Strategy and Investment Committee comprised five Directors, including two Executive Directors, two Non-executive Directors and one Independent Non-executive Director. Pursuant to the Articles of Association, the chairman of the committee should be served by the Chairman of the Board. On 15 June 2021, Mr. Xie Yiqun resigned as the member of the Strategy and Investment Committee. On 2 September 2021, Ms. Cui Li was appointed as the member of the Strategy and Investment Committee.

Composition

Chairman: Luo Xi (Executive Director)

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

Duties and Responsibilities

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

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

Summary of Work Undertaken

In 2021, the Strategy and Investment Committee of the Board held six meetings on 14 January, 22 March, 27 April, 17 June, 19 August and 27 October, respectively, in which 30 proposals were studied and considered. During the year, the main tasks accomplished by the Strategy and Investment Committee included:

- Reviewed and considered the resolutions on the Planning Outline of the "14th Five-Year Plan" Development Strategy of the Group, the 2021 annual charity donation plan of the Group and the establishment of PICC Technology Co., Ltd.

- Reviewed and considered relevant report on the final account for the year 2020, profit distribution plan for the year 2020 and profit distribution plan for the first half of 2021 of the Company.

- Reviewed and considered the capital planning of the Group (2021-2023).

- Reviewed and considered the first section "Corporate Governance Operations" under the corporate governance report of the Company for the year 2020, the Corporate Social Responsibility Report, the assessment report on the implementation of the development plan, the Report of the Board of Directors, and the corporate governance report.

- Reviewed and considered the formulation of the Administrative Measures for Investment Business of The People's Insurance Company (Group) of China Limited, and the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, the Procedural Rules for the Shareholders' General Meetings of The People's Insurance Company (Group) of China Limited and the Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited.

- Reviewed and considered the amendments to the Articles of Association, profit distribution and issuance of capital supplementary bonds of subsidiaries.

- Reviewed and considered the report on the rectification and implementation of focusing on main business and streamlining management hierarchy for the first half of 2021.

Related Party Transactions Control Committee

As at the date of this report, the Related Party Transactions Control Committee comprised five Directors including one Executive Director, one Non-executive Director and three Independent Non-executive Directors, and an Independent Non-executive Director served as the chairman. On 19 August 2021, Mr. Yu Qiang was appointed as the member of the Related Party Transactions Control Committee. On 2 September 2021, Ms. Cui Li was appointed as the member of the Related Party Transactions Control Committee.

Composition

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

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

Duties and Responsibilities

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

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

Summary of Work Undertaken

In 2021, the Related Party Transactions Control of the Board held three meetings on 19 March, 27 April and 26 October, respectively, in which 4 proposals were considered and reviewed. During the year, the main tasks accomplished by the Related Party Transactions Control Committee included:

- Reviewed and considered the amendment to the Administrative Measures for Related Party Transactions of The People's Insurance Company (Group) of China Limited and the renewal of related party transactions with subsidiaries.
- Received the report on related party transactions of the Company for the year 2020 and the evaluation of internal transactions of the Group.
- Received the report on auditing results of related party transactions of the Company for the year 2020.

Risk Management & Consumers' Rights and Interests Protection Committee

As at the date of this report, the Risk Management & Consumers' Rights and Interests Protection Committee comprised six Directors, including one Executive Director, three Non-executive Directors and two Independent Non-executive Directors.

Composition

Chairman: Wang Tingke (Executive Director)

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

Duties and Responsibilities

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

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

Summary of Work Undertaken

In 2021, the Risk Management & Consumers' Rights and Interests Protection Committee of the Board held five meetings on 21 January, 22 March, 27 April, 19 August and 28 December, respectively, in which 11 proposals were reviewed and considered. During the year, the main tasks accomplished by the Risk Management & Consumers' Rights and Interests Protection Committee included:

- Reviewed and considered the report on the anti-insurance fraud management of the Group in 2020;
- Reviewed and considered the resolution on the renewal of the liability insurances for the Directors, Supervisors and senior management;
- Reviewed and considered the Group's Compliance Report, Risk Evaluation Report and Internal Control Evaluation Report for the year 2020 (being the 2020 Corporate Governance Report: Part III "Evaluation of Internal Control");
- Reviewed and considered the solvency reports of the Group for the year 2020 and the first half of 2021;
- Reviewed and considered the work report on the Protection of Consumers' Rights and Interests of the Group for the year 2020;
- Reviewed and considered the resolution on the formulation of the Recovery and Resolution Plan of The People's Insurance Company (Group) of China Limited;
- Reviewed and considered the risk appetite statement of the Group for the year 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company believes that good risk management and internal control play an important role in the operation of the Company, and established a vertical and horizontal risk management structure. Vertically, the risk management structure runs through the Board, the management and all functional departments and covers all business sectors and branches at all levels of the Group. Horizontally, the "three lines of defence" in risk management have performed in accordance with their respective functions. The Board is committed to establishing an effective risk management and internal control system, and is devoted to the implementation and supervision of risk management and internal control. The Board is ultimately responsible for the risk management, internal control, and compliance management of the Company. It makes decisions on risk management, internal control and compliance policies, approves the annual risk appetite statement and risk assessment report, internal control evaluation report and compliance report, and reviews the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. Under the Board, the Company has established: (1) the Risk Management & Consumers' Rights and Interests Protection Committee is responsible for having a comprehensive understanding of all major risks faced by the Company and their respective management status, promoting the management to fully implement consumer protection work, supervising the effectiveness of the operation of risk management & consumers' rights and interest protection system, considering the overall objectives, basic policies and work systems for risk management, and providing opinions and suggestions to the Board; (2) the Audit Committee is responsible for the inspection and review of all kinds of matters including internal control and audit. Meanwhile, the Company has established internal audit organisations responsible for the regular supervision and evaluation of the work results in risks management, internal control and compliance. The management of the Company organises and leads the daily operation of the risk management and internal control of the Company and is responsible for the design, implementation and monitoring of the risk management and internal control system. The Company has established a risk and compliance committee as a comprehensive coordination organisation under the senior management, which is responsible for guiding, coordinating and supervising the development of risk management, internal control and compliance by the Company and all our subsidiaries. The business, finance, investment and other functional departments or operating units of the Company and its subsidiaries assume primary responsibilities in their respective risk management and internal control systems; specialised organisations or departments such as the risk management department and the internal control and compliance department are responsible for the overall planning and organisation of implementation of risk management, internal control and compliance. Internal audit organisations or departments are responsible for supervising and auditing in relation to the effectiveness of risk management, internal control and compliance, and investigating the accountability for any action which violates the requirements and incurs risk damages.

In 2021, the Company's overall strategy for risk management was to: closely concentrate on its high quality development and different strategic deployments including the "To be Prominent Strategy", implement the spirit of the Group's 2021 work conference, strengthen the management of major risks, improve risk management system, consolidate the foundation of internal control and compliance, further innovate the concept, model and method of risk management, promote the prevention and resolution of major financial risks, and maintain the bottom line of zero systematic risks.

The Company is committed to constructing a comprehensive risk management system and putting forward the overall goal of promoting comprehensive risk management intensively and broadly on this basis, while extending it to grassroots level as the overall goal. We will further promote the centralisation of risk appetite, internal control system and risk measurement within the Group from top down. At the same time, in accordance with the regulatory requirements for "C-ROSS", the Company continued to improve its establishment of risk management system, including the establishment of systems and mechanisms, the application of tools and methods and the conduction of risk management training and advocacy, to improve its risk management level and shift to risk-oriented and value-oriented business philosophy. For internal control, the Company established an internal control system with full coverage, key focuses, mutual restrictions, accommodation on the actual conditions, cost efficiency and risk orientation of the Company. The internal control system of the Company covers the whole process from decision-making, implementation to supervision across all businesses and matters of the Company and all subsidiaries of the Group. On such basis, it focuses on key business matters and industries with high risks. It conducts mutual restriction and supervision on the governance structure, the organisation structuring, the division of powers and responsibilities as well as business processes while balancing the operation efficiency to adapt to the operation size, business scope, competition situation and risk standards of the Company. It also makes adjustments in time to achieve effective control with appropriate cost and effectively identify, appraise and manage risks and analyse, design and implement internal control. The purpose of the internal control of the Company is to reasonably guarantee the compliance of the operation and management, assets safety, the truthfulness and completeness of financial reports and relevant information, improve the operation efficiency and results and promote the realisation of development strategies. Due to the inherent restrictions on the internal control, it can only provide reasonable guarantee to the realisation of the above targets. The risk management and internal control systems of the Company are designed to manage rather than to eliminate the risk of failure to achieve business objectives.

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

In 2021, the Company continued to optimise its risk management professional instruments and methods to enhance the effectiveness of risk management. In terms of risk management environment development, in an effort to further improve the risk appetite system, the Company and relevant subsidiaries have prepared annual risk appetite statements based on the results of the Risk Appetite Phase II project, making it an effective instrument to centralise the risk management policies of the Group as a whole. At the same time, it established a mechanism for daily operation of the risk appetite system, including the establishment and updating of risk appetite, dissemination and implementation, monitoring and evaluation, re-examination and adjustment, and holding regular risk appetite communication meetings to promote the dissemination and implementation of risk appetite to branches institution and business departments, so that the risk appetite system can be effectively applied and serve as a risk constraint. A monitoring index system has been formulated and issued for five-level institutions to provide assistance for risk monitoring. In terms of risk information management, the Company has stepped up risk monitoring efforts by launching the construction of intelligent risk control platforms, optimising and improving the database of risk indicators, and enhancing the forward-looking warning on risk and the capabilities of risk detection and inspection. In terms of risk inspection, the Group has established an investment risk monitoring and inspection mechanism, conducted regular market risk monitoring, and carried out special risk inspection in a timely manner. Consequently, the Group can effectively forestall investment risk by identifying all existing and potential risks. In terms of risk management, the Group has established consolidated classification system and standard for investment assets, and carried out regular classification of investment assets by level and type, in order to provide a strong support for post-investment risk management.

In 2021, the Company continued to strengthen the construction of risk management and internal control system, and introduced the "Year of Internal Control Compliance, Management and Construction" across the system in accordance with the regulatory requirements. The comprehensive risk management system, mechanism and process of each subsidiary have been enhanced continuously, and the foundation of risk control has been further strengthened. The Group has made strong efforts to prevent and resolve major financial risks and achieved the expected results. It strengthened the Group's risk coordination and planning control mechanism, and optimised risk compliance performance assessment; proactively pushed forward the prevention and resolution of risks, inspected and identified all existing and potential risks; optimised the key business risk monitoring mechanism, continued to improve the content and reporting mode of monitoring, strengthened the identification of emerging risks and highlighted the dynamic monitoring of key business and key risks; promoted the establishment of mechanism for handling major risk cases and enhanced the ability to respond to major risks, so as to steadily resolve key risks; further promoted the construction of risk management information technology; established a comprehensive firewall mechanism to prevent risk transmission; continued to profoundly promote the construction of internal control system at the grassroots level, carried out risk management and internal control investigation, research, supervision and inspection, identified the weaknesses of internal control compliance, optimised the construction of internal control compliance system, strengthened the strict control of internal control, promoted the construction of risk supervision and inspection mechanism as well as long-term mechanism for internal control and prevention and the internal control management of key positions, started special internal control evaluation and audit of capital utilisation, strengthened the control of key risks, organised professional training on risk management and internal control, strengthened the construction of a team of professionals and train talents, and improved the level of risk management and internal control across the Company. Aiming for the goal of building a new digital risk management model, PICC P&C has established risk management system and mechanism with full coverage and key focuses, worked on strengthening the information system, intelligent technology and other tools and capabilities, continued to improve the management level of all major risks, continued to promote precautionary measures for internal control compliance, and strengthened the supervision, inspection and evaluation of key areas and consolidated the foundation of internal control compliance by conducting compliance review and risk warning, compliance inspection and internal control testing and evaluation, and special supervision and inspection of business lines. PICC Life improved the case prevention mechanism in internal control for major cases and major risks, established a normalised risk monitoring and inspection mechanism, built a comprehensive risk management system, strengthened the internal control management of key business positions, actively promoted risk control audit to form a combined supervision force, established an effective top-down internal control system and continued to strengthen the bottom line of risk. PICC AMC enhanced the identification of high risk areas and key levers. Starting with the construction of system and process, it promoted the rectification of internal control weakness to ensure the rigid implementation of key business levers, continued to improve risk management tools, optimised risk management and control models, improved risk monitoring and early warning capabilities, and continued to strengthen the integration and initiative of risk management. PICC Health continued to optimise the internal management and control process, strengthened the risk monitoring and response management of key businesses, enhanced special governance and problem rectification in key areas, consolidated the risk compliance management and control responsibilities of branches, and improved the major information reporting and handling mechanism. It continued to carry out risk prevention and control publicity and training, improved the dual mechanism of "performance appraisal + accountability", and comprehensively advanced risk compliance management efficiency. PICC Pension improved its system and mechanism, established the credit rating team, highlighted risks management and control pre-position and key risks management investigation, and promoted risk control informationisation. Consequently, the risk management capability has been continuously improved. PICC Investment Holding continued to promote the construction of centralised risk compliance management, consolidated the foundation of risk control compliance by strengthening systems, procedures and position management, continued to optimise the risk compliance performance appraisal mechanism, enriched risk control management methods and measures, and continued to improve the refinement and specialisation of risk control management. PICC Capital strengthened the infrastructure construction of risk management, improved the compliance operation system, implemented the operating model of the whole process before, during and after investment project, built a systematic risk management and control process jointly formed by multi-position assistance and cooperation, implemented the mechanism for post-investment project team, so as to gradually improve the ability to identify, judge, prevent and respond to risks. PICC Reinsurance established a sound internal control and operational risk management framework, comprehensively organised important internal control measures, enhanced the standard and effectiveness of internal control management, enriched the risk preference indicator system, improved the dynamic monitoring mechanism, strengthened the construction of information systems, and continuously upgraded comprehensive risk management capabilities. PICC Financial Services established a financial risk control team which focused on strengthening financial risk control, intensifying key business risk monitoring, improving internal control systems and procedures construction, and continued to promote the construction of a comprehensive risk management system.

The Company fully conducted the risk appraisal and internal control assessment covering the whole Group in 2021. The Board believed that during the reporting period, relevant management and control measures were sufficient to guarantee the actual demands of the Company in risk management. For internal control, all of the risk management and internal monitoring systems of the Company covering all key aspects, including financial monitoring, operation monitoring and compliance monitoring are sufficient and effective. There were no factors affecting the conclusion on the appraisal of the effectiveness of the internal control during the period from the base date of the internal control appraisal report to the publication date of the internal control appraisal report. The Company was not aware of any matters that may have direct effects on the quality of the operation activities or the achievement of the targets of financial reports and the operation of the internal control system of the Group is sufficient and effective.

In 2021, the risk management system of the Company was sound and effective and it did not identify any significant risks affecting the normal operation of the Company. The Company continued to strengthen the frequency and effectiveness of the dynamic risks monitoring and established the weekly, monthly, quarterly, annual and other regular risk monitoring and appraisal mechanisms. The management of the Company continued to conduct analysis and appraisal on various significant risks and consistently strengthened the frequency of risks monitoring. In addition to the annual reporting to the Board, it conducts overall in-depth appraisal on risks of the Company every quarter and monitors sensitive risk indicators and risk in key business areas every month, and reports significant risk matters every week. Meanwhile, the Company conducts special appraisal and reports on risks of overseas affiliates or branches and overseas investments of the Company every quarter. The Company has established a complete set of sophisticated risk appraisal mechanism, which will guarantee the effectiveness of risk management.

In 2021, the Company strictly complied with relevant requirements in relation to each special risk management system, managed insurance risk, market risk, credit risk, operational risk, strategic risk, reputational risk and liquidity risk, and no major risk events occurred during the year. For insurance risk, the Company focused on the key businesses of each subsidiary, continuously improved the working mechanism of business management, product management and actuarial management, continued to carry out product value monitoring and retrospective management of reserve, strengthened special risk investigation and systematic rigidity management and control, strengthened the research and development and application of catastrophe risk management, reinsurance management and risk technology services, and constantly improved the long-term mechanism for responding to major disasters and serving social governance. In terms of market risk, the Company closely monitored the macro situation and changes in the domestic and overseas capital markets, constantly strengthened the tracking and analysis of investment risk exposure and evaluated and analysed market risk regularly by using sensitivity analysis, value at risk and stress testing, and scenario analysis. The Company also promptly adjusted the allocation strategy according to changes in the market, increased efforts for post-investment management, conducted penetrating analysis of underlying assets, reinforced management for matching assets and liabilities, improved risk response capability and investment management capability. In terms of credit risk, in respect of its insurance business, the Company continuously strengthened front control and credit management, and strictly focused on process management and control with conducts of regular monitoring analysis and risk warnings for reducing exposures of risk and business. In respect of investment business, it continuously paid attention to the credit risks arising from post-epidemic, by improving the guarantee of main responsibility of subsidiaries, credit risk monitoring and warnings and the post-investment management level of investment projects. For operational risk, the Company improved the special operational risk management system and mechanism, continued to improve the database of the Company's loss, regularly conducted information collection and analysis of operational risk loss events, continuously improved the internal control system, combined with internal evaluation to strengthen the identification, analysis, prevention and control of operational risk, effectively carried out training and promotion of operational risk management, and promoted the construction of operational risk management culture. For strategic risk, the Company applied a four-step strategy of "develop, implement, evaluate and adjust" to form an effective closed loop of strategic risk management and control, continued to strengthen policy and business analysis, accomplished strategic project and process management, and effectively identified strategic risk status. For reputational risk, the Company continued to strengthen the management of public opinion transmission, strengthened the real-time monitoring of public opinion and alert analysis, so as to promptly understand and verify public opinion information, examine and determine the development of public opinion, and made warnings in a timely manner for sensitive information that may give rise to reputational risks and strengthened the response to corresponding public opinion risks. For liquidity risk, the Company continued to strengthen its asset and liability management, continued to carry out liquidity risk monitoring and warning, and regularly conducted cash flow forecast and liquidity stress test. Please refer to Note 9 to the financial report of this annual report for details of the Company's insurance risk, market risk and credit risk.

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

BOARD OF SUPERVISORS

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

Composition

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

Chairman of the Board of Supervisors: Mr. Zhang Tao

Supervisors: Mr. Xu Yongxian (Shareholder Representative Supervisor), Ms. Starry Lee Wai King (Independent Supervisor), Ms. Zhang Yan (Employee Representative Supervisor), Mr. Wang Yadong (Employee Representative Supervisor)

The Board of Supervisors of the Company established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. Mr. Zhang Tao is the chairman of the Duty Performance and Due Diligence Supervision Committee, and Mr. Xu Yongxian and Ms. Zhang Yan are members of such committee. Ms. Starry Lee Wai King serves as chairman of the Financial and Internal Control Supervision Committee, Mr. Xu Yongxian is vice chairman of such committee, and Mr. Wang Yadong is a member of such committee.

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

On 25 January 2021, the qualifications of Ms. Zhang Yan and Mr. Wang Yadong as Supervisors were approved by the CBIRC. On 28 April 2021, Ms. Zhang Yan and Mr. Wang Yadong were elected as the employee representative Supervisors (re-appointment) of the fourth session of the Board of Supervisors of the Company in the fourth meeting of the third session of the employee representative meeting of the Company.

The Company held the 2020 annual general meeting on 18 June 2021 and approved the change of session of the Board of Supervisors. Ms. Starry Lee Wai King was elected as the independent Supervisor of the fourth session of the Board of Supervisors of the Company, and Mr. Jing Xin, a Supervisor, no longer served as the independent Supervisor of the Company. Mr. Jing Xin, a Supervisor, continued to perform his duties as an independent Supervisor until 11 October 2021 upon the qualification of Ms. Starry Lee Wai King as a Supervisor being approved the CBIRC.

On 8 July 2021, Mr. Huang Liangbo resigned as a Supervisor of the fourth session of the Board of Supervisors of the Company due to change of job assignments.

On 17 November 2021, the Company convened the fourth meeting of the fourth session of the Board of Supervisors to nominate Mr. Zhang Tao as the Supervisor of the fourth session of the Board of Supervisors of the Company and to elect him as the Chairman of the Board of Supervisors. On 29 December 2021, the Company convened the 2021 third extraordinary general meeting to elect Mr. Zhang Tao as the Supervisor of the fourth session of the Board of Supervisors of the Company. On 15 February 2022, the qualification of Mr. Zhang Tao as a Supervisor was approved by the CBIRC.

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

Duties and Responsibilities

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

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

Summary of Work Undertaken

During the year, the Board of Supervisors, pursuant to the relevant provisions of the Company Law and the Articles of Association, earnestly fulfilled its duties, and protected the interests of the Company, shareholders and employees. During the year, the Board of Supervisors convened 10 meetings, including 7 on-site meetings, 3 meetings via written resolutions, and considered, studied and received 62 resolutions. The Duty Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee of the Board of Supervisors convened five meetings and three meetings, respectively. The attendance of physical meetings of the Board of Supervisors was as follows:

Name	Xu Yongxian	Starry Lee Wai King	Zhang Yan	Wang Yadong	Huang Liangbo	Jing Xin	Wang Dajun	Ji Haibo
Attendance in person/ scheduled attendance	7/7	2/2	6/6	6/6	5/5	5/5	1/1	1/1
Percentage of attendance in person	100%	100%	100%	100%	100%	100%	100%	100%
Attendance by proxy/scheduled attendance	0/7	0/2	0/6	0/6	0/5	0/5	0/1	0/1
Percentage of attendance by proxy	0%	0%	0%	0%	0%	0%	0%	0%

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

COMPANY SECRETARY

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

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

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

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

CORPORATE GOVERNANCE AND MANAGEMENT AND CONTROL OF SUBSIDIARIES

The Group continued to promote in-depth integration of the leadership of the Party Committee and corporate governance, formed the governance system of "comprehensive leadership of the Party Committee, authorisation before, internal control during, and audit after performance of corporate governance, political inspections, and nomination of directors and supervisors", so as to improve the governance capabilities of the Group continuously. According to the requirements of the CSRC, the Group completed the self-inspection on special governance projects of listed company on time, and submitted its self-inspection report.

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

INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

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

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

In 2021, the Company strictly abided by the principle of "as much as possible, as strict as possible, as early as possible" for disclosing information for A share and H share, continuously enhancing the level of transparency of information disclosure, protecting the legitimate rights and interests of investors, and maintaining information disclosure in a fair, just and open manner. At the same time, the Company continued to safeguard the bottom line of "no significant risks for information disclosure", completed disclosure of annual and interim reports and results announcements in accordance with laws and regulations, and carefully identified price-sensitive information. The Company ensured there were no cases of non-compliance disclosure, and ensured that information was disclosed timely, fairly, truthfully, accurately and completely.

After publishing the annual results for the year 2020, the first quarter results for the year 2021, the interim results for the year 2021 and the third quarter results for the year 2021, the Company communicated with investors with respect to the Company's operation results and trend of business development through press conferences for result announcement and roadshows. Also, the Company invited certain shareholders to attend the Company's annual work conference to understand the operation and development of the Company. The Company strengthened daily communication with investors through receiving visit of investors, participating in large investor forums, and timely replying telephone, email and "SSE e-Interaction" enquiries. The Company has also established and maintained a good relationship with investors through the investor relations information on its website.

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

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

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

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

Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

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

In 2021, PICC strictly complied with relevant laws and regulations on environmental protection and energy conservation, proactively implemented the concept of green office and low-carbon operation, reduced energy consumption and achieved the goal of green operation by replacing LED light sources, installing automatic sensor lighting, adopting water-saving appliances and displaying waste separation signs. The Company advocated electronic office, reduced the use of paper for printing and water cups, reasonably controlled the quantity of hazardous materials purchased, and effectively reduced the amount of solid waste and gas produced. During the reporting period, the Company and its principal subsidiaries were not subject to administrative penalties due to environmental issues.

The Company proactively engaged in green financial innovation, formed a rich system of green insurance products and diversified business models, adhered to the concept of responsible investment, supported the development of low-carbon economy, helped fight against pollution, promoted the prevention and control of environmental pollution, protected green resources and ecological environment, and contributed to the construction of ecological civilisation.

II. SOCIAL RESPONSIBILITY PERFORMANCE

The Group is committed to serving people's livelihood and social development, and is determined to fulfil its political, economic and social responsibilities as a financial enterprise under the management of the PRC. In 2021, PICC proactively leveraged its strengths in risk management and thoroughly practised the new insurance logic of "underwriting + loss reduction + empowerment + claims" to strongly push forward the implementation of the "Six Strategic Services" of serving rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance. In response to the unexpected disasters such as heavy rainfall in Henan and floods in Shanxi this year, PICC immediately activated the catastrophe alert mechanism, optimised the catastrophe claims service, and provided flood prevention and relief to protect the affected the public to the maximum extent. We continued to carry out the "Heart-warming Projects" and focused on the "concerned, minor and practical matters" of customers to practically protect the rights and interests of consumers. The Company insisted on working together with its employees, vigorously promoting the spirits of model workers, labour and craftsmanship, strengthening the management of staff remuneration and benefits, attendance and leave, education and training, and continuously conducting employee care activities such as delivering care and paying visits to the employees to create a harmonious and progressive atmosphere.

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

III. CONSUMERS' RIGHTS AND INTERESTS PROTECTION

In 2021, the Group highly valued the protection of consumer rights and interests, strictly implemented the requirements under the "Guiding Opinions on Strengthening the Mechanism and System Building of Consumer Rights and Interests of Banking and Insurance Institutions" (Yin Bao Jian Fa [2019] No. 38), practically fulfilled the main responsibility, continued to improve the consumers' rights and interests protection system and mechanism, further promoted the integration of consumers' rights and interests protection into the Group's management system, promoted mandatory enforcement of the system, consolidated work related to consumers' rights and interests protection inspection, disclosure of consumers' rights and interests protection, education promotion of consumers' rights and interests protection, consumer dispute resolution, and assessment and audit of consumers' rights and interests protection.

