中国太平洋保险
China Pacific Insurance

# 2021
# Annual Report

（Stock Code：02601）

中國太平洋保險(集團)股份有限公司
**China Pacific Insurance (Group) Co.,Ltd.**

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

# Prelude to the 2021 Annual Report

The year 2021 marks the 30th anniversary of the founding of CPIC, a milestone in the Company's history.

In the face of greater uncertainties, we met the challenges head-on, and continued to pursue transformation and high-quality growth by focusing on key businesses and areas.

Starting a new stage of development, we stayed true to our mission and aspiration and kept a steady focus on our main business while expanding into high-quality new growth areas, so as to turn CPIC into a world-class integrated financial services group with global competitiveness at a faster pace.

# 1

Developing the "CPIC Service" brand, CPIC has been upgrading its product and service offering in 4 areas - "enhancing service capabilities, boosting efficiency via smart service, creating market-leading customer experience, and improving customer value".

In 2021, CPIC did a re-look at our services from the perspective of customers, and developed the brand image of "Responsible, Intelligent and Caring" CPIC Service:

The institution of "Service Officer" was put in place, which stretches across 4 levels of hierarchy, from the Group to key sub-branches. 800 senior managers were appointed as Service Officers to shoulder the responsibility of "integrating CPIC Service into transformation initiatives". "CPIC Home" retirement communities achieved deployment across the country, offering a full spectrum of products and services. We launched a "Wuxin" elderly care program to enrich and improve our elderly care services. "CPIC Blue", our health management program, covered more than 2,800 hospitals in 400 cities and benefited 18 million customers. The newly launched "CPIC Family Doctor", our proprietary on-line health platform, marked the solid progress we made in developing professional medical care capacities.

On 29 October 2021, the "CPIC Home" Chengdu Project and Dali Project both went operational, making the official launch of the Company's new business model of "insurance products + elderly care community + professional services".

CUI Ling and her husband, ZHANG Zhiyuan, were among the first residents of the Chengdu International Elderly Care Community. They were both military doctors before retiring and paid a lot of attention to health management and the quality of life. They have stayed there for three months, and felt comfortable and satisfied. When they want to socialize, they just go outside their house, and the whole community is just a door away. When they want some privacy, they just stay in, just the life they wanted.

"Here we don't need to worry about the trivial things and troubles in life. Our rooms get cleaned each day, and the nearby canteen serves all kinds of nutritious and healthy food. Every morning, my husband and I do some finger and body exercises together, and in the afternoon, we split up to join some interest activities organized by the community. We have all kinds of activities each day - sports meetings, birthday parties, reading clubs, social gatherings, you name it. We always have a full schedule. Living my life to the fullest, you know."

**"From our living room to the whole community, we see special designs for the elderly everywhere. The cabinets and tables have hidden armrests, which are both good-looking and easy to use; the top of the bed stand is also well designed - I don't worry about the pills falling to the ground when I take them from the top. And the small stool at the door is for changing shoes. Just the right height for us to sit comfortably."**

## ZHANG Zhiyuan and his wife CUI Ling

Residents of "CPIC Home" Chengdu International Elderly Care Community

CPIC Home service offering covers every aspect of elderly care for community residents, including community life services, medical care, entertainment and social services. We spare no efforts in providing round-the-clock services to ensure that the elderly enjoy their stay in our communities.

"CPIC Home" provides user-friendly flexible living spaces and housekeeping services at international star-rated hotel standards. Teams of professionals with housekeepers as contact points offer residents one-stop solution and assistance. In addition, each community set up a resident council to foster a culture of effective communication and interaction by implementing policies such as Accountability for First Contact Person and Chief Service Officer.

Residents were offered food of different flavours each week from a total of nearly 4,000 nutritious dishes specially designed for the elderly; our nutrition experts balanced nutrition with taste to offer them safe, nutritious and customized food choices, be it set meal or a la carte meal.

For culture and entertainment, "CPIC Home" offers abundant choices to people of different age, interest and needs. In the future, Tai Xue (CPIC Classroom) will be set up where professional online and offline high-quality courses will be introduced to interested residents.

"CPIC Home" is well positioned to provide good health service to residents. It enjoys rich medical resources - internal clinics, health management centers, rehab centers, referral centers for Grade-A local hospitals, "CPIC Family Doctor" and Internet hospitals. Under the "inside + outside, online + offline" model, it offers customers professional, trusted and accessible health services covering medical treatment, nursing, rehabilitation and health management.

As for smart service, "CPIC Home" keeps enriching application scenarios and introducing advanced facilities and equipment. We strives to build all-round intelligent elderly care communities in the 5G era, which offer convenient living, security and protection, smart home appliances and family connectivity.

The "CPIC Home" Hangzhou project and Shanghai Putuo project will be put to use in 2022. With expanding and improving elderly care services, "CPIC Home" is committed to helping the elderly enjoy a long, beautiful and health life.

## Ms. XIE

Marketing executive of a Top 500 company
34 years old, Shanghai resident
Customer of "CPIC Family Doctor"

26 April 2021 marked the unveiling of Guangci CPIC On-line Hospital, co-established by the CPIC, Ruijin Hospital and Sequoia Capital China; and on 30 September 2021, the hospital launched its first product "CPIC Family Doctor" , a proprietary on-line management platform for doctors.

As a key project of CPIC's health-related business, "CPIC Family Doctor" addresses family scenarios, offering customers across China 7*24 services including online consultation and drug delivery - one-stop solution to meet the personalized health needs of the whole family. Within a year, it acquired over one million registered users, and more than 130,000 already received our service.

The high-quality health and medical service delivered by the platform is indicative of the steady progress of CPIC's strategy for health-related business. The establishment and improvement of the health management service system will help CPIC further enhance service quality, efficiency and profitability, thus creating greater value in the future.

### Access to specialists for critical illness

Mr. JIN suffered from lumbar spine disease and needed spine surgery. He had been to many hospitals and the doctors had different views on his treatment. He failed to get an appointment with a specialist. Given the possible risks of the surgery, Mr. JIN and his family didn't know what to do. At the suggestion of a friend, Mr. JIN turned to "CPIC Family Doctor". Through online consultation, the Family Doctor and the team of orthopaedic experts first suggested he did some further testing, and then explained in detail several feasible treatment options and the pros and cons of each, and helped him get an appointment with a spine surgery specialist from a top-ranking hospital. During the post-surgery recovery period, the Family Doctor gave him round-the-clock service, answering his questions and offering guidance on how to help recovery and nutrition in-take. Thanks to the Family Doctor and rehabilitation specialists, his smooth recovery put him and his family at ease.

### Continued care for chronic diseases

In December 2021, Xi'an was put under COVID lockdown right after Mr. HAN's mother was discharged from the hospital. It meant she couldn't pay a subsequent visit to the hospital. He worried about that while struggling to get daily necessities under the lockdown. Then he received a message from "CPIC Family Doctor" telling him that it was offering Xi'an residents under lockdown unlimited free medical consultation service. He immediately contacted the platform. Knowing that his mother suffers from chronic diseases, the platform arranged a family doctor and another doctor specializing in geriatrics to serve Mr. HAN. During the lockdown, the two doctors asked him about the blood sugar of his mother every other day, and provided treatment and home care suggestions. They also gave dietary advice based on the dietary needs of the lady. Seeing that his mother's blood sugar level was well under control, Mr. HAN was full of praise and gratitude, saying "Thank you so much, CPIC Family Doctor!"

### No over-treatment for ailment

Ms. XIE's child often coughed after waking up in the morning. At first, it did not attract the attention of the family. After a few weeks, Ms. XIE was a little nervous and thought of "CPIC Family Doctor". Through video consultation, her family doctor asked about the situation of the child's mouth and throat, and considered the possibility of coughing due to the backflow of nasal secretions into the throat. She told Ms. XIE to keep the child warm. Afterwards, Ms. XIE took the child to the hospital where he was diagnosed with "postnasal drip syndrome". The family doctor patiently taught Ms. XIE how to use saline spray to clean the nasal cavity and how to do daily nursing. After a week of meticulous observation and communication, the child improved significantly. After then on, Ms. XIE often consulted "CPIC Family Doctor" on the child's growth and health and always received solutions.

**CPIC Family Doctor is always committed to offering customers professional high-quality medical services to safeguard their health.**

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In 2021, keeping an close eye on the goals of the "14th Five-Year Plan"of the country, CPIC grasped new development opportunities and achieved new breakthroughs in business deployment, with steady progress in blueprint implementation. It stepped up deployment in key sectors such as health-related business, regional integration initiatives and big data to boost new development drivers.

We joined hands with Ruijin Hospital and Sequoia Capital China to set up Guangci CPIC On-line Hospital; co-established Shanghai Shantai Healthcare and Technology Company Limited and developed Internet-based medical platforms; set up an industry fund for health-related business for diversified investments in multiple segments; and after shareholding restructuring, CPIC Health sets a new vision to "build a high-tech health insurance company" .

We are in active preparation for the establishment of Pacific Insurance Technology Co., Ltd. to boost digital transformation and empowerment; our three data centers in Shanghai and Chengdu give solid support for our core business systems, capable of dealing with data of hundreds of millions of customers within seconds; we also set up the Data and Intelligence Institute to carry out cutting-edge pre-research and incubation of application technology.

We set up a regional headquarters for CPIC P/C in Shanghai to stimulate business vitality in the region through further empowerment; continued to promote integrated business development in the Yangtze River Delta region, with substantial process in integrated urban financial services, green development, and elderly care services; carried out inclusive insurance projects such as Hu Hui Bao, a model for the whole country; launched a technology innovation center for the Greater Bay Area to support digital application in the area; and CPIC Life HK officially opened, further improving our capacity to serve the Greater Bay Area.

On the morning of 18 November 2021, Candy Yuen, the then CEO designate for CPIC Life HK, and Jin Zhaoxin, the then deputy CEO designate, rushed to the Insurance Authority of Hong Kong ( “IA”)to receive the authorization letter signed and issued by Ms. Carol Hui, Executive Director of IA. Candy immediately called up and shared the good news with her team at the office. Hearing a burst of applause at the other end of the phone, Candy and JIN were deeply touched and grateful for the team’s hard work throughout the journey.

In recent years, CPIC has been actively pursuing its strategies for the Greater Bay Area (“GBA”) and formulated a special three-year action plan to turn the area into a new quality growth engine. As a jurisdiction with the highest concentration of insurers and highest insurance density in Asia, Hong Kong enjoys a well developed and ever growing life insurance sector. The setup of CPIC Life HK is a critical part of CPIC’s strategy for the GBA, and another important move to go international and pursue robust high-quality growth following the launch of its general insurance and asset management business in Hong Kong.

During the preparatory stage of CPIC Life HK, Candy has recruited a team of talent professionals with both local experience and international horizon. This has laid the foundation for future success.

On 8 December 2021, exactly one year after obtaining CBIRC’s approval for CPIC Life to set up a subsidiary in


**Candy Yuen** (4th left)

CEO, China Pacific Life Insurance (H.K.) Company Limited

**JIN Zhaoxin** (5th left)

Deputy CEO & COO, China Pacific Life Insurance (H.K.) Company Limited

HK, CPIC and CPIC Life HK jointly held an opening ceremony simultaneously in Shanghai and Hong Kong through virtual connection, thereby officially announcing its entry into the Hong Kong market to conduct life and health insurance business.

**"We will leverage Hong Kong's strength as an international financial center and an insurance center of excellence, and create synergy within CPIC to better serve the customers in Hong Kong, and also in the GBA in future. Our vision is to 'become a life insurer delivering the best customer experience in Hong Kong'. CPIC Life HK will strive on offering products and solutions in health protection, wealth management and retirement in a professional, smart and delightful manner." Candy commented at the ceremony.**


**WANG Jian**

Head of the Preparatory Team of Wuhan R&D Center of Pacific Insurance Technology Co., Ltd.

In July 2020, CPIC announced its decision to establish Pacific Insurance Technology Co., Ltd., and in October the Company added to the plan a R&D center in Wuhan. Since then, WANG Jian had been making frequent trips to Wuhan from Shanghai.

After 14 years of experience in insurance digitalization with the Company, his new managerial role was quite a "self-transformation" for WANG, who was more impressed with CPIC's strong resolve and efforts for digital and technological transformation.

At a new stage of development, CPIC saw digital transformation as an important strategic goal, and "hard-core technology" an important growth driver for the next 30 years. Establishing CPIC Technology was the right move to serve that purpose.

Positioned as a service-oriented subsidiary, CPIC Technology will focus on technological infrastructure, shared technology platforms and shared business platforms, cost cutting and efficiency enhancement through intensive operations, and strengthening the Group's capability to develop core technologies in-house; it will develop market-oriented service models and relationships with other CPIC subsidiaries to facilitate efficient software delivery and improve the quality of technology products and services.

The Wuhan R&D Center was put in use in January 2021, positioned as the Company's R&D and delivery base for Central China. It joins the Shanghai R&D Center, Chengdu R&D Center, and Technology Innovation Center for the Greater Bay Area to make up CPIC's overall technological landscape. With a mission to "Empower insurance with technology and create value through professionalism" , WANG and his team worked hard for the preparations of the Wuhan R&D Center.

"Over the past year, we have built a team consisting of 600 professionals, undertaken all the testing work for the Group and carried out R&D of 26 systems for the Company's digital transformation and health-related business strategy, doing all that using technologies under our own control," said WANG.

**The winter was very cold in Wuhan at the end of December 2021, but WANG felt nothing but excitement, saying to himself: "All the hard work paid off and CPIC Technology will soon open in spring. That will be a new start for all the technology people of CPIC and we are the main force and vanguard of CPIC's digital transformation and empowerment."**

# 3

For insurers, sound corporate governance underpins their healthy development and embodies their competitiveness. Despite the uncertainties since 2020, the 9th Board of Directors of CPIC maintained a steady focus on developing our main business and taking decisive actions to promote transformation and innovation. Under its leadership, the Company continued to pursue long-term value growth and accelerate transformation, and achieved steady growth in business performance and overall strength.