(I) Implementation of "Being a Heart-Warming Insurer for the People" throughout all aspects of consumers' rights and interests protection

The Group is firmly committed to its original mission of "People's Insurance, Serving the People" and has clearly stated its vision of "Being a Heart-Warming Insurer for the People". The Group has developed a new insurance logic, technology and style to bring insurance closer to the good life of the people. Making its consumers' rights and interests protection an important initiative and a starting point in its efforts to be a heart-warming insurer for the people, the Group has been promoting the "Six Strategic Services" of "serving rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance", strengthening the function of insurance services, identifying the key points and challenges of insurance services, and striving to extend insurance products and services to wherever the people's needs are, so that the people can experience the warmth in real life.

(II) Further integration of consumers' rights and interests protection into the corporate governance system

The first is to exercise leadership from the Board of Directors. The Board of Directors of the Company and its relevant subsidiaries regularly reviewed the consumers' rights and interests protection reports, annual plans, work programmes and other resolutions to provide guidance on the Group's overall consumers' rights and interests protection. By focusing on consumer complaints, the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of Directors of the Company held thematic meetings in a timely manner to listen to the analysis of the causes of complaints and measures to address them, and to put forward targeted requests for improvement.

The second is to actively perform the duty of supervising consumers' rights and interests protection. The Board of Supervisors of the Company attended the fourth meeting of the fourth session of the Board of Directors to supervise the consideration of the resolution on the report on the work of the Company's Consumer Rights Report 2021.

The third is to implement the main responsibility of the management of the Company. The Group's Consumers' Rights and Interests Protection Working Group organised and convened annual and interim meetings on consumer protection in 2021 on a regular basis and invited external experts to give presentations on the results of the Group's NPS survey and customer satisfaction. The relevant subsidiaries also held several internal meetings of the Consumers' Rights and Interests Protection Working Group (Committee) to examine the important institutional policies on consumers' rights and interests protection, the progress of consumer protection work, complaint handling, sales integrity and quality management, and management of the authenticity of customer information.

(III) Continuous promotion of the implementation of the consumers' rights and interests protection system

In 2021, under the consumers' rights and interests protection management system of "coordination of the Group, responsibility of the subsidiary and inter-departmental collaboration", the Group promoted the effective implementation of various consumers rights and interests protection policies in accordance with the deployment of the CBIRC and in conjunction with the Company's internal system documents. The first is to incorporate consumers' rights and interests protection into the internal assessment system. The Company has incorporated the work on consumers' rights and interests protection into the risk compliance indicators of its subsidiaries' leadership teams and the Net Promoter Score (NPS), a measure of customer experience, into the Group's high-quality development indicators. The second is to promote the implementation of consumers' right and interests protection audits. The Company promoted the standardisation of the audit process and coverage of its subsidiaries. The third is the full launch of the consumers' right and interests protection information disclosure exercise. The Company has established an information disclosure system that complies with the requirements of the domestic and overseas listing rules and the CBIRC, and has clarified the information disclosure work and publication process for the publication of periodic reports or ad hoc announcements in accordance with various regulatory requirements. The fourth is the establishment of a standing consumers' rights and interests protection audit mechanism. The Company regularly conducted special audits on its subsidiaries and some provincial branches to supervise the rectification of problems identified by the audits. The fifth is to actively promote consumers' rights and interests protection education and publicity activities. We organised special activities such as the "3.15" Insurance Consumer Protection Education and Publicity Week and the Joint Financial Education and Publicity Campaign, established a regular education and publicity mechanism, and promoted internal staff training on consumers' rights and interests protection to continue to raise awareness of consumers' rights and interests protection.

(IV) Adoption of special actions to help the implementation of consumers' rights and interests protection

Firstly, the series of "Heart-warming Projects" activities were intensively launched. Through various key initiatives, customer services became more user-friendly and considerate, and products were more in line with customer needs. Secondly, the service experience of the elderly consumer group was enhanced comprehensively. In accordance with the "Notice on Insurance Institutions' Effective Resolution of the Difficulties Facing by the Elderly in the Use of Intelligence Technologies" by the General Office of the CBIRC, the Group organised relevant subsidiaries to formulate complementary implementation plans to comprehensively promote the elderly-friendly transformation of offline and online services to meet the needs of the elderly group.

IV. CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALISATION

(I) Serving the rural revitalisation sector

1. To insist on the implementation of the Central Government's policy decisions. The PICC Party Committee highly values the tasks on promoting designated poverty alleviation and rural revitalisation, and has placed the rural revitalisation service at the top of the Group's "Six Strategic Services" to promote it vigorously. The top-level design has been strengthened with a focus on "every aspect". Luo Xi, Chairman of the Company, chaired a meeting to consolidate the Group's achievements in poverty alleviation and to promote rural revitalisation, while Wang Tingke, President of the Company, organised the key tasks of promoting designated poverty alleviation and rural revitalisation in 2021, and Xiao Jianyou, Vice President of the Company, held several special meetings to supervise the progress. The Company issued a series of documents such as "Guiding Opinions on Insurance Services to Comprehensively Promote Rural Revitalisation" and "Work Plan for Promoting Designated Poverty Alleviation and Rural Revitalisation in 2021" to comprehensively facilitate the implementation of various tasks. A sound organisational structure is maintained with a focus on "full picture". The Company and its principal subsidiaries have set up a leadership group headed by the main person in charge, and the Company and PICC P&C have established a Rural Revitalisation Finance (Insurance) Department to coordinate and promote designated poverty alleviation and rural revitalisation, thereby establishing a five-tier promotion mechanism at PICC Group, subsidiary, provincial, municipal and county levels, combined with PICC's well-established "agriculture, rural areas, and farmers" grassroots service system to ensure strong organisational support. In-depth research and supervision are conducted with a focus on "implementation". All levels of PICC went to the four counties to conduct on-site investigations and coordinate the resolution of various issues, with more than 20 investigation and guidance teams from all levels sent throughout the year, involving 128 participants. Among them, Luo Xi, Chairman of the Company, went to Liuba County in Shaanxi Province and Huachuan County in Heilongjiang Province for research and supervision, and Wang Tingke, President of the Company, went to Ji'an County and Le'an County in Jiangxi Province for research and supervision.

2. To serve the food safety strategy and enhance the stable supply of agricultural products. We increased insurance coverage for bulk agricultural products, with agricultural insurance providing risk cover of RMB2.7 trillion to 80.64 million households in 2021. A total of RMB32,970 million was paid out, an increase of 32.4%, benefiting 23.0038 million households affected by the disaster.

3. To ensure the overall stability of the main designated poverty alleviation policies. In 2021, PICC continued to maintain "a high degree of political awareness, emotional enthusiasm and work efforts" in its designated poverty alleviation, and adhered to the three unchanged principles of "capital investment, stationing force and resource infusion", in order to promote effective convergence between consolidating the achievements of poverty alleviation and comprehensively promoting rural revitalisation. In 2021, RMB44 million was invested and RMB16 million was introduced in poverty alleviation; RMB44.68 million of agricultural products were purchased directly from areas no longer in poverty and RMB11.65 million of agricultural products from areas no longer in poverty were sold; RMB800 million in agricultural financing was provided. PICC placed great importance on the selection of attachment officers and insisted on "selecting the best and sending the strongest". In 2021, a total of 22 officers were sent, 5 of whom are on the record of the Central Organisation Department. At the same time, we cared about the working life of the cadres employed, and provided them with relaxed policies in terms of promotion and performance evaluation, so as to encourage them to be rooted at the

grassroots level and integrate into the development of the poverty alleviation areas. This year, Liu Jianmin, deputy county head of Liuba County, Cui Kai, deputy county head of Huachuan County, Xi Lei, deputy county head of Ji'an County and many other supporting cadres were assessed by the People's Bank of China and the provinces where they were stationed as the pioneering individuals in poverty alleviation.

4. To help with the designated poverty alleviation for four counties and the concurrent advancement of five major revitalisations. **To contribute to the industrial revitalisation.** Funds were invested to focus on supporting the poverty alleviation projects in four counties, including speciality-oriented industries and sales of agricultural products, during the year, it attracted RMB521 million in investment, supported 72 new agricultural business entities, implemented 63 support projects, including 33 industrial support projects, and promoted the employment of 9,352 people, promoting the integrated development of primary, secondary, and tertiary industries, and forming a "one rural area one industry" and "one village one product" speciality industry development pattern. **To contribute to the manpower revitalisation.** 4,082 grassroots cadres, 3,086 technicians and 2,052 rural revitalisation leaders were trained. We established the "Happy Children's Home" to provide care and education to children left behind in rural areas; and supported the development of rural education by purchasing sports equipment, establishing scholarships and providing special training for school football. **To contribute to the cultural revitalisation.** The Company has set up workshops with the Le'an Political and Legal Committee and the Public Prosecutor's Office, and has built six special zones, including psychological counselling rooms and conversation rooms, benefiting 251 schools of all kinds and covering more than 80,000 students and left-behind children. **To contribute to the ecological revitalisation.** A total of RMB22.98 million was invested in toilet rehabilitation and lighting projects to help the four counties create a pleasant ecological environment for living and working, with a total of 1,775 households assisted in toilet rehabilitation and 8 villages assisted in domestic waste and sewage treatment. **To contribute to the organisational revitalisation.** We strengthened the co-learning and co-construction of grassroots party organisations, enhanced party building to help promote sound governance in rural areas, participated in the formation of 24 party branches and 26 poverty alleviation villages, and maximised the role of grassroots party organisations in promoting the revitalisation of rural areas as a unifying force and a battleground.

5. To promote continuous improvement in the quality and effectiveness of our poverty alleviation. We actively promoted the signing of a tripartite Strategic Cooperation Agreement with the Ministry of Agriculture and Rural Affairs and the National Rural Revitalisation Bureau, focusing on areas of common concern to the three parties and exploring cooperation in key areas such as ensuring the supply of food and important agricultural products and the construction of a modern rural industrial system. In the four counties, the Company focused on "two relieves and three guarantees" and water safety, and invested RMB1.62 million in compulsory education, helping 10,300 people to be lifted out of poverty; RMB23.2032 million in basic medical care, helping 40,700 people to be lifted out of poverty; RMB926,000 in housing safety, helping 13,300 people to be lifted out of poverty; andRMB1.34 million in water safety, helping 13,800 people to be lifted out of poverty. The Company provided employment opportunities for people who were in poverty alleviation, and 236 people were helped to get lifted out of poverty in the four targeted counties. The Company strengthened the cultivation of talented professionals. A demonstration training course for rural revitalisation seeds lecturers was organised to explain in depth the policies and requirements of the Central Government and the Group for rural revitalisation, and to improve the theoretical level and business skills of grassroots staff. To reserve talented professionals for the promotion of rural revitalisation, 116 people were directly trained and nearly 5,000 people were transferred to the training course.

(II) Considerations for 2022

The general consideration for 2022 is to thoroughly implement the Central Government's and the State's decisions and plans on rural revitalisation, capitalise on the advantages of insurance, strengthen product innovation and rural network construction, reinforce the "insurance+" support model, safeguard the two bottom lines of national food security and no large-scale return to poverty, focus on key areas such as rural industries, rural construction and rural governance, continue with designated poverty alleviation and promote rural revitalisation, and serve to stabilise the basic foundation of the "agriculture, rural areas, and farmers".

Significant Events

I. MATERIAL LAWSUITS AND ARBITRATION

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

II. RELATED PARTY TRANSACTIONS

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

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

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

In accordance with the SSE Listing Rules and other regulatory requirements, SSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, SSF has entrusted PICC AMC to manage part of its assets. As of 31 December 2021, the assets under the management of PICC AMC were RMB8,731 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB16.3976 million. The above mentioned transactions do not constitute major related party transactions and have not yet reached the disclosure standard of related party transactions.

(III) Overall Situation of Related Party Transactions in 2021 under the Regulatory Standards of the CBIRC

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

During the reporting period, the Company modified the Administrative Measures for Related Party Transactions of The People's Insurance Company (Group) of China Limited, carried out the identification, consideration, disclosure and reporting work of related party transactions in accordance with laws and regulations, and actively cooperated with the CBIRC on the reporting of the information entry requirements of the related party transaction monitoring system. The pricing of related party transactions was in line with the fairness requirements.

During the reporting period, in accordance with the relevant provisions of the Administrative Measures for the Supervision of Insurance Group Companies (CBIRC Decree [2021] No. 13) in relation to significant internal transactions between consolidated members of insurance groups, PICC Reinsurance and PICC P&C, both consolidated members of the Group, entered into the "2021 Reinsurance Business Cooperation Framework Agreement" in early 2021, which provides for PICC P&C to cede premiums to PICC Reinsurance in an aggregate amount not exceeding RMB5,000 million, with the type of transaction being ceded or assumed reinsurance business.

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

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitment in the report on changes in equity	Restriction on sale of A Shares	SSF	SSF, in respect of the shares transfer, shall fulfil the obligation of lock-up period of not less than 3 years from the date of transfer of the shares to its account.	Not less than 3 years from 26 September 2019	Yes	Yes
Commitments related to the initial public offering	Restriction on sale of A Shares	MOF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Others	MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		SSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company and related Directors and senior management	Measures for stabilising stock prices after listing in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and senior management	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes

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

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

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

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

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

VI. MATERIAL CONTRACTS

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

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

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

VIII. EXTERNAL GUARANTEES

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

IX. OTHER SIGNIFICANT EVENTS

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

X. COMPLIANCE WITH LAWS AND REGULATIONS

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

I. MOVEMENTS IN ORDINARY SHARE CAPITAL

(I) Statement of Movements in Ordinary Shares

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

Unit: Share

	31 December 2020		Changes during the reporting period					31 December 2021	
	Number	Proportion (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Subtotal	Number	Proportion (%)
I. Shares subject to selling restriction	29,896,189,564	67.60	–	–	–	-26,906,570,608	–26,906,570,608	**2,989,618,956**	**6.76**
1. Shares held by the state	29,896,189,564	67.60	–	–	–	-26,906,570,608	–26,906,570,608	**2,989,618,956**	**6.76**
II. Shares not subject to selling restriction	14,327,801,019	32.40	–	–	–	26,906,570,608	26,906,570,608	**41,234,371,627**	**93.24**
1. Renminbi-denominated ordinary shares	5,601,567,019	12.67	–	–	–	26,906,570,608	26,906,570,608	**32,508,137,627**	**73.51**
2. Overseas listed foreign shares	8,726,234,000	19.73	–	–	–	–	–	**8,726,234,000**	**19.73**
III. Total number of ordinary shares	44,223,990,583	100	–	–	–	–	–	**44,223,990,583**	**100**

(II) Movements in Restricted Shares

During the reporting period, 26,906,570,608 restricted shares of the Company held by MOF were released on 16 November 2021.

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for restrictions	Restrictions released on
SSF	2,989,618,956	–	–	2,989,618,956	Transfer restrictions of MOF	26 September 2022
MOF	26,906,570,608	26,906,570,608	–	–	Restricted for listing of A Shares	16 November 2021
Total	29,896,189,564	26,906,570,608	–	2,989,618,956		

II. SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)	A Shares: 249,823; H Shares: 5,506
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of the annual report (Shareholder)	A Shares: 251,282; H Shares: 5,483

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

Unit: Share

Shareholdings of the Top Ten Shareholders

Name of shareholder	Increase/decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	Number of shares held subject to selling restrictions	Pledged, marked or frozen shares		Nature of shareholder
					Status of the share	Number	
MOF	–	26,906,570,608	60.84	–	Nil	–	The State
HKSCC Nominees Limited	111,663	8,702,570,361	19.68	–	Nil	–	Foreign legal person
SSF	-619,164,454	5,776,128,673	13.06	2,989,618,956	Nil	–	The State
Hong Kong Securities Clearing Company Limited	47,117,437	98,720,445	0.22	–	Nil	–	Foreign legal person
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	33,372,985	38,240,776	0.09	–	Nil	–	Others
Beijing Hengzhaoweiye Investment Company Limited	–	20,607,653	0.05	–	Nil	–	Others
CSC Financial Co., Ltd.	13,172,600	14,137,800	0.03	–	Nil	–	Others
Zhang Bihai	10,552,718	13,544,309	0.03	–	Nil	–	Domestic natural person
Li Shaofu	2,630,000	12,330,000	0.03	–	Nil	–	Domestic natural person
Basic Pension Insurance Funds No.101	12,176,900	12,176,900	0.03	–	Nil	–	Others

Unit: Share

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares: Class	Class and number of shares: Number
MOF	26,906,570,608	A shares	26,906,570,608
HKSCC Nominees Limited	8,702,570,361	H Shares	8,702,570,361
SSF	2,786,509,717	A shares	2,786,509,717
Hong Kong Securities Clearing Company Limited	98,720,445	A shares	98,720,445
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	38,240,776	A shares	38,240,776
Beijing Hengzhaoweiye Investment Company Limited	20,607,653	A shares	20,607,653
CSC Financial Co., Ltd.	14,137,800	A shares	14,137,800
Zhang Bihai	13,544,309	A shares	13,544,309
Li Shaofu	12,330,000	A shares	12,330,000
Basic Pension Insurance Funds No.101	12,176,900	A shares	12,176,900
Details of Securities Account Designated for Share Repurchase of the Top Ten Shareholders	Not applicable		
Details of the Abovementioned Shareholders' Entrusting of Voting Rights, Entrusted Voting Rights, and Waiver of Voting Rights	Not applicable		
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies		
Details of Preferred Shareholders with Restored Voting Rights and the Number of Shares Held by Them	Not applicable		

Notes:

1. *In addition to the 5,776,128,673 A Shares of the Company held by SSF, it also holds 524,279,000 H Shares as a beneficial owner and 334,000 H Shares through overseas manager.*

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

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

Number of Shares Held by Shareholders Subject to Selling Restrictions and Selling Restrictions

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions (share)	Time available for listing and trading	Number of additional shares available for listing and trading	Selling restrictions
1	SSF	2,989,618,956	26 September 2022	–	No less than 3 years from the date of transfer of the shares to MOF's account
Details of the above shareholders who are connected to each other or acting in concert			Not applicable		

III. CONTROLLING SHAREHOLDER

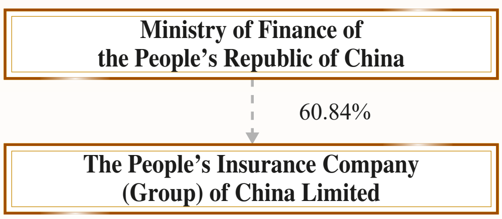
(I) Legal Person

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

According to the publicly available information, as of 30 September 2021, MOF directly holds more than 5% of the issued shares of the following other domestic and overseas listed companies:

Name of company	Short name of the stock	Stock code	Percentage of the company's total Shares
Industrial and Commercial Bank of China Limited	Industrial and Commercial Bank	601398.SH	31.14%
Agricultural Bank of China Limited	Agricultural Bank	601288.SH	35.29%
Bank of Communications Co., Ltd.	Bank of Communications	601328.SH	23.88%
China Cinda Asset Management Co., Ltd.	China Cinda	01359.HK	58.00%
China Reinsurance (Group) Corporation	China Reinsurance	01508.HK	11.45%

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



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

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

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

As far as the Directors of the Company are aware, as at 31 December 2021, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of shareholder	Capacity	Number of A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
SSF	Beneficial owner	5,776,128,673	Long position	16.27%	13.06%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
SSF *(note 1)*	Beneficial owner	524,279,000	Long position	6.01%	1.19%
BlackRock, Inc. *(Note 2)*	Interest of controlled corporation	471,473,900	Long position	5.40%	1.07%
		22,438,000	Short position	0.26%	0.05%

Notes:

1. In addition to the 5,776,128,673 A Shares of the Company held by SSF, it also holds 524,279,000 H Shares as a beneficial owner and 334,000 H Shares through overseas manager.

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

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

Save as disclosed above, as at 31 December 2021, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance.

Report of the Board of Directors

The Board presents its report and audited financial statements of the Company and its subsidiaries for the year ended 31 December 2021. During the reporting period, there have been no significant changes to the scope of the Company's principal activities.

(I) BUSINESS REVIEW

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

(II) ENVIRONMENTAL ISSUES

During the reporting period, the Group continued to comply with and continuously promoted a number of related measures involving energy use, emission treatment and environmental changes, consistently implementing a range of environmentally-friendly policies across the Group. The Group strove to reduce the consumption of paper, water and electricity resources; implemented energy conservation management measures to achieve a reduction in greenhouse gases emission, conducted separate treatment of sewage, domestic waste and various types of waste generated in the office process, and followed the management principle of waste classification, to achieve recycling of resources. In accordance with regulatory requirements, the Company will issue its 2021 Corporate Social Responsibility Report, which specifies the Group's performance of social responsibilities (including environmental and social governance).

(III) PRINCIPAL ACTIVITIES

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

(IV) FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

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

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

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

Secondly, specific conditions and ratio of cash dividend distribution of the Company: No profit shall be paid to shareholders for any year if the solvency of the Company fails to meet the regulatory requirements. Except in special circumstances, the Company shall distribute dividends mainly in cash if the normal operations of the Company are not affected, provided that the net profit for the year, the accumulated and undistributed profit and the capital reserve at the end of the year are positive.

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

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

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

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

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

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

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

Unit: RMB million

Year of profit distribution	Number of bonus shares for every 10 shares (share)	Cash dividends per 10 shares (tax inclusive, RMB)	Number of conversion for every 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements for the year of dividend distribution	Proportion in net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements (%)
2021	–	1.64	–	7,253	21,476	33.8%
2020	–	1.56	–	6,899	20,036	34.4%
2019	–	1.16	–	5,130	22,135	23.2%

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

5. Profit distribution proposed for 2021

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

According to the profit distribution plan for 2021 approved by the Board on 25 March 2022, after the statutory surplus reserve is drawn according to 10% of the net profit in the parent company's financial statements in 2021, it is proposed to distribute a cash dividend of RMB1.47 (tax inclusive) for every ten shares, with a total distribution of RMB6.501 billion, on the basis of 44,223,990,583 shares in issue. In addition to the distributed interim cash dividend of RMB0.17 (tax inclusive) for every ten shares, the full-year cash dividend for 2021 will be RMB1.64 (tax inclusive) for every ten shares. The profit distribution ratio for the year was 33.8%. The profit distribution plan for 2021 shall become effective upon the approval of the shareholders' general meeting.

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

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

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

(V) ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES

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

(VI) FINANCIAL HIGHLIGHTS

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

(VII) BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the buildings, equipment and investment properties of the Group during the year are set out in Notes 27 and 26 to the consolidated financial statements of this annual report respectively. As at 31 December 2021, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules of the Stock Exchange) exceed 5%.

(VIII) SHARE CAPITAL

Changes in the share capital of the Company in 2021 and the share capital of the Company as of 31 December 2021 are set out in the section headed Movements in Ordinary Shares and Shareholders of this annual report.

(IX) PRE-EMPTIVE RIGHTS

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

(X) REPURCHASE, DISPOSAL AND REDEMPTION OF LISTED SECURITIES

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

(XI) RESERVES

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

(XII) DISTRIBUTABLE RESERVES

As of 31 December 2021, the distributable reserves of the Company amounted to RMB7,155 million.

(XIII) CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in 2021 were RMB46.59 million, of which the donations made by the Company were RMB0.78 million.

(XIV) EQUITY-LINKED AGREEMENT

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

(XV) MAJOR CUSTOMERS AND EMPLOYEES

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

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

(XVI) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

(XVII) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

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

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

(XVIII) HIGHEST PAID INDIVIDUALS

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

(XIX) INDEMNITY FOR DIRECTORS

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

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

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

(XXI) MANAGEMENT CONTRACTS

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

(XXII) CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

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

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

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

(XXIV) INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

(XXV) PUBLIC FLOAT

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

(XXVI) CONNECTED TRANSACTIONS

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

(XXVII) CORPORATE GOVERNANCE

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

(XXVIII) AUDIT COMMITTEE

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

(XXIX) AUDITOR

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

By order of the Board
Luo Xi
Chairman

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

I. PERFORMANCE OF THE BOARD OF SUPERVISORS

(I) Organising and convening Supervisors' meetings in accordance with the law

During the year, the Board of Supervisors convened ten meetings and considered and received 62 resolutions and reports. Among which, 37 resolutions were considered and approved, including the Resolution in relation to the Election of Ms. Zhang Yan as a Member of the Duty Performance and Due Diligence Supervision Committee of the Third Session of the Board of Supervisors of the Company, the Resolution in relation to the Election of Mr. Wang Yadong as a Member of the Financial and Internal Control Supervision Committee of the Third Session of the Board of Supervisors of the Company, the Resolution on the Report of Board of Supervisors for 2020, the Resolution on the Work Plan of Board of Supervisors for 2021, the Resolution on Evaluation Report for Performance of Duties of the Supervisors in 2020, the Resolution on Evaluation Report of the Board of Supervisors on Performance of Duties of the Board of Directors, the Management and its Members in 2020, the Resolution on Relevant Report of 2020 Final Financial Accounts, the Resolution on Profit Distribution in 2020, the Resolution on the A Shares and H Shares Periodic Report in 2020, the Resolution on 2020 Corporate Social Responsibility Report, the Resolution on the Internal Control Evaluation Report for 2020, the Resolution on Internal Control Evaluation Report and Audit Related Report of Utilisation of Insurance Funds for 2020, the Resolution on Solvency Reports of the Group for 2020, the Resolution on Risk Evaluation Report for 2020, the Resolution on Work Report on the Protection of Consumers' Rights and Interests of the Group for the Year 2020, the Resolution on Supervision Report of the Board of Supervisors for the Year 2020, the Resolution on the First Quarterly Report of A Shares and H Shares in 2021, the Resolution on the Evaluation Report on the Implementation of Development Plan of the Group in 2020, the Resolution on Corporate Governance Report for 2020, the Resolution on Compliance Report for 2020, the Resolution in relation to the Nomination of Candidates for the Company' Non-employee Representative Supervisors of the Fourth Session of the Board of Supervisors of the Group, the Resolution on the Interim Periodic Report of A Shares and H Shares in 2021, the Resolution on the Third Quarterly Report of A Shares and H Shares in 2021, the Resolution on the Profit Distribution Plan for the First Half of 2021, the Resolution in relation to the Solvency Report of the Group for the First Half of 2021, the Resolution in relation to the Amendments to the Articles of Association of the Group, the Resolution in relation the Amendments to the Procedural Rules for the Company's Meeting of the Board of Supervisors of the Group, the Resolution in relation to the Formulation of the Company's Implementation Measures for the Evaluation for Performance of Duties of the Directors and the Supervisors of the Group, the Resolution in relation to the Formulation of the Company's Accountability Measures for the Directors, Supervisors and Senior Management of the Group, the Resolution in relation to the Nomination of Mr. Zhang Tao as a Candidate of Shareholder Representative Supervisor of the Fourth Session of the Board of Supervisors of the Company, the Resolution in relation to the Election of Mr. Zhang Tao as the Chairman of the Fourth Session of the Board of Supervisors of the Company, the Resolution on the Election of the Members of the Duty Performance and Due Diligence Supervision Committee of the Fourth Session of the Board of Supervisors of the Company, the Resolution on the Election of the Chairman and Members of the Financial and Internal Control Supervision Committee of the Fourth Session of the Board of Supervisors of the Company, the Resolution on the Work Plan of Board of Supervisors for 2022 and the Resolution on Work Report on the Protection of Consumers' Rights and Interests of the Group for the Year 2021. In addition, the Board of Supervisors studied and received 25 resolutions on operation, finance, internal control, risk and compliance of the Company.

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

During the year, in accordance with the requirements of the responsibilities, the Duty Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee of the Board of Supervisors held five meetings and three meetings, respectively, to provide advice on relevant resolutions and report to the Board of Supervisors. The Board of Supervisors also convened two special meetings to communicate with related functional departments on matters of concern and put forward opinions and suggestions and gave feedback to the Board and management.

(II) Attending Shareholders' general meetings and relevant meetings of the Board and management

During the year, the Supervisors attended three shareholders' general meetings, seven Board meetings on-site and eight meetings of Board committees as well as seven resolution communication meetings. The Supervisors also attended major meetings in operation management, such as the annual work meeting and semi-annual work meeting of the Company, quarterly meeting of the operational analysis of major subsidiaries, the strategy evaluation meeting of the Company. Through attending and participating in such meetings, the Supervisors conducted effective oversight on relevant decision-making process and the performance of duties by the Board and the management, proposed monitoring comments and fully delivered the corporate governance functions of the Board of Supervisors.

(III) Performing duties such as performance supervision, financial supervision and development planning supervision

During the year, the Board of Supervisors actively carried out performance supervision, financial supervision, development planning supervision, internal control supervision, compliance management supervision, risk management supervision, internal audit supervision, related party transactions management supervision and information disclosure supervision in accordance with laws and regulations, policy spirit, regulatory requirements of the regulatory agencies and capital markets and the Articles of Association with a focus on major risks to promote sustainable and healthy development of the Company.

Performance supervision. The Board of Supervisors mainly conducts daily supervision of the performance of Directors and senior management by attending and participating in meetings of the Board and management. It carried out supervision and evaluation of the annual performance of the Board, management and its members, and formed a supervision and evaluation report of the Board and management, and its opinions on the supervision and evaluation of Directors and senior management. The Board of Supervisors believed that the Board of the Company strictly abided by the domestic and overseas listing rules and regulations of stock exchanges in 2021, operated in compliance with laws and regulations, and earnestly fulfilled the duties stipulated in the Articles of Association. All Directors (including resigned Directors) earnestly performed and fulfilled their duties in compliance with laws and regulations in 2021, and their annual appraisals of performance were all "competent". Under the leadership of the Party Committee and the decision-making and guidance of the Board of the Company, the management of the Company strictly abided by the Articles of Association and the Proposal for Delegation of the Board to the Management in 2021, and carried out relevant operation and management in compliance with laws and regulations. All senior management performed their duties in compliance with laws and regulations in 2021, and met the relevant requirements for their duty of loyalty and diligence.

Financial supervision. The Board of Supervisors considered or received resolutions relating to the Company's finance, conducted serious research and analysis of the Company's annual, interim and quarterly results, carried out special research on the relevant impact of Phase II of "C-ROSS", new insurance contracts and financial instrument standards in the insurance industry and notified risks.

Development planning supervision. The Board of Supervisors was highly concerned about the coordination of "the 14th Five-Year Plan", the "To be Prominent Strategy" and the annual operational plan of the Company, and made opinions and recommendations on strengthening the implementation of development planning and promoting the standardised management of annual operational plan.

Internal control supervision. The Board of Supervisors followed closely and paid attention to the effectiveness of the Company's internal control by considering the Company's 2020 internal control evaluation report and special reports of internal control and regularly receiving the reports of internal control, to facilitate the rectification of the Company's internal control deficiencies.

Risk management supervision. The Board of Supervisors considered and approved the Company's risk evaluation report for 2020, regularly received the reports of risk management, paid attention to the new risks emerged during the progress of the transformation to high-quality development of the Company, and continued to supervise the Company's risk management.

Internal audit supervision. The Board of Supervisors continued to strengthen the guidance of the internal audit work, regularly received the internal audit work reports, continued to pay attention to identified issues and rectification of the internal audit, put forward advice and suggestions on improvement of the key fields and key procedures of internal audit and the effective use of audit results.

Compliance management supervision. The Board of Supervisors continued to survey the performance of compliance management responsibilities of the Board and the management and the major compliance risks faced by the Company, paid attention to relevant cases, and facilitated the advancement of compliance awareness and implementation of compliance risk responsibilities.

Related party transactions management supervision. The Board of Supervisors understood the Company's related party transactions and its management by receiving the Company's reports on annual related party transactions, specific auditing results of related party transactions and resolutions relating to related party transactions, and put forward its opinions and suggestions.

Information disclosure supervision. The Board of Supervisors strengthened the supervision of the Company's information disclosure, reviewed the Company's periodic reports and provided audit opinions in writing; regularly received the report on work of the Company's information disclosure. No violation of laws and regulations in the Company's information disclosure was found during the year.

(IV) Reinforcing the construction of the Board of Supervisors

During the year, the Board of Supervisors continued to strengthen its own organisation, structure and capacity, so that the performance of the Board of Supervisors can be standardised and professionalised to enhance the effectiveness of duty performance.

Firstly, it strengthened its reporting to the Party Committee. In terms of significant matters such as the change of term of the Board of Supervisors and the amendment to the Procedural Rules for the Meetings of the Board of Supervisors, it performed corresponding corporate governance procedures after the preliminary research by the Party Committee of the Group according to the regulations.

Secondly, it reinforced the construction of organisation. In accordance with laws, regulations and regulatory requirements, it completed the change of session of the Board of Supervisors and established the committees of the Board of Supervisors.

Thirdly, it accelerated the construction of system of the Board of Supervisors. In accordance with the new rules for corporate governance of the CBIRC, the Board of Supervisors amended the Procedural Rules for the Meetings of the Board of Supervisors and formulated the Implementation Measures for the Evaluation for Performance of Duties of the Directors and the Supervisors by integrating the practical experience of the Company, to further improve the performance supervision system of the Board of Supervisors.

Fourthly, it attached importance to the Supervisors' ability to perform their duties. It encouraged Supervisors to actively participate in trainings organised by external institutions such as the Insurance Association of China and Association for Public Companies, as well as various internal trainings organised by the Company, and organised special studies and self-study for Supervisors to strengthen communications with peers and improve their performance standards.

II. WORK PERFORMANCE OF THE SUPERVISORS

Based on the attendance of all members of the Board of Supervisors in the shareholders' general meetings, meetings of the Board of Supervisors and the meetings of its committees, their attendance in the Board meetings and the meetings of its committees, the participation in special communication meetings organised by the Board of Supervisors, provision of advice and recommendations on such resolutions and matters, the Board of Supervisors is of the view that during the year 2021, the performance of all members of the Board of Supervisors (including resigned Supervisors) has met the requirements of laws and regulations, such as the Company Law, and the Articles of Association. The Board of Supervisors also believes that members are able to perform the duties as Supervisors earnestly and diligently in compliance with laws and regulations to actively facilitate the high-quality development of the Company and effectively safeguard the interests of the shareholders, the Company, employees and other stakeholders. The annual appraisals of performance of the members were all "competent".

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

(I) Operation of the Company in accordance with the law

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

(II) Facts about the financial statements

The annual financial statements of the Company are true and objective presentation of the financial position and operating results of the Company. The financial report of the Company for the year 2021 has been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers respectively in accordance with the corresponding independent auditing standards, which have issued audit reports with standard unqualified opinions.

(III) Material investments and significant financing

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

(IV) Related party transactions

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

(V) Review of internal control report

During the reporting period, the management of the Company attached great importance to the construction of an internal control system. The Company established a complete, reasonable and effective internal control system, which enhanced the level of internal control management. The Board of Supervisors considered the Internal Control Evaluation Report of the Company for the Year 2021 and had no objection to such report.

(VI) Implementation of resolutions adopted at the shareholders' meetings and resolutions of the Board and the Board of Supervisors

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

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

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

Ernst & Young (China) Advisory Limited, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as at 31 December 2021, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended 31 December 2021, on a range of assumptions. Copies of consulting actuaries' review reports are included in our annual report. These reports do not constitute an audit opinion of the financial information used in the report.

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

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

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

Ernst & Young (China) Advisory Limited ("EY", "we" or "our") has been entrusted by PICC Life Insurance Company Limited ("PICC Life", the "company") to review its valuation of embedded value as at 31 December 2021. This report is prepared and to be enclosed in the 2021 annual report of the People's Insurance Company (Group) of China Limited. It summarizes EY's work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of one year's new business as at 31 December 2021;
- Review the assumptions used in the valuation of embedded value and value of one year's new business as at 31 December 2021;

- Review the various valuation results of the embedded value as at 31 December 2021, i.e. the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2020 to 31 December 2021 and the sensitivity tests results of value of in-force business and value of one year's new business under alternative assumptions;
- Review the breakdown of value of one year's new business as at 31 December 2021 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

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

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

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

This report is addressed solely to PICC Life in accordance with the engagement letter signed by PICC Life and us. We have agreed that PICC Life provides the review opinion report to the People's Insurance Company (Group) of China Limited to be disclosed in its 2021 annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Life meets the requirements of the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" issued by CAA in November 2016;
- The economic assumptions adopted by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;
- The operating assumptions adopted by PICC Life have taken into account the company's historical experience and the expectation of future performance;
- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

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

31 DECEMBER 2021 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1. Definition

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

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

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

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

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

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

1.2. Methodology

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

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

2. RESULTS SUMMARY

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

2.1. Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 31 December 2021 and 31 December 2020 (Unit: RMB Million)

	31/12/2021	31/12/2020
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	74,859	69,605
Value of In-Force Business before CoC	46,506	45,972
Cost of Required Capital	(9,934)	(13,279)
Value of In-Force Business after CoC	36,572	32,693
Embedded Value	111,431	102,297

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

Table 2.1.2 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2021 and 31 December 2020 (Unit: RMB Million)

	31/12/2021	31/12/2020
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	4,922	8,033
Cost of Required Capital	(1,696)	(2,604)
Value of One year's New Business after CoC	3,227	5,429

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

2.2. Results by Distribution Channels

The results of the value of one year's new business by distribution channel as at 31 December 2021 and 31 December 2020 are summarized in the table below.

Table 2.2.1 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2021 and 31 December 2020 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
Value of One year's New Business after CoC (2021)	127	2,999	101	3,227
Value of One year's New Business after CoC (2020)	(37)	5,286	180	5,429

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

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2021.

3.1. Risk Discount Rate

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

3.2. Rate of Investment Return

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

3.3. Policy Dividend

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

3.4. Mortality and Morbidity

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

3.5. Claim Ratio

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

3.6. Lapse Rates

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

3.7. Expenses and Commissions

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

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

3.8. Tax

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

4. SENSITIVITY TESTS

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

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Life as at 31 December 2021 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	36,572	3,227
Risk Discount Rate at 9%	41,391	4,007
Risk Discount Rate at 11%	32,533	2,565
Rate of investment return increased by 50 bps	49,838	5,028
Rate of investment return decreased by 50 bps	23,233	1,415
Expenses increased by 10%	35,563	3,078
Expenses decreased by 10%	37,581	3,376
Lapse rate increased by 10%	36,316	3,128
Lapse rate decreased by 10%	36,842	3,327
Mortality increased by 10%	36,105	3,172
Mortality reduced by 10%	37,045	3,283
Morbidity increased by 10%	35,278	3,007
Morbidity reduced by 10%	37,884	3,449
Short-term business claim ratio increased by 10%	36,512	3,075
Short-term business claim ratio decreased by 10%	36,632	3,379
Participating Ratio (80/20)	35,227	3,185

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

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2020 to 31 December 2021 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2020 to 31 December 2021 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2020	102,297
2	New Business Contribution	3,586
3	Expected Return	7,716
4	Investment Return Variance	2,002
5	Other Experience Variance	(5,724)
6	Model and Assumption Modification	1,509
7	Capital Change and Market Value Adjustment	44
8	Embedded Value as at 31 December 2021	111,431

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

Explanations on items 2 to 7 above:

2. The contribution of new business sold in 2021 to the embedded value at 31 December 2021;

3. The expected return in 2021 arising from the in-force business and adjusted net worth as at 31 December 2020;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2021;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2021;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2021;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2021.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

Ernst & Young (China) Advisory Limited ("EY", "we" or "our") has been entrusted by PICC Health Insurance Company Limited ("PICC Health", the "company") to review its valuation of embedded value as at 31 December 2021. This report is prepared and to be enclosed in the 2021 annual report of the People's Insurance Company (Group) of China Limited. It summarises EY's work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of one year's new business as at 31 December 2021;

- Review the assumptions used in the valuation of embedded value and value of one year's new business as at 31 December 2021;

- Review the various valuation results of the embedded value as at 31 December 2021, i.e. the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2020 to 31 December 2021 and the sensitivity tests results of value of in-force business and value of one year's new business under alternative assumptions;

- Review the breakdown of value of one year's new business as at 31 December 2021 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

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

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

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

This report is addressed solely to PICC Health in accordance with the engagement letter signed by PICC Health and us. We have agreed that PICC Health provides the review opinion report to the People's Insurance Company (Group) of China Limited to be disclosed in its 2021 annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

REVIEW OPINION

Based on our review, we concluded that:

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

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

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

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

On behalf of Ernst & Young (China) Advisory Limited

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

31 December 2021 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1. Definition

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

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

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

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

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

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

1.2. Methodology

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

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

2. RESULTS SUMMARY

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

2.1. Overall Results

Table 2.1.1 Embedded Value of PICC Health as at 31 December 2021 and 31 December 2020 (Unit: RMB Million)

	31/12/2021	31/12/2020
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	7,785	6,515
Value of In-Force Business before CoC	9,182	8,840
Cost of Required Capital	(791)	(407)
Value of In-Force Business after CoC	8,392	8,432
Embedded Value	16,176	14,947

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

Table 2.1.2 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2021 and 31 December 2020 (Unit: RMB Million)

	31/12/2021	31/12/2020
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	1,250	1,531
Cost of Required Capital	(485)	(828)
Value of One year's New Business after CoC	765	703

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

2.2. Results by Distribution Channels

PICC Health split the value of one year's new business by distribution channel. The results of the value of one year's new business by distribution channel as at 31 December 2021 and 31 December 2020 are summarised in the table below.

Table 2.2.1 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2021 and 31 December 2020 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
Value of One year's New Business after CoC (2021)	**69**	**885**	**(189)**	**765**
Value of One year's New Business after CoC (2020)	111	629	(36)	703

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

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2021.

3.1. Risk Discount Rate

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

3.2. Rate of Investment Return

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

3.3. Policy Dividend

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

3.4. Mortality and Morbidity

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

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

3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 4% to 99% of gross premium depending on the lines of business.

3.6. Lapse Rates

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

3.7. Expenses and Commissions

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

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

3.8. Tax

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

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

4. SENSITIVITY TESTS

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

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Health as at 31 December 2021 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	8,392	765
Risk Discount Rate at 9%	8,898	899
Risk Discount Rate at 11%	7,947	644
Rate of investment return increased by 50 bps	9,274	941
Rate of investment return decreased by 50 bps	7,502	588
Expenses increased by 10%	8,220	628
Expenses decreased by 10%	8,564	903
Lapse rate increased by 10%	8,430	755
Lapse rate decreased by 10%	8,279	770
Mortality increased by 10%	8,390	756
Mortality reduced by 10%	8,394	774
Morbidity increased by 10%	7,899	666
Morbidity reduced by 10%	8,906	861
Short-term business claim ratio increased by 5%	8,360	390
Short-term business claim ratio decreased by 5%	8,423	1,140
Participating Ratio (80/20)	8,286	722

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

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2020 to 31 December 2021 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2020 to 31 December 2021 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2020	14,947
2	New Business Contribution	1,185
3	Expected Return	1,136
4	Investment Return Variance	395
5	Other Experience Variance	(378)
6	Model and Assumption Modification	(1,101)
7	Capital Change and Market Value Adjustment	(7)
8	Embedded Value as at 31 December 2021	16,176

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

Explanations on items 2 to 7 above:

2. The contribution of new business sold in 2021 to the embedded value at 31 December 2021;

3. The expected return in 2021 arising from the in-force business and adjusted net worth as at 31 December 2020;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2021;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2021;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2021;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2021.

TO THE SHAREHOLDERS OF THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 127 to 240, comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key Audit Matters *(continued)*

Key audit matters identified in our audit are summarised as follows:

- Valuation of long-term life and health insurance contract reserves
- Valuation of unearned premium reserves and claim reserves
- Valuation of level 3 investments measured at fair value

Key Audit Matter

Valuation of long-term life and health insurance contract reserves

Refer to note 2.5(18) Summary of significant accounting policies – Insurance contract liabilities, note 3 Significant accounting judgements and estimates – Key sources of estimation uncertainty – Valuation of insurance contract liabilities to the consolidated financial statements, and note 37(a) Insurance contract liabilities – long-term life and health insurance contract reserves to the consolidated financial statements.

The Group had significant long-term life and health insurance contract reserves stated at RMB421 billion as at 31 December 2021, representing 38.96% of the Group's total liabilities.

The valuation of long-term life and health insurance contract reserves involve complex models and a high degree of judgement by management in setting assumptions. Key assumptions used in measuring long-term life and health insurance contract reserves include discount rates, mortality and morbidity rates, lapse rates, expenses assumptions and policy dividend assumptions, etc.

We focused on this area due to the significant quantum amount of long-term life and health insurance contract reserves to the consolidated financial statements, the relevant key assumptions applied in the valuation that were involved significant judgements and estimates, and the inherent risk in relation to the valuation of long-term life and health insurance contract reserves was considered significant.

How our audit addressed the Key Audit Matter

We (including our actuarial experts) performed the following audit procedures:

- We obtained an understanding of the management's assessment process and internal controls of valuating long-term life and health insurance contract reserves and assessed the inherent risk of material misstatement by considering the degree of estimation's uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.
- We evaluated and tested the key controls over valuation of long-term life and health insurance contract reserves including management's determination and approval process for actuarial assumptions setting, data collection and analysis, actuarial models change, etc.
- We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types and distribution channels; and we checked the best estimate liabilities, risk margin and residual margin respectively at points of policy issuance and evaluation.
- We evaluated key actuarial assumptions such as discount rates, mortality and morbidity rates, lapse rates, expense assumptions and policy dividend assumptions by considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences.
- Performing analytical procedures over the movement of long-term insurance contract liabilities considering the appropriateness of changes in the actuarial assumptions in the reporting period

Based on our audit work, we found methodologies applied appropriately and key assumptions adopted were supportable by the evidence we gathered.

Key Audit Matters *(continued)*

Key Audit Matter

Valuation of unearned premium reserves and claim reserves

Refer to note 2.5(18) Summary of significant accounting policies – Insurance contract liabilities, note 3 Significant accounting judgements and estimates – Key sources of estimation uncertainty – Valuation of insurance contract liabilities to the consolidated financial statements, and note 37(b), 37(c) Insurance contract liabilities – Short-term health insurance contract reserves and Non-life insurance contract reserves to the consolidated financial statements.

The Group had unearned premium reserves and claim reserves stated at RMB352 billion as at 31 December 2021, representing 32.63% of the Group's total liabilities.

We focused on this area because the valuation of claim reserves and liability adequacy test for unearned premium reserves involved a high degree of judgement by management in selecting models and setting assumptions including claim development factors and expected loss ratio, and the inherent risk in relation to the valuation of claim reserves and liability adequacy test for unearned premium reserves was considered significant.

How our audit addressed the Key Audit Matter

We (including our actuarial experts) performed the following audit procedures:

We obtained an understanding of the management's assessment processes and internal controls of the liability adequacy test for unearned premium reserves and the valuation of claim reserves and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.

We evaluated and tested the key controls over the liability adequacy test for unearned premium reserves and the valuation of claim reserves including data collection and analysis, and approval processes for management's assumption setting, etc.

We performed independent modelling analysis for the liability adequacy test for unearned premium reserves and the valuation of claim reserves by performing below procedures.

- For the underlying data used in actuarial models, we compared the data to source systems, such as earned premiums and unearned premiums to accounting records and reported claims to the claims system.
- We set up independent actuarial assumptions including claims development factors, expected loss ratio, etc., by considering both the Group's historical data and applicable industry experiences.
- We evaluated the overall reasonableness of the Group's liability adequacy test for unearned premium reserves and valuation of claim reserves by comparing management's results to the results from our independent modelling analysis and calculation.

Based on our audit work, we found management judgements in the liability adequacy test for unearned premium reserves and the valuation of claim reserves supportable by the evidence we gathered.

Key Audit Matters *(continued)*

Key Audit Matter

Valuation of level 3 investments measured at fair value

Refer to note 3 Significant accounting judgements and estimates – Key sources of estimation uncertainty – Fair values of financial assets determined using valuation techniques and note 44 Classification and fair value of financial instruments to the consolidated financial statements.

The Group's investments measured at fair value that were classified as level 3 stated at RMB55 billion as at 31 December 2021, representing 3.96% of the Group's total assets.

We focused on this area because level 3 investments measured at fair value were valued based on models and assumptions and inputs that are not observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 investments measured at fair value was considered significant.

How our audit addressed the Key Audit Matter

We obtained an understanding of the management's assessment processes and internal controls of valuation of level 3 investments measured at fair value and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.

We evaluated and tested the key controls over the valuation of level 3 investments measured at fair value including management's determination and approval of internally operated valuation models, assumptions and methodologies used in model-based calculations, controls over data integrity and data choice, and management's review of valuation inputs provided by data vendors.

We (including our valuation experts) performed the following audit procedures over the measurement of level 3 investments:

- We assessed valuation model methodologies and assumptions against industry practice and valuation guidelines.

- We compared the significant unobservable inputs such as discount rates and liquidity discounts used in the valuation model with information available from third-party sources or market data.

- We independently developed fair value estimates and compared them to the management's valuation results on a sample basis.

Based on our audit work, we found that the valuation methodologies applied were acceptable and that the inputs and assumptions used were supportable by the evidence we gathered.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 March 2022

Consolidated Income Statement

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2021**	2020
Gross written premiums	5	**585,425**	563,608
Less: Premiums ceded to reinsurers	5	**(47,058)**	(44,436)
Net written premiums	5	**538,367**	519,172
Change in unearned premium reserves	5	**(8,476)**	1,409
Net earned premiums		**529,891**	520,581
Reinsurance commission income		**11,070**	11,921
Investment income	6	**49,497**	45,328
Other income	7	**4,148**	3,775
TOTAL INCOME		**594,606**	581,605
Life insurance death and other benefits paid		**41,213**	61,734
Claims incurred		**337,328**	300,967
Changes in long-term life insurance contract liabilities		**71,735**	44,310
Policyholder dividends		**3,693**	3,127
Claims and policyholders' benefits	8	**453,969**	410,138
Less: Claims and policyholders' benefits ceded to reinsurers	8	**(30,566)**	(27,301)
Net claims and policyholders' benefits	8	**423,403**	382,837
Handling charges and commissions		**50,939**	62,489
Finance costs	9	**5,549**	5,689
Exchange losses		**331**	816
Other operating and administrative expenses	10	**92,366**	109,577
TOTAL BENEFITS, CLAIMS AND EXPENSES		**572,588**	561,408
Share of profits or losses of associates and joint ventures		**13,571**	11,413
PROFIT BEFORE TAX	11	**35,589**	31,610
Income tax expense	12	**(5,219)**	(3,377)
PROFIT FOR THE YEAR		**30,370**	28,233
Attributable to:			
Owners of the Company		**21,476**	20,036
Non-controlling interests		**8,894**	8,197
		30,370	28,233
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	15	**0.49**	0.45
– Diluted (in RMB Yuan)	15	**0.49**	0.45

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2021	2020
PROFIT FOR THE YEAR		**30,370**	28,233
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		**11,263**	22,551
– Reclassification of gains to profit or loss on disposals		**(10,651)**	(10,747)
– Impairment losses	6(d)	**545**	2,756
Portion of fair value changes attributable to participating policyholders	37(a)	**(335)**	(2,317)
Income tax effect	30	**(6)**	(3,017)
		816	9,226
Share of other comprehensive income/(expense) of associates and joint ventures		**920**	(1,207)
Exchange differences arising on translating foreign operations		**(92)**	(105)
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**1,644**	7,914
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property and equipment and right-of-use assets upon transfer to investment properties	26	**768**	320
Income tax effect	30	**(119)**	(40)
		649	280
Actuarial losses on pension benefit obligation	39	**(174)**	(57)
Share of other comprehensive income of associates and joint ventures		**138**	3
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**613**	226
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**2,257**	8,140
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,627**	36,373
Attributable to:			
– Owners of the Company		**22,853**	25,721
– Non-controlling interests		**9,774**	10,652
		32,627	36,373

Consolidated Statement of Financial Position

As at 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	17	**33,276**	78,209
Debt securities	18	**494,550**	401,530
Equity securities, mutual funds and investment schemes	19	**262,357**	192,414
Insurance receivables, net	20	**58,130**	52,405
Reinsurance assets	21,37	**40,263**	35,178
Term deposits	22	**94,341**	89,016
Restricted statutory deposits		**12,994**	12,994
Investments classified as loans and receivables	23	**144,603**	171,307
Investments in associates and joint ventures	25	**135,570**	124,840
Investment properties	26	**13,340**	13,246
Property and equipment	27	**33,357**	34,028
Right-of-use assets	28	**7,987**	7,114
Intangible assets	29	**3,471**	3,105
Goodwill		**198**	–
Deferred tax assets	30	**10,143**	8,337
Other assets	31	**32,277**	32,341
TOTAL ASSETS		**1,376,857**	1,256,064
LIABILITIES			
Securities sold under agreements to repurchase	33	**77,598**	85,826
Payables to reinsurers	34	**22,767**	21,296
Income tax payable		**1,083**	373
Bonds payable	35	**43,804**	56,960
Lease liabilities	36	**2,993**	2,792
Insurance contract liabilities	37	**773,098**	674,272
Investment contract liabilities for policyholders	38	**44,252**	38,671
Policyholder dividends payable		**5,480**	4,225
Pension benefit obligation	39	**2,872**	2,833
Deferred tax liabilities	30	**2,053**	1,449
Other liabilities	40	**103,964**	93,811
TOTAL LIABILITIES		**1,079,964**	982,508
EQUITY			
Issued capital	41	**44,224**	44,224
Reserves	42	**175,032**	158,256
Equity attributable to owners of the Company		**219,256**	202,480
Non-controlling interests		**77,637**	71,076
TOTAL EQUITY		**296,893**	273,556
TOTAL EQUITY AND LIABILITIES		**1,376,857**	1,256,064

The consolidated financial statements on pages 127 to 240 were approved and authorised for issue by the board of directors on 25 March 2022 and are signed on its behalf by:

Luo Xi
DIRECTOR

Wang Tingke
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital (note 41)	Share Premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 42(a)) **	Catastrophic loss reserve (note 42(b)) **	Asset revaluation reserve **	Share of other comprehensive income / (expense) of associates and joint ventures **	Portion of fair value change attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * (note 42(c)) **	Other reserves (note 42(d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2021	44,224	23,973	17,507	13,771	793	3,209	(638)	(1,344)	(67)	13,319	(15,153)	(1,209)	104,095	202,480	71,076	273,556
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	21,476	21,476	8,894	30,370
Other comprehensive income/(expense) for the year	–	–	560	–	–	472	791	(192)	(80)	–	–	(174)	–	1,377	880	2,257
Total comprehensive income/(expense) for the year	–	–	560	–	–	472	791	(192)	(80)	–	–	(174)	21,476	22,853	9,774	32,627
Appropriations to general risk reserve and surplus reserve	–	–	–	1,980	–	–	–	–	–	868	–	–	(2,848)	–	–	–
Appropriation to catastrophic loss reserve	–	–	–	–	204	–	–	–	–	–	–	–	(204)	–	–	–
Utilisations of catastrophic loss reserve	–	–	–	–	(785)	–	–	–	–	–	–	–	785	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	–	(6,059)	(6,059)	–	(6,059)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,209)	(3,209)
Others	–	–	–	–	–	–	(18)	–	–	–	–	–	–	(18)	(4)	(22)
Balance at 31 December 2021	44,224	23,973	18,067	15,751	212	3,681	135	(1,536)	(147)	14,187	(15,153)	(1,383)	117,245	219,256	77,637	296,893

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB175,032 million in the consolidated statement of financial position as at 31 December 2021 comprise these reserve accounts.