In 2021, leveraging the diversified, professional and regional background of Board members, CPIC continued to improve its major decision making in terms of direction and foresight. CPIC Board and its Chairman, for the third time, won the "Board of the Year" award and the "Executive Director of the Year" award respectively in the "2021 Directors of the Year Awards" granted by the Hong Kong Institute of Directors; we incorporated ESG into daily management, with the Board making final decisions on ESG matters and doing ESG top-level design; continued to improve transparency to bring our corporate governance to a new level. Last year, CPIC won the Best Investor Relations Award for China Listed Companies, and received A-rating by the SSE for information disclosure for the 8th consecutive years.

On the afternoon of 24 September 2021, LAM was sitting in front of the computer, preparing to do the interview for the "2021 Directors of the Year Award" granted by the Hong Kong Institute of Directors through video links.

This annual award, launched in 2001, the first of its kind in Asia, aims to highlight the importance of corporate governance. It has become an authoritative award in this field and only been given to organizations and individuals with outstanding performance in corporate governance.

Careful preparation was made for this award by CPIC Board. Besides LAM, the Company's Chairman KONG Qingwei, executive director and president FU Fan, non-executive directors WU Junhao and LIANG Hong, and independent director JIANG Xuping also took part in the interview. During the nearly three-hour session, the directors exchanged views with the panelists on key topics of corporate governance - diversity in board composition, strategic deployment, ESG. To the directors, the opportunity to share the features and practices of CPIC corporate governance and learn from advanced international experiences was the real significance of the session.

On November 30, the awarding ceremony of the "2021 Directors of the Year Award" was held at the Hong Kong Convention and Exhibition Center. The 9th Board of Directors of the CPIC Group and the Chairman KONG Qingwei won the "Board of the Year" award and the "Executive Director of the Year" award respectively. At the event, the judging panel endorsed the achievements of CPIC, stating that "CPIC Board is highly professional, and diversified and balanced in composition. It helps building the Company's decision-making, core competitiveness and corporate culture, incorporating sustainable development into corporate operation and making high-quality ESG contributions, thus deserving this award."


**LAM Tyng Yih, Elizabeth**

Independent Non-executive Director of CPIC
Chairperson of the Audit Committee
Member of the Risk Management & Related Party Transaction Committee

LAM Tyng Yih has been an independent director of CPIC since 2019. During her 3 years as a director, she felt how seriously CPIC took corporate governance.

**"I believe good corporate governance is critical for an insurance company to achieve sustainable development. I've noticed that the practices and arrangements of CPIC's corporate governance reflect internationally accepted principles and comply with domestic regulatory requirements. It helps to drive performance growth and won recognition from various stakeholders. I hope that CPIC will become a model of corporate governance for China's listed companies."**

# 4

Responsibility has been part of our DNA ever since the establishment of CPIC. Over the past 30 years, CPIC has always kept in mind its responsibility to the country, people and society, with an ever-expanding scope of responsibility.

In 2021, taking sustainable development as the new driver and direction of social responsibility, CPIC made many positive explorations in environment, society and governance:

We strengthened ESG top-level design and signed the United Nations Principles for Sustainable Insurance (UN PSI) and UN Principles for Responsible Investment (UN PRI).

We integrated carbon peaking and neutrality requirements into insurance services, and intensified product and service innovation in energy technology innovation, low-carbon development of traditional industries, climate change response and environmental governance; provided comprehensive carbon-neutral solutions for the 4th CIIE, to build a carbon neutral industry benchmark for China's exhibition industry.

Focusing on new energy, water conservancy and environmental protection to carry out green investment, using insurance to safeguard green economic development.

The poverty-alleviation teams of CPIC P/C and CPIC P/C Inner Mongolia Branch were awarded the honorary title of "National Excellent Organization for Poverty Alleviation" for their pioneering efforts and outstanding results in fighting poverty with insurance; we rolled out the "Fang Pin Bao" program in over 1,000 counties across China and provided over RMB 22 trillion in total sum assured to help the country's rural revitalization.

We started the second phase of our ecological forest project to cover about 100 hectares in Sanjiangyuan of Qinghai Province, the origin of China's main rivers, bringing huge ecological benefits to the region.

China's improving ecological environment led to a recovery of wild animals but also caused new social problems. There were reports of wild animals trampling on crops, destroying houses, harming livestock and even people. In response to that, in 2010 CPIC launched a public liability insurance product for wildlife accidents in Yunnan, the first of its kind. Over the past 11 years, it has paid out a total of more than RMB330 million in compensation to over 150,000 farmers.

In 2021, the "broken nose family", a group of wild Asian elephants originally living in Xishuangbanna, attracted the attention of the world. They went all the way to the north on a long journey of hundreds of kilometers, eating and playing along the way. Every day, countless people watched their "reality show". Following their huge footprints, a group of "elephant chasers" from CPIC has been silently working on it for more than ten years.

The "busy season" for reaping crops is from mid-May to mid-November in Yunnan. But wild elephants often begin "harvesting" before the villagers, frequently raiding village houses and fields. This is the busiest time for YAN Yonghan.

YAN's work was made extremely difficult when Xishuangbanna ushered in a hot and rainy flood season in June 2021. Early in a morning, after a quick breakfast, he drove straight to the town of Menghan, where the elephants had just passed by, to do some surveying work. Corn, rice, bananas, and plantains are among the favorite foods of wild elephants, and every time the "elephant raid" would last for several or even 10 hours. YAN and his partners always carry out damage assessment immediately after the elephants left. Seeing the damaged crops, they felt sorry for the farmers and wanted to make a difference.

"We are the hope for the farmers whose crops were destroyed by wild elephants. Time flies and we have been doing the job for over ten years, trekking across mountains and rivers every day. It sure is hard work, but it's also very meaningful. We hope that with our efforts,

**YAN Yonghan** (left), **YANG Jiawei** (right)

Surveyors of CPIC P/C Yunnan Branch

humans and elephants can live in harmony on this piece of land," said YAN.

YANG Jiawei works in Pu'er, Yunnan Province, which is a habitat for wild Asian elephants. The famous elephant herd that roamed in Yunnan are no strangers to him. In the past two years, wild elephants accounted for about 80% of the wild animal accidents he handled. After the herd left their habitat and began their journey northward, YANG and his team followed the herd closely, carrying drones with them, walking about 40,000 steps each day. They had to be vigilant following the herd because their "elephant friends" were not always "friendly" to them.

"I remember in my early days, we once came across a herd, about sixty or seventy meters away from me. One of the elephants noticed us and made a deafening scream, and then the whole herd charged towards us, which set all of us running. We dashed one or two hundred meters to safety. Oh, man, that was a close one," recalled YANG.

In addition to observing elephants, YANG is also responsible for damage assessment and claims. In recent years, CPIC invested heavily in technology to help improve the quality and efficiency of claims service, and developed an APP through which customers can get compensation the same day they file a claim.

**Now the journey of that roaming herd has ended, but that of YAN and YANG continues. They use their footsteps to show customers the length and breadth of CPIC service and how CPIC safeguards the common home of man and animals.**

In October 2021, the first phase of 15th Meeting of the Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) was held in Kunming, Yunnan. CPIC P/C Yunnan Branch was the only insurance partner for this conference.

On 29 January 2021, CPIC Blue Foundation in Shanghai (hereinafter referred to as "CPIC Blue Foundation") held an unveiling ceremony to launch the "Guarding the Memory" charitable project at the Group headquarters.

As China's first insurer-sponsored foundation dedicated to cognitive impairment, the foundation aims to become a "leading specialist corporate foundation in China", focusing on caring for the elderly with cognitive impairment. It launched a 3-year "Guarding the Memory" project to focus on full population screening for communities and institutions, training of professional service personnel, and development of a friendly environment for people with cognitive impairment.


**CHENG Lijie**

Deputy Secretary General of CPIC Blue Foundation in Shanghai

"We have completed 50,000 primary screenings and 1,503 'secondary screening assessments'; trained 276 volunteers and did 28 training sessions in communities. We released a white paper on early screening and an electronic map of cognitive impairment, developed the country's first set of practical training materials for dementia care based on service scenarios; conducted practical training for 500 cognitive impairment service personnel in Shanghai and cooperated with a team of experts to develop the first cognitive impairment VR video in China..." said CHENG. Looking back on her hard work over the past year, she recalled more sweetness than bitterness.

On 28 September 2021, the 28th World Alzheimer's Day, the first "CPIC Blue Memory Corner Brain Health Promotion Classroom" was set up in a community in Huangpu District, Shanghai. Seeing the curious eyes of the elders and staff in the community, SHAO Lei, head of the Foundation's Volunteer Department, explained: "in our classroom, you can get screening and intervention service, as well as knowledge about cognitive impairment. Besides, we put in use the all-in-one brain health machine for the first time. And there is also a specially designed outdoor 'memory garden', which enables the elderly to complete early screening, disease prevention and intervention training in a relaxing and fun environment."

At the end of 2021, the Organizing Committee of the 11th China Public Welfare Festival sent a notice to CPIC Blue Foundation, informing it that its "CPIC Blue Guarding Memory · Ten Thousand" project for elderly with cognitive impairment won the "2021 Annual Public Welfare Project Award".

**"We all get old someday. So let us start to care for the elderly now. Let us warm the hearts of those suffering from cognitive impairment with our love and care. They may have forgotten what they did for us and what they did for the world. But we shouldn't forget them!" said CHENG.**

# Contact us

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# 2021

Annual Report

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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Cautionary Statements:

Forward-looking statements included in this report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors and other related parties are advised to be mindful of the risk, and be aware of the difference between the Company's plans or projections and its commitments.

You are advised to exercise caution.

# Important information

I. The Annual Report 2021 of the Company was considered and approved at the 15th session of the 9th Board of Directors on 25 March 2022, which 15 directors were required to attend and all of them attended in person.

II. PricewaterhouseCoopers audited the 2021 consolidated financial statements of the Company and issued the standard unqualified auditor's report.

Board of Directors
China Pacific Insurance (Group) Co., Ltd.

# Corporate information

Legal Name in Chinese:
中國太平洋保險 ( 集團 ) 股份有限公司 (" 中國太保 ")

Legal Name in English:
CHINA PACIFIC INSURANCE (GROUP) CO., LTD. ("CPIC")

Legal Representative: KONG Qingwei

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Selected Newspapers for Disclosure (A Share):
China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at:
http://www.sse.com.cn

Announcements for H Share Published at:
http://www.hkexnews.hk

Announcements for GDR Published at:
http://www.londonstockexchange.com

Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing:
The Shanghai Stock Exchange

Stock Name for A Share: 中国太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:
The Stock Exchange of Hong Kong Limited

Stock Name for H Share: 中國太保

Stock Code for H Share: 02601

H Share Registrar:
Computershare Hong Kong Investor Services Limited
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Stock Exchange for GDR Listing: London Stock Exchange

Stock Name for GDR: China Pacific Insurance (Group) Co., Ltd.

Trading symbol for GDR: CPIC

Accountant (A Share):
PricewaterhouseCoopers Zhong Tian LLP

Office of Domestic Accountant:
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Signing Certified Public Accountants:
PENG Runguo, ZHANG Jiong

Accountant (H Share):
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PENG Runguo, ZHANG Jiong

# Definitions

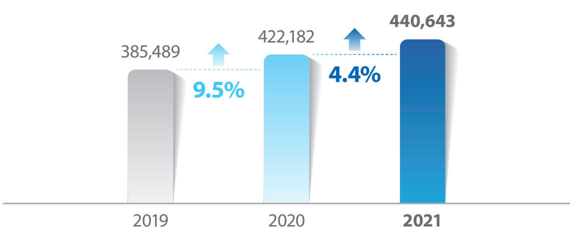
In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

| | |
|---|---|
| "The Company", "the Group", "CPIC" or "CPIC Group" | China Pacific Insurance (Group) Co., Ltd. |
| "CPIC Life" | China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC P/C" | China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC AMC" | Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC HK" | China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "Changjiang Pension" | Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC Fund" | CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC Anxin Agricultural" | China Pacific Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC Health" | Pacific Health Insurance Co., Ltd. (former CPIC Allianz Health Insurance Co., Ltd., renamed in March 2021), a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC Capital" | CPIC Capital Company Limited, a subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC Technology" | Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "C-ROSS II" | China Risk Oriented Solvency System Phase II |
| "CBIRC" | China Banking and Insurance Regulatory Commission |
| "CSRC" | China Securities Regulatory Commission |
| "SSE" | Shanghai Stock Exchange |
| "SEHK" | The Stock Exchange of Hong Kong Limited |
| "LSE" | London Stock Exchange |
| "PRC GAAP" | China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards |
| "HKFRS" | Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants |
| "Articles of Association" | The articles of association of China Pacific Insurance (Group) Co., Ltd. |
| "Hong Kong Listing Rules" | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Model Code for Securities Transactions" | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| "Corporate Governance Code" | Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "SFO" | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Substantial Shareholder" | Has the meaning given to it under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being a person who has an interest in the relevant share capital of the Company, the nominal value of which is equal to or more than 5% of the nominal value of the relevant share capital of the Company |
| "GDR" | Global depositary receipts |
| "ESG" | Environmental, Social and Governance |
| "RMB" | Renminbi |
| "pt" | Percentage point |

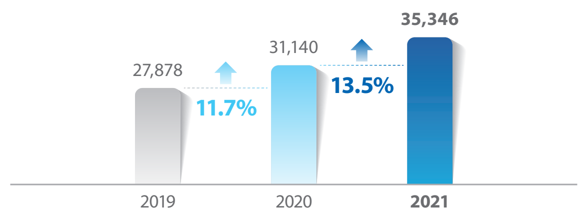
# Business overview

## Group operating results

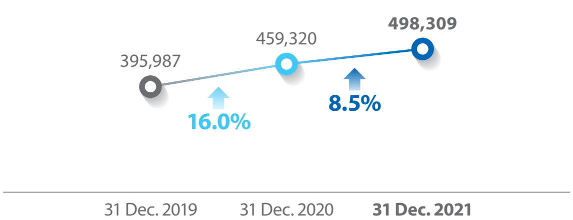
### Group operating income note 1
Unit: RMB million



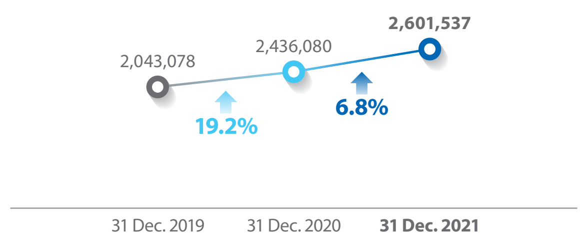

### Group OPAT notes 2,3
Unit: RMB million



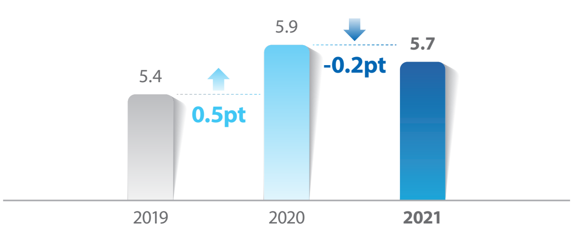

### Group EV
Unit: RMB million



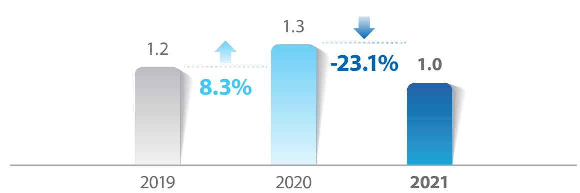

### Group AuM
Unit: RMB million



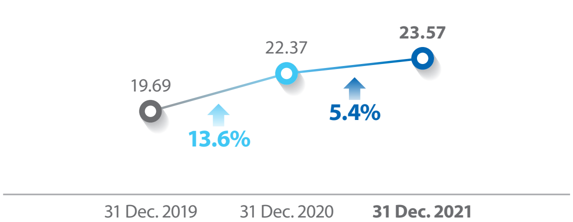

### Total investment yield
Unit: %



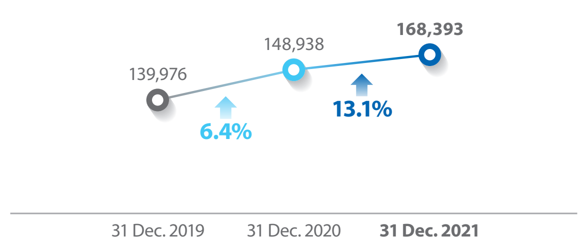

### Dividend per share note 4
Unit: RMB




### Net assets per share note 2
Unit: RMB




### Number of Group customers notes 5,6
Unit: '000




Notes:
1. Based on PRC GAAP.
2. Attributable to shareholders of the parent.
3. OPAT is based on net profit on the financial statements, while excluding certain P/L items with short-term volatility and material one-off items which management does not consider to be part of the Company's day-to-day business operation.
4. Subject to SGM approval. Dividends for 2020 included an annual dividend of RMB1.2 per share and a 30th Anniversary special dividend of RMB0.1 per share.
5. Number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.
6. Figures as of the end of 2019 and 2020 have been restated.

# Key indicators

Unit: RMB million

Group total income
436,331 +4.1%

GWPs – CPIC Life
211,685 -0.1%
GWPs – CPIC P/C
152,643 +3.3%

Group OPAT attributable to shareholders of the parent
35,346 +13.5%

Group embedded value
498,309 +8.5%

Group net profit attributable to shareholders of the parent
26,834 +9.2%

Group comprehensive solvency margin ratio
266% -22pt

CPIC Life 218%
CPIC P/C 288%

NBV of life business
13,412 -24.8%

NBV margin of life business
23.5% -15.4pt

Growth rate of Group investments' net asset value[note 1]
5.4% -2.0pt

Group total investment yield
5.7% -0.2pt

Group net investment yield
4.5% -0.2pt

Group number of customers[note 2] ('000)
168,393 +19,455

Combined ratio of P/C business[note 3]
99.1% +0.1pt

Annual cash dividend[note 4]
RMB 1.0 /share (tax included)

Notes:
1.Figures for the same period of the previous year have been restated.
2.Figures as at the end of the previous year have been restated.
3.Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.
4.Subject to SGM approval.

# Core Competitiveness

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

## Focus

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

## Prudence

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

## Innovation

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

## Responsibility

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

# Honours and awards

- CPIC Group was listed among Fortune Global 500 for the 11th consecutive year, ranking 158th, up 35 places from 2020.
- CPIC Group ranked 119th among the World's 500 Most Valuable Brands in 2021, and 5th among the World's 100 Most Valuable Insurance Brands in 2021 released by Brand Finance, with a brand value of USD15.389 billion, an increase of 9.6% from the previous year.
- CPIC Group won the "Company of the Year Award in Corporate Social Responsibility" granted by China Business News for the 12th consecutive year.
- The 9th Board of Directors of CPIC Group and Group Chairman Mr. KONG Qingwei won the "Board of the Year" award and the "Executive Director of the Year" award respectively in the "2021 Directors of the Year Awards" granted by the Hong Kong Institute of Directors.
- CPIC's project of "Issuing and listing GDRs on the London Stock Exchange" won the top award in the "Shanghai Financial Innovation Awards" granted by the Shanghai Municipal People's Government.
- CPIC P/C, CPIC Life, and CPIC Health scored the highest mark in the H1 2021 Insurance Service Quality Index released by CBIT for P/C, life, and health insurance respectively.
- CPIC P/C's "Guangxi Sugar Cane Price Index Insurance" product was named the Best Poverty Reduction Case and included in the second Global Poverty Reduction Case Series jointly released by the International Poverty Reduction Center in China, China Internet Information Center, World Bank, Asian Development Bank, Food and Agricultural Organisation of the United Nations, International Fund for Agricultural Development, and the Food and Agriculture Organization of the United Nations.
- Tai Hui Bao, a city-specific customised inclusive insurance product of CPIC Life, won the "2021 China Insurance Ark Award for Innovation" in the "2021 China Insurance Ark Awards" sponsored by the People's Daily and the Securities Times.
- CPIC AMC won the "Insurance Asset Management Company Golden Bull Award", "Insurance Asset Management Product Portfolio Golden Bull Award (Fixed Income)", and "Insurance Assets Management Product Portfolio Golden Bull Award (Equity)" in the first "China Insurance Industry Investment Golden Bull Awards" sponsored by China Securities Journal.
- For its excellent health management service, CPIC Health won the "Guardian Star" Excellent Service Case Award in the 3rd People's Good Insurance Case Awards sponsored by the People's Daily Online.
- Changjiang Pension was designated as the "2021 Outstanding Pension Insurance Company in Asia" in the "Asian Financial Competitiveness in the 21st Century Awards" organized by the 21st Century Business Herald.
- Gengdi Weishi, an insurance programme of CPIC Anxin Agricultural, won the "2021 Excellent Insurance Product Ark Award" jointly granted by the People's Daily and the Securities Times.

# Chairman’s statement

# Dear shareholders:

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

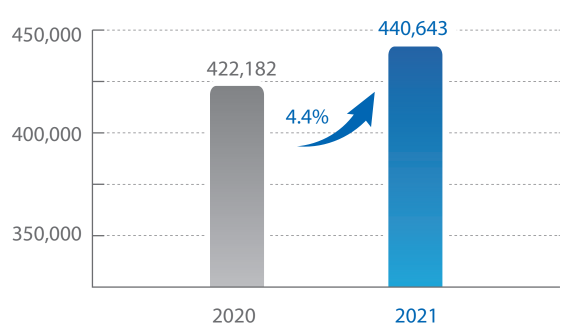
Life insurance initiated the Changhang Action Programme in an all-around way. CPIC Life took the lead in launching the reform of its agency channel in a bid to build a career-based, professional and digitalised agency force. The restructuring of sales team seeks to shift away from short-termism towards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

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

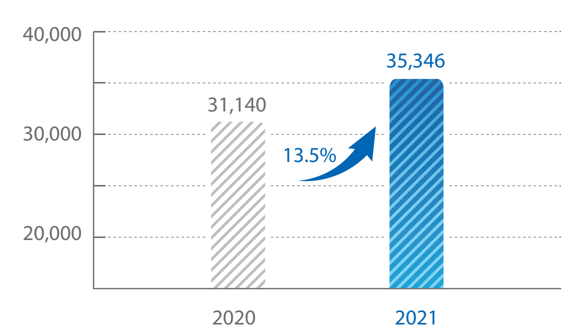
We demonstrated professionalism in asset management. Based on characteristics of insurance liabilities, we continued to optimise Strategic Asset Allocation (SAA) across macro-economic cycles, effectively controlled credit risk, seized market opportunities, and delivered solid investment results.

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

Group operating income note 1 (Unit: RMB million)

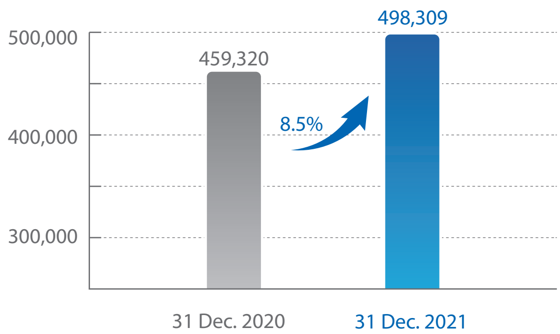



Group OPAT note 2 (Unit: RMB million)



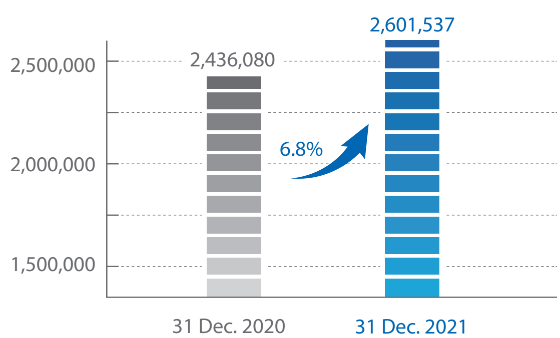
## Group EV

(Unit: RMB million)



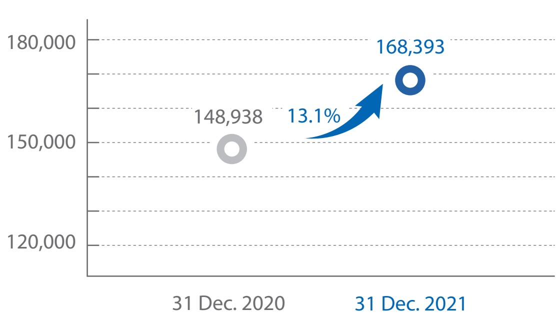

## Group AuM

(Unit: RMB million)




## Group number of customers

(Unit: '000 )




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

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

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

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

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

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

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

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

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

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

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

Notes:
1. Based on PRC GAAP.
2. Attributable to shareholders of the parent.

KONG Qingwei
Chairman of the Board of Directors
CPIC Group

# Operating results

# Operating results

# Highlights of accounting and operation data

# 1

# Key accounting data and financial indicators of the Company as at year ends

Unit: RMB million

| Key Accounting Data | 2021 | 2020 | Changes (%) | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Total income | 436,331 | 418,964 | 4.1 | 382,682 | 353,103 | 319,405 |
| Profit before tax | 30,796 | 29,238 | 5.3 | 27,966 | 28,008 | 21,102 |
| Net profit[note] | 26,834 | 24,584 | 9.2 | 27,741 | 18,019 | 14,662 |
| Net cash inflows from operating activities | 108,407 | 108,063 | 0.3 | 111,795 | 89,449 | 86,049 |
| | 31 December 2021 | 31 December 2020 | Changes (%) | 31 December 2019 | 31 December 2018 | 31 December 2017 |
| Total assets | 1,946,164 | 1,771,004 | 9.9 | 1,528,333 | 1,335,959 | 1,171,224 |
| Equity[note] | 226,741 | 215,224 | 5.4 | 178,427 | 149,576 | 137,498 |

Note: Attributable to shareholders of the parent.

Unit: RMB

| Key Accounting Indicators | 2021 | 2020 | Changes (%) | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Basic earnings per share[note 1] | 2.79 | 2.63 | 6.1 | 3.06 | 1.99 | 1.62 |
| Diluted earnings per share[note 1] | 2.79 | 2.63 | 6.1 | 3.06 | 1.99 | 1.62 |
| Weighted average return on equity (%)[note 1] | 12.2 | 12.6 | (0.4pt) | 16.9 | 12.6 | 10.9 |
| Net cash inflows per share from operating activities[note 2] | 11.27 | 11.55 | (2.4) | 12.34 | 9.87 | 9.50 |
| | 31 December 2021 | 31 December 2020 | Changes (%) | 31 December 2019 | 31 December 2018 | 31 December 2017 |
| Net assets per share[note 1] | 23.57 | 22.37 | 5.4 | 19.69 | 16.51 | 15.17 |

Notes:

1. Attributable to shareholders of the parent.
2. Calculated by the weighted average number of ordinary shares in issue.

# 2

# Other key financial and regulatory indicators

Unit: RMB million

| Indicators | 31 December 2021/ 2021 | 31 December 2020/ 2020 |
|---|---|---|
| The Group | | |
| Investment assets[note 1] | 1,812,069 | 1,648,007 |
| Investment yield (%)[note 2] | 5.7 | 5.9 |
| CPIC Life | | |
| Net premiums earned | 203,447 | 203,848 |
| Growth rate of net premiums earned (%) | (0.2) | (0.2) |
| Net policyholders' benefits and claims | 227,242 | 214,641 |
| CPIC P/C | | |
| Net premiums earned | 128,803 | 121,835 |
| Growth rate of net premiums earned (%) | 5.7 | 16.5 |
| Claims incurred | 89,642 | 74,904 |
| Unearned premium reserves | 67,328 | 63,706 |
| Claim reserves | 50,724 | 40,772 |
| Combined ratio (%)[note 3] | 99.0 | 99.0 |
| Loss ratio (%)[note 4] | 69.6 | 61.4 |

Notes:

1. Investment assets include cash and short-term time deposits, etc.
2. Total investment yield = (investment income + rental income from investment properties + share of profit/(loss) in equity accounted investees – interest expenses from securities sold under agreements to repurchase) / average investment assets, excluding foreign exchange gain or loss. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.
3. Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
4. Loss ratio is based on net premiums earned.

# 3

# The discrepancy between the financial results prepared under PRC GAAP and HKFRS

There is no difference on the equity of the Group as at 31 December 2021 and 31 December 2020 and the net profit of the Group for the years then ended as stated in accordance with PRC GAAP and HKFRS.