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital (note 41)	Share Premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 42(a)) **	Catastrophic loss reserve (note 42(b)) **	Asset revaluation reserve **	Share of other comprehensive income / (expense) of associates and joint ventures **	Portion of fair value change attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * (note 42(c)) **	Other reserves (note 42(d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2020	44,224	23,973	9,650	11,884	1,235	3,015	217	–	14	12,551	(15,153)	(1,152)	92,994	183,452	63,848	247,300
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	20,036	20,036	8,197	28,233
Other comprehensive income/(expense) for the year	–	–	7,857	–	–	194	(884)	(1,344)	(81)	–	–	(57)	–	5,685	2,455	8,140
Total comprehensive income/(expense) for the year	–	–	7,857	–	–	194	(884)	(1,344)	(81)	–	–	(57)	20,036	25,721	10,652	36,373
Appropriations to general risk reserve and surplus reserve	–	–	–	1,887	–	–	–	–	–	768	–	–	(2,655)	–	–	–
Appropriation to catastrophic loss reserve	–	–	–	–	215	–	–	–	–	–	–	–	(215)	–	–	–
Utilisations of catastrophic loss reserve	–	–	–	–	(657)	–	–	–	–	–	–	–	657	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	–	(6,722)	(6,722)	–	(6,722)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,438)	(3,438)
Capital invested by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	9	9
Others	–	–	–	–	–	–	29	–	–	–	–	–	–	29	5	34
Balance at 31 December 2020	44,224	23,973	17,507	13,771	793	3,209	(638)	(1,344)	(67)	13,319	(15,153)	(1,209)	104,095	202,480	71,076	273,556

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB158,256 million in the consolidated statement of financial position as at 31 December 2020 comprise these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2021	2020
OPERATING ACTIVITIES			
Profit before tax		**35,589**	31,610
Adjustments for:			
Investment income	6	**(49,497)**	(45,328)
Exchange losses		**331**	816
Share of profits or losses of associates and joint ventures		**(13,571)**	(11,413)
Depreciation of property and equipment	11, 27	**2,522**	2,377
Depreciation of right-of-use assets	11, 28	**1,474**	1,492
Amortisation of intangible assets	11, 29	**770**	580
Disposal gains from investment properties, property and equipment, intangible assets and land use rights	7	**(330)**	(128)
Finance costs except for interests credited to policyholders	9	**4,031**	4,241
Recognition of impairment losses on receivables and other assets	11	**404**	150
Investment expenses		**295**	35
Operating cash flows before working capital changes		**(17,982)**	(15,568)
(Increase)/decrease in insurance receivables, net		**(5,822)**	3,255
Increase/(decrease) in investment contract liabilities for policyholders		**5,581**	(1,359)
Increase in insurance contract liabilities, net		**93,004**	47,327
Decrease/(increase) in other assets, net		**403**	(2,481)
Increase in other liabilities, net		**3,382**	6,796
Cash generated from operations		**78,566**	37,970
Income tax paid		**(5,835)**	(6,103)
Net cash generated from operating activities		**72,731**	31,867
INVESTING ACTIVITIES			
Interests received		**32,366**	32,479
Dividends received		**9,004**	7,686
Increase in policy loans		**(594)**	(787)
Purchases of investment properties, property and equipment, intangible assets and land use rights		**(3,655)**	(11,616)
Proceeds from disposals of investment properties, property and equipment, intangible assets and land use rights		**494**	202
Investments in associates and joint ventures		**(401)**	(957)
Purchases of investments		**(349,624)**	(306,836)
Proceeds from disposal of interest in an associate		**416**	594
Proceeds from disposals of investments		**235,487**	229,576
Payments for investment expenses		**(303)**	(144)
Rentals received		**575**	536
Increase in term deposits, net		**(5,320)**	(2,103)
Net cash used in investing activities		**(81,555)**	(51,370)

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2021	2020
FINANCING ACTIVITIES			
(Decrease)/increase in securities sold under agreements to repurchase, net	45	(8,228)	27,563
Issue of bonds payable	45	2,000	8,000
Proceeds from bank borrowings	45	292	592
Repayment of bank borrowings	45	(247)	–
Repayment of bonds payable	45	(15,000)	–
Interests paid		(4,062)	(3,588)
Dividends paid		(9,268)	(10,160)
Repayment of lease liabilities	45	(1,171)	(1,302)
Proceeds from capital invested by non-controlling shareholders		–	9
Cash paid related to non-controlling interests of consolidated structured entities, net		(177)	–
Net cash (used in)/generated from financing activities		(35,861)	21,114
Net (decrease)/increase in cash and cash equivalents		(44,685)	1,611
Cash and cash equivalents at beginning of the year		78,209	76,984
Effects of exchange rate changes on cash and cash equivalents		(248)	(386)
Cash and cash equivalents at end of the year	17	33,276	78,209
Analysis of balances of cash and cash equivalents			
Deposits with banks with original maturity of no more than three months and money at call and short notice	17	21,786	23,128
Securities purchased under resale agreements with original maturity of no more than three months	17	11,490	55,081
Cash and cash equivalents at end of the year		33,276	78,209

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Avenue, XiCheng District, Beijing, the PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established in October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The ultimate controlling party of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the year ended 31 December 2021, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB") and the disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

Historical cost is generally based on the fair value of the consideration given in exchange for goods, services and certain financial instruments.

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In current year, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

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

In addition, the Group has applied the Amendment to IFRS 16 "Covid-19-related rent concessions beyond 30 June 2021".

The application of the amendments to IFRSs in current year has had no material effect on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in the consolidated financial statements.

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

(Amounts in millions of Renminbi, unless otherwise stated)

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before intended use*[1]
Amendments to IFRSs	*Annual improvements to IFRS standards 2018–2020 Cycle*[1]
IFRS 17 and Amendments to IFRS17	*Insurance Contracts*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of accounting policies*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associated or Joint Venture*[3]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are generally measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments *(continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss;

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2021 the following principal impacts to the consolidated financial statements on initial application of IFRS 9 are expected:

Classification and measurement

- Debt instruments classified as held-to-maturity as disclosed in note 18 and investments classified as loans and receivables carried at amortised cost as disclosed in note 23: a significant portion of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding ("contractual cash flow characteristics test"). Accordingly, most of them will continue to be subsequently measured at amortised cost upon the application of IFRS 9. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value through profit or loss instead of amortised cost under IFRS 9. On initial application of IFRS 9, the difference between the fair value and the amortised cost will be adjusted to retained profits at the date of transition;

- Debt instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 18: a significant portion of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. On initial application of IFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits at the date of transition;

- Equity instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 19: the Group will not elect the option to designate as at FVTOCI for most equity available-for-sale financial assets carried at fair value. Therefore, most equity available-for-sale financial instruments will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits at the date of transition.

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments *(continued)*

Classification and measurement (continued)

- Equity instruments classified as available-for-sale financial assets carried at cost less impairment as disclosed in note 19: the Group will measure their fair value and the subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, the difference between the amortised cost and fair value of these investments will be recognised in retained profits at the date of transition.

- Financial assets at fair value through profit or loss as disclosed in note 18 and note 19: all these at fair value through profit or loss financial assets are held within a business model whose objective is achieved by selling these financial instruments in the open market, so they will be measured at fair value with fair value gains or losses to be recognised in profit or loss under both IAS 39 and IFRS 9.

Impairment

If the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group would be generally increased or decreased as compared to the accumulated amount recognised under IAS 39. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at the date of transition.

IFRS 17 – Insurance Contracts and the related Amendments

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of IFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Amendments to IFRS 4 Extension of the Temporary Exemption from IFRS 9 that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

On 9 December 2021, the IASB issued a narrow amendment to the transition requirements of IFRS 17 which provides entities that first apply IFRS 17 and IFRS 9 at the same time with an option to present comparative information about certain financial assets as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets. The Company is in the midst of conducting a detailed assessment of the new standard.

2.4 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 17 – Insurance Contracts and the related Amendments

IFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors of the Company anticipate that the new Standard will result in an important change to the accounting policies for insurance contracts and is likely to have a material impact on the Group's profit and financial position, together with significant changes in presentation and disclosure. In order to adopt IFRS 17 in the consolidated financial statements, a IFRS 17 implementation workgroup comprised of various functions (Finance, Actuarial, Risk, IT and Operations) has been operating since 2018. The Group is in the process of assessing the impact of IFRS 17. As of 31 December 2021, it was not practicable to quantify the potential impact on the Group's financial position or performance of applying IFRS 17.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group is an investor of a structured entity in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entity, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary/structured entity begins when the Company obtains control over the subsidiary/structured entity and ceases when the Company loses control of the subsidiary/structured entity. Specifically, income and expenses of a subsidiary/structured entity acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary/structured entity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries/structured entity is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries/structured entity to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries/structured entity are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries/structured entity upon liquidation.

The Company's investment in subsidiaries are stated at cost less any impairment losses and the results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

Changes in the Group's ownership interests in existing subsidiaries/structured entity

Changes in the Group's ownership interests in existing subsidiaries/structured entity that do not result in the Group losing control over the subsidiaries/structured entity are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries/structured entity, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries/structured entity (continued)

When the Group loses control of a subsidiary/structured entity, the assets and liabilities of that subsidiary/structured entity and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary/structured entity attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary/structured entity are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary/structured entity (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary/structured entity at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(2) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances, unless as allowed by other standards. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures *(continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(3) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(4) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

(5) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as investment income in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Measured at fair value

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

Measured at cost less impairment

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's financial assets that are classified as loans and receivables include cash equivalents, terms deposits, investments classified as loans and receivables and miscellaneous receivables. Insurance receivables and policy loans are also accounted for as if they were loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included in investment income in the income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Derecognition of financial assets

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

(a) the rights to receive cash flows from the asset have expired; or

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

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

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(6) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears arising from defaults or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Available-for-sale financial assets (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost described below. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets carried at amortised cost, if there is an objective evidence that the financial asset's value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(7) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interests charged on these financial liabilities.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Subsequent measurement (continued)

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

Financial liabilities including securities sold under agreements to repurchase, amounts due to banks and other financial institutions, bonds payable, investment contract liabilities for policyholders, miscellaneous payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement. Policyholders' dividends and amounts due to reinsurers are accounted for as if they were other financial liabilities.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(8) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

The Group has previously regarded certain credit insurance contracts it issued with a financial guarantee element as insurance contracts and has used the accounting methods applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(9) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(Amounts in millions of Renminbi, unless otherwise stated)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(11) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless IFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property that will be carried at fair value, the Group shall apply "Property and equipment and depreciation" for owned property and "Leases" for property held by a lessee as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of the investment property, the asset revaluation reserve included in equity is transferred to retained profits as a movement in reserves.

(12) Property and equipment and depreciation

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, other than construction in progress, to its residual value over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Land and buildings	1.50% to 19.40%
Office equipment, furniture and fixtures	7.50% to 32.33%
Motor vehicles	6.00% to 24.25%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(12) Property and equipment and depreciation *(continued)*

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

(13) Construction in progress

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(14) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful lives of software are from 2 to 10 years.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

(15) Impairment of non-financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(15) Impairment of non-financial assets *(continued)*

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

(16) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(17) Insurance contracts

Product classification and unbundling

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. Details of significant insurance risk testing are set out below. Insurance contracts may also transfer financial risk to the Group.

Investment contracts are those contracts that transfer significant financial risk but have no or insignificant insurance risk. Financial risk is the risk of a possible future change in one or more specified interest rates, a financial instrument price, a commodity price, a foreign exchange rate, an index of price or rates, a credit rating or a credit index or other variables, provided in the case of a non-financial variable, the variable is not specific to a party to the contract.

Some contracts issued by the Group may contain both an insurance component and a deposit component. If these two components are distinct and can be measured reliably, the underlying amounts are unbundled. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as financial liabilities. If the insurance component and the deposit component are not distinct and separately measurable, the entire contract will be accounted for as an insurance contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract up to derecognition, even if the insurance risk subsequently reduces significantly. Investment contracts can, however, be reclassified as insurance contracts after initial recognition if insurance risk becomes significant.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(17) Insurance contracts *(continued)*

Discretionary participating feature in insurance and investment contracts

Some of the Group's long-term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. In accordance with the relevant regulatory requirements, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long-term life insurance contract liabilities and investment contract liabilities. To the extent that there is a subsequent change in the expected future eligible surplus due to realised and unrealised gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long-term life insurance contract liabilities and investment contract liabilities. When the Group reports an eligible surplus that has not been declared and paid to the policyholders at the reporting date, the long-term life and health insurance contracts liabilities take into consideration of this eligible surplus. When the eligible surplus comes from other comprehensive income, the portion of fair value changes attributable to participating policyholders is also recognised in the same section of the consolidated statement of comprehensive income.

Significant insurance risk testing

For insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of a similar nature are grouped together for this purpose. When performing the significant insurance risk testing, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(18) Insurance contract liabilities

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

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

Unearned premium reserves

Unearned premium reserves are recognised at inception of non-life and short-term health insurance contracts until the insurance coverage expires. The unearned premium reserves represent premiums received for risks that have not yet expired. Unearned premium reserves are measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus handling charges and commissions, underwriting personnel expenses, insurance security fund, regulatory costs and other relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 or 1/24 basis according to the insurance coverage period. The liability is discounted to present value using a risk-free rate, plus an appropriate premium to fully reflect the characteristics of the cash flow being discounted, when the impact of time value of money is significant. When any deficiency arises from performing the liability adequacy tests as described below, unearned premium reserves have to be adjusted to reflect the deficiency.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserve. If, after applying a risk margin, the amount of expected present value of cash outflows minus the expected present value of cash inflows exceeds the carrying amount of the unearned premium reserve, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned premium reserve may have to be adjusted if there is any deficiency arising from the performance of these tests.

Insurance contract liabilities other than unearned premium reserves

Other than unearned premium reserve, insurance contract liabilities are measured based on reasonable estimates of the payments the Group will make to fulfil the relevant obligations under the insurance contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

Expected future net cash outflows over the entire coverage and settlement period are taken into account in measuring insurance contract liabilities. For insurance policies with a guaranteed renewal option, the coverage period is extended to the date when the option to renew ceases to be guaranteed because the Group acquires the right to re-price the risk under the contract.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (a) guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  (b) non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends;

  (c) reasonable expenses necessary for policy acquisitions, administration and claims handling, including policy maintenance expenses and claim handling expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

Both risk margin and residual margin are separately recognised for long-term life and health insurance contracts. Risk margins are recognised for claim reserves.

- risk margin represents provision for the uncertainty associated with the future net cash flows. Risk margin is determined using the scenario comparison approach or the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark. Diversification effect is not considered in arriving at risk margins.

- at inception of an insurance contract, any "day-one" gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognised in the income statement. Residual margins are not re-measured at the end of each reporting date. They are amortised on the basis of the effective sums insured or number of policies over the entire coverage period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Insurance contract liabilities other than unearned premium reserves (continued)

Reasonable estimates in expected future net cash flows are determined based on information currently available as at the end of the reporting period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is material. For short contracts with durations less than one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information currently available at the end of the year.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they are discharged, cancelled, or have expired.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business for part of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance contract liabilities or settled claims associated with the reinsured policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the effect has a reliably measurable impact on the amounts that will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts. Receivables and payables arising from reinsurance contracts are measured at amortised costs and not offset for presentation purposes.

Commissions receivable on outward reinsurance contracts are recorded as income in the income statement. The reinsurers' share of unearned premium reserves is reduced by commissions receivable on outward reinsurance contracts at inception and subsequently the reduced balance is released over the term of the contract in the same manner as the related unearned premium reserves. Reinsurers' share of claim reserves also includes their share of risk margin to the gross balance of claim reserves.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the cedant. Investment income or expense on these contracts is accounted for using the effective interest method when accrued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(20) Provisions

Except for contingent considerations derived from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the time value of money. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

(21) Employee benefits

Retirement benefits cost

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' wages. Employees who leave the scheme prior to vesting fully in the annuity scheme shall return part of the interests. The forfeited contributions can not be used by the Group to reduce the existing level of the annuity scheme contributions. The purpose of the forfeited contributions will be determined in due course. There are no forfeited contributions in the basic retirement insurance and unemployment insurance.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement arising from actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss.

The remeasurements arising from actuarial gains and losses recognised in other comprehensive income are accumulated in the Group's reserve headed 'actuarial gains/losses on pension benefit obligation' and is transferred to retained profits when the defined benefit plans terminates. Past service cost is recognised in profit or loss in the period of a plan amendment. Interest expense is calculated by applying the discount rate at the beginning of the period to the defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including past service costs, gains and losses on curtailment and settlements);
- interest expenses; and
- remeasurement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(21) Employee benefits *(continued)*

Retirement benefits cost (continued)

The Group presents the first two components of its defined benefit costs in profit or loss in "Other Operating and Administrative Expenses" and "Finance Costs". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group's defined benefit plan.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Short-term employee benefits refer to employee wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

(22) Policyholder dividends

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of insurance contracts. The dividends are calculated and provided based on the dividend distribution determination and the results of actuarial valuation.

When policyholders' dividends are declared, they are accounted for as financial liabilities and initially measured at fair value and subsequently measured at amortised costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and other assets, other than leases of office premises, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases *(continued)*

The Group as lessee (continued)

Right-of-use assets (continued)

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease and others.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

(24) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(24) Revenue recognition *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Assets management income and management fee charged to policyholders

Insurance and investment contract policyholders are charged for policy administration services and investment management services. These income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities

The Group earns commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities. The commission income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the relevant authorities.

Gross premiums

Premium income and reinsurance premium income are recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Premiums from life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue according to the total premiums stated in the contracts.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(25) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income”.

(26) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(26) Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted by facts and circumstances. The presumption is rebutted when the investment properties are depreciable and are held within the context of a business model whose objective is to substantially consume over time the economic benefits embodied in the investment properties, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2.5, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(1) Unbundling, classification and significant risk testing of contracts

The Group made judgement on whether a contract transfers insurance risk, and whether the transfer of insurance risk has commercial substance and is significant. The results of the judgement affect the classification of the contract at initial recognition.

When a contract transfers significant insurance risk and financial risks, the Group has reached a judgment on whether the financial risks and the deposit component are distinct and separately measurable and the Group's accounting policies fully reflect the rights and obligations from such deposit component. The results of this judgement would affect the unbundling of the contract.

When performing significant insurance risk testing, contracts exhibiting homogenous risks for a particular product are grouped together. Subsequently, adequate representative samples are drawn from individual groups, taking into account their risk distributions and characteristics.

The unbundling and classification of contracts affect revenue recognition, measurement of liabilities and presentation of the consolidated financial statements of the Group.

(2) Significant influence on an investee when less than 20 per cent of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

(2) Significant influence on an investee when less than 20 per cent of voting power is held (continued)

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 25 to these consolidated financial statements.

(3) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers. Details of these structured entities are disclosed in note 49 to these consolidated financial statements.

(4) Impairment assessment on investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose suitable discount rates in order to calculate the present values of those cash flows. Details of investments in associates are disclosed in note 25.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract reserve, the Group needs to make reasonable estimates of payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

The main assumptions made in measuring these liabilities are as follows:

- For insurance contracts under which future insurance benefits will not be affected by investment income of the underlying asset portfolio, as at 31 December 2021, the discount rates are determined by base rate curve with comprehensive premium. The comprehensive premium is added by considering taxation impacts, the liquidity, and other relevant factors. The spot discount rates assumption for the measurement were determined based on information currently available at the end of the reporting period and are presented as follows:

	31 December 2021	31 December 2020
Spot discount rates	2.20% – 4.78%	2.47% – 4.80%

- For insurance contracts under which future insurance benefits will be affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the investment portfolio backing the liabilities. The discount rates used by the Group are as follows:

	31 December 2021	31 December 2020
Discount rates	5.00%	5.00%

The discount rate and investment return assumptions are affected by the future economic environment, capital market performance, investment channels of insurance funds, investment strategy etc., and therefore subject to uncertainty.

- Mortality, morbidity and disability rates are based on the Group's own experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the understanding of China's insurance market, which is presented as the standard Chinese mortality tables. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products and historical data. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- Lapse rates depend on policy year, product type and sales channel. The assumptions of lapse rates are affected by factors such as future economic environment and market competition, and hence subject to uncertainty.

- Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

- Future policyholder dividends depend on factors such as expected investment yields, dividend policy and policyholders' reasonable expectations. The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. Future policyholder dividends for individual participating insurance business of the Group are measured assuming that the Group will award to policyholders 70% of the distributable surplus calculated according to these contracts.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

- The Group determines the risk margin assumptions for unearned premium reserves based on currently available information at the end of the reporting period. When carrying out the liability adequacy test on the non-life insurance unearned premium reserves, the Group uses the discounted cash flow method to judge whether there is inadequacy. The main assumptions for measuring discounted cash flow include expected loss ratio, risk margin, etc. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) for the liability adequacy test over unearned premium reserves as follows:

Type	**31 December 2021**	31 December 2020
Agricultural insurance	**28.5%**	33.8%
Motor vehicle insurance	**3.0%**	3.0%
Other non-life insurance	**6.0%**	6.0%
Short-term health insurance	**3.0%**	3.0%

- The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) of claim reserves as follows:

Type	**31 December 2021**	31 December 2020
Agricultural insurance	**28.0%**	33.3%
Motor vehicle insurance	**2.5%**	2.5%
Other non-life insurance	**5.5%**	5.5%
Short-term health insurance	**2.5%**	2.5%

As at 31 December 2021, the Group determined the insurance contract liabilities based on the discount rates, mortality, morbidity, lapse rates, policyholder dividends and claim ratio assumptions with the current information available at the end of the reporting date. The corresponding impact on long term life insurance contract liabilities is taken into statement of income of the current year.

As a result of such changes in assumptions, net long-term life insurance contract liabilities increased by RMB5,438 million as at 31 December 2021 (2020: increased by RMB8,195 million) and the profit before tax for the year 2021 was decreased by RMB5,438 million (2020: decreased by RMB8,195 million).

The carrying values of insurance contract liabilities are disclosed in note 37 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

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

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate such as reference to prices used in the most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same.

For a discounted cash flow analysis, estimated future cash flows and discount rates are the best estimations made based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk. Areas such as discount rates and liquidity discounts require management to make estimates. Fair values of financial assets, their hierarchy, valuation techniques and key inputs are disclosed in note 44 to these consolidated financial statements.

(3) Impairment of financial assets

Financial assets measured at amortised cost

When there is an objective evidence that there is impairment in loans and receivables and held-to-maturity investments, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Other than impairment for individual financial assets measured at amortised cost, the Group also collectively assesses impairment for insurance receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Financial assets measured at amortised cost include cash equivalents, insurance receivables, term deposits, restricted statutory deposits, held-to-maturity investments, investments classified as loans and receivable and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

Available-for-sale financial assets

The Group considers whether impairment provision is needed for an available-for-sale financial assets investment. If fair value of an available-for-sale financial instrument is below its carrying amount, the Group determines whether impairment exists by: for equity instruments, judging whether this decline below cost is “significant” or “prolonged” as explained in note 2.5(6); for debt instruments, whether the decline in fair value is due to market interest rates or interest rates specific to the issuers of the financial instruments, or presence of other objective evidence of impairment.