# Review and analysis of operating results

# 1

# Business overview

## Key businesses

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

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

In 2021, China's insurance market realised a primary premium income of RMB4.49 trillion, up by 4.0% from 2020. Of this, premiums from life/health insurance companies amounted to RMB3.12 trillion, a growth of 5.0%, and that from property and casualty insurance companies RMB1.37 trillion, up by 1.9%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

# 2

# Performance overview

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

# I. Performance highlights

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

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

> CPIC Life GWPs amounted to RMB211.685 billion, down by 0.1%. Of this, regular-pay new business from the agency channel grew by 11.6%.

> CPIC Life realised RMB13.412 billion in NBV, down by 24.8%, with an NBV margin of 23.5%, down by 15.4pt.

> OPAT of life insurance reached RMB28.265 billion, up by 9.2%; the residual margin of life insurance amounted to RMB348.272 billion, down by 0.8% from the end of 2020.

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

> The combined ratio was 99.1%, up by 0.1pt. Of this, expense ratio stood at 29.3%, down by 8.2pt, and loss ratio 69.8%, up by 8.3pt.

> GWPs amounted to RMB154.611 billion, an increase of 3.3%. Of this, non-auto business grew by 16.8% and accounted for 40.6% of total property and casualty insurance GWPs, up by 4.7pt.

> Automobile insurance enhanced customer retention to push for a shift of growth drivers. Non-auto business achieved underwriting profitability, with emerging business lines such as health, agricultural and liability insurance maintaining rapid development.

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

> The share of fixed income investments stood at 75.7%, down by 2.6pt from the end of 2020; that of equity investments 21.2%, up by 2.4pt, and of this, core equity investments[note 8] accounted for 11.1% of total investment assets, an increase of 0.9pt from the end of 2020.

> Growth rate of Group investments' net asset value[note 6] reached 5.4%, down by 2.0pt from 2020. Total investment yield was 5.7%, down by 0.2pt, with net investment yield of 4.5%, down by 0.2pt.

> Group AuM amounted to RMB2,601.537 billion, an increase of 6.8% from the end of 2020. Of this, third-party AuM amounted to RMB789.468 billion, an increase of 0.2%.

Notes:
1. Based on PRC GAAP.
2. Attributable to shareholders of the parent.
3. OPAT is based on net profit on the financial statements, while excluding certain P/L items with short-term volatility and material one-off items which management does not consider to be part of the Company's day-to-day business operation.
4. Based on the Group's share of CPIC Life's value of in-force business after solvency.
5. Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.
6. Figures for the same period of 2020 have been restated.
7. Figures as at the end of 2020 have been restated.
8. Stocks and equity funds included.

# II. Key performance indicators

Unit: RMB million

| Indicators | As at 31 December 2021/for the period between January and December in 2021 | As at 31 December 2020/for the period between January and December in 2020 | Changes (%) |
|---|---|---|---|
| Key value indicators | | | |
| Group embedded value | 498,309 | 459,320 | 8.5 |
| Value of in-force business[note 1] | 211,096 | 201,942 | 4.5 |
| Group net assets[note 2] | 226,741 | 215,224 | 5.4 |
| NBV of CPIC Life | 13,412 | 17,841 | (24.8) |
| NBV margin of CPIC Life (%) | 23.5 | 38.9 | (15.4pt) |
| Combined ratio of CPIC P/C (%) | 99.0 | 99.0 | - |
| Growth rate of Group investments' net asset value (%)[note 3] | 5.4 | 7.4 | (2.0pt) |
| Key operating indicators | | | |
| GWPs | 366,782 | 362,064 | 1.3 |
| CPIC Life | 211,685 | 211,952 | (0.1) |
| CPIC P/C | 152,643 | 147,734 | 3.3 |
| Group number of customers ('000)[notes 4,5] | 168,393 | 148,938 | 13.1 |
| Average number of insurance policies per customer [note 5] | 2.28 | 2.13 | 7.0 |
| Monthly average agent number ('000) | 525 | 749 | (29.9) |
| Surrender rate of CPIC Life (%) | 1.7 | 1.2 | 0.5pt |
| Total investment yield (%) | 5.7 | 5.9 | (0.2pt) |
| Net investment yield (%) | 4.5 | 4.7 | (0.2pt) |
| Third-party AuM | 789,468 | 788,073 | 0.2 |
| CPIC AMC | 267,120 | 253,227 | 5.5 |
| Changjiang Pension | 452,191 | 483,060 | (6.4) |
| Key financial indicators | | | |
| Net profit attributable to shareholders of the parent | 26,834 | 24,584 | 9.2 |
| CPIC Life | 18,905 | 18,642 | 1.4 |
| CPIC P/C | 6,352 | 5,209 | 21.9 |
| Basic earnings per share (RMB yuan)[note 2] | 2.79 | 2.63 | 6.1 |
| Net assets per share (RMB yuan)[note 2] | 23.57 | 22.37 | 5.4 |
| Comprehensive solvency margin ratio (%) | | | |
| CPIC Group | 266 | 288 | (22pt) |
| CPIC Life | 218 | 242 | (24pt) |
| CPIC P/C | 288 | 276 | 12pt |

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Attributable to shareholders of the parent.
3. Figures for the same period of the previous year have been restated.
4. The Group number of customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.
5. Figures as at the end of the previous year have been restated.

# 3

# Life/health insurance business

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

## I. CPIC Life

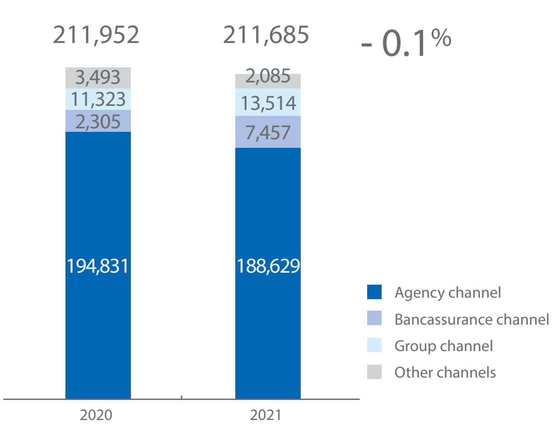
### (I) Business analysis

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

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

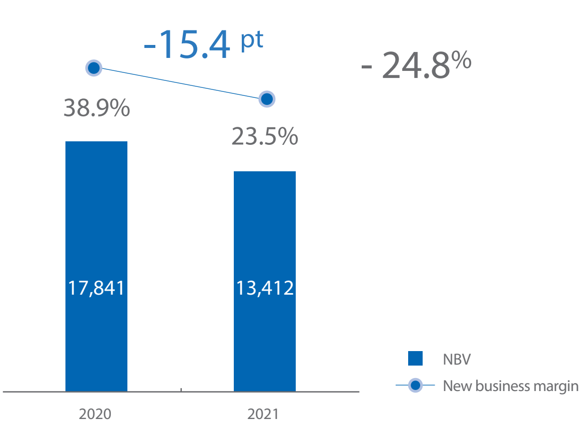
GWPs of CPIC Life

(Unit: RMB million)




NBV and new business margin of CPIC Life

(Unit: RMB million)



## 1. Analysis by channels

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

Unit: RMB million

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

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

### (1) Agency channel

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

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

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

### (2) Bancassurance channel

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

### (3) Group channel

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

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

## 2. Analysis by product types

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

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

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

Unit: RMB million

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

## Information of the top five products in 2021

For 12 months ended 31 December

Unit: RMB million

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

## 3. Policy persistency ratio

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

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

Notes:
1. 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.
2. 25-month persistency ratio: premiums from in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

## 4. Top 10 regions for GWPs

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

Unit: RMB million

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

# (II) Financial analysis

Unit: RMB million

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

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

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

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

Unit: RMB million

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

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

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

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

# II. CPIC Health

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

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

# 4

# Property and casualty insurance

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

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

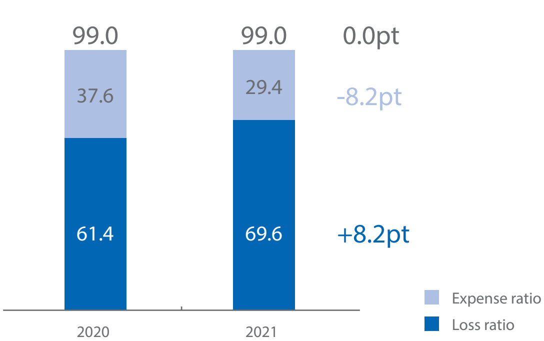
## I. CPIC P/C

### (I) Business analysis

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

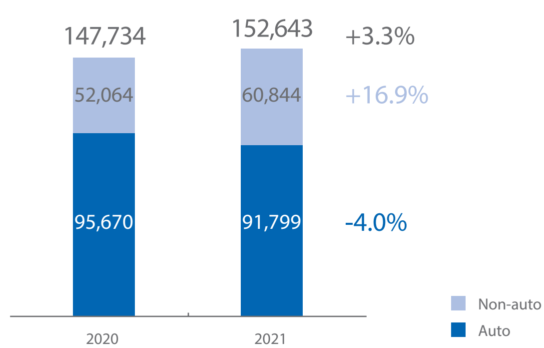
Combined ratio of CPIC P/C

(Unit: %)




GWPs of CPIC P/C

(Unit: RMB million)



## 1. Analysis by lines of business

Unit: RMB million

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

### (1) Automobile insurance

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

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

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

### (2) Non-automobile insurance

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

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

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

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

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

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

### (3) Key financials of major business lines

Unit: RMB million

| For 12 months ended 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|
| Name of insurance | GWPs | Amounts insured | Claims | Reserves | Underwriting profit | Combined ratio (%) |
| Automobile insurance | 91,799 | 58,300,724 | 61,406 | 67,144 | 1,077 | 98.7 |
| Health insurance | 12,198 | 74,008,501 | 7,251 | 6,598 | (199) | 101.9 |
| Liability insurance | 10,948 | 150,753,042 | 4,779 | 9,137 | 104 | 98.5 |
| Agricultural insurance | 10,363 | 370,703 | 7,106 | 4,004 | 28 | 99.6 |
| Guarantee insurance | 7,253 | 148,110 | 2,151 | 11,627 | 266 | 95.1 |

## 2. Top 10 regions for GWPs

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

Unit: RMB million

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

## (II) Financial analysis

Unit: RMB million

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

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

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

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

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

# II. CPIC Anxin Agricultural

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

# III. CPIC HK

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

# 5

# Asset management

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

## I. Group AuM

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

Unit: RMB million

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

## II. Group in-house investment assets

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

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

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

# (I) Group Consolidated investment portfolios

Unit: RMB million

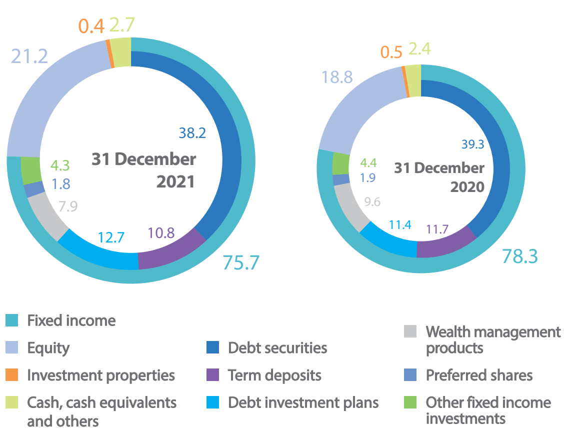
| | 31 December 2021 | Share (%) | Share change from the end of 2020 (pt) | Changes (%) |
|---|---|---|---|---|
| Group investment assets (total) | 1,812,069 | 100.0 | - | 10.0 |
| By investment category | | | | |
| Fixed income investments | 1,370,861 | 75.7 | (2.6) | 6.2 |
| - Debt securities | 691,369 | 38.2 | (1.1) | 6.6 |
| - Term deposits | 196,519 | 10.8 | (0.9) | 1.8 |
| - Debt investment plans | 230,829 | 12.7 | 1.3 | 23.1 |
| - Wealth management products[note 1] | 142,312 | 7.9 | (1.7) | (9.8) |
| - Preferred shares | 32,000 | 1.8 | (0.1) | - |
| - Other fixed income investments[note 2] | 77,832 | 4.3 | (0.1) | 8.1 |
| Equity investments | 384,506 | 21.2 | 2.4 | 23.9 |
| - Equity funds | 46,218 | 2.6 | 0.1 | 12.9 |
| - Bond funds | 23,743 | 1.3 | 0.1 | 24.1 |
| - Stocks | 154,355 | 8.5 | 0.8 | 21.3 |
| - Wealth management products[note 1] | 2,470 | 0.1 | - | 70.8 |
| - Preferred shares | 12,519 | 0.7 | (0.1) | (4.7) |
| - Other equity investments[note 3] | 145,201 | 8.0 | 1.5 | 34.1 |
| Investment properties | 7,514 | 0.4 | (0.1) | (4.5) |
| Cash, cash equivalents and others | 49,188 | 2.7 | 0.3 | 25.3 |
| By investment purpose | | | | |
| Financial assets at fair value through profit or loss[note 4] | 12,612 | 0.7 | - | - |
| Available-for-sale financial assets | 645,381 | 35.6 | (0.6) | 8.3 |
| Held-to-maturity financial assets | 396,428 | 21.9 | 1.9 | 20.4 |
| Interests in associates | 17,090 | 0.9 | - | 17.4 |
| Investment in joint ventures | 9,894 | 0.6 | - | 0.1 |
| Loans and other investments[note 5] | 730,664 | 40.3 | (1.3) | 6.6 |

Notes:

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

## Group consolidated investment portfolios

(Unit: %)



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## 1. By investment category

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

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

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB392.840 billion, accounting for 21.7% of total investment assets, rising 0.1pt from the end of 2020. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, stayed highly selective about debt issuers and projects. The underlying projects spread across sectors like infrastructure, real estate, communications & transport and non-bank financial institutions, which were geographically concentrated in China's prosperous areas such as Beijing, Sichuan, Shandong, Hubei and Jiangsu.

Overall, the credit risk of our NPFI holdings is in the comfort zone. 98.8% of NPFIs had external credit-ratings, and of these, the share of AAA reached 94.7%, and that of AA+ and above 98.8%. 55.4% of NPFIs were exempt from debt issuer external credit-ratings, with the rest secured with credit-enhancing measures such as guarantee or pledge of collateral, with the overall credit risk under control.

### Mix and distribution of yields of non-public financing instruments

| Sectors | Share of investments (%) | Nominal yield (%) | Average duration (year) | Average remaining duration (year) |
|---|---|---|---|---|
| Infrastructure | 39.6 | 5.1 | 7.6 | 5.4 |
| Real estate | 19.3 | 5.1 | 6.5 | 4.2 |
| Communications & transport | 14.5 | 5.2 | 9.1 | 6.1 |
| Non-bank financial institutions | 13.4 | 5.0 | 4.9 | 3.0 |
| Energy and manufacturing | 5.5 | 5.3 | 6.9 | 4.0 |
| Others | 7.7 | 5.3 | 8.4 | 6.1 |
| **Total** | **100.0** | **5.1** | **7.3** | **4.9** |

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

## 2. By investment purpose

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

# (II) Group consolidated investment income

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

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

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

Unit: RMB million

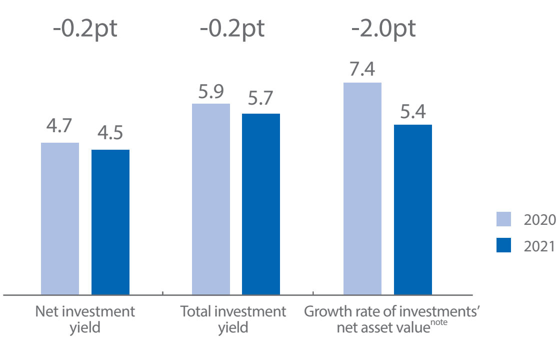
| For 12 months ended 31 December | 2021 | 2020 | Changes (%) |
|---|---|---|---|
| Interest income from fixed income investments | 63,259 | 59,624 | 6.1 |
| Dividend income from equity investments | 9,060 | 6,790 | 33.4 |
| Rental income from investment properties | 742 | 745 | (0.4) |
| **Net investment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

Notes:

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

### Group consolidated investment yields

(Unit: %)




Note: Figures for the same period of the previous year have been restated.

## (III) Total investment yield on a consolidated basis

Unit: %

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

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

# III. Third-party AuM

## (I) CPIC AMC

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

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

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

## (II) Changjiang Pension

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

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

# 6

# Customer resource management

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

## I. Individual customer

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

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

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

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

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

We continued to improve the supportive system for CPIC Service, and put in place a 4-tiered institution of "Service Officers" from Group headquarters to key sub-branches. We set up the Department of Consumer Rights Protection at the Group level, optimised the supply of services that are "by your side, throughout your life-time and in response to your needs", so as to enhance customer experience. At the same time, we sought to enhance service efficiency by way of digitalisation and smart operation. CPIC P/C established a smart operational platform for individual customers, and as of the end of the reporting period, the on-line ratio of individual automobile insurance customers reached 90.3%, up by 29.5pt; CPIC Life built the platform for smart underwriting and claims management, with the average turnaround of insurance application reduced by 12%; CPIC Health achieved full on-line operational coverage, with claims handling turnaround improving by 15.2%. A service quality rating of insurance companies for the 1st half of 2021 conducted by China Banking and Insurance Information Technology Management Co. Ltd., an independent outfit, CPIC Life and CPIC P/C ranked No.1 respectively among life/health and P/C insurance companies.

# II. Group customer

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

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

# 7

# ESG

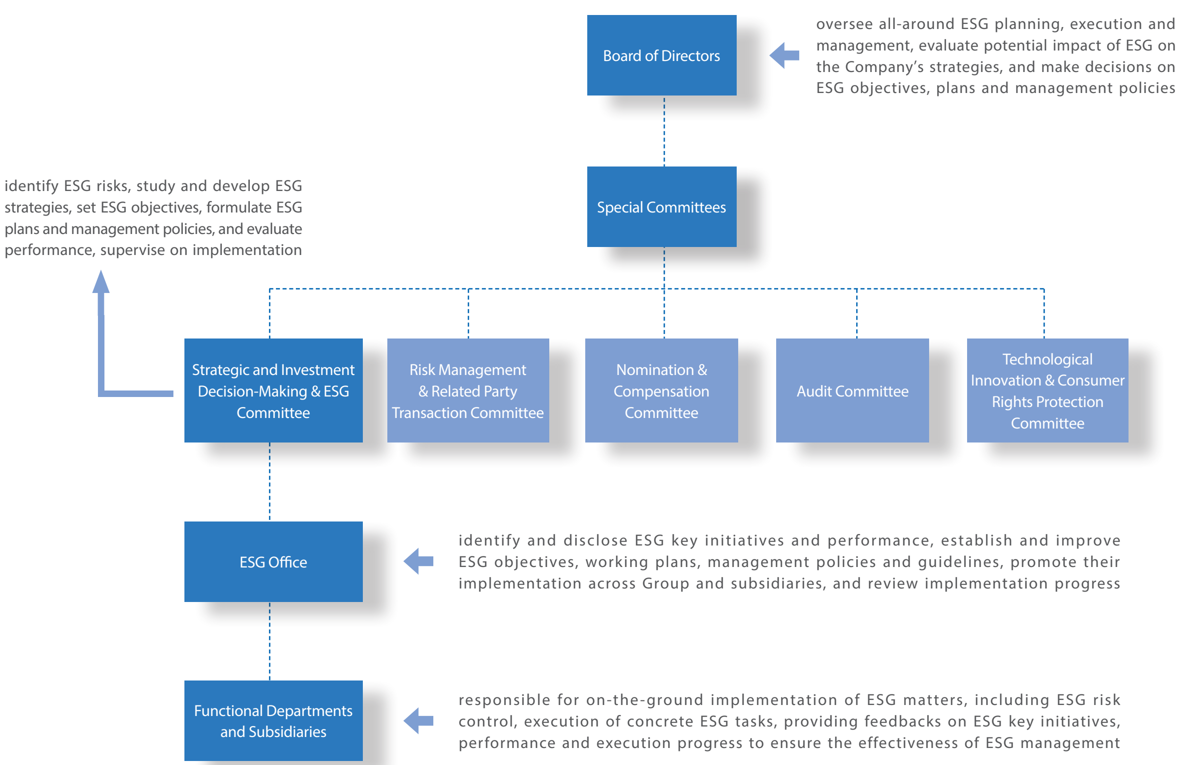
## I. ESG vision

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

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

## II. ESG governance

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



# III. ESG practice

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

## > Sustainable insurance

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

## > Responsible investment

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

## > Green operation

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

## > Supporting national initiatives

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

## > Social medical and pension insurance

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

## > Rural invigoration

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

## > Donations

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

## > Consumer rights protection

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

## > Corporate governance

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

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

## > Employee rights, benefits and development

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

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

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

## > Risk management

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

## > Anti-corruption

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

> Data security

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

> Supply chain management

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

# 8

# Analysis of specific items

## I. Key consolidated results

Unit: RMB million

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

# II. Liquidity analysis

## (I) Cash flow statement

Unit: RMB million

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

## (II) Gearing ratio

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

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

## (III) Liquidity analysis

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

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

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

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

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

# III. Items concerning fair value accounting

Unit: RMB million

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

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

# IV. Solvency

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

Unit: RMB million

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

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

# V. Sensitivity analysis

## Sensitivity analysis of price risk

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

Unit: RMB million

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

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

# VI. Insurance contract liabilities

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

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

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

Unit: RMB million

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

# VII. Investment contract liabilities

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

Unit: RMB million

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

# VIII. Reinsurance business

In 2021, premiums ceded to reinsurers are shown below:

Unit: RMB million

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

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

Unit: RMB million

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

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

Unit: RMB million

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

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

# IX. Main subsidiaries & associates and equity participation

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

Unit: RMB million

| Company | Main business scope | Registered capital | Group shareholding[note 2] | Total assets | Net assets | Net profit |
|---|---|---|---|---|---|---|
| China Pacific Property Insurance Co., Ltd. | Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC. | 19,470 | 98.5% | 207,598 | 48,929 | 6,352 |
| China Pacific Life Insurance Co., Ltd. | Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life/health insurance; agency and business relationships with domestic and overseas insurers and organisations, loss adjustment, claims and other business entrusted from overseas insurance organisations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as approved; other business as approved by CBIRC. | 8,420 | 98.3% | 1,631,054 | 101,100 | 18,905 |

| Company | Main business scope | Registered capital | Group shareholding[note 2] | Total assets | Net assets | Net profit |
|---|---|---|---|---|---|---|
| Changjiang Pension Insurance Co., Ltd.[note 3] | Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; pension insurance asset management business; advisory business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC. | 3,000 | 61.1% | 6,312 | 4,175 | 765 |
| Pacific Asset Management Co., Ltd.[note 3] | Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations. | 2,100 | 99.7% | 4,660 | 3,914 | 532 |
| Pacific Health Insurance Co., Ltd. | Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC. | 1,700 | 99.7% | 10,356 | 1,410 | 125 |
| China Pacific Anxin Agricultural Insurance Co., Ltd. | Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business. | 1,080 | 66.8% | 5,241 | 2,740 | 84 |
| CPIC Fund Management Co., Ltd.[note 4] | Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC. | 150 | 50.8% | 771 | 609 | 91 |

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to "Review and analysis of operating results" of this report, and "Scope of consolidation", "Interests in Associates", "Investment in Joint Ventures" in Notes to the Financial Statements.
2. Figures for Group shareholding include direct and indirect shareholdings.
3. As per Circular on Implementing New Accounting Standards on Financial Instruments by the Ministry of Finance and CBIRC (Caikuai [2020] No.22), Changjiang Pension and CPIC AMC began to implement new accounting standards pertaining to financial instruments as set out in Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (Caikuai [2017] No.7) and other new accounting standards on financial instruments on 1 January 2021. Figures listed in the table are based on the new accounting standards.
4. As per Circular on Implementing Chinese Enterprises Accounting Standards No.22 - Recognition and Measurement of Financial Instruments (2017) and Other Related New Accounting Standards by Fund Management Firms issued by the Accounting Department and the Department of Securities and Fund Supervision of CSRC, CPIC Fund began to implement new accounting standards pertaining to financial instruments on 1 January 2020. Figures listed in the table are based on the new accounting standards.

# X. Top five customers

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

# XI. Environmental policies, employee engagement and customer relations

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

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

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

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

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# Outlook

## I. Market environment and business plan

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

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

# II. Major risks and mitigating measures

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

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

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

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

# Embedded value

# 1

# Independent Actuarial Review Opinion on Embedded Value

To: China Pacific Insurance (Group) Company Limited

Board of Directors

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as of 31 December 2021.

This review opinion is addressed solely to CPIC Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than CPIC Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

## Scope of work

WTW's scope of work comprised:

> a review of the methodology used to develop the embedded value of CPIC Group and the value of one year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as of 31 December 2021, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;

> a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of one year's sales of CPIC Life as of 31 December 2021;

> a review of the results of CPIC Group's calculation of the value of in-force business, the value of one year's sales of CPIC Life, the results of the analysis of movement of embedded value of CPIC Group, and the sensitivity results of the value of in-force business and value of one year's sales of CPIC Life.

## Opinion

As a result of our review of the embedded value of CPIC Group as of 31 December 2021 and the value of one year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

> The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA;

> The operating assumptions have been set with appropriate regard to past, current and expected future experience;

> The economic assumptions have been set with regard to current market information.

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of one year's sales of CPIC Life as of 31 December 2021, and WTW has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of CPIC Group's 2021 annual report and that the aggregate results are reasonable in this context.

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

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

For and on behalf of WTW
Lingde Hong, FSA, CCA
February 25th, 2022

# 2

# 2021 Embedded Value Annual Report of CPIC Group

## I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 31 December 2021 in accordance with the disclosure rules set by the China Securities Regulatory Commission ("CSRC") for publicly listed insurer and the "CAA Standard of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in 2016 (thereafter referred to as "Appraisal of Embedded Value" standard) and have disclosed information relating to our group embedded value in this section. We have engaged Willis Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our 2021 annual report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of one year's sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable shareholder profits for existing business in force at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date, where distributable shareholder profits are determined based on policy liability, required capital in excess of policy liability and minimum capital requirement quantification standards prescribed by the CBIRC. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of one year's sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the risk of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate.

The embedded value and the value of one year's sales provide valuable information to investors in two aspects. First, the value of in force business of CPIC Life represents the total amount of after-tax distributable shareholder profits in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of one year's sales of CPIC Life provides an indication of the value created for investors by current new business activity and hence the potential value of the business. However, the information on embedded value and the value of one year's sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on embedded value and the value of one year's sales information.

The embedded value is an estimation of a component of an insurance company's economic value using actuarial techniques, based on a series of assumptions. As there is uncertainty in selecting assumptions, estimates of embedded value could vary materially as key assumptions are changed, and future actual experience would differ from assumed valuation assumption. Therefore, special care is advised when interpreting embedded value results.

# II. Summary of Embedded Value and Value of One Year's Sales

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

Unit: RMB million

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

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

Notes:

1: Figures may not be additive due to rounding

2: Results in column "31 December 2020" are those reported in the 2020 annual report

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

# III. Key Valuation Assumptions

In determining the embedded value as at 31 December 2021, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2021:

## (I) Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of one year's sales of CPIC Life is 11%.

## (II) Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2021 and 5.0% thereafter. The investment return for short term business is based on the recent one-year bank deposit benchmark interest rate as published by the People's Bank of China before the valuation date. These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

## (III) Mortality

Mortality assumptions have been developed based on China Life Insurance Mortality Table (2010-2013), considering CPIC Life's mortality experience analysis and expectation of future mortality trends, and varies by product.

## (IV) Morbidity

Morbidity assumptions have been developed based on China Life Insurance Morbidity Table, considering CPIC Life's morbidity experience analysis and expectation of future morbidity trends, taking into considering deterioration of morbidity rates in the long term, and varies by product.

## (V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's lapse and surrender experience analysis, and expectation of future trends, and assumptions vary by pricing interest rates, product type, policy duration and distribution channel.

## (VI) Expense

Unit cost assumptions have been developed based on the results of an analysis of CPIC Life's 2021 non-commission related expenses and future expectation. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

## (VII) Policyholder Dividend

- Group participating annuity business: 80 % of interest surplus;
- Bancassurance participating business: No less than 70% of interest and mortality surplus;
- Other participating business: 70% of interest and mortality surplus.