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(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

- The non-life insurance segment offers a wide variety of non-life insurance products mainly by PICC Property and Casualty Company Limited ("PICC P&C");

- The life insurance segment offers a wide range of life insurance products by PICC Life Insurance Company Limited ("PICC Life");

- The health insurance segment offers a wide range of health and medical insurance products by PICC Health Insurance Company Limited ("PICC Health");

- The asset management segment offers asset management services;

- The headquarters segment provides management and support for the Group's business through its strategy, risk management, finance, legal and human resources functions;

- The others segment comprises insurance agent business, reinsurance business and other operating business of the Group.

The segment's net profit includes revenue less expenses that are directly attributable to the segment.

Segment's assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment. Segment's assets are recognised after deducting the related provisions, and such deductions are directly written off in the Group's consolidated balance sheet.

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

In the segment reporting, net premiums and other income earned are included in the segment's revenue, and profit or loss is presented as the operating results of the segment.

The Group's revenue and profits for the period were mainly derived from the aforementioned business in Mainland China. As the revenue, net profit, assets and liabilities of operations outside Mainland China constitute less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

Intersegment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 31 December 2021

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	397,710	95,203	31,190	–	–	5,895	(107)	529,891
Reinsurance commission income	10,733	227	1,414	–	–	153	(1,457)	11,070
Investment income	20,706	22,353	2,582	656	11,097	2,873	(10,770)	49,497
Other income	1,764	761	337	2,067	7	1,128	(1,916)	4,148
TOTAL INCOME – SEGMENT INCOME	430,913	118,544	35,523	2,723	11,104	10,049	(14,250)	594,606
– External income	433,429	118,062	35,449	1,832	1,188	4,646	–	594,606
– Inter-segment income	(2,516)	482	74	891	9,916	5,403	(14,250)	–
Net claims and policyholders' benefits	293,098	98,087	27,899	–	–	4,156	163	423,403
Handling charges and commissions	37,706	9,034	4,199	–	–	–	–	50,939
Finance costs	1,534	2,481	430	31	996	97	(20)	5,549
Exchange losses/(gains)	266	26	1	(1)	27	12	–	331
Other operating and administrative expenses	77,747	8,903	2,809	1,623	924	3,831	(3,471)	92,366
TOTAL BENEFITS, CLAIMS AND EXPENSES	410,351	118,531	35,338	1,653	1,947	8,096	(3,328)	572,588
Share of profits or losses of associates and joint ventures	8,948	5,048	(2)	15	87	(9)	(516)	13,571
PROFIT/(LOSS) BEFORE TAX	29,510	5,061	183	1,085	9,244	1,944	(11,438)	35,589
Income tax (expense)/credit	(3,665)	(934)	77	(263)	(8)	(521)	95	(5,219)
PROFIT FOR THE YEAR – SEGMENT RESULTS	25,845	4,127	260	822	9,236	1,423	(11,343)	30,370

Segment revenue and results for the year ended 31 December 2020

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	393,790	94,288	27,806	–	–	4,850	(153)	520,581
Reinsurance commission income	11,467	437	1,533	–	–	154	(1,670)	11,921
Investment income	18,352	21,466	2,295	594	9,578	686	(7,643)	45,328
Other income	1,517	935	318	1,843	38	809	(1,685)	3,775
TOTAL INCOME – SEGMENT INCOME	425,126	117,126	31,952	2,437	9,616	6,499	(11,151)	581,605
– External income	427,398	117,333	31,935	1,454	1,258	2,227	–	581,605
– Inter-segment income	(2,272)	(207)	17	983	8,358	4,272	(11,151)	–
Net claims and policyholders' benefits	260,626	94,136	25,066	–	–	3,529	(520)	382,837
Handling charges and commissions	49,585	12,591	1,142	–	–	–	(829)	62,489
Finance costs	1,549	2,673	419	20	991	59	(22)	5,689
Exchange losses/(gains)	614	95	5	(2)	46	58	–	816
Other operating and administrative expenses	92,880	8,437	5,411	1,575	904	2,596	(2,226)	109,577
TOTAL BENEFITS, CLAIMS AND EXPENSES	405,254	117,932	32,043	1,593	1,941	6,242	(3,597)	561,408
Share of profits or losses of associates and joint ventures	7,429	3,942	18	78	347	(42)	(359)	11,413
PROFIT/(LOSS) BEFORE TAX	27,301	3,136	(73)	922	8,022	215	(7,913)	31,610
Income tax (expense)/credit	(3,815)	1,327	109	(232)	(454)	(91)	(221)	(3,377)
PROFIT FOR THE YEAR – SEGMENT RESULTS	23,486	4,463	36	690	7,568	124	(8,134)	28,233

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2021 and 2020, and other segment information for the years ended 31 December 2021 and 2020 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
31 December 2021								
Segment assets	697,231	539,957	76,773	11,965	126,693	73,865	(149,627)	1,376,857
Segment liabilities	476,537	490,667	69,568	3,685	23,491	25,521	(9,505)	1,079,964
Other segment information:								
Capital expenditures	2,723	370	236	136	123	91	(24)	3,655
Depreciation and amortisation	3,564	729	245	161	176	109	(218)	4,766
Interest income	14,373	14,927	1,911	96	782	899	(434)	32,554

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
31 December 2020								
Segment assets	655,997	494,320	59,015	12,305	122,821	18,850	(107,244)	1,256,064
Segment liabilities	456,436	445,306	52,302	3,418	22,654	10,202	(7,810)	982,508
Other segment information:								
Capital expenditures	9,902	365	316	1,294	42	230	(533)	11,616
Depreciation and amortisation	3,499	632	245	118	148	94	(287)	4,449
Interest income	14,479	14,439	1,560	137	740	516	255	32,126

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2020: 0.85%, 5.91%, and 6.14%), respectively, in Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the consolidated financial statements are allocated to the respective segments according to their respective equity interest holding. Details of these interests are disclosed in note 25.

5. GROSS AND NET WRITTEN PREMIUMS

	2021	2020
(a) Gross written premiums		
Long-term life insurance premiums	117,730	112,669
Short-term health insurance premiums	15,467	15,779
Non-life insurance premiums	452,228	435,160
TOTAL	585,425	563,608
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums	(6,304)	(6,303)
Short-term health insurance premiums	(213)	(228)
Non-life insurance premiums	(40,541)	(37,905)
TOTAL	(47,058)	(44,436)
Net written premiums	538,367	519,172
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	(9,894)	(466)
Less: Change in reinsurers' share of unearned premium reserves	1,418	1,875
Net	(8,476)	1,409

(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME

	2021	2020
Dividend, interest and rental income (a)	38,708	37,318
Realised gains (b)	11,267	11,849
Fair value gains/(losses) (c)	636	(150)
Impairment losses (d)	(1,114)	(3,689)
TOTAL	49,497	45,328

(a) Dividend, interest and rental income

	2021	2020
Dividend income		
Equity securities, mutual funds and investment schemes		
– Available-for-sale	5,348	4,416
– At fair value through profit or loss	228	240
Subtotal	5,576	4,656
Interest income		
Current and term deposits	4,717	4,688
Debt securities		
– Held-to-maturity	8,308	7,424
– Available-for-sale	9,247	8,404
– At fair value through profit or loss	996	850
Investments classified as loans and receivables	9,289	10,760
Subtotal	32,557	32,126
Operating lease income from investment properties	575	536
TOTAL	38,708	37,318

(b) Realised gains

	2021	2020
Debt securities		
– Available-for-sale	455	349
– At fair value through profit or loss	161	(33)
Subtotal	616	316
Equity securities, mutual funds and investment schemes		
– Available-for-sale	10,196	10,528
– At fair value through profit or loss	455	766
Subtotal	10,651	11,294
Disposal of an associate	–	239
TOTAL	11,267	11,849

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(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME *(continued)*

(c) Fair value gains/(losses)

	2021	2020
Debt securities		
– At fair value through profit or loss	458	(239)
Equity securities, mutual funds and investment schemes		
– At fair value through profit or loss	321	216
Investment properties *(note 26)*	(143)	(127)
TOTAL	636	(150)

(d) Impairment losses

	2021	2020
Available-for-sale	(545)	(2,756)
Investments classified as loans and receivables	(569)	(933)
TOTAL	(1,114)	(3,689)

7. OTHER INCOME

	2021	2020
Assets management fee	1,245	1,394
Government grants *(note)*	440	398
Commission income arising from the collection of motor vehicles and vessels taxes	428	422
Disposal gains from investment properties, property and equipment,intangible assets and land use rights	330	128
Management fee charged to policyholders	215	244
Others	1,490	1,189
TOTAL	4,148	3,775

Note: Government grants of the Group mainly include agricultural insurance subsidies and subsidies for its insurance business operated in Tibet Autonomous Region.

8. CLAIMS AND POLICYHOLDERS' BENEFITS

	2021		
	Gross	Ceded	Net
Life insurance death and other benefits paid	41,213	3,037	38,176
Claims incurred	337,328	26,214	311,114
– Short-term health insurance	14,170	215	13,955
– Non-life insurance	323,158	25,999	297,159
Changes in long-term life insurance contract liabilities	71,735	1,315	70,420
Policyholder dividends	3,693	–	3,693
TOTAL	453,969	30,566	423,403

(Amounts in millions of Renminbi, unless otherwise stated)

8. CLAIMS AND POLICYHOLDERS' BENEFITS *(continued)*

	2020		
	Gross	Ceded	Net
Life insurance death and other benefits paid	61,734	2,215	59,519
Claims incurred	300,967	22,537	278,430
– Short-term health insurance	14,804	(26)	14,830
– Non-life insurance	286,163	22,563	263,600
Changes in long-term life insurance contract liabilities	44,310	2,549	41,761
Policyholder dividends	3,127	–	3,127
TOTAL	410,138	27,301	382,837

9. FINANCE COSTS

	2021	2020
Interest expenses:		
Bonds payable	**2,328**	2,648
Interest credited to policyholders *(note 38)*	**1,518**	1,448
Securities sold under agreements to repurchase	**1,143**	1,178
Interest on lease liabilities	**105**	128
Pension benefit obligation unwound *(note 39)*	**89**	82
Others	**366**	205
TOTAL	**5,549**	5,689

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2021	2020
Employee costs	**46,843**	44,609
Promotion expense	**14,333**	28,603
Depreciation and amortisation	**4,321**	4,050
Contributions to China Insurance Security Fund *(note)*	**3,437**	2,584
Technical service and consulting fee	**3,186**	8,803
Business and travel expenses	**2,365**	2,923
Taxes and surcharges	**2,006**	1,987
Electronic equipments running expenses	**1,362**	1,473
Prevention fee	**1,346**	2,031
Entertainment expense	**1,079**	1,084
Recognition of impairment losses *(note 11)*	**404**	150
Others	**11,684**	11,280
TOTAL	**92,366**	109,577

Note: Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders when an insurance company in China is in financial troubles.

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11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	2021	2020
Employee costs (a) *(note)*	55,013	51,963
Depreciation of property and equipment *(note 27) (note)*	2,522	2,377
Depreciation of right-of-use assets *(note 28) (note)*	1,474	1,492
Amortisation of intangible assets *(note 29) (note)*	770	580
Recognition of impairment losses on insurance receivables *(note 10, 20(a))*	98	149
Recognition/(reversal) of impairment losses on other assets *(note 10, 31(b))*	306	(5)
Recognition of impairment losses on intangible assets *(note 10, 29)*	–	6
Auditors' remuneration	35	36

Note: Certain employee costs, depreciation and amortisation are presented as claim handling expenses within claims incurred and are not included in other operating and administrative expenses.

(a) Employee costs

	2021	2020
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	49,840	48,550
– Pension scheme contributions	5,173	3,413
TOTAL	55,013	51,963

12. INCOME TAX EXPENSE

	2021	2020
Current tax	6,531	6,230
Adjustments in respect of prior years	15	26
Deferred tax *(note 30)*	(1,327)	(2,879)
TOTAL	5,219	3,377

Certain operations of the Company's subsidiary in the Western region are entitled to tax benefits and their eligible taxable income is subject to an income tax rate of 15%. Except for the above-mentioned subsidiary, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2020: 25%) on their respective taxable income in accordance with the relevant PRC income tax rules and regulations. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(Amounts in millions of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE *(continued)*

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

	2021	2020
Profit before tax	35,589	31,610
Tax at the statutory tax rate	8,897	7,903
Adjustments in respect of prior years	15	26
Tax effect of share of profits or losses of associates and joint ventures	(3,393)	(2,853)
Income not subject to tax	(2,636)	(2,344)
Expenses not deductible for tax	401	221
Unrecognised deductible temporary differences and tax losses	2,132	519
Effects of different tax rates applied to subsidiaries	(107)	(102)
Others	(90)	7
Income tax expense for the year	5,219	3,377

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Certain directors, supervisors and senior management are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

The total compensation package for the Company's key management for the year ended 31 December 2021 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's 2021 consolidated financial statements.

Directors', supervisors' and senior management's remuneration for the years of 2021 and 2020, are disclosed as follows:

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(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors

	2021					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Luo Xi (Chairman of the Board)	–	354	265	81	213	913
Wang Tingke (Vice Chairman of the Board)	–	354	265	81	213	913
Li Zhuyong	–	311	234	81	197	823
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Miao Fusheng	–	–	–	–	–	–
Wang Shaoqun	–	–	–	–	–	–
Yu Qiang *(i)*	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	300	–	–	–	–	300
Ko Wing Man	250	–	–	–	–	250
Chen Wuzhao	300	–	–	–	–	300
Cui Li *(ii)*	100	–	–	–	–	100
Xu Lina *(iii)*	42	–	–	–	–	42
Directors who have resigned:						
Xie Yiqun *(iv)*	–	159	119	41	97	416
Cheng Yuqin *(v)*	–	–	–	–	–	–
Lin Yixiang *(vi)*	225	–	–	–	–	225
LUK Kin Yu *(vii)*	42	–	–	–	–	42
Total	1,259	1,178	883	284	720	4,324
Supervisors:						
Zhang Tao (Chairman of the Board of Supervisors) *(viii)*	–	59	44	–	–	103
Xu Yongxian	–	806	482	292	157	1,737
Zhang Yan *(ix)*	–	619	425	237	133	1,414
Wang Yadong *(x)*	–	476	425	237	117	1,255
Lee Wai King *(xi)*	60	–	–	–	–	60
Supervisors who have resigned:						
Huang Liangbo *(xii)*	–	177	133	41	105	456
Jing Xin *(xiii)*	225	–	–	–	–	225
Wang Dajun *(xiv)*	–	–	–	–	–	–
Ji Haibo *(xv)*	–	–	–	–	–	–
Total	285	2,137	1,509	807	512	5,250

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

	2020 (Restated)					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Luo Xi (Chairman of the Board)	–	88	166	21	40	315
Wang Tingke (Vice Chairman of the Board)	–	236	443	51	107	837
Xie Yiqun	–	319	944	74	148	1,485
Li Zhuyong	–	311	826	74	148	1,359
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Miao Fusheng	–	–	–	–	–	–
Wang Shaoqun	–	–	–	–	–	–
Cheng Yuqin	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	300	–	–	–	–	300
Ko Wing Man	250	–	–	–	–	250
LUK Kin Yu	250	–	–	–	–	250
Lin Yixiang	300	–	–	–	–	300
Chen Wuzhao	300	–	–	–	–	300
Directors who have resigned:						
Miao Jianmin	–	206	772	40	97	1,115
Bai Tao	–	29	347	7	17	400
Tang Zhigang	–	26	392	6	16	440
Hua Rixin	–	–	–	–	–	–
Xiao Xuefeng	–	–	–	–	–	–
Total	1,400	1,215	3,890	273	573	7,351
Supervisors:						
Huang Liangbo (Chairman of the Board of Supervisors)	–	354	698	74	164	1,290
Xu Yongxian	–	806	1,020	281	108	2,215
Jing Xin	300	–	–	–	–	300
Wang Dajun	–	206	292	74	31	603
Ji Haibo	–	571	877	227	80	1,755
Total	300	1,937	2,887	656	383	6,163

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13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

(i) Yu Qiang was appointed as an non-executive director in August 2021

(ii) Cui Li was appointed as an independent non-executive director in September 2021

(iii) Xu Lina was appointed as an independent non-executive director in November 2021

(iv) Xie Yiqun resigned in June 2021

(v) Cheng Yuqin resigned in August 2021

(vi) Lin Yixiang resigned in September 2021

(vii) LUK Kin Yu resigned in March 2021

(viii) Zhang Tao was elected and appointed as the proposed chairman of the Board of Supervisors in November 2021

(ix) Zhang Yan was appointed as Employees' Representative Supervisor in January 2021

(x) Wang Yadong was appointed as Employees Representative Supervisor in January 2021

(xi) Lee Wai King was appointed as an independent supervisor in October 2021

(xii) Huang Liangbo resigned in July 2021

(xiii) Jing Xin resigned in October 2021

(xiv) Wang Dajun resigned in January 2021

(xv) Ji Haibo resigned in January 2021

The compensation amounts for the directors and supervisors during their appointment were stated above, in which the compensation amounts for the year ended 31 December 2020 were restated after finalisation in year 2021.

Executive directors' emoluments shown above were mainly for the services in connection with management of affairs of the Company and the Group. Non-executive directors did not receive any remuneration from the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Senior Management

The information set out below does not include remuneration of directors or supervisors. The relevant information of their remuneration is disclosed in note 13(a).

	2021 (in RMB'000)	2020 (in RMB'000) (Restated)
Salaries and allowances	**4,550**	5,431
Performance related bonuses	**2,802**	8,184
Social insurance, housing fund and other benefits	**1,371**	1,638
Retirement benefits	**1,436**	1,022
TOTAL	**10,159**	16,275

The number of senior management, excluding directors and supervisors, whose remuneration fell within the following bands are as follows:

	2021	2020 (Restated)
Nil to HKD500,000	**–**	–
HKD500,001 to HKD1,000,000	**5**	2
HKD1,000,001 to HKD1,500,000	**–**	1
HKD1,500,001 to HKD2,000,000	**3**	1
HKD2,000,001 to HKD2,500,000	**–**	4
HKD2,500,001 to HKD3,000,000	**–**	–
TOTAL	**8**	8

14. FIVE HIGHEST PAID INDIVIDUALS

During the year of 2021, the five highest paid individuals included two supervisors and no directors (2020: one supervisor and no directors), details of whose remuneration are set out in note 13 above. Details of the remuneration for the years of 2021 and 2020 of the remaining highest paid individuals who are neither director nor supervisor of the Company are as follows:

	2021 (in RMB'000)	2020 (in RMB'000) (Restated)
Salaries and allowances	**2,769**	3,692
Performance related bonuses	**1,866**	5,124
Social insurance, housing fund and other benefits	**885**	1,135
Retirement benefits	**509**	470
TOTAL	**6,029**	10,421

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14. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

The number of the highest paid individuals who are neither director nor supervisor of the Company whose remuneration fell within the following bands is as follows:

	2021	2020 (Restated)
HKD1,500,001 to HKD2,000,000	3	–
HKD2,000,001 to HKD2,500,000	–	4
HKD2,500,001 to HKD3,000,000	–	–
TOTAL	3	4

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the years of 2021 and 2020 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	2021	2020
Profit attributable to owners of the Company for the year	21,476	20,036
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Basic earnings per share (in RMB Yuan)	0.49	0.45

Diluted earnings per share is the same as basic earnings per share for the years of 2021 and 2020 as the Group had no potential ordinary shares in issue during the periods.

16. DIVIDENDS

	2021	2020
Dividends recognised as distributions:		
2019 Final, paid – RMB11.60 cents per share	–	5,130
2020 Interim, paid – RMB3.60 cents per share	–	1,592
2020 Final, paid – RMB12.00 cents per share	5,307	–
2021 Interim, paid – RMB1.70 cents per share	752	–

A final dividend in respect of the year ended 31 December 2020 of RMB12.00 cents per share was proposed by the Board of Directors at 23 March 2021 and approved by the shareholders at 8 June 2021 at the general meeting and paid on 29 July 2021.

An interim dividend in respect of the six months ended 30 June 2021 of RMB1.70 cents per share was proposed by the Board of Directors at 20 August 2021 and approved by the shareholders at 28 October 2021 at the general meeting and paid on 9 December 2021.

(Amounts in millions of Renminbi, unless otherwise stated)

17. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Money at call and short notice	21,299	22,500
Deposits with banks with original maturity of no more than three months	487	628
Securities purchased under resale agreements with original maturity of no more than three months	11,490	55,081
TOTAL	33,276	78,209
Classification of cash and cash equivalents:		
Loans and receivables	33,276	78,209

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the consolidated statement of financial position.

18. DEBT SECURITIES

	31 December 2021	31 December 2020
Classification of debt securities		
At fair value through profit or loss, at fair value	39,614	21,936
Available-for-sale, at fair value	257,590	198,395
Held-to-maturity, at amortised cost	197,346	181,199
TOTAL	494,550	401,530

As at 31 December 2021, there is no financial asset at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss (December 31 2020: RMB80 million). The rest are trading assets, with no material limitation in realisation.

19. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES

	31 December 2021	31 December 2020
Investments, at fair value		
Mutual funds	115,276	75,460
Shares	62,843	66,548
Investment schemes and others	77,760	44,213
Trust schemes	6,385	6,100
Subtotal	262,264	192,321
Investments, at cost less impairment Shares *(note)*	93	93
TOTAL	262,357	192,414

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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19. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES *(continued)*

	31 December 2021	31 December 2020
Classification by accounting categories		
At fair value through profit or loss, at fair value	17,845	11,497
Available-for-sale, at fair value	244,419	180,824
Available-for-sale, at cost less impairment	93	93
TOTAL	262,357	192,414

As at 31 December 2021, financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB4,766 million (December 31 2020: RMB2,117 million). The rest are trading assets, with no material limitation in realisation.

20. INSURANCE RECEIVABLES, NET

	31 December 2021	31 December 2020
Premiums receivable and agents' balances	45,186	40,167
Receivables from reinsurers	16,521	15,741
Subtotal	61,707	55,908
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,415)	(3,340)
– Receivables from reinsurers	(162)	(163)
TOTAL	58,130	52,405

(a) The movements of provision for impairment of insurance receivables are as follows:

	2021	2020
At the beginning of the period	3,503	3,387
Recognition of impairment losses *(note 11)*	98	149
Amount written off as uncollectible	(24)	(33)
At the end of the period	3,577	3,503

(Amounts in millions of Renminbi, unless otherwise stated)

20. INSURANCE RECEIVABLES, NET *(continued)*

(b) Analysis of insurance receivable as at the end of the reporting period, based on the payment past due date and net of provision, is as follows:

	31 December 2021	31 December 2020
Not yet due and up to 3 months	**45,592**	43,215
More than 3 months to 6 months	**4,300**	2,624
More than 6 months to 12 months	**5,827**	5,177
More than 1 year to 2 years	**1,956**	1,286
More than 2 years	**455**	103
TOTAL	**58,130**	52,405

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and allowances for impairment of reinsurance assets have been provided to reflect the expected losses arising from non-performance of the reinsurers.

21. REINSURANCE ASSETS

	31 December 2021	31 December 2020
Reinsurers' share of		
Unearned premium reserves	**13,941**	12,523
Claim reserves	**20,908**	18,556
Long-term life insurance reserves	**5,414**	4,099
TOTAL	**40,263**	35,178

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22. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	31 December 2021	31 December 2020
More than 3 months to 12 months	2,181	1,803
More than 1 year to 2 years	2	47
More than 2 year to 3 years	9,152	8,040
More than 3 years	83,006	79,126
TOTAL	94,341	89,016

These term deposits of the Group bear fixed interest rate ranging from 0.10% – 7.44% per annum as at 31 December 2021 (31 December 2020: bear fixed interest rate ranging from 0.90% – 7.44% per annum).

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2021	31 December 2020
Debt investment schemes	71,018	88,622
Trust schemes	60,194	71,816
Asset management products	14,893	11,802
Subtotal	146,105	172,240
Less: Impairment provisions	(1,502)	(933)
TOTAL	144,603	171,307

The interest rate of these debt investment schemes is in the range of 4.15% – 7.50% per annum as at 31 December 2021 (31 December 2020: 4.25% – 7.40%).

Trust schemes predominantly invest in debt instruments and offer the Group returns ranging from 4.25% – 7.59% (31 December 2020: ranging from 4.57% – 6.70%) per annum.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in an active market. These financial products include securitised assets, creditor's right of return and asset-backed security offered by banks, securities companies or asset management companies. The interest rate of these products is in the range of 4.00% – 6.08% per annum as at 31 December 2021 (31 December 2020: 4.20% – 6.30%).

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24. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries as of 31 December 2021 and 2020 are set out below:

			Proportion of shareholders' interest and voting rights				
	Place of incorporation	Paid up / registered	31 December 2021		31 December 2020		Principal activities/
Name	and type of legal entity	share capital	Direct	Indirect	Direct	Indirect	place of operation
PICC P&C	Beijing, PRC Corporation	RMB22,242,765,303	68.98%	–	68.98%	–	Non-life insurance, PRC
PICC Life	Beijing, PRC Corporation	RMB25,761,104,669	71.08%	8.92%	71.08%	8.92%	Life insurance, PRC
PICC Asset Management Company Limited ("PICC AMC")	Shanghai, PRC Limited Liability	RMB1,298,000,000	100.00%	–	100.00%	–	Investment management of insurance companies, PRC
PICC Health	Beijing, PRC Corporation	RMB8,568,414,737	69.32%	26.13%	69.32%	26.13%	Health insurance, PRC
PICC Pension Company Limited ("PICC Pension")	Hebei, PRC Limited Liability	RMB4,000,000,000	100.00%	–	100.00%	–	Endowment insurance, PRC
PICC Investment Holding Company Limited ("PICC Investment Holding")	Beijing, PRC Limited Liability	RMB800,000,000	100.00%	–	100.00%	–	Investment holding, PRC
PICC Capital Insurance Asset Management Co., Ltd. (Former PICC Capital Investment Management Company Limited, "PICC Capital")	Tianjin, PRC Limited Liability	RMB200,000,000	100.00%	–	100.00%	–	Investment management, PRC
PICC Reinsurance Company Limited ("PICC Reinsurance")	Beijing, PRC Corporation	RMB4,000,000,000	51.00%	49.00%	51.00%	49.00%	Reinsurance business, PRC
PICC (Hong Kong) Limited ("PICC HK")	Hong Kong Corporation	HKD1,609,999,956.25	89.36%	–	89.36%	–	P&C insurance, Hong Kong SAR
PICC Financial Services Company Limited ("PICC Financial Services") (note 1)	Tianjin, PRC Limited Liability	RMB1,414,866,044.32	70.68%	29.32%	100.00%	–	Internet finance, PRC
PICC Asset Management (Hong Kong) Company Limited *(note 2)*	Hong Kong Corporation	HKD50,000,000	–	100.00%	100.00%	–	Management of insurance investments, Hong Kong SAR

Note 1: On November 23, 2021, PICC Financial Services approved the resolution on the change of shareholders in the first shareholders' meeting of 2021. PICC P&C and PICC Life subscribed RMB248.92 million and RMB165.95 million respectively to obtain 17.59% and 11.73% of the equity of PICC Financial Services after the capital injection. After that, the Company held 70.68% directly and 29.32% indirectly of the equity of PICC Finance Service respectively.

Note 2: PICC Group entered into a share transfer agreement with PICC Assets to transfer 100% of PICC Hong Kong Assets' shareholding on 6 November 2020. China Banking and Insurance Regulatory Commission ("CBIRC") [2021] No. 199 approved the transfer of shares on 17 March 2021, and the Securities and Futures Commission of Hong Kong approved the transfer of shares on 27 October 2021. Since then, PICC AMHK became a wholly-owned subsidiary of PICC Assets, with PICC Group indirectly holding 100% of its shares.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Only principal subsidiaries which are directly held by the Company and have material impact on the consolidated financial statements are listed above. Other subsidiaries did not materially affect the Group's net financial position and operating results and were therefore not separately disclosed.

As at 31 December 2021, market value of shares of PICC P&C which is listed on the Main Board of The Stock Exchange of Hong Kong Limited is RMB79,908 million (31 December 2020: RMB75,801 million).

Capital supplementary bonds issued by these subsidiaries are set out in note 35 to these consolidated financial statements.

The Company and the following subsidiaries had outstanding capital supplementary bonds at the end of the year, which are all held by third parties:

	31 December 2021		31 December 2020	
	Nominal Amount	**Carrying Amount**	Nominal Amount	Carrying Amount
The Company	**18,000**	**17,991**	18,000	17,987
PICC Life	**12,000**	**12,190**	12,000	12,128
PICC P&C	**8,000**	**8,058**	23,000	23,297
PICC Health	**3,500**	**3,567**	3,500	3,548
PICC Reinsurance	**2,000**	**1,998**	–	–
	43,500	**43,804**	56,500	56,960

At the end of the reporting period, the Company had other indirectly held subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities of the subsidiaries	Place of incorporation and operation in the PRC	**31 December 2021**	31 December 2020
Insurance intermediaries	Beijing,Shanghai,Shenzhen and others	**5**	7
Insurance training services	Beijing, Hainan, Ningbo and Dalian	**4**	1
Property development and management	Beijing, Shanghai and others	**13**	13
Hotels, restaurants and others	Beijing, Shanghai, Zhejiang, Chongqing and others	**8**	6
		30	27

The legal form of above-mentioned subsidiaries is Limited Liability Company.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non–controlling interests	
		31 December 2021	31 December 2020	2021	2020	31 December 2021	31 December 2020
PICC P&C and its subsidiaries	Beijing, PRC	31.02%	31.02%	6,938	6,473	63,792	58,948
PICC Life and its subsidiaries	Beijing, PRC	20.00%	20.00%	825	893	9,858	9,803

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

In particular, an interest in the equity interest of Industrial Bank is accounted for as an available-for-sale financial assets in the consolidated financial statements of PICC P&C but when combined with voting rights held by the Company and PICC Life, this interest is accounted for as an associate in the Group's consolidated financial statements. The information presented in this note does not consider the impact had these equity interests been accounted for as an associate in the consolidated financial statements of PICC P&C.

PICC P&C

	31 December 2021	31 December 2020
Total assets	682,622	646,801
Total liabilities	476,973	456,770
Total shareholders' equity	205,649	190,031
Equity attributable to owners of the Group	141,857	131,083
Non-controlling interests of the Group	63,792	58,948

	2021	2020
Total income	420,411	412,267
Total benefits, claims and expenses	(398,907)	(391,542)
Share of profits of associates	4,524	3,951
Income tax expense	(3,663)	(3,808)
Profit for the year	22,365	20,868
Profit attributable to owners of the Group	15,427	14,395
Profit attributable to non-controlling interests of the Group	6,938	6,473
Other comprehensive income for the year	1,356	6,946
Total comprehensive income for the year	23,721	27,814
Dividends paid to non-controlling interests	2,587	3,181
Net cash inflow from operating activities	16,336	12,811
Net cash outflow from investing activities	(8,158)	(29,390)
Net cash (outflow)/inflow from financing activities	(16,845)	10,409
Net cash outflow	(8,667)	(6,170)

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(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

PICC Life

	31 December 2021	31 December 2020
Total assets	**539,957**	494,320
Total liabilities	**490,667**	445,306
Total shareholders' equity	**49,290**	49,014
Equity attributable to owners of the Group	**39,432**	39,211
Non-controlling interests of the Group	**9,858**	9,803

	2021	2020
Total income	**118,544**	117,126
Total benefits, claims and expenses	**(118,531)**	(117,932)
Share of profit of an associate	**5,048**	3,942
Income tax (expense)/credit	**(934)**	1,327
Profit for the year	**4,127**	4,463
Profit attributable to owners of the Group	**3,302**	3,570
Profit attributable to non-controlling interests of the Group	**825**	893
Other comprehensive (expense)/income for the year	**(831)**	3,676
Total comprehensive income for the year	**3,296**	8,139
Dividends paid to non-controlling interests	**619**	257
Net cash inflow from operating activities	**45,771**	9,878
Net cash outflow from investing activities	**(56,620)**	(13,111)
Net cash (outflow)/inflow from financing activities	**(26,388)**	11,076
Net cash (outflow)/inflow	**(37,237)**	7,843

(c) Significant restrictions

As certain major subsidiaries of the Company are engaged in insurance business and regulated by the relevant insurance regulatory authorities, the ability of the Company and its subsidiaries to access assets held by these insurance subsidiaries to settle liabilities of the Group is restricted. As such, there are restrictions on the Group's ability to access or use the assets of these insurance subsidiaries to settle the liabilities of the Group. Please refer to note 43.1(b) for detailed disclosure on the relevant regulatory capital requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) The Group's investments in associates and joint ventures as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Associates		
Cost of investment in associates	67,892	68,346
Share of post-acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable *(note)*	64,396	53,344
Subtotal	132,288	121,690
Joint ventures		
Cost of investment in joint ventures	3,086	3,086
Share of post-acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable *(note)*	196	64
Subtotal	3,282	3,150
TOTAL	135,570	124,840

Movement of investments in associates and joint ventures is as follows.

Associates and joint ventures	1 January 2021	Additions	Disposals	Share of profit	Share of other comprehensive income	Share of other equity movement	Dividend received	Impairment	31 December 2021
Industrial Bank	67,827	–	–	9,638	812	–	(2,149)	–	76,128
Hua Xia Bank	36,968	–	–	3,505	271	–	(772)	–	39,972
Others	20,045	–	(454)	428	(25)	(22)	(502)	–	19,470
Total	124,840	–	(454)	13,571	1,058	(22)	(3,423)	–	135,570

Note: As permitted by Amendments to IFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank, Hua Xia Bank and other associates and joint ventures.

As at 31 December 2021, the carrying amounts of associates, Hua Xia Bank and Industrial Bank, companies listed on the Shanghai Stock Exchange, exceeded their market values. Management performed impairment assessment accordingly considering such impairment indicator exist. Based on management's assessment results, there was no impairment as at 31 December 2021 (31 December 2020: none).

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows:

			Percentage of ownership interest and voting rights held by the Group			
		Principal activities/	31 December 2021		31 December 2020	
Associates	Place of registration	Place of operation	Direct	Indirect	Direct	Indirect
Industrial Bank (1)	Fujian Province, PRC	Banking, PRC	0.85%	12.05%	0.85%	12.05%
Hua Xia Bank (2)	Beijing, PRC	Banking, PRC	–	16.66%	–	16.66%

The above table lists out the associates of the Group which principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised consolidated financial information in respect of each of the Group's material associates is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the PRC, and adjusted for any material differences from IFRS.

Industrial Bank and Hua Xia Bank are financial institutions. Therefore, their abilities to distribute dividends are subject to fulfillment of the relevant regulatory capital requirements.

(1) Industrial Bank

On 31 December 2012, the Company, PICC P&C and PICC Life in aggregate subscribed for approximately 1.38 billion shares of Industrial Bank through a private placement. After the completion of the subscription, the Group as a whole became the second largest shareholder of Industrial Bank.

In 2013, a member of senior management of PICC Life was nominated to be a director of Industrial Bank. The Group has been able to exercise significant influence on Industrial Bank, and therefore accounted for its equity interest in Industrial Bank as an associate using equity method of accounting.

On 9 July 2015, PICC P&C and PICC Life, the Company's subsidiaries, acquired 280 million and 328 million shares, respectively, of Industrial Bank in the open market. Therefore, the Group's aggregate interest in this associate was increased from 10.87% to 14.06%.

On 31 March 2017, Industrial Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Industrial Bank was diluted from 14.06% to 12.90%. The Group is of the view that it still has significant influence over Industrial Bank, as it appointed one director to the board of directors of Industrial Bank and the Group was the second largest shareholder of Industrial Bank.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(1) Industrial Bank (continued)

As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for 2021, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2020 to 31 September 2021, taking into account any significant events or transactions for the period 1 October 2021 to 31 December 2021.

For 2020, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2019 to 31 September 2020, taking into account any significant events or transactions for the period 1 October 2020 to 31 December 2020.

	30 September 2021	30 September 2020
Total assets	8,497,055	7,619,539
Total liabilities	7,823,522	7,042,372
Net assets attributable to		
Equity holders of Industrial Bank	663,849	568,312
Non-controlling interests	9,684	8,855
Total equity	673,533	577,167

	Period from 1 October 2020 to 30 September 2021	Period from 1 October 2019 to 30 September 2020
Revenue	215,401	196,485
Profit attributable to		
Equity holders of Industrial Bank	78,789	62,833
Non-controlling interests	1,007	1,056
Profit for the period	79,796	63,889
Other comprehensive income/(expense) attributable to		
Equity holders of Industrial Bank	6,303	(6,743)
Non-controlling interests	(14)	13
Other comprehensive income/(expense) for the period	6,289	(6,730)
Total comprehensive income attributable to		
Equity holders of Industrial Bank	85,092	56,090
Non-controlling interests	993	1,069
Total comprehensive income for the period	86,085	57,159
Dividends received from the associate during the period	2,149	2,041

For the year ended 31 December 2021
(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(1) Industrial Bank (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Industrial Bank recognised in the consolidated financial statements:

	30 September 2021	30 September 2020
Net assets of Industrial Bank attributable to equity holders of Industrial Bank	**663,849**	568,312
Total preference shares issued by Industrial Bank	**(55,842)**	(55,842)
Total perpetual bonds issued by Industrial Bank	**(29,960)**	–
Net assets attributable to ordinary share holders of Industrial Bank	**578,047**	512,470
Proportion of the Group's interest in Industrial Bank	**12.90%**	12.90%
The Group's interest in net assets of Industrial Bank	**74,568**	66,109
Goodwill	**445**	445
Net fair value adjustment to the investee's identifiable assets and liabilities	**2,426**	2,426
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	**(1,311)**	(1,153)
Carrying amount of the Group's interest in Industrial Bank	**76,128**	67,827
Fair value of shares listed in Mainland China	**51,009**	55,911

(2) Hua Xia Bank

On 28 December 2015, PICC P&C entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien ("Sal. Oppenheim") and Deutsche Bank Luxembourg S.A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to PICC P&C 877 million shares, 267 million shares and 992 million shares of Hua Xia Bank, respectively, held by them (amounting to a total of 2,136 million shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and PICC P&C conditionally agreed to purchase these shares. This transaction was completed on 17 November 2016. The Group holds the view that it has had significant influence over Hua Xia Bank since 17 November 2016 and therefore accounted for its interests in Hua Xia Bank as an associate using equity method of accounting.

On 28 December 2018, Hua Xia Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%. Management has assessed the level of influence that the Group has on Hua Xia Bank, and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation and other arrangements made. Consequently, this investment has been classified as an associate. It is accounted for using equity method.

	31 December 2021	31 December 2020
Total assets	**3,676,287**	3,399,816
Net assets attributable to equity holders of Hua Xia Bank	**298,292**	280,613

	2021	2020
Revenue	**95,870**	95,309
Profit attributable to equity holders of Hua Xia Bank	**23,535**	21,275
Dividends received from the associate during the year	**772**	638

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(2) Hua Xia Bank (continued)

Reconciliation of the above summarised financial information to the carrying amount of interest in Hua Xia Bank recognised in the consolidated financial statements:

	31 December 2021	31 December 2020
Net assets of Hua Xia Bank attributable to equity holders of Hua Xia Bank	298,292	280,613
Total preference shares issued by Hua Xia Bank	(19,978)	(19,978)
Total perpetual bonds issued by Hua Xia Bank	(39,993)	(39,993)
Net assets attributable to ordinary share holders of Hua Xia Bank	238,321	220,642
Proportion of the Group's interest in Hua Xia Bank	16.66%	16.66%
The Group's interest in net assets of Hua Xia Bank	39,704	36,759
Net fair value adjustment to the investee's identifiable assets and liabilities	(65)	(65)
Amortisation of intangible assets recognised in fair value adjustments	333	274
Carrying amount of the Group's interest in Hua Xia Bank	39,972	36,968
Fair value of shares listed in Mainland China	14,354	16,020

(c) Aggregate information of associates and joint ventures that are not individually material

As at 31 December 2021, apart from the two associates disclosed above, the Group has in aggregate 19 (31 December 2020: 19) immaterial associates and joint ventures and their aggregate information is presented below:

	2021	2020
The Group's share of profit	428	687
The Group's share of other comprehensive expense	(25)	(34)
The Group's share of total comprehensive income	403	653
Aggregate carrying amount of the Group's interests in these associates and joint ventures	19,470	20,045

(Amounts in millions of Renminbi, unless otherwise stated)

26 INVESTMENT PROPERTIES

	2021	2020
At beginning of the year	13,246	12,445
Additions	71	1,204
Transfers from property and equipment *(note 27)*	220	195
Transfer from right-of-use assets *(note 28)*	49	36
Gains on revaluation of properties upon transfer from property and equipment	555	263
Gains on revaluation of properties upon transfer from right-of-use assets	213	57
Decrease in fair value of investment properties *(note 6(c))*	(143)	(127)
Transfer to property and equipment *(note 27)*	(700)	(823)
Transfer to right of use assets *(note 28)*	(154)	–
Disposals	(17)	(4)
At end of the year	13,340	13,246

The Group was still in the process of applying for title certificates for investment properties with a carrying value of RMB548 million as at 31 December 2021 (31 December 2020: RMB1,465 million). The directors of the Company do not expect this to have any impacts on the operation of the Group.

As at 31 December 2021, the Group's investment properties with a carrying value of RMB905 million were pledged as collateral (31 December 2020: none).

The Group's investment properties were revalued at the end of the reporting period by independent professional valuers. The investment properties held by PICC P&C were revalued by Cushman & Wakefield Shenzhen Valuation Co., Ltd. and Jones Lang LaSalle (Beijing) Land and Real Estate Appraisal Consultant Co., Ltd.. The investment properties held by PICC Life were revalued by Beijing Jinli'an Real Estate Consulting Evaluation Co.,Ltd.. The investment properties held by PICC Investment Holding were revalued by Jones Lang LaSalle (Beijing) Land and Real Estate Appraisal Consultant Co., Ltd. Valuations were carried out by the following two approaches:

(1) The direct comparison approach assumes sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors; or

(2) The income approach determines the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate.

(Amounts in millions of Renminbi, unless otherwise stated)

26 INVESTMENT PROPERTIES *(continued)*

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to their professional judgement. Therefore, these fair values are categorised as Level 3.

There has been no change in the valuation technique used from the prior years. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

When adopting the second approach to evaluate the valuation of the investment properties, one of the key inputs is the capitalisation rate used, which ranges from 4.00% to 7.50% as at 31 December 2021 (31 December 2020: ranges from 4.00% to 7.50%).

There was no transfer in or out of Level 3 of the Group during the year.

27. PROPERTY AND EQUIPMENT

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2021	32,569	10,772	2,256	9,106	54,703
Additions	696	605	215	820	2,336
Transfer of construction in progress	6,066	36	–	(6,102)	–
Transfer from investment properties *(note 26)*	700	–	–	–	700
Transfer to investment properties *(note 26)*	(425)	–	–	–	(425)
Transfer to intangible assets *(note 29)*	–	–	–	(1)	(1)
Transfer to use of assets *(note 28)*	(845)	–	–	–	(845)
Disposals	(65)	(546)	(418)	–	(1,029)
As at 31 December 2021	38,696	10,867	2,053	3,823	55,439
ACCUMULATED DEPRECIATION					
As at 1 January 2021	10,129	8,162	1,538	–	19,829
Provided for the year	1,240	1,036	246	–	2,522
Transfer to investment properties *(note 26)*	(205)	–	–	–	(205)
Disposals	(23)	(506)	(381)	–	(910)
As at 31 December 2021	11,141	8,692	1,403	–	21,236
IMPAIRMENT LOSSES					
As at 1 January 2021 and 31 December 2021	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2021	26,726	2,173	650	3,808	33,357
As at 1 January 2021	21,611	2,608	718	9,091	34,028

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(Amounts in millions of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT *(continued)*

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2020	30,350	10,058	2,120	2,744	45,272
Additions	567	1,116	277	7,539	9,499
Transfer of construction in progress	1,144	7	–	(1,151)	–
Transfer from investment properties *(note 26)*	823	–	–	–	823
Transfer to investment properties *(note 26)*	(272)	–	–	–	(272)
Transfer to intangible assets *(note 29)*	–	–	–	(25)	(25)
Disposals	(43)	(409)	(141)	(1)	(594)
As at 31 December 2020	32,569	10,772	2,256	9,106	54,703
ACCUMULATED DEPRECIATION					
As at 1 January 2020	9,025	7,650	1,411	–	18,086
Provided for the year	1,213	902	262	–	2,377
Transfer to investment properties *(note 26)*	(77)	–	–	–	(77)
Disposals	(32)	(390)	(135)	–	(557)
As at 31 December 2020	10,129	8,162	1,538	–	19,829
IMPAIRMENT LOSSES					
As at 1 January 2020 and 31 December 2020	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2020	21,611	2,608	718	9,091	34,028
As at 1 January 2020	20,496	2,406	709	2,729	26,340

As at 31 December 2021, certain acquired buildings of the Group with a net book value of RMB654 million (31 December 2020: RMB846 million) were still in the process of title registration. The directors of the Company do not expect this to have any impact on the operation of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

28. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Others	Total
COST				
As at 1 January 2021	**6,179**	**4,788**	**56**	**11,023**
Additions	**3**	**1,446**	**9**	**1,458**
Transfer from investment properties *(note 26)*	**154**	**–**	**–**	**154**
Transfer to investment properties *(note 26)*	**(110)**	**–**	**–**	**(110)**
Transfers from fixed assets *(note 27)*	**845**	**–**	**–**	**845**
Disposals	**(69)**	**(778)**	**(52)**	**(899)**
As at 31 December 2021	**7,002**	**5,456**	**13**	**12,471**
ACCUMULATED DEPRECIATION				
As at 1 January 2021	**1,960**	**1,856**	**46**	**3,862**
Provided for the year *(note 11)*	**188**	**1,277**	**9**	**1,474**
Transfer to investment properties *(note 26)*	**(61)**	**–**	**–**	**(61)**
Disposals	**(53)**	**(742)**	**(43)**	**(838)**
As at 31 December 2021	**2,034**	**2,391**	**12**	**4,437**
IMPAIRMENT LOSSES				
As at 1 January 2021 and As at 31 December 2021	**47**	**–**	**–**	**47**
NET CARRYING VALUES				
As at 31 December 2021	**4,921**	**3,065**	**1**	**7,987**
As at 1 January 2021	**4,172**	**2,932**	**10**	**7,114**

	Leasehold lands	Leased properties	Others	Total
COST				
As at 1 January 2020	6,191	4,282	67	10,540
Additions	88	1,121	23	1,232
Transfer to investment properties *(note 26)*	(55)	–	–	(55)
Disposals	(45)	(615)	(34)	(694)
As at 31 December 2020	6,179	4,788	56	11,023
ACCUMULATED DEPRECIATION				
As at 1 January 2020	1,770	1,010	32	2,812
Provided for the year *(note 11)*	224	1,239	29	1,492
Transfer to investment properties *(note 26)*	(19)	–	–	(19)
Disposals	(15)	(393)	(15)	(423)
As at 31 December 2020	1,960	1,856	46	3,862
IMPAIRMENT LOSSES				
As at 1 January 2020 and As at 31 December 2020	47	–	–	47
NET CARRYING VALUES				
As at 31 December 2020	4,172	2,932	10	7,114
As at 1 January 2020	4,374	3,272	35	7,681

(Amounts in millions of Renminbi, unless otherwise stated)

28. RIGHT-OF-USE ASSETS *(continued)*

The above items of leasehold land are amortised on a straight-line basis over 30 – 70 years. For the year ended 31 December 2021, expense relating to leases of low-value assets and short-term leases that applied the simplified approach is approximately RMB235 million (2020: RMB220 million).

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB66 million (2020: RMB27 million) in which the Group is in the process of obtaining. The directors of the Company do not expect this to have any impact on the operation of the Group.

29. INTANGIBLE ASSETS

	Software	
	2021	2020
COST		
At beginning of the year	**5,360**	4,402
Additions	**1,148**	940
Transfer from construction in progress *(note 27)*	**1**	25
Disposals	**(27)**	(7)
At end of the year	**6,482**	5,360
ACCUMULATED AMORTISATION		
At beginning of the year	**2,249**	1,673
Amortisation *(note 11)*	**770**	580
Disposals	**(14)**	(4)
At end of the year	**3,005**	2,249
IMPAIRMENT LOSSES		
At beginning of the year	**6**	–
Recognition *(note 11)*	**–**	6
At end of the year	**6**	6
NET CARRYING VALUES		
At end of the year	**3,471**	3,105
At beginning of the year	**3,105**	2,729

30. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Deferred tax assets	**10,143**	8,337
Deferred tax liabilities	**(2,053)**	(1,449)
TOTAL	**8,090**	6,888

(Amounts in millions of Renminbi, unless otherwise stated)

30. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The movements of deferred tax assets and liabilities of the Group during the years of 2021 and 2020 are as follows:

	2021			
	As at 1 January	**Credited/ (charged) to income statement during the year**	**(Charged)/ credited to other comprehensive income during the year**	**As at 31 December**
Provision for impairment losses	**2,045**	**255**	**–**	**2,300**
Employee benefits payable	**1,033**	**1,004**	**–**	**2,037**
Fair value change of available-for-sale financial assets	**(7,888)**	**–**	**(90)**	**(7,978)**
Fair value change of financial assets carried at fair value through profit or loss	**(131)**	**(558)**	**–**	**(689)**
Fair value change of investment properties	**(1,993)**	**38**	**(119)**	**(2,074)**
Insurance contract liabilities	**10,397**	**1,790**	**–**	**12,187**
Portion of fair value changes attributable to participating policyholders	**579**	**–**	**84**	**663**
Handling charges and commissions payable	**1,922**	**(1,008)**	**–**	**914**
Others	**924**	**(194)**	**–**	**730**
Net value	**6,888**	**1,327**	**(125)**	**8,090**

	2020			
	As at 1 January	Credited/ (charged) to income statement during the year	(Charged)/ credited to other comprehensive income during the year	As at 31 December
Provision for impairment losses	1,249	796	–	2,045
Employee benefits payable	615	418	–	1,033
Fair value change of available-for-sale financial assets	(4,292)	–	(3,596)	(7,888)
Fair value change of financial assets carried at fair value through profit or loss	(92)	(39)	–	(131)
Fair value change of investment properties	(1,938)	(15)	(40)	(1,993)
Insurance contract liabilities	9,395	1,002	–	10,397
Portion of fair value changes attributable to participating policyholders	–	–	579	579
Handling charges and commissions payable	1,087	835	–	1,922
Others	1,042	(118)	–	924
Net value	7,066	2,879	(3,057)	6,888

Unrecognised deductible temporary differences and deductible tax losses arising from entities in the Group, which do not have sufficient future taxable profits available for realisation, amounted to RMB14,682million as at 31 December 2021 (31 December 2020: RMB10,467 million), of which deductible tax losses arising from entities in the PRC amounted to RMB13,363 million as at 31 December 2021 (31 December 2020: RMB8,789 million).

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30. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The expiry dates of unused tax losses are as follows:

	31 December 2021	31 December 2020
31 December 2021	–	948
31 December 2022	2	23
31 December 2023	988	653
31 December 2024	1,995	2,102
31 December 2025	1,661	5,063
31 December 2026	8,717	–
TOTAL	13,363	8,789

31. OTHER ASSETS

	Notes	31 December 2021	31 December 2020
Interest receivables		10,397	10,235
Policy loans	(a)	5,889	5,295
Deductible input value-added tax		3,827	4,511
Receivables from co-insurers for amounts paid on behalf		2,630	2,119
Refundable deposits		1,534	1,412
Securities settlement receivables		1,295	971
Loans and advances		965	1,015
Prepayments and deposits		665	726
Prepaid insurance underwriting commission		461	407
Commission receivables arising from collection of motor vehicles and vessels taxes		456	580
Others		6,209	6,584
TOTAL		34,328	33,855
Less: Impairment provision on other assets	(b)	(2,051)	(1,514)
Net carrying value		32,277	32,341

(a) Policy loans are secured by cash values of the relevant insurance policies of PICC Life and PICC Health and carry interest rate at 5.22% – 6.35% per annum as at 31 December 2021 (31 December 2020: 5.22% – 6.35%).