## (VIII) Tax

Tax has been assumed to be payable at 25% of profits. The proportion of investment income assumed to be exempt from income tax is 20% for all future years. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

In addition, the tax of the accident business is based on related tax regulation.

# IV. New Business Volumes and Value of One Year's Sales

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

Unit: RMB million

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

# V. Analysis of change in embedded value

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

Unit: RMB million

| No. | Item | Value | Comments |
|---|---|---|---|
| 1 | **Embedded Value of the life business at 31 December 2020** | **341,348** | |
| 2 | Expected Return on Embedded Value | 31,253 | Expected returns on the 2020 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2021 |
| 3 | Value of One Year's Sales | 13,412 | Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2021 |
| 4 | Investment Experience Variance | (1,535) | Reflects the difference between actual and assumed investment return in 2021 |
| 5 | Operating Experience Variance | (4,918) | Reflects the difference between actual and assumed operating experience |
| 6 | Change in methodology, assumptions and models | 3,361 | Reflects assumption and methodology changes, together with model enhancements |
| 7 | Diversification effects | 1,387 | Changes in diversification benefits on cost of required capital from new business and different business mix |
| 8 | Change in market value adjustment | 2,419 | Reflects the change in value of certain assets not valued on a market value basis |
| 9 | Shareholder Dividends | (10,104) | Shareholder dividends distributed to shareholders of CPIC Life |
| 10 | Others | 19 | |
| 11 | **Embedded Value of the life business at 31 December 2021** | **376,643** | |
| 12 | **Adjusted net worth of businesses other than CPIC Life as at 31 December 2020** | **127,820** | |

| No. | Item | Value | Comments |
|---|---|---|---|
| 13 | Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group | 16,710 | |
| 14 | Shareholder dividends | (12,506) | Dividend distributed to shareholders of CPIC Group |
| 15 | Change in market value adjustment | 57 | Reflects the change in value of assets not valued on a market value basis |
| 16 | **Adjusted net worth of businesses other than CPIC Life as at 31 December 2021** | **132,080** | Minority interests on Embedded Value as at 31 December 2021 |
| 17 | Minority interests relating to equity and market value adjustments | (10,415) | |
| 18 | **Group Embedded Value as at 31 December 2021** | **498,309** | |
| 19 | **Embedded Value as at 31 December 2021 per share (RMB)** | **51.80** | |

Note: Figures may not be additive due to rounding.

# VI. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2021 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

> Risk discount rate "+ / - 50 basis points"

> Investment return "+ / - 50 basis points"

> Mortality "+ / - 10%"

> Morbidity "+10%"

> Lapse and surrender rates "+ / - 10%"

> Expenses "+10%"

The following table shows the sensitivity results of the value of in force business and the value of one year's sales after cost of required capital held.

Unit: RMB million

| | Value of In Force Business After Cost of Required Capital Held | Value of One Year's Sales After Cost of Required Capital Held |
|---|---|---|
| **Base** | **214,763** | **13,412** |
| Risk discount rate "+50 basis points" | 207,038 | 12,874 |
| Risk discount rate "-50 basis points" | 223,120 | 13,987 |
| Investment return "+50 basis points" | 249,930 | 15,445 |
| Investment return "-50 basis points" | 179,188 | 11,371 |
| Mortality "+10%" | 213,660 | 13,326 |
| Mortality "-10%" | 215,864 | 13,497 |
| Morbidity "+10%" | 207,752 | 12,459 |
| Lapse and surrender rates "+10%" | 216,067 | 13,104 |
| Lapse and surrender rates "-10%" | 213,354 | 13,723 |
| Expenses "+10%" | 211,689 | 12,560 |

# Corporate governance

# Corporate governance

# Report of the board of directors and significant events

# 1

# Results and distributions

The net profit attributable to shareholders of the parent for the year 2021 included in the audited consolidated financial statements, prepared in accordance with the PRC GAAP, was RMB26.834 billion. The net profit for the year 2021 included in the audited financial statements of parent company, prepared in accordance with the PRC GAAP, was RMB13.579 billion. According to the Articles of Association and other applicable regulations, if the cumulative amount of statutory surplus reserves reaches 50% and above of the Company's registered capital, no net profit shall be set aside as surplus reserves for the following years. The retained profits at the end of 2021 included in the financial statements of the parent company, prepared in accordance with the PRC GAAP, were RMB41.396 billion.

Therefore, the profit distribution for 2021 is made based on the audited financial statements of the parent company. The Company intends to declare annual cash dividend of RMB1.0 per share (tax included). Based on the total share capital of 9,620,341,455 shares, the amount of dividend in aggregate will be RMB9,620,341,455. The remaining retained profits will be carried forward to 2022. No capital reserve was transferred to the share capital during the year. The proposed final dividends are expected to be paid on or around 28 June 2022 upon approval at the 2021 annual shareholders' general meeting (SGM).

As for the information necessary to enable holders of listed securities of the Company to obtain any relief from taxation, please refer to the Announcement of Audited Annual Results for the year ended 31 December 2021 published by the Company on the website of SEHK (www.hkexnews.hk).

After cash dividend distribution, there will be no significant impact on the Group's solvency ratio, and still meeting the requirements under C-ROSS II.

No capital reserve was transferred to the share capital during any of the last three years.

The above profit distribution proposal is subject to shareholders' approval at the general meeting.

Dividend distributions for the past three years are as follows:

Unit: RMB million

| Year of dividend distribution | Cash dividend (including tax)note(1) | Net profit attributable to the dividend distribution yearnote(2) | Payout ratio (%) (3) = (1)/(2) |
|---|---|---|---|
| 2021 | 9,620 | 26,834 | 35.9 |
| 2020 | 12,506 | 24,584 | 50.9 |
| 2019 | 10,874 | 27,741 | 39.2 |

Note: Total dividend per share for 2020 including annual cash dividend and the 30th Anniversary Special Dividend; attributable to shareholders of the parent.

Under the Articles of Association, the Company is committed to providing reasonable returns to its shareholders. Its profit distribution policy should be consistent and stable. The Company may make interim profit distribution, and gives first priority to cash dividend.

The Articles of Association also stipulates that the accumulated cash dividend pay-outs in the recent 3 years shall not be less than 30% of the accumulated profits of the Company during the same period except when 1) the Company's solvency adequacy ratio fails to meet CBIRC minimum requirement, 2) wars or natural catastrophes have a major impact on its business performance and financial results, 3) there are major changes in its operating environment which have a major impact on its business performance and financial results, 4) there are significant adverse developments in the Company's operation, or 5) laws, regulations and ordinances stipulate otherwise.

The Company may adjust its profit distribution policy. Any such adjustment shall be proposed as a resolution of the board of directors on the basis of prudent studies and deliberations, with the issuance of opinions by independent directors, before being submitted as a special resolution to the general meeting for approval. The board of directors and the general meeting should hear and give full consideration of the opinions of the Company's independent directors and investors, ensuring diverse channels of communication with them and readily subject themselves to their oversight on this matter.

The Company's cash dividend policy complies with the Articles of Association, contains clear and specific standards and pay-out ratios, and was formulated on the basis of proper decision-making procedures and mechanisms, considering opinions of the Company's independent directors and offering protection of the legitimate rights and interests of its minority shareholders. The conditions for and the procedures of the amendments to the Company's profits distribution policy are also transparent and compliant.

# 2

# Fulfillment of the undertakings

During the reporting period, there were no undertakings the Company was required to disclose.

# 3

# Appointment of auditors

Pursuant to the resolution of the 2020 annual general meeting, PricewaterhouseCoopers Zhong Tian LLP was engaged by the Company as the auditor of financial statements under PRC GAAP and the auditor for the internal control for 2021. PricewaterhouseCoopers was engaged by the Company as the auditor of financial statements under HKFRS of the Company for the year 2021.

The year 2021 was the 8th consecutive year when PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (collectively "PwC") served as the Company's auditors.

The financial statements prepared in accordance with PRC GAAP have been audited by Pricewaterhousecoopers Zhong Tian LLP and the certified public accountants signing the report are Mr. PENG Runguo and Mr. ZHANG Jiong.

The remuneration paid to the auditors for provision of annual financial statements auditing service and internal control auditing service for 2021 was RMB25.7549 million and RMB3.0900 million, respectively.

According to the requirement of the "Administrative Measures for State owned Financial Enterprises to Select and Appoint Accounting Firms" (《國有金融企業選聘會計師事務所管理辦法》) (Cai Jin [2020] No.6) issued by the Ministry of Finance of the PRC in relation to the service term of auditors continuously engaged by a financial institution, after the completion of audit work for the year 2021, the service term of the current external auditors of the Company had reached the prescribed time limit. In this regard, the Company conducted a bidding process for the selection of auditors for the year 2022. The 12th session of the 9th board of directors (the Board) held on 29 October 2021 considered and approved the Proposed Engagement of Auditor for the Year 2022, the Board proposed to engage Ernst&Young Hua Ming LLP as the auditor of the Company's financial statements for the year ended 31 December 2022 and the auditor for the internal control, whilst undertaking duties required of auditors in accordance with Hong Kong Listing Rules. The engagement of Ernst&Young Hua Ming LLP is subject to the approval by SGM of the Company.

# 4

## Change in accounting estimates

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

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

# 5

## Material litigations and arbitrations

During the reporting period, the Company did not engage in any material litigation or arbitration which was required to be disclosed.

# 6

## Penalties and subsequent rectification

During the reporting period, there were no penalties or subsequent rectification the Company was required to disclose.

# 7

## Fulfilment of obligations

During the reporting period, the Company had no outstanding obligations such as unfulfilled obligations under rulings by courts of laws or payment in arrears involving large amounts.

# 8

## Capital occupation

During the reporting period, there was no non-operating occupation of capital of the Company by controlling shareholders or other related parties.

# 9
## Guarantee contracts

During the reporting period, the Company did not enter into any guarantee contract that violated laws, administrative regulations or the external guarantee resolution procedures prescribed by the CSRC.

# 10
## Share option scheme

During the reporting period, the Company did not have any share option scheme, employee stock ownership plan, or other employee incentive measure which required disclosure.

# 11
## Continuing connected transactions

For details of continuing connected transactions under Hong Kong Listing Rules, please refer to the announcements of the Company dated 29 July 2016 and 12 April 2019.

To regulate the transactions conducted by the Company with Hwabao Trust Co., Ltd. (華寶信託有限責任公司) ("Hwabao Trust") and Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) ("Hwabao Fund", formerly known as Hwabao SG Fund Management Co., Ltd. (華寶興業基金管理有限公司)), on 29 July 2016, the Company entered into a framework agreement in respect of the continuing connected transactions with Hwabao Trust and Hwabao Fund (the "Original Framework Agreement"). Pursuant to the Original Framework Agreement, the Group, Hwabao Trust and Hwabao Fund have agreed to enter into transactions, including sale and purchase of bonds, pledge-style bond repurchase, subscription and redemption of funds, purchase of trust plans, sale of asset management products or collective pension products. The framework agreement shall become effective on the date of signing by all parties and shall continue to be valid until 31 December 2018. To renew transactions under the Original Framework Agreement and to regulate transactions conducted with Hwabao Trust, Hwabao Fund and Hwabao Securities Co., Ltd. (華寶證券有限責任公司) ("Hwabao Securities") (Hwabao Trust, Hwabao Fund and Hwabao Securities are collectively referred to as the "Hwabao Parties"), on 12 April 2019, the Company entered into a framework agreement on continuing connected transactions with the Hwabao Parties. Pursuant to the agreement, the Group and the Hwabao Parties have agreed to enter into transactions, including sale and purchase of bonds, pledge-style repo, subscription and redemption of securities investment funds, purchase of trust plans, sale of asset management products or collective pension products. The framework agreement shall be effective from 31 January 2019 to 31 December 2019. Upon expiration of the initial term, the framework agreement shall automatically be renewed for a term of one year, and there shall not be more than two automatic renewals.

Hwabao Securities is a subsidiary of Hwabao Investment Co., Ltd., a substantial shareholder of the Company, and therefore constitutes a connected person of the Company under Hong Kong Listing Rules. Hwabao Trust and Hwabao Fund, a subsidiary of Hwabao Trust, as well as Hwabao Investment Co., Ltd., a substantial shareholder of the Company, are all under common control of China Baowu Steel Group Corporation Limited. Pursuant to the requirements under Hong Kong Listing Rules, both of Hwabao Trust and Hwabao Fund are associates of China Baowu Steel Group Corporation Limited and therefore also connected persons of the Company under Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions under the framework agreement exceeds 0.1% but is less than 5%, such transactions under the framework agreement are only subject to the announcement, reporting and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of Hong Kong Listing Rules.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Hwabao Parties for the year ended 31 December 2021:

| | Type of transaction | Annual cap for the year ended 31 December 2021 (RMB million) | Transaction amount for the year ended 31 December 2021 (RMB million) |
|---|---|---|---|
| The Hwabao Parties | All types (aggregate amount of payment and receipt) | 24,000 | 819 |

Regarding the above non-exempt continuing connected transactions of the Group, independent non-executive Directors have reviewed the agreement and the transactions contemplated thereunder and confirmed that the transactions:

> were entered into in the ordinary and usual course of business of the Group;

> were conducted on normal commercial terms or such terms no less favorable to the Group obtained from or offered by independent third parties; and

> were conducted according to the agreement governing them on terms that were fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The auditors of the Company have reviewed the above non-exempt continuing connected transactions and issued a letter to the Board on this regard, confirming that nothing has come to their attention that caused them to believe that the continuing connected transactions:

> have not been approved by the Board;

> were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Group;

> were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

> had an annual actual transaction amount that exceeds the relevant annual cap as disclosed in previous announcements published by the Company.

The Board is responsible for the management of connected transactions, including the review on the management system for connected transactions, the review and approval of material connected transactions and the review on the annual report review, consideration and approval of connected transactions. The Risk Management and Related Party Transaction Control Committee under the Board shall be responsible for the periodic review on the annual review report of connected transactions submitted by the Risk Management Department. Independent Directors conducted review on, among others, the fairness of material connected transactions and the execution of internal review and approval procedure in order to mitigate relevant risks on connected transactions and safeguard the interest of the Company and Shareholders. The Company regularly collates the report of total transaction amount to ensure that the annual cap is not exceeded.

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2021 are set out in note 51(f) to the financial statements to this report. Several related party transactions disclosed in note 51(f) to the financial statements also constitute continuing connected transactions of the Company as disclosed above. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of Hong Kong Listing Rules.

# 12
## Material contracts

Entrusted investment management. Investment is one of the main businesses of the Company, and the Company adopts a model of entrusted investment management. At present, a diversified entrusted investment management structure has been developed which is based on the internal managers within CPIC and supplemented by external managers. The internal investment managers include CPIC AMC, Changjiang Pension and CPIC Capital; external investment managers include professional investment management agencies such as fund companies and securities firms and asset management companies. The Company selects investment managers based on the investment objectives and risk characteristics of a specific account or asset class, as well as investment manager's capabilities, and appropriately mitigates risks through the diversification and decentralization of asset types, investment strategies, and investment managers. The Company would sign an entrusted investment management agreement with the investment managers, and guide their investment behaviour through investment guidelines, dynamic tracking communication, performance evaluation and other measures, and take targeted risk management measures based on the profile of investment assets.

Save as disclosed above, during the reporting period, the Company did not have any material contracts which were required to be disclosed.

# 13
## Performance of duties by the board of directors

Details of the performance of duties by the board of directors and its special committees during the reporting period are set out in the Section "Corporate governance" of this report.

# 14
## Principal business

We are a leading comprehensive insurance group in the PRC, providing, through our subsidiaries, a broad range of life insurance, property and casualty insurance, specialised health insurance and pension products and services to individual and institutional customers throughout the country. We also manage and deploy our insurance funds as well as third party assets through our subsidiaries.

# 15

## Reserves

Details for reserves (including distributable reserves) are shown in note 39 to the financial statements.

# 16

## Property and equipment and investment properties

Details for property and equipment and investment properties are shown in notes 18 and 20 to the financial statements.

# 17

## Financial summary

Summary of financial information is shown in the Section "Highlights of accounting and operation data" of this report.

# 18

## Use of Proceeds Received from Issuance of GDRs

The GDRs issued by the Company were listed on the London Stock Exchange plc (the "Initial Offering") on 22 June 2020, and additional GDRs were issued due to the exercise of over-allotment option (the "Over-allotment") on 9 July 2020. A total of 111,668,291 GDRs were issued through the Initial Offering and Over-allotment at USD17.60 per GDR, raising a total proceeds of USD1,965,361,921.60. The differences between the beginning and ending balance of proceeds unused are mainly the proceeds used during the reporting period and the interest income generated by the raised funds. As of the end of the reporting period, the use of proceeds was as stated in the prospectus. As of the end of the reporting period, details of use of the above-said proceeds are as follows:

<table>
<tr><th>Total proceeds raised</th><th>Proceeds unused as at the beginning of the reporting period</th><th>The intended use of proceeds raised</th><th>Proceeds used during the reporting period</th><th>Proceeds unused at the end of the reporting period</th><th>Plan for use of the unused funds</th></tr>
<tr><td rowspan="3">USD 1,965,361,921.60</td><td rowspan="3">USD 1,945,356,114.87</td><td>(1) 70% or more of the net proceeds will be used for gradually developing the Group’s businesses overseas, in the form of equity investments, partnerships and alliances, and mergers and acquisitions in both developed and emerging markets, supporting core insurance business growth;</td><td>-</td><td rowspan="3">USD 1,704,570,965.27</td><td rowspan="3">(i) Approximately USD50.4 million will be used to invest in CICFH New Dynamics Investment SPC and further participate in the privatization of New Frontier Health Corporation( 新風醫療集團 )in New York Stock Exchange[note 1];<br>(ii) Approximately USD125 million will be used to subscribe the newly issued preferred A shares of New Frontier Vitality Limited ( 新風健康集團 )[note 1];<br>(iii) Less than USD150 million will be used to subscribe the fund interests of HTCP CAPITAL LPF ( 泰保新經濟有限合夥基金 )[note 2];<br>(iv) The remaining will be used in line with the Company's business development and market situation.</td></tr>
<tr><td>(2) Up to 30%, or the remainder of the net proceeds, will be used for developing an overseas investment platform to invest in innovative businesses, such as healthcare, elderly care, and technology, leveraging CPIC's offshore investment capabilities;</td><td>-</td></tr>
<tr><td>If the Company deems that the plan in any particular areas described above to be unachievable, the corresponding intended portion of the proceeds will be used to replenish its capital and for general corporate purposes.</td><td>Approximately USD 253,258,736.88 (RMB 1,615,969,000, 12.9% of the total net proceeds) was used as capital increase in CPIC health.</td></tr>
</table>

Notes:

1. In January 2022, the Company participated in the privatization of New Frontier Health Corporation ( 新風醫療集團 ) at New York Stock Exchange and subscribed the newly issued preferred A shares of New Frontier Vitality Limited ( 新風健康集團 ). Relevant payment has been made for this transaction.
2. In December 2021, the Board considered and approved the fund interest subscription of HTCP CAPITAL LPF ( 泰保新經濟有限合夥基金 ). Up to the date of this report, the Company has not signed any legally binding agreements.

# 19

# Post Balance sheet events

Post balance sheet event is shown in note 55 to the financial statements.

# 20

## Bank borrowings

The Company had no bank borrowings other than the bond issued by CPIC P/C, and securities sold under repurchase agreements of its investment business. For details of the bond issuance, please refer to note 42 of the "Financial report" section of this report.

# 21

## Charitable and other donations

During the reporting period, the Company made charitable and other donations totalling approximately RMB74.0451 million.

# 22

## Share capital and sufficient public float

The changes in the Company's share capital are shown in the Section "Changes in the share capital and shareholders' profile" of this report.

Based on the information that is publicly available and within the knowledge of the directors as at the latest practicable date prior to the printing of this report, since 12 January 2011, not less than 25% of the total issued share capital of the Company was held in public hands and not less than 15% of the H share capital of the Company was held in public hands, which is consistent with the requirements under Hong Kong Listing Rules to maintain a minimum public float.

# 23

## Management contract

During the reporting period, the Company did not enter into any management contract by which a person or entity undertakes the management and administration of the whole or any substantial part of any business of the Company.

# 24

## Directors, supervisors and senior management

Biographies of the Company's current directors, supervisors and senior management are shown in the Section "Directors, supervisors, senior management and employees" of this report.

# 25

## Directors' and supervisors' interests in competing business

So far as the Company is aware, during the reporting period, none of the Company's directors or supervisors has any interests in businesses which, directly or indirectly, compete with the Company's businesses.

# 26

## Directors' and supervisors' service contracts and remunerations

None of the Company's directors or supervisors has entered into any service contract with the Company or its subsidiaries which is not terminable within one year, or terminable only when receiving compensation other than the statutory compensation.

Details for the directors' and supervisors' remunerations are shown in the Section "Directors, supervisors, senior management and employees" of this report.

# 27

## Special committees of the board of directors

The board of directors of the Company established five special committees, namely the Strategic and Investment Decision-Making & ESG Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Related Party Transactions Control Committee, and the Technological Innovation and Consumer Rights Protection Committee. See the Section "Corporate governance" of this report for details of the special committees of the board of directors.

# 28

## Directors' and supervisors' interests in material transactions, arrangements or contracts

So far as the Company is aware, during the reporting period, the Directors and Supervisors of the Company did not have any material interest, whether directly or indirectly, in any transaction, arrangement or contract which was significant to the Company's business and which was entered into by the Company or any of its subsidiaries. None of the Directors or Supervisors of the Company has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

# 29

## Directors' and supervisors' rights to subscribe for shares or bonds

The Company did not grant to any directors, supervisors or their respective spouses or children under 18 years of age any rights to subscribe for or to acquire shares or bonds of the Company or its subsidiaries.

# 30

## Interests and short positions of directors, supervisors and senior management in shares, underlying shares or debentures

So far as the directors of the Company are aware, as at 31 December 2021, none of the directors, supervisors or senior management of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

The shareholdings of directors, supervisors and senior management in A Shares are set out in the Section "Directors, Supervisors and Senior Management" of this report.

# 31

## Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are aware, as at 31 December 2021, the following persons (excluding the directors, supervisors or senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

| Name of substantial shareholders | Capacity | Type of shares | Number of shares | Percentage of shareholdings in the class of shares issued (%)[note 1] | Percentage of the total shares issued (%)[note 1] |
|---|---|---|---|---|---|
| Schroders Plc [note 2] | Investment manager | H shares | 359,115,992 (L) | 12.94 (L) | 3.73 (L) |
| 中国人寿保险（集团）公司 [note 3] | Beneficial owner | H shares | 5,228,000 (L) | 0.19 (L) | 0.05 (L) |
| | Interest of corporation controlled by 中国人寿保险（集团）公司 | H shares | 242,560,800 (L) | 8.74 (L) | 2.52 (L) |
| 中国人寿保险股份有限公司 | Beneficial owner | H shares | 250,110,800 (L) | 9.01 (L) | 2.60 (L) |
| 上海国际集团有限公司 [note 4] | Beneficial owner | H shares | 192,068,400 (L) | 6.92 (L) | 2.00 (L) |
| | Interest of corporation controlled by 上海国际集团有限公司 | H shares | 6,428,400 (L) | 0.23 (L) | 0.07(L) |
| BlackRock, Inc. [note 5] | Interest of corporation controlled by BlackRock, Inc. | H shares | 140,002,114 (L)<br>992,200 (S) | 5.04 (L)<br>0.04 (S) | 1.46 (L)<br>0.01 (S) |

(L) denotes a long position; (S) denotes a short position; (P) denotes a lending pool

Notes:

1. As at December 31, 2021, the Company issued a total of 9,620,341,455 shares, including 6,845,041,455 A shares and 2,775,300,000 H shares.
2. Pursuant to Part XV of the SFO, as at 31 December 2021, Schroders Plc is deemed or taken to be interested in a total of 359,115,992 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Schroders Plc are set out below:

| Name of controlled subsidiary | Number of shares |
|---|---|
| Schroder Administration Limited | 359,115,992 (L) |
| Schroder International Holdings Limited | 358,755,592 (L) |
| Schroder Investment Management (Hong Kong) Limited | 165,039,618 (L) |
| Schroder Investment Management (Singapore) Ltd | 77,720,411 (L) |
| Schroder Investment Management Limited | 69,869,200 (L) |
| Schroder Investment Management Limited | 46,126,363 (L) |
| Schroder Investment Management North America Limited | 46,126,363 (L) |
| Schroder Wealth Holdings Limited | 360,400 (L) |
| Schroder & Co. Limited | 360,400 (L) |

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as at 31 December 2021, 中国人寿保险（集团）公司 is deemed or taken to be interested in a total of 247,788,800 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by 中国人寿保险（集团）公司 are set out below:

| Name of controlled subsidiary | Number of shares |
|---|---|
| 中国人寿保险股份有限公司 | 242,410,800 (L) |
| 中国人寿保险（海外）股份有限公司 | 150,000 (L) |

(L) denotes a long position

4. Pursuant to Part XV of the SFO, as at 31 December 2021, 上海国际集团有限公司 is deemed or taken to be interested in a total of 198,496,800 H shares (long position) of the Company. The details of the shareholding interests of the subsidiary directly or indirectly controlled by 上海国际集团有限公司 are set out below:

| Name of controlled subsidiary | Number of shares |
|---|---|
| 上海國際集團（香港）有限公司 | 6,428,400 (L) |

(L) denotes a long position

5. Pursuant to Part XV of the SFO, as at 31 December 2021, BlackRock, Inc. is deemed or taken to be interested in a total of 140,002,114 H shares (long position) and 992,200 H shares (short position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by BlackRock, Inc. are set out below:

| Name of controlled subsidiary | Number of shares |
|---|---|
| Trident Merger, LLC | 1,339,562 (L) |
| BlackRock Investment Management, LLC | 636,762 (L) |
| BlackRock Investment Management, LLC | 702,800 (L) |
| BlackRock Holdco 2, Inc. | 138,662,552 (L)<br>992,200 (S) |
| BlackRock Financial Management, Inc. | 136,361,386 (L)<br>795,600 (S) |
| BlackRock Financial Management, Inc. | 2,301,166 (L)<br>196,600 (S) |
| BlackRock Holdco 4, LLC | 85,188,005 (L)<br>775,800 (S) |
| BlackRock Holdco 6, LLC | 85,188,005 (L)<br>775,800 (S) |
| BlackRock Delaware Holdings Inc. | 85,188,005 (L)<br>775,800 (S) |
| BlackRock Institutional Trust Company, National Association | 28,157,005 (L)<br>775,800 (S) |
| BlackRock Fund Advisors | 57,031,000 (L) |
| BlackRock Capital Holdings, Inc. | 308,600 (L) |
| BlackRock Advisors, LLC | 308,600 (L) |
| BlackRock International Holdings, Inc. | 50,864,781 (L)<br>19,800 (S) |
| BR Jersey International Holdings L.P. | 50,864,781 (L)<br>19,800 (S) |
| BlackRock Lux Finco S.à r.l. | 8,471,538 (L) |
| BlackRock Japan Holdings GK | 8,471,538 (L) |
| BlackRock Japan Co., Ltd. | 8,471,538 (L) |
| BlackRock Holdco 3, LLC | 38,634,759 (L)<br>19,800 (S) |
| BlackRock Canada Holdings LP | 2,102,800 (L) |
| BlackRock Canada Holdings ULC | 2,102,800 (L) |
| BlackRock Asset Management Canada Limited | 2,102,800 (L) |

| Name of controlled subsidiary | Number of shares |
|---|---|
| BlackRock Australia Holdco Pty. Ltd. | 1,417,200 (L) |
| BlackRock Investment Management (Australia) Limited | 1,417,200 (L) |
| BlackRock (Singapore) Holdco Pte. Ltd. | 10,812,822 (L) |
| BlackRock HK Holdco Limited | 10,495,422 (L) |
| BlackRock Asset Management North Asia Limited | 2,023,884 (L) |
| BlackRock Cayman 1 LP | 36,531,959 (L)<br>19,800 (S) |
| BlackRock Cayman West Bay Finco Limited | 36,531,959 (L)<br>19,800 (S) |
| BlackRock Cayman West Bay IV Limitied | 36,531,959 (L)<br>19,800 (S) |
| BlackRock Group Limited | 36,531,959 (L)<br>19,800 (S) |
| BlackRock Finance Europe Limited | 17,501,993 (L) |
| BlackRock (Netherlands) B.V. | 154,600 (L) |
| BlackRock (Netherlands) B.V. | 10,081,033 (L) |
| BlackRock Advisors (UK) Limited | 343,000 (L) |
| BlackRock International Limited | 570,907 (L) |
| BlackRock Group Limited-Luxembourg Branch | 18,459,059 (L)<br>19,800 (S) |
| BlackRock Luxembourg Holdco S.à r.l. | 18,459,059 (L)<br>19,800 (S) |
| BlackRock Investment Management Ireland Holdings Limited | 18,098,859 (L) |
| BlackRock Asset Management Ireland Limited | 18,098,859 (L) |
| BLACKROCK (Luxembourg) S.A. | 347,000 (L)<br>19,800 (S) |
| BlackRock Investment Management (UK) Limited | 2,249,600 (L) |
| BlackRock Investment Management (UK) Limited | 4,673,760 (L) |
| BlackRock (Netherlands) B.V. – German Branch – Frankfurt BlackRock | 154,600 (L) |
| BlackRock Asset Management Deutschland AG | 154,600 (L) |
| BlackRock Fund Managers Limited | 2,249,600 (L) |
| BlackRock Life Limited | 570,907 (L) |
| BlackRock (Singapore) Limited | 317,400 (L) |
| BlackRock UK Holdco Limited | 13,200 (L) |
| BlackRock Asset Management Schweiz AG | 13,200 (L) |
| EG Holdings Blocker, LLC | 636,762 (L) |
| Amethyst Intermediate, LLC | 636,762 (L) |
| Aperio Holdings, LLC | 636,762 (L) |
| Aperio Holdings, LLC | 636,762 (L) |
| Aperio Group, LLC | 636,762 (L) |

(L) denotes a long position; (S) denotes a short position

Save as disclosed above, as at 31 December 2021, the directors of the Company were not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Specifics on the shareholdings by the Company's top ten shareholders are set out in the Section "Changes in the Share Capital and Shareholders' Profile" of this report.

# 32

# Purchase, redemption or sale of the Company's listed securities

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

# 33

# Pre-emptive rights

According to the relevant PRC laws and under the Articles of Association, none of the Company's shareholders have any pre-emptive rights, and the Company does not have any arrangement in respect of share options.

# 34

# Permitted indemnity provisions

During the reporting period and up to the date of this annual report, the Company has undertaken and maintained a collective liability insurance policy covering, among others, all directors of the Company.

# 35

# Business review

A fair review of the business of the Company, the principal risks and uncertainties facing the Company, particulars of important events affecting the Company and the outlook of the Company's business are provided in Sections "Chairman's statement", "Operation overview", "Review and analysis of operating results" and the relevant notes to financial statements in the Section "Financial report" of this report. In addition, more details regarding the Company's performance by reference to financial key performance indicators, compliance with relevant laws and regulations which have a significant impact on the Company, as well as relationships with major stakeholders are provided in Sections "Chairman's statement", "Operation overview", "Review and analysis of operating results", "Directors, supervisors, senior management and employees" and "Corporate governance" of this report.

# Changes in the share capital and shareholders’ profile

# 1

# Changes in share capital

The table below shows the Company's share capital as at the end of the reporting period:

Unit: share

| | Before change | | Increase or decrease (+ or -) | | | | | After change | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Percentage (%) | New shares issued | Bonus shares | Transfer from reserves | Others | Sub-total | Amount | Percentage (%) |
| 1. Shares with selling restrictions | | | | | | | | | |
| (1) State-owned shares | – | – | – | – | – | – | – | – | – |
| (2) State-owned enterprises shares | – | – | – | – | – | – | – | – | – |
| (3) Other domestic shares | – | – | – | – | – | – | – | – | – |
| held by | | | | | | | | | |
| legal entities | – | – | – | – | – | – | – | – | – |
| natural persons | – | – | – | – | – | – | – | – | – |
| (4) Foreign shares | – | – | – | – | – | – | – | – | – |
| held by | | | | | | | | | |
| legal entities | – | – | – | – | – | – | – | – | – |
| natural persons | – | – | – | – | – | – | – | – | – |
| Total | – | – | – | – | – | – | – | – | – |
| 2. Shares without selling restrictions | | | | | | | | | |
| (1) Ordinary shares denominated in RMB | 6,845,041,455 | 71.15 | - | - | - | - | - | 6,845,041,455 | 71.15 |
| (2) Domestically listed foreign shares | - | - | - | - | - | - | - | - | - |
| (3) Overseas listed foreign shares (H share) | 2,775,300,000 | 28.85 | - | - | - | - | - | 2,775,300,000 | 28.85 |
| (4) Others | - | - | - | - | - | - | - | - | - |
| Total | 9,620,341,455 | 100.00 | - | - | - | - | - | 9,620,341,455 | 100.00 |
| 3. Total number of shares | 9,620,341,455 | 100.00 | - | - | - | - | - | 9,620,341,455 | 100.00 |

# 2

# Shareholders

## (I) Number of shareholders and their shareholdings

As at the end of the reporting period, the Company had no shares with selling restrictions.

Unit: share

Total number of shareholders as at the end of the reporting period: 175,593 (including 171,402 A share holders and 4,191 H shareholders)
Total number of shareholders as at the end of Feb. 2022: 171,442 (including 167,264 A share holders and 4,178 H shareholders)

Shares held by top 10 shareholders as at the end of the reporting period

| Name of shareholders | Nature of shareholders | Percentage of the shareholding | Total number of shares held | Increase or decrease (+ or -) of shareholding during the reporting period | Number of shares held with selling restriction | Number of shares subject to pledge or lock-up period | Type of shares |
|---|---|---|---|---|---|---|---|
| HKSCC Nominees Limited | Overseas legal entity | 28.82% | 2,772,680,029 | -44,600 | - | - | H Share |
| Shenergy (Group) Co., Ltd. | Domestic legal entity | 13.79% | 1,326,776,782 | - | - | - | A Share |
| Hwabao Investment Co., Ltd. | Domestic legal entity | 13.35% | 1,284,277,846 | - | - | - | A Share |
| Shanghai State-Owned Assets Operation Co., Ltd. | Domestic legal entity | 6.07% | 584,112,339 | +93,979,256 | - | - | A Share |
| Shanghai Haiyan Investment Management Company Limited | Domestic legal entity | 4.87% | 468,828,104 | - | - | - | A Share |
| China Securities Finance Co., Ltd. | Others | 2.82% | 271,089,843 | -79 | - | - | A Share |
| HKSCC | Others | 2.06% | 197,728,541 | +54,992,054 | - | - | A Share |
| Shanghai International Group | Domestic legal entity | 1.66% | 160,000,000 | +160,000,000 | - | - | A Share |
| Citibank, National Association | Others | 1.56% | 150,040,905 | -159,823,220 | - | - | A Share |
| China Structural Reform Fund Corporation Limited | Domestic legal entity | 1.20% | 115,181,140 | +115,181,140 | - | - | A Share |
| Description of the stock repurchase accounts of the top 10 shareholders | None | | | | | | |
| Description of the aforesaid shareholders' proxy voting rights, entrusted voting rights, and waiver of voting rights | Entrusted by its parent company, China Baowu Steel Group, Hwabao Investment Co., Ltd. exercises the voting rights corresponding to 68,818,407 ordinary shares (A share) of China Baowu Steel Group. Apart from this, the Company is not aware of any other proxy voting rights, entrusted voting rights, and waiver of voting rights of the aforesaid shareholder. | | | | | | |
| Description of related relations or concerted actions among the aforesaid shareholders | HKSCC Nominees Limited and HKSCC are connected, as the former is a wholly-owned subsidiary of the latter. Shanghai State-Owned Assets Operation Co., Ltd. is a wholly-owned subsidiary of Shanghai International Group, they act in concert. As is confirmed by relevant shareholders regarding the Company's inquiry, the Company is not aware of any other connected relations or concerted actions among the above-mentioned shareholders. | | | | | | |

Notes:

1. As at the end of the reporting period, the Company did not issue any preferred shares.
2. The shareholding of the top 10 shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Hong Kong Investor Services Limited (H share) respectively. The nature of A shareholders is the same as the nature of their accounts registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch.
3. The shares held by HKSCC Nominees Limited are held on behalf of its clients. As SEHK does not require such shareholders to disclose to HKSCC Nominees Limited whether the shares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data. Pursuant to Part XV of the SFO, a Substantial Shareholder is required to give notice to SEHK and the Company on the occurrence of certain events including a change in the nature of its interest in shares such as the pledging of its shares. As at the end of the reporting period, the Company is not aware of any such notices from Substantial Shareholders under Part XV of the SFO.
4. HKSCC is the nominal holder of shares traded through Shanghai-Hong Kong Connect Programme.
5. Citibank, National Association is the depository of the Company's GDRs, and the underlying A shares of the Company represented by the GDRs have been registered under it; according to Citibank, National Association, as of the end of the reporting period, the remaining number of the GDRs is 30,008,181, which is 26.87% of the number of GDRs issued under approval by the China Securities Regulatory Commission.
6. As at the end of the reporting period, Shanghai International Group obtained 207,938,200 H shares of the Company through Shanghai-Hong Kong Stock Connect which were registered under the name of HKSCC Nominees Limited. During the reporting period, with the approval of State-owned Assets Supervision and Administration Commission of Shanghai, Shanghai Jiushi (Group) Co., Ltd. transferred 160,000,000 A shares of the Company to Shanghai International Group free of charge, and completed the transfer on 8 April 2021.

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## (II) Controlling shareholders or de facto controllers

The ownership structure of the Company is diversified. The ultimate controllers of the Company's major shareholders do not exercise control over the Company and the Company has no controlling shareholder, nor de facto controllers.

## (III) Particulars of shareholders with a shareholding percentage higher than 5%

As at the end of the reporting period, the following are the shareholders with a shareholding percentage higher than 5%:

### 1. Shenergy (Group) Co., Ltd.

Shenergy Group Co., Ltd. was established on 18 November 1996 with a registered capital of RMB20 billion. Its legal representative is HUANG Dinan. Its main businesses include investment in, development and management of electricity and energy industries, investment in natural gas resources, investment in urban gas pipeline networks, investment and management of high-tech industries, real industry investment, asset operation, and domestic trade (excluding special provisions).

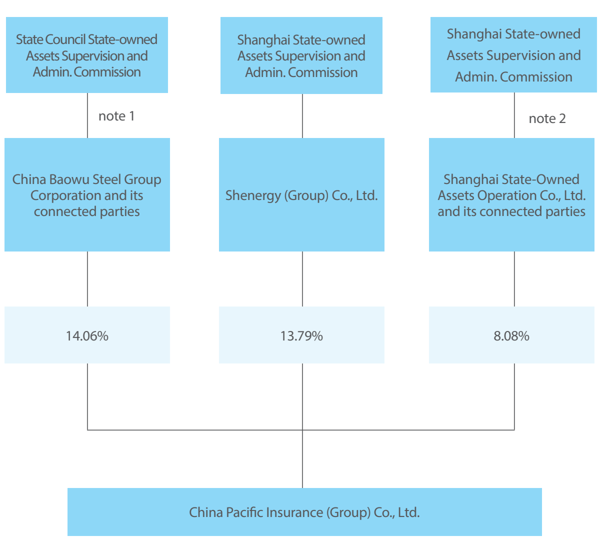
### 2. Hwabao Investment Co., Ltd.

Hwabao Investment Co., Ltd. was established on 21 November 1994 and has a registered capital of RMB9.369 billion, with HU Aimin as its legal representative. Its main businesses include investment and investment management in the metallurgy industry and relevant industries, investment consulting, business consulting service (excluding brokerage) and property title brokerage. Hwabao Investment Co., Ltd. is a wholly owned subsidiary of China Baowu Steel Group Corporation.

### 3. Shanghai State-Owned Assets Operation Co., Ltd.

Shanghai State-Owned Assets Operation Co., Ltd. was established on 24 September 1999 with a registered capital of RMB5.5 billion. Its legal representative is GUAN Wei. Its main businesses include entrepreneurial investments, capital operations, acquisition, enhancement and transfer of assets, enterprise and asset custody, debt restructuring, property title brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its scope of businesses, as well as the provision of guarantee related to its asset management and capital operation businesses.

The following chart sets forth the connection between the Company and the ultimate controllers of our substantial shareholders as at the end of the reporting period:




Notes:
1. China Baowu Steel Group Corporation and its subsidiary, Hwabao Investment Co., Ltd., hold in aggregate 1,353,096,253 A Shares in the Company, representing 14.06% of the entire share capital of the Company.
2. Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary, Shanghai Guoxin Investment and Development Co., Ltd., both under control of Shanghai International Group Co., Ltd., hold in aggregate 777,136,490 A Shares in the Company, representing 8.08% of the entire share capital of the Company.

# Directors, supervisors, senior management and employees

# 1

# Directors, supervisors and senior management

## (I) Summary

Unit: RMB 10,000

| Name | Position | Gender | Date of birth | Term of office | Total Remuneration payable from the Company (before tax) during the reporting period |
|---|---|---|---|---|---|
| **Incumbent Directors, Supervisors and Senior Management** | | | | | |
| KONG Qingwei | Chairman and executive director | M | Jun. 1960 | Since Jun. 2017 | 117.4 |
| FU Fan | Executive director | M | Oct. 1964 | Since Jun. 2020 | 150.3 |
| | President | | | Since Mar. 2020 | |
| HUANG Dinan | Non-executive director and vice chairman | M | Dec. 1966 | Since Jun. 2019 | Note 5 |
| WANG Tayu | Non-executive director | M | Oct. 1970 | Since Jun. 2017 | 30 |
| WU Junhao | Non-executive director | M | Jun. 1965 | Since Jul. 2012 | Note 5 |
| CHEN Ran | Non-executive director | M | Jan. 1984 | Since Jan. 2021 | 27.5 |
| ZHOU Donghui | Non-executive director | M | Apr. 1969 | Since Jan. 2021 | Note 5 |
| LIANG Hong | Non-executive director | F | Oct. 1968 | Since Feb. 2021 | Note 5 |
| LU Qiaoling | Non-executive director | F | Mar. 1966 | Since Mar. 2021 | 22.5 |
| John Robert Dacey | Non