(b) The movements of provision for impairment of other assets are as follow:

	2021	2020
At 1 January	1,514	1,500
Recognition/(Reversal) of impairment losses *(note 11)*	306	(5)
Others	231	19
At 31 December	2,051	1,514

(Amounts in millions of Renminbi, unless otherwise stated)

32. PLEDGED ASSETS AND RESTRICTED DEPOSITS

(a) Deposits with restricted rights or ownership

As at 31 December 2021, demand deposits and term deposits amounting to RMB4,244 million (31 December 2020: RMB2,957 million) were subject to various restrictions, in particular for the Group's involvement in agricultural insurance and satellite launch risk insurance.

(b) Securities pledged for repurchase transactions

As described in note 33 to these consolidated financial statements, the Group entered into a number of arrangements to sell certain bond securities with commitments to repurchase in the future. These bond securities are continued to be recognised in these consolidated financial statements and classified as at fair value through profit or loss, available-for-sale, or held-to-maturity securities, but they are in effect pledged as collaterals for these transactions.

	31 December 2021	31 December 2020
Carrying amount of transferred assets	**104,619**	149,389
Carrying amount of associated liabilities		
– Securities sold under agreements to repurchase	**77,598**	85,826

33. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2021	31 December 2020
Transactions by market places:		
Stock exchange	**43,931**	31,874
Inter-bank market	**33,667**	53,952
TOTAL	**77,598**	85,826

Debt securities are pledged for these transactions and details are set out in note 32(b) to these consolidated financial statements.

34. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2021	31 December 2020
Payables to reinsurers	**22,767**	21,296

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

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35. BONDS PAYABLE

As at 31 December 2021, bonds payable are capital supplementary bonds.

	31 December 2021	31 December 2020
Carrying amount repayable in		
– More than five years	43,804	56,960
TOTAL	43,804	56,960

As at 6 August 2021, PICC Reinsurance issued capital supplementary bond of RMB2,000 million.

Original terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's capital supplementary bonds are 3.59% – 5.05% in the first five years (2020: 3.59% – 5.05%) and 4.59% – 6.05% in the second five years (2020: 4.59% – 6.05%).

36. LEASE LIABILITIES

Lease liabilities payable:

	31 December 2021	31 December 2020
Within one year	983	1,000
Within a period of more than one year but not more than two years	728	723
Within a period of more than two years but not more than five years	1,025	893
Within a period of more than five years	257	176
TOTAL	2,993	2,792

The incremental borrowing rates applied to lease liabilities range from 3.40% to 4.50% (2020: from 3.56% to 4.75%).

37. INSURANCE CONTRACT LIABILITIES

	31 December 2021		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contract reserves *(a)*	420,722	5,414	415,308
Short-term health insurance contract reserves *(b)*			
– Claim reserves	7,433	146	7,287
– Unearned premium reserves	2,234	65	2,169
Non-life insurance contract reserves *(c)*			
– Claim reserves	172,650	20,762	151,888
– Unearned premium reserves	170,059	13,876	156,183
Total insurance contract liabilities	773,098	40,263	732,835

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

	31 December 2020		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contract reserves *(a)*	348,652	4,099	344,553
Short-term health insurance contract reserves *(b)*			
– Claim reserves	7,279	120	7,159
– Unearned premium reserves	2,502	60	2,442
Non-life insurance contract reserves *(c)*			
– Claim reserves	155,942	18,436	137,506
– Unearned premium reserves	159,897	12,463	147,434
Total insurance contract liabilities	674,272	35,178	639,094

(a) long-term life and health insurance contract reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	302,025	1,550	300,475
Additions	108,360	4,764	103,596
Payments	(16,089)	(2,215)	(13,874)
Surrenders	(45,644)	–	(45,644)
At 31 December 2020	348,652	4,099	344,553
Additions	113,667	2,745	110,922
Payments	(16,368)	(1,430)	(14,938)
Surrenders	(25,229)	–	(25,229)
At 31 December 2021	**420,722**	**5,414**	**415,308**

As at 31 December 2021, long-term life and health insurance contracts liabilities include eligible surplus amounted to RMB2,652 million that has not been declared and paid (31 December 2020: RMB2,317 million). This is recognised in other comprehensive income for the year. The related amount (net of tax) that is attributable to owners of the Company is RMB192 million (31 December 2020: RMB1,344 million), and is included in the consolidated statement of changes in equity.

(b) Short-term health insurance contract reserves

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	6,723	173	6,550
Claims incurred	14,804	(26)	14,830
Claims paid	(14,248)	(27)	(14,221)
At 31 December 2020	7,279	120	7,159
Claims incurred	14,227	98	14,129
Claims paid	(14,073)	(72)	(14,001)
At 31 December 2021	**7,433**	**146**	**7,287**

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

(b) Short-term health insurance contract reserves *(continued)*

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	2,681	14	2,667
Premiums written	15,779	228	15,551
Premiums earned	(15,958)	(182)	(15,776)
At 31 December 2020	2,502	60	2,442
Premiums written	15,642	46	15,596
Premiums earned	(15,910)	(41)	(15,869)
At 31 December 2021	**2,234**	**65**	**2,169**

(c) Non-life insurance contract reserves

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	148,278	17,138	131,140
Claims incurred	286,163	22,563	263,600
Claims paid	(278,499)	(21,265)	(257,234)
At 31 December 2020	155,942	18,436	137,506
Claims incurred	323,508	25,700	297,808
Claims paid	(306,800)	(23,374)	(283,426)
At 31 December 2021	**172,650**	**20,762**	**151,888**

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2020	159,252	10,634	148,618
Premiums written	435,160	37,905	397,255
Premiums earned	(434,515)	(36,076)	(398,439)
At 31 December 2020	159,897	12,463	147,434
Premiums written	385,131	33,476	351,655
Premiums earned	(374,969)	(32,063)	(342,906)
At 31 December 2021	**170,059**	**13,876**	**156,183**

(Amounts in millions of Renminbi, unless otherwise stated)

38. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	31 December 2021	31 December 2020
Interest-bearing deposits	**42,565**	36,995
Non-interest-bearing deposits	**1,687**	1,676
Total	**44,252**	38,671

The movements in investment contract liabilities for policyholders are as follows:

	2021	2020
At beginning of the year	**38,671**	40,030
Deposits received after deducting fees	**12,192**	7,667
Deposits withdrawn	**(8,129)**	(10,474)
Interest credited to policyholders *(note 9)*	**1,518**	1,448
At end of the year	**44,252**	38,671

39. PENSION BENEFIT OBLIGATION

The Group is committed to defined benefit retirement benefit plans. Through the retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The amounts of these pension and medical benefits are paid monthly according to a policy agreed with these employees and number of years of services of these employees with the Group. The Group also offered an early retirement program to certain employees during its group reorganisation in 2003. For employees who joined this program, they are entitled to various periodic benefits up to their normal retirement ages. The beneficiaries of these pension benefits are not in active employment with the Group and these benefits are fully vested. There is no plan asset for these pension benefits.

(a) The movements in the present value of early retirement and retirement benefits are shown below:

	2021	2020
At beginning of the year	**2,833**	2,927
Interest cost on pension benefit obligation *(note 9)*	**89**	82
Actuarial losses arising from changes in financial assumptions	**139**	1
Actuarial losses arising from experience adjustments	**35**	56
Benefits paid	**(224)**	(233)
At end of the year	**2,872**	2,833

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a increase/(decrease) in the bond interest rate will (decrease)/increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(a) The movements in the present value of early retirement and retirement benefits are shown below: *(continued)*

In aggregate, actuarial losses of RMB174 million were charged to other comprehensive income for the current year of 2021 (2020: actuarial losses of RMB57 million).

For defined benefit retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The Group employs a third-party actuary annually to conduct an actuarial assessment of the pension benefit scheme and issue a special actuarial report. At the end of 2021, Towers Watson was engaged to conduct an actuarial assessment of the pension benefit plan and issued the Actuarial Assessment Report for PICC Group as at 31 December 2021. The actuarial report was signed by Wu Haichuan, a North American actuary, a member of the American Association of Actuaries and a member of the China Association of Actuaries.

(b) The discount rates and the principal actuarial assumptions for the above obligations are as follows:

	31 December 2021	31 December 2020
Discount rates:		
– Early retirement benefits	**2.50%**	3.00%
– Retirement benefits	**2.75%**	3.25%
– Supplementary medical benefits	**3.00%**	3.50%
Average annual growth rates:		
– Early retirement benefits	**2.50%**	2.50%
– Medical expenses	**8.00%**	8.00%

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. The durations of early retirement benefits, retirement benefits and supplementary medical benefits are 4 years, 8 years and 12 years as at 31 December 2021 (31 December 2020: 4 years, 8 years and 12 years).

(c) The maturity of these benefits, in terms of undiscounted cash flows, is presented as follows:

	31 December 2021	31 December 2020
No more than 3 months	**50**	50
3 to 12 months (including 12 months)	**151**	151
1 to 5 years (including 5 years)	**787**	792
More than 5 years	**2,981**	3,166
Total	**3,969**	4,159

In order to reimburse the Company for this pension benefit obligation, a receivable of RMB2,847 million from MOF was recognised during the restructuring and reorganisation of the Company, as described in note 42(d)(2).

(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(d) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and average annual growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumptions	Effect on the pension benefit obligation	
		31 December 2021	31 December 2020
Discount rate	+50bps	(136)	(134)
Discount rate	-50bps	148	145
Average annual growth rate	+50bps	144	142
Average annual growth rate	-50bps	(134)	(132)

40. OTHER LIABILITIES

	31 December 2021	31 December 2020
Premiums received in advance *(a)*	27,390	24,048
Salaries and welfare payable	22,180	18,838
Claims payable	10,751	12,493
Payables to non-controlling interests of consolidated structures entities	9,797	1,160
Handling charges and commission payable	8,535	8,177
Value added tax and other taxes payable	7,720	8,209
Premium payable *(b)*	4,161	5,336
Suppliers payable	2,520	3,224
Interests payable	1,236	1,305
Insurance security fund	1,024	931
Insurance deposit received	942	1,335
Bank borrowings	637	592
Others	7,071	8,163
TOTAL	103,964	93,811

(a) Premiums received in advance represent amounts collected from policies not yet effective as at 31 December 2021 and 31 December 2020, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(b) Premium payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.

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41. ISSUED CAPITAL

	31 December 2021	31 December 2020
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224

42. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) General risk reserve

Pursuant to "Financial Standards of Financial Enterprises – Implementation Guide" issued by the MOF of the PRC on 30 March 2007, a general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations for such reserve based on their respective annual profit, year-end risk assets or asset management fee income as determined in their annual financial statements. This reserve is not available for profit distribution and cannot be transferred to capital.

(b) Catastrophic loss reserve

Pursuant to the relevant regulatory requirements, the Group is required to make appropriation to a reserve when the agriculture and nuclear insurance business records underwriting profits. This reserve cannot be used for dividend distribution or conversion into capital, but can be utilised when there are catastrophic losses.

(c) Surplus reserve

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriation to a statutory surplus reserve based on its profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC in their annual statutory financial statements. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriation to a discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

(Amounts in millions of Renminbi, unless otherwise stated)

42. RESERVES *(continued)*

(d) Principal items of other reserves were summarised as follows:

	Transfer to issued capital *(1)*	Compensation for post-employment benefit obligation *(2) (note 39(c))*	Transactions with non-controlling interests	Total
As at 1 January 2021 and 31 December 2021	**(17,942)**	**2,847**	**(58)**	**(15,153)**
As at 1 January 2020 and 31 December 2020	(17,942)	2,847	(58)	(15,153)

(1) In 2009, the Company obtained approval from the MOF for converting into a joint stock company. During the process, certain assets were revalued and the corresponding revaluation surplus was transferred to the issued capital. On consolidation, these revaluations were reversed, creating a negative balance.

(2) In 2009, the Company recognised an amount of RMB2,847 million recoverable from the MOF as compensation for the Company's assumption of post-employment benefit obligation. The amount was recognised as a special capital contribution from the MOF and was credited to other reserves. The amount has been fully recovered from the MOF.

43. CAPITAL AND RISK MANAGEMENT

43.1 Capital management

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The risk management structure runs through the board of directors, the management and all functional departments and covers all business sectors and branches at all levels of the Group. The board of directors is ultimately responsible for the risk management, internal control, and compliance policy formulation of the Group. A risk management committee is responsible for having a comprehensive understanding of significant risks faced by the Group and relevant risk management, as well as supervising the effectiveness of the operation of risk management system.

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to adjust the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and issued bonds. The Group also makes reinsurance arrangements to manage its regulatory capital requirements.

The Group has had no significant changes in its policies and processes in respect of its capital structure during the current year.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.1 Capital management *(continued)*

(b) Capital management approach (continued)

The comprehensive and core solvency margin ratios of the Group's principal subsidiaries are listed below:

		31 December 2021	
	PICC P&C	**PICC Life**	**PICC Health**
Actual capital	**207,230**	**113,741**	**17,258**
Core capital	**194,169**	**100,943**	**13,691**
Minimum capital	**72,995**	**45,593**	**9,094**
Comprehensive solvency margin ratio (%)	**284%**	**249%**	**190%**
Core solvency margin ratio (%)	**266%**	**221%**	**151%**

		31 December 2020	
	PICC P&C	PICC Life	PICC Health
Actual capital	207,246	120,119	16,927
Core capital	179,290	107,301	13,379
Minimum capital	71,757	45,990	8,268
Comprehensive solvency margin ratio (%)	289%	261%	205%
Core solvency margin ratio (%)	250%	233%	162%

Insurance companies carrying out business in China are required to comply with capital requirements imposed by the CBIRC. These capital requirements are generally known as solvency requirements in the insurance industry.

Insurance companies comply with requirements on both the core capital and actual capital (sum of core and supplementary capital). Under China Risk Oriented Solvency System, the minimum capital is calculated by formula prescribed by the CBIRC. The minimum capital requirement is a result of quantifications of underwriting risks, market risks, credit risks and results of an internal control assessment. For subsidiaries of the Group, core capital is principally net assets with adjustments to life insurance liabilities under solvency calculations, while supplementary capital mainly comprises capital supplementary bonds issued by these subsidiaries.

Comprehensive and core solvency margin ratios are defined as actual capital and core capital divided by the minimum capital requirements, respectively. Comprehensive and core solvency margin ratio have to be higher than 100% and 50% respectively for compliance with the solvency requirements.

The CBIRC can take a number of regulatory measures against any insurance company non-compliant with the solvency requirements. These regulatory measures include restriction on business scope, dividend distributions, investment strategy; order to transfer business or place reinsurance; removal of senior executives of the insurance companies.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk. This section summarises these risks.

(a) Insurance risk

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

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

Severity risk – the possibility that the costs of the events will differ from those expected.

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful risk selection and implementation of underwriting strategy and guidelines.

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters, they may result in earlier or more claims than expected; when the underwriting risks principally are longevity risks, continued improvement in medical science and social conditions that would improve longevity, they may result in losses to annuity or similar contracts. For contracts with discretionary participation features, a significant portion of these insurance risks is shared with the insured parties.

Insurance risk of life insurance contracts is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resulting insurance risk is subject to policyholders' behaviour and decisions.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

Gross and net premiums written to certain extent represent the risk of the Group before and after reinsurance and the information is presented in note 5 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(2) Insurance risk concentration

Non-life claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC (including Hong Kong SAR).

The Group's concentration of non-life insurance risk before and after reinsurance, measured by geographical turnover and net written premiums of non-life insurance, is as follows:

	2021		2020	
	Gross	Net	Gross	Net
Coastal and developed provinces/cities (including Hong Kong SAR)	199,246	181,374	188,562	171,696
North-eastern China	26,418	23,516	26,295	22,842
Northern China	58,974	52,003	59,431	55,127
Central China	75,373	70,121	70,627	65,913
Western China	92,217	83,754	90,245	81,677
Total premiums written from non-life insurance contracts	452,228	410,768	435,160	397,255

For life and health insurance contracts, their insurance risks usually do not vary significantly in relation to the geographical locations of the insured and therefore geographical concentration by locations is not presented.

The concentration of insurance risk for life and health insurance contracts is reflected by the major lines of business. Prior to August 2013, traditional long-term life insurance products sold by the Group was priced at a valuation interest rate of 2.5% per annum. Subsequently, this pricing assumption was relaxed for traditional products in 2013 and then for participating products in 2015. Among the gross long-term liabilities of RMB420,722 million as at 31 December 2021 (31 December 2020: RMB348,652 million), RMB193,035 million (31 December 2020: RMB154,525 million) was reserved for products priced/guaranteed at 2.5%, while RMB56,519 million (31 December 2020: RMB59,537 million) was reserved for products priced/guaranteed at 4.025%. If the actual investment returns generated by premiums of long term life insurance products were less than those assumed in the pricing, the Group may incur losses on these insurance contracts.

Participating insurance products are very common in the PRC insurance market. Long term life insurance liabilities in relation to participating insurance products were RMB228,383 million as at 31 December 2021 (31 December 2020: RMB179,214 million), which constitutes around 54% (31 December 2020: 51%) of the total long term life insurance liabilities of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(3) Reinsurance

The Group limits its exposure to losses within non-life and short-term health insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis or the surplus line basis with retention limits varying by product lines. There are profit commission, sliding, scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's non-life premiums ceded to the top three reinsurance companies amounted to RMB19,184 million in total (2020: RMB14,708 million) and thus a credit exposure exists with respect to the businesses ceded, to the extent that these reinsurers are unable to meet their obligations assumed under such reinsurance agreements.

The claim reserves were projected with the loss triangle data on gross and net of the reinsurance basis and actuarial valuation methodologies. The reinsurances' share of claim reserves equal to gross minus net claim reserves, which is the amount expected to be reimbursed from reinsurers.

(4) Key assumptions and sensitivity analysis

Long-term life insurance contracts

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the pre-tax impact on profit and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reasons for the asymmetry of sensitivities. The impacts to future dividend distributions to policyholders are considered in determining the impact of changes in individual assumptions.

Long-term life and health insurance contracts held by PICC Life:

	Change in assumptions	Pre-tax impact on profit and equity	
		2021	2020
Discount rate	+50bps	**18,359**	16,034
Discount rate	-50bps	**(22,204)**	(19,407)
Mortality/morbidity	+10%	**(4,777)**	(4,047)
Mortality/morbidity	-10%	**4,958**	4,201
Lapse and surrenders rate	+25%	**2,033**	1,981
Lapse and surrenders rate	-25%	**(2,299)**	(2,170)
Expenses	+10%	**(884)**	(763)
Expenses	-10%	**883**	762

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43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Long-term life insurance contracts (continued)

Sensitivity analysis (continued)

Long-term life and health insurance contracts held by PICC Health:

	Change in assumptions	Pre-tax impact on profit and equity	
		2021	2020
Discount rate	+25bps	**600**	655
Discount rate	-25bps	**(629)**	(702)
Mortality/morbidity	+10%	**(5,157)**	(4,613)
Mortality/morbidity	-10%	**4,844**	3,798
Lapse and surrenders rate	+10%	**473**	493
Lapse and surrenders rate	-10%	**(500)**	(535)
Expenses	+10%	**(284)**	(278)
Expenses	-10%	**283**	272

The above analyses do not take into account the mitigating effect from asset-liability management and possible actions taken by management in view of these changes. Any change in discount rate is assumed to be a parallel shift in yield curve.

When the sensitivity analysis was performed for these actuarial assumptions, reasonably possible changes in discount rates and lapse and surrender rates were determined to be 25 basis points and 10% for PICC Health, compared with 50 basis points and 25% for PICC Life. It is because the size of operations of PICC Health was smaller than that of PICC Life and the duration of liabilities was shorter for former.

Non-life insurance and short-term health insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The range of reasonable estimates of claim reserve, projected using different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

It is not possible to quantify the sensitivity of certain variables such as legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve is not quantifiable with certainty at the end of 2021 and 2020.

If the average cost per claim or the number of claims changes, the claim reserves will change proportionately. When the other assumptions remain unchanged, if the future average cost per claim increases by 5%, the net claim reserves of the Group will increase by approximately RMB7,959 million as at 31 December 2021 (31 December 2020: RMB7,233 million).

As the claims of life insurance are usually settled within one year, an analysis of the development of claims was not reflected in the table below.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts (continued)

Key assumptions (continued)

The following analysis shows the development of non-life claims over a period of time on a gross basis:

	Accident year – gross					
	Year ended 31 December					
	2017	2018	2019	2020	2021	Total
Estimated cumulative claims:						
At the end of current year	211,625	236,506	271,509	281,822	316,354	
One year later	213,191	238,602	273,949	278,964		
Two years later	209,399	238,703	269,736			
Three years later	208,468	235,185				
Four years later	204,852					
Estimated cumulative claims	204,852	235,185	269,736	278,964	316,354	1,305,091
Cumulative claims paid	(199,038)	(229,323)	(260,126)	(253,059)	(209,330)	(1,150,876)
Subtotal as at 31 December 2021						154,215
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						13,078
Claim reserves of PICC Reinsurance, gross						5,357
Non-life unpaid claim reserves, gross						172,650

The following analysis shows the development of non-life claims over a period of time on a net basis:

	Accident year – net					
	Year ended 31 December					
	2017	2018	2019	2020	2021	Total
Estimated cumulative claims:						
At the end of current year	193,909	217,295	247,761	256,770	287,729	
One year later	193,793	218,973	249,735	254,173		
Two years later	190,333	219,000	246,156			
Three years later	189,489	215,678				
Four years later	186,140					
Estimated cumulative claims	186,140	215,678	246,156	254,173	287,729	1,189,876
Cumulative claims paid	(180,927)	(210,958)	(238,724)	(232,261)	(193,272)	(1,056,142)
Subtotal as at 31 December 2021						133,734
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						13,266
Claim reserves of PICC Reinsurance, net						4,888
Non-life unpaid claim reserves, gross						151,888

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, debt investment schemes, interests receivable, other receivables, debt securities, trust schemes and insurance receivables. The Group holds a diversified portfolio of debt instruments and does not have concentration risk except for treasury bonds issued by the Chinese Government. The total amounts of Chinese Government issued debt securities was RMB183,252 million as at 31 December 2021 (31 December 2020: RMB123,476 million).

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above. The Group's management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

Credit exposure

The carrying amounts of financial assets included on the consolidated statement of financial position best represent the maximum credit risk exposure at the reporting date without taking account of any collaterals held or other credit enhancements.

Included in cash and cash equivalents are certain securities purchased under resale agreements, and the relevant collaterals are certain bonds.

Included in investments classified as loans and receivables are debt investment schemes which are guaranteed by banks or other corporates. Their carrying values are disclosed in note 23.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(1) Credit risk (continued)

Aging analysis of financial assets

	As at 31 December 2021						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	33,276	–	–	–	–	–	33,276
Debt securities	494,578	–	–	–	–	–	494,578
Insurance receivables	32,351	7,076	4,409	12,319	23,804	5,552	61,707
Reinsurance assets	40,263	–	–	–	–	–	40,263
Term deposits	94,341	–	–	–	–	–	94,341
Restricted statutory deposits	12,994	–	–	–	–	–	12,994
Investments classified as loans and receivables	145,428	–	–	–	–	677	146,105
Other financial assets	21,641	1,986	598	1,656	4,240	1,928	27,809
Total	874,872	9,062	5,007	13,975	28,044	8,157	911,073
Less: Impairment losses	(1,365)	–	–	–	–	(5,728)	(7,093)
Net	873,507	9,062	5,007	13,975	28,044	2,429	903,980

	As at 31 December 2020						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	78,209	–	–	–	–	–	78,209
Debt securities	401,766	–	–	–	–	26	401,792
Insurance receivables	37,403	3,732	2,284	3,286	9,302	9,203	55,908
Reinsurance assets	35,178	–	–	–	–	–	35,178
Term deposits	89,016	–	–	–	–	–	89,016
Restricted statutory deposits	12,994	–	–	–	–	–	12,994
Investments classified as loans and receivables	171,352	–	–	–	–	888	172,240
Other financial assets	23,656	743	401	1,272	2,416	1,761	27,833
Total	849,574	4,475	2,685	4,558	11,718	11,878	873,170
Less: Impairment losses	(808)	–	–	–	–	(5,255)	(6,063)
Net	848,766	4,475	2,685	4,558	11,718	6,623	867,107

For receivables arising from direct insurance business, the Group assesses any impairment on a collective basis according to default history of similar lines of business and aging. For financial assets other than receivables arising from direct insurance companies, the Group considers, on an individual basis, any default on amounts due, financial strength and repayment histories of the relevant counterparties when arriving at the amount of impairment.

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(1) Credit risk (continued)

Credit quality

The Group's debt securities investment mainly includes government bonds, financial bonds and corporate bonds. As at 31 December 2021, 99.98% (31 December 2020: 99.98%) of the corporate bonds held by the Group had credit rating of AA/A-2 or above. The bond's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance and updated at each reporting date.

As at 31 December 2021, 99.43% (as at 31 December 2020: 98.66%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited ("CSDCC") in the PRC. The Group believes these commercial banks and CSDCC have a high credit quality.

The credit risk associated with securities purchased under agreements to resell will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collaterals held and maturity term of no more than three months as at 31 December 2021 and 2020.

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance that permit surrender, withdrawal or other forms of early termination. As disclosed in note 23, the Group holds certain financial instruments that are classified as loans and receivables as active markets do not exist for these instruments. The Group also classified certain debt securities as held-to-maturity financial assets and is only allowed to dispose of these financial assets prior to maturities in limited situation without tainting other held-to-maturity financial assets. Therefore, the Group's ability to manage liquidity risks by disposing of these financial assets will be limited by these factors. Moreover, quoted financial assets held by the Group are mainly traded on the stock exchanges or in inter-bank markets in the Mainland China. Any significant decrease in liquidity in these markets will impair the Group's ability to manage its liquidity risk.

The Group manages the liquidity risks of its major operating subsidiaries by requiring them to perform cash flow forecasts on a quarterly basis under different scenarios and establish contingency plans for any expected shortfall of liquidity.

The Group held cash and cash equivalents which accounted for 2.42% of total assets as at 31 December 2021 (31 December 2020: 6.23%).

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(2) Liquidity risk (continued)

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

Maturity profiles of financial assets and financial liabilities

The table below summarises maturity profiles of financial assets and financial liabilities of the Group. Maturity profiles of financial assets and financial liabilities are prepared, using the contractual or expected collection or repayment dates.

All amounts are based on undiscounted cash flows.

	As at 31 December 2021						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	21,298	11,986	–	–	–	–	33,284
Debt securities	27	14,588	29,698	183,893	515,879	–	744,085
Equity securities, mutual funds and investment schemes	–	–	–	–	–	262,357	262,357
Insurance receivables, net	18,693	20,133	13,785	5,368	151	–	58,130
Term deposits	–	16,302	3,917	79,362	2,157	–	101,738
Restricted statutory deposits	–	8	2,874	11,559	–	–	14,441
Investments classified as loans and receivables	34	4,743	20,254	107,488	43,822	–	176,341
Other financial assets	4,179	9,366	10,432	1,447	574	–	25,998
Total financial assets	44,231	77,126	80,960	389,117	562,583	262,357	1,416,374
Financial liabilities:							
Securities sold under agreements to repurchase	–	77,642	–	–	–	–	77,642
Payables to reinsurers	2,908	13,213	5,695	930	21	–	22,767
Bonds payable	–	72	1,456	8,731	44,769	–	55,028
Investment contract liabilities for policyholders	1,146	1,377	3,412	9,690	29,383	3,866	48,874
Policyholder dividends payable	5,480	–	–	–	–	–	5,480
Lease liability	–	196	852	2,277	277	–	3,602
Other financial liabilities	25,616	13,217	4,629	2,714	32	–	46,208
Total financial liabilities	35,150	105,717	16,044	24,342	74,482	3,866	259,601
Net liquidity gap	9,081	(28,591)	64,917	364,775	488,101	258,491	1,156,774

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities *(continued)*

	As at 31 December 2020						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	22,505	55,729	–	–	–	–	78,234
Debt securities	–	9,432	31,685	160,888	414,699	–	616,704
Equity securities, mutual funds and investment schemes	–	–	–	–	–	192,414	192,414
Insurance receivables, net	13,638	15,371	15,090	7,967	339	–	52,405
Term deposits	–	1,044	3,432	83,096	10,401	–	97,973
Restricted statutory deposits	–	72	2,351	12,343	–	–	14,766
Investments classified as loans and receivables	888	10,682	18,910	113,901	67,930	–	212,311
Other financial assets	5,435	10,683	9,482	811	121	–	26,532
Total financial assets	42,466	103,013	80,950	379,006	493,490	192,414	1,291,339
Financial liabilities:							
Securities sold under agreements to repurchase	30	85,852	–	–	–	–	85,882
Payables to reinsurers	2,402	13,007	5,108	733	46	–	21,296
Bonds payable	–	–	1,289	10,572	66,645	–	78,506
Investment contract liabilities for policyholders	1,920	14	311	740	3,584	32,102	38,671
Policyholder dividends payable	4,225	–	–	–	–	–	4,225
Lease liability	–	277	724	1,680	205	–	2,886
Other financial liabilities	14,812	21,263	3,503	2,638	619	–	42,835
Total financial liabilities	23,389	120,413	10,935	16,363	71,099	32,102	274,301
Net liquidity gap	19,077	(17,400)	70,015	362,643	422,391	160,312	1,017,038

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(2) Liquidity risk (continued)

Maturity profiles of reinsurance assets and insurance liabilities

For reinsurance assets and insurance liabilities, the liquidity analysis presented below is prepared on the basis of expected timing of settlements of claims or benefits. These expected timing is made on various assumptions, including settlement speed of non-life claims, surrenders of certain life insurance policies, and longevity of retired former employees. Therefore, actual timing may deviate from the analysis presented below.

The table below summarises maturity profiles of reinsurance assets and insurance liabilities of the Group.

All amounts are based on undiscounted cash flows.

	As at 31 December 2021				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	6,309	18,357	15,965	4,132	44,763
Insurance contract liabilities	65,244	221,789	177,103	868,443	1,332,579

	As at 31 December 2020				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	4,335	15,737	11,143	5,149	36,364
Insurance contract liabilities	39,266	192,504	161,543	824,198	1,217,511

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) or market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk (“VaR”), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

Foreign currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s principal operations and transactions are conducted in RMB, and is also exposed to foreign exchange risk in respect of United States Dollars (“USD”) because certain non-life insurance contracts are denominated in USD. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

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43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

The table below summarises the Group's assets and liabilities by major currency, expressed in RMB equivalent:

31 December 2021	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	29,074	1,407	2,496	299	33,276
Debt securities	490,810	–	3,740	–	494,550
Equity securities, mutual funds and investment schemes	253,567	3,591	5,199	–	262,357
Insurance receivables, net	51,824	302	5,666	338	58,130
Reinsurance assets	36,021	544	1,898	1,800	40,263
Term deposits	92,845	8	1,483	5	94,341
Restricted statutory deposits	12,994	–	–	–	12,994
Investments classified as loans and receivables	144,603	–	–	–	144,603
Other financial assets	24,899	129	778	17	25,823
Total financial assets	1,136,637	5,981	21,260	2,459	1,166,337
Securities sold under agreements to repurchase	77,598	–	–	–	77,598
Payables to reinsurers	19,348	191	3,080	148	22,767
Bonds payable	43,804	–	–	–	43,804
Insurance contract liabilities	763,026	1,304	4,782	3,986	773,098
Investment contract liabilities for policyholders	44,252	–	–	–	44,252
Policyholder dividends payable	5,480	–	–	–	5,480
Other financial liabilities	44,364	92	1,712	40	46,208
Total financial liabilities	997,872	1,587	9,574	4,174	1,013,207
Net exposure	138,765	4,394	11,686	(1,715)	153,130

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

31 December 2020	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	72,782	2,422	2,802	203	78,209
Debt securities	398,890	411	2,229	–	401,530
Equity securities, mutual funds and investment schemes	183,556	6,435	2,423	–	192,414
Insurance receivables, net	46,645	274	5,070	416	52,405
Reinsurance assets	33,021	390	1,656	111	35,178
Term deposits	87,383	27	1,606	–	89,016
Restricted statutory deposits	12,994	–	–	–	12,994
Investments classified as loans and receivables	171,307	–	–	–	171,307
Other financial assets	25,574	98	785	11	26,468
Total financial assets	1,032,152	10,057	16,571	741	1,059,521
Securities sold under agreements to repurchase	85,826	–	–	–	85,826
Payables to reinsurers	18,189	241	2,676	190	21,296
Bonds payable	56,960	–	–	–	56,960
Insurance contract liabilities	669,324	691	3,815	442	674,272
Investment contract liabilities for policyholders	38,671	–	–	–	38,671
Policyholder dividends payable	4,225	–	–	–	4,225
Other financial liabilities	40,949	57	1,563	134	42,703
Total financial liabilities	914,144	989	8,054	766	923,953
Net exposure	118,008	9,068	8,517	(25)	135,568

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	31 December 2021	
Exchange rate of foreign currencies (RMB: million)	**Pre-tax impact on profit**	**Pre-tax impact on equity**
+5%	**279**	**718**
-5%	**(279)**	**(718)**

	31 December 2020	
Exchange rate of foreign currencies (RMB: million)	Pre-tax impact on profit	Pre-tax impact on equity
+5%	303	878
-5%	(303)	(878)

The method used for deriving sensitivity information and significant variables has not changed from the previous year.

Interest rate risk

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

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

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of 10 trading days at a confidence level of 99% for bond investments measured at fair value. Delta-Normal method is used in measuring VaR.

(Amounts in millions of Renminbi, unless otherwise stated)

43. CAPITAL AND RISK MANAGEMENT *(continued)*

43.2 Risk management *(continued)*

(b) Financial risks (continued)

(3) Market risk (continued)

Interest rate risk (continued)

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2021	2020
Interest rate VaR	**1,796**	1,500

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Group holds a diversified portfolio of equity instruments and therefore does not have significant concentration risk in any particular individual instrument. However, the Group principally invests in the stock markets of Hong Kong and Mainland China and is subject to price risk arising from volatilities of these two markets.

The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and mutual fund investments measured at fair value (other than those measured at level 3 fair value) over a holding period of 10 trading days at a confidence level of 99%. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2021	2020
Equity price VaR	**7,776**	8,303

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44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and investment schemes, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, and investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	33,276	33,276	78,209	78,209
At fair value through profit or loss				
– Equity securities, mutual funds and investment schemes	17,845	17,845	11,497	11,497
– Debt securities	39,614	39,614	21,936	21,936
Available-for-sale				
– Equity securities, mutual funds and investment schemes	244,419	244,419	180,824	180,824
– Debt securities	257,590	257,590	198,395	198,395
Held-to-maturity investment				
– Debt securities	197,346	211,937	181,199	187,006
Loans and receivables				
– Insurance receivables, net	58,130	58,130	52,405	52,405
– Term deposits	94,341	94,341	89,016	89,016
– Restricted statutory deposits	12,994	12,994	12,994	12,994
– Investments classified as loans and receivables	144,603	150,022	171,307	181,812
– Other financial assets	25,823	25,823	26,468	26,468
Total financial assets	1,125,981	1,145,991	1,024,250	1,040,562
Financial liabilities				
Other financial liabilities – measured at amortised cost				
– Securities sold under agreements to repurchase	77,598	77,598	85,826	85,826
– Payables to reinsurers	22,767	22,767	21,296	21,296
– Bonds payable	43,804	44,549	56,960	58,711
– Policyholder dividends payable	5,480	5,480	4,225	4,225
– Other financial liabilities	51,550	51,550	42,703	42,703
Total financial liabilities	201,199	201,944	211,010	212,761

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(a) *Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value			
Items	**31 December 2021**	31 December 2020	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss equity securities, mutual funds and investment schemes	**8,543**	9,380	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities, mutual funds and investment schemes	**4,536**	–	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
At fair value through profit or loss equity securities, mutual funds and investment schemes	**4,766**	2,117	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
At fair value through profit or loss debt securities	**3,630**	11,193	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	**35,984**	10,743	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale debt securities	**18,520**	16,756	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	**239,070**	181,639	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale equity securities, mutual funds and investment schemes	**96,555**	126,871	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and investment schemes	**98,069**	30,616	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
Available-for-sale equity securities, mutual funds and investment schemes	**23,508**	19,592	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Available-for-sale equity securities, mutual funds and investment schemes	**26,287**	3,745	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

As at 31 December 2021, the Group transferred certain debt securities with a carrying amount of RMB10,050 million (2020: RMB17,654 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB8,290 million (2020: RMB7,432 million) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(b) Fair value of financial assets and liabilities not carried at fair value

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The levels of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

	Fair value hierarchy at 31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Held-to-maturity financial assets	**2,527**	**209,410**	**–**	**211,937**
Financial liabilities				
Bonds payable	**–**	**44,549**	**–**	**44,549**

As at 31 December 2021, investments classified as loans and receivables the Group held belong to the Level 3 category mainly. The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 and Level 3 category above have been determined using discounted cash flows model, with most significant inputs being estimated cashflow and the discount rate that reflects the risk of counterparties and the Group.

(c) Reconciliation of Level 3 fair value measurements

	2021	2020
At beginning of the year	**25,454**	23,584
Unrealised gains recognised in other comprehensive income	**3,246**	1,157
Additions	**7,527**	3,820
Transfer from Level 1 to Level 3	**26**	–
Transfer from Level 2 to Level 3	**19,572**	–
Losses recognised in profit or loss	**(204)**	(2,265)
Transfer from Level 3 to Level 2	**(1)**	–
Disposals	**(1,059)**	(842)
At end of the year	**54,561**	25,454

The transfers into or out of Level 3 fair value measurements were because of the changes of inputs in fair value measurements.

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements is presented in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2021					
	Securities sold under agreements to repurchase *(note 33)*	Bonds payable *(note 35)*	Bank borrowings *(note)*	Interests payable *(note 40)*	Lease liabilities *(note 36)*	Total
At 1 January 2021	85,826	56,960	592	1,305	2,792	147,475
Financing cash flows	(8,228)	(13,000)	45	(4,062)	(1,172)	(26,417)
Finance costs	–	(156)	–	3,993	105	3,942
New leases entered/lease modified	–	–	–	–	1,268	1,268
At 31 December 2021	77,598	43,804	637	1,236	2,993	126,268

Note: Bank borrowings were included in other liabilities and disclosed in note 40.

	2020					
	Securities sold under agreements to repurchase *(note 33)*	Bonds payable *(note 35)*	Bank borrowings *(note)*	Interests payable *(note 40)*	Lease liabilities *(note 36)*	Total
At 1 January 2020	58,263	48,780	–	1,042	3,051	111,136
Financing cash flows	27,563	8,000	592	(3,588)	(1,302)	31,265
Finance costs	–	180	–	3,851	128	4,159
New leases entered/lease modified	–	–	–	–	915	915
At 31 December 2020	85,826	56,960	592	1,305	2,792	147,475

(Amounts in millions of Renminbi, unless otherwise stated)

46. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

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

(b) Capital commitments

	31 December 2021	31 December 2020
Property and equipment commitments:		
Contracted, but not provided for	**2,697**	1,469

47. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group leases its investment properties (note 26) under operating lease arrangements, with lease terms ranging from 1 to 23 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

Undiscounted lease payments receivable on leases are as follows:

	31 December 2021	31 December 2020
Within one year, inclusive	**706**	420
In the second year, inclusive	**497**	368
In the third year, inclusive	**342**	259
In the fourth year, inclusive	**229**	158
In the fifth year, inclusive	**105**	63
After five years	**171**	64
TOTAL	**2,050**	1,332

48. RELATED PARTY DISCLOSURES

(a) A party is considered to be related to the Group if:

(1) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(2) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(b) The Company is a state-owned enterprise and its controlling shareholder is the MOF.

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(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(c) During the year, the Group had the following significant related party transactions:

Transactions with associates:	**2021**	2020
Industrial Bank		
Gross written premiums	**242**	485
Investment income	**955**	1,032
Dividend	**2,149**	2,041
Claims and policyholders' benefits	**443**	557
Handling charges and commissions	**80**	31
Hua Xia Bank		
Gross written premiums	**15**	221
Investment income	**5**	34
Dividend	**772**	638
Claims and policyholders' benefits	**185**	1,089
Other associates		
Gross written premiums	**–**	18
Investment income	**39**	78
Dividend	**504**	365
Other income	**10**	9
Claims and policyholders' benefits	**–**	12
Purchase of spare parts	**495**	470
Other operating and administrative expense	**57**	26

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

(d) Balances with related parties

Receivables from associates	**31 December 2021**	31 December 2020
Industrial Bank		
Cash and cash equivalents	**3,701**	2,066
Debt securities	**–**	999
Equity securities, mutual funds and investment schemes	**825**	746
Term deposits	**22,600**	22,029
Restricted statutory deposits	**429**	1,022
Other assets	**36**	330
Hua Xia Bank		
Cash and cash equivalents	**29**	346
Term deposits	**10**	10
Debt securities	**639**	607
Other assets	**–**	16
Other associates		
Debt securities	**1,652**	2,340
Other assets	**54**	96

Payables to associates	**31 December 2021**	31 December 2020
Other associates		
Other liabilities	**22**	10

(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(e) Compensation of key management personnel

Key management personnel of the Company include certain Directors, Supervisors and Senior Management. The summary of compensation of key management personnel for 2021 and 2020 is as follows:

	2021	2020
	(in RMB'000)	(in RMB'000)
		(Restated)
Short-term employee benefits	**13,061**	23,550
Other long-term benefits	**2,466**	2,566
Retirement benefits	**2,664**	1,976
Total compensation paid to key management personnel	**18,191**	28,092

(f) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment dominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the "government-related entities").

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

49. STRUCTURED ENTITIES

The Group invested in a variety of structured entities including asset management products sponsored by asset management companies, securities companies or insurance asset management companies, mutual funds sponsored by mutual fund management companies, trusts sponsored by trust companies and wealth management products sponsored by banks. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. In addition, the Group may be exposed to variability of returns as a result of holding interests in the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity.

(a) As at 31 December 2021, management determined that the Group has control of certain structured entities and the significant consolidated structured entities are as follows:

Name	Attributable equity interest	Paid-in capital (in RMB million)	Principal activities
PICC Money Market Funds	43.49%	5,749	Mutual funds
PICC AMC Anxin Shengshi No.29 Assets Management Product	81.41%	2,550	Asset management products
PICC AMC – Shenzhou Youche Equity Investment Schemes	100.00%	2,400	Equity investment schemes
PICC AMC – China Railway Construction Debt Investment Schemes (Phase 1)	100.00%	2,300	Debt investment schemes
PICC AMC Anxin Tonggang No.1 Assets Management Product	85.85%	2,112	Asset management products

(b) Investments in unconsolidated structured entities are disclosed in respective notes of "Debt Securities", "Equity Securities, Mutual Funds and Investment Schemes" and "Investments Classified as Loans and Receivables". The corresponding investment income is recorded in profit or loss as changes in fair values, realised gains/losses, dividend or interest income, and impairment losses. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. Assets management income earned by the asset management segment is disclosed in note 7 to these consolidated financial statements.

The Group does not control any of these structured entities and therefore does not consolidate these structured entities. The following table shows the Groups' interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur. The Group does not provide any financial support for these unconsolidated structured entities:

	31 December 2021		
	Funding provided by the Group and carrying amount of the investment	The Group's maximum exposure	Interest held by the Group
Products managed by the Group *(note 1)*	84,302	84,302	Investment income and management fee
Products managed by third parties *(note 2)*	227,354	227,354	Investment income
Total	311,656	311,656	

(Amounts in millions of Renminbi, unless otherwise stated)

49. STRUCTURED ENTITIES *(continued)*

	31 December 2020		
	Funding provided by the Group and carrying amount of the investment	The Group's maximum exposure	Interest held by the Group
Products managed by the Group *(note 1)*	100,481	100,481	Investment income and management fee
Products managed by third parties *(note 2)*	199,506	199,506	Investment income
Total	299,987	299,987	

Note 1: As at 31 December 2021, the size of unconsolidated structured entities that the Group sponsored was RMB376,080 million (31 December 2020: RMB358,113 million). As at 31 December 2021, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB226,937 million (as at 31 December 2020: RMB158,367 million), which were mainly funds, asset management products and pension products, etc., sponsored by the Group to generate management service fee income. In 2021, the management service fee from these structured entities was RMB740 million (2020: RMB1,394 million), which was recorded as other income.

Note 2: The structured entities are sponsored by third party financial institutions and the information related to the size of these structured entities were not publicly available.

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to Amendments to IFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from IFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As permitted by Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for associates and joint ventures such as Industrial Bank and Hua Xia Bank.

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

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2021 and 2020 and fair value changes for the year ended 31 December 2021 and 2020:

	Fair value as at 31 December 2021 RMB million	**Fair value changes for the year ended 31 December 2021 RMB million**	Fair value as at 31 December 2020 RMB million	Fair value changes for the year ended 31 December 2020 RMB million
Held for trading financial assets *(A)*	**52,700**	**201**	31,236	361
Financial assets that are managed and whose performance are evaluated on a fair value basis *(B)*	**4,759**	**578**	2,197	37
Financial assets other than A and B				
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") *(C)*	**568,431**	**13,041**	418,147	(1,044)
– Financial assets with contractual terms that do not meet SPPI terms *(D)*	**295,630**	**(6,657)**	329,983	21,993
Total	**921,520**	**7,163**	781,563	21,347

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair values. Accordingly, they have not been included in the table above.

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount as at 31 December 2021 *(Note 1)*	Carrying amount as at 31 December 2020 *(Note 1)*
AAA	**427,517**	267,478
AA+	**208**	2,043
AA	**10**	1,328
AA-	**–**	300
A-	**16**	–
A-1	**268**	100
A or below	**30**	200
Not rated*	**120,904**	132,351
TOTAL	**548,953**	403,800

* Included in the not rated category, there is an aggregate carrying amount of RMB118,602 million (31 December 2020 RMB131,357 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB2,302 million (31 December 2020: RMB994 million) without any credit rating do not have low credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure (continued)

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 31 December 2021 *(Note 1)*	Carrying amount as at 31 December 2020 *(Note 1)*
Aaa	**63**	182
Aa (include Aa1, Aa2 and Aa3)	**228**	50
A (include A1, A2 and A3)	**2,072**	655
Baa (include Baa1, Baa2 and Baa3)	**580**	266
Not rated	**563**	80
TOTAL	**3,506**	1,233

	Carrying amount		Fair value	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) *(Note 2)*	**3,397**	5,045	**2,755**	5,345

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

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(Amounts in millions of Renminbi, unless otherwise stated)

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Company	**31 December 2021**	31 December 2020
ASSETS		
Cash and bank balances	**777**	489
Financial assets at fair value through profit or loss	**391**	740
Financial assets purchased under resale agreements	**183**	280
Term deposits	**4,466**	4,462
Available-for-sale financial assets	**16,135**	12,126
Investments classified as loans and receivables	**6,904**	7,248
Long-term equity investment	**90,404**	91,042
Investment properties	**2,514**	2,542
Fixed assets	**2,787**	2,790
Intangible asset	**92**	85
Other assets	**454**	284
TOTAL ASSETS	**125,107**	122,088
LIABILITIES AND EQUTIY		
LIABILITIES		
Securities sold under agreements to repurchase	**773**	30
Salaries and staff welfare payables	**3,715**	3,593
Tax payable	**1**	12
Bonds payable	**17,992**	17,987
Other liabilities	**1,009**	1,031
TOTAL LIABILITIES	**23,490**	22,653
EQUITY		
Issued capital	**44,224**	44,224
Capital reserves	**35,578**	35,578
Other comprehensive income	**473**	908
Surplus reserves	**14,187**	13,319
Retained profits	**7,155**	5,406
TOTAL EQUITY	**101,617**	99,435
TOTAL EQUITY AND LIABILITIES	**125,107**	122,088

(Amounts in millions of Renminbi, unless otherwise stated)

51. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

The movements in reserves and retained profits of the Company are set out below:

	2021					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2021	44,224	35,578	908	13,319	5,406	99,435
Amount of change this year						
Net profit	–	–	–	–	8,676	8,676
Other comprehensive income	–	–	(435)	–	–	(435)
Total comprehensive income	–	–	(435)	–	8,676	8,241
Profit Distribution						
Appropriations to surplus reserves	–	–	–	868	(868)	–
Profit distribution to shareholders	–	–	–	–	(6,059)	(6,059)
At 31 December 2021	44,224	35,578	473	14,187	7,155	101,617

	2020					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
At 1 January 2020	44,224	35,578	912	12,551	5,214	98,479
Amount of change this year						
Net profit	–	–	–	–	7,682	7,682
Other comprehensive income	–	–	(4)	–	–	(4)
Total comprehensive income	–	–	(4)	–	7,682	7,678
Profit Distribution						
Appropriations to surplus reserves	–	–	–	768	(768)	–
Profit distribution to shareholders	–	–	–	–	(6,722)	(6,722)
At 31 December 2020	44,224	35,578	908	13,319	5,406	99,435

The balance sheet and reserve movement of the Company disclosed in this note are prepared in accordance with PRC GAAP, the primary GAAP for the Company to determine the amount of retained profits available for distribution.

There is no material difference in recognition and measurement between PRC GAAP and the significant accounting policies as disclosed in Note 2.5 in preparation of the above balance sheet and reserve movement of the Company.

There is no significant difference between the consolidated financial statements prepared in accordance with IFRS and PRC GAAP by the Group in the equity as at 31 December 2021 and 31 December 2020 and no significant difference in the net profit for the respective years then ended.

52. EVENT AFTER THE REPORTING PERIOD

On 21 January 2022, the establishment of PICC Information Technology Co., Ltd. was approved by CBIRC. PICC Information Technology Co., Ltd. was established by the Company with a registered capital of RMB400 million and is fully controlled by the Company. The authorised business scope includes artificial intelligence basic software development, Internet of things technology services, software outsourcing services, artificial intelligence basic resources and technology platforms, etc.

On 22 March 2022, PICC Health, a subsidiary of the Company, announced that it proposed to issue the capital supplementary bonds of RMB3,000 million in the national inter-bank bond market.

On 25 March 2022, the Board of Directors of the Company proposed a final dividend of RMB14.7 cents per ordinary share for the year ended 31 December 2021, amounting to a total of approximately RMB6,501 million. The above proposal is subject to the approval of shareholders' general meeting of the Company.

53. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Company on 25 March 2022.

Chinese name:	中國人民保險集團股份有限公司
Abbreviation of Chinese name:	中國人保集團
English name:	THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
Abbreviation of English name:	PICC Group
Legal Representative:	Luo Xi
Secretary to the Board:	Li Zhuyong
Securities affairs representative:	Zeng Shangyou
Company secretary:	Ng Sau Mei
Shareholders' enquiries:	the Office of the Board of Directors/Board of Supervisors
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Website:	www.picc.com.cn

Designated newspapers for the Company's announcement (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Designated website for the Company's A Share announcement:
www.sse.com.cn

Place for listing of A Shares:	Shanghai Stock Exchange
Short form for A Share:	PICC
A Share stock code:	601319
Place for listing of H Shares:	The Stock Exchange of Hong Kong Limited
Short form for H Share:	PICC Group
H Share stock code:	1339

AUDITORS

International Auditor:
PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor)

Domestic Auditor:
PricewaterhouseCoopers Zhong Tian LLP

Consulting Actuary:
Ernst & Young (China) Corporate Consulting Co., Ltd.

LEGAL ADVISORS

as to Hong Kong law:
Clifford Chance

as to PRC law:
Fangda Partners

H SHARE REGISTRAR

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

Place for annual report collection:
the Office of the Board of Directors/Board of Supervisors of the Company

Designated website for the Company's H Share announcement:
www.hkexnews.hk

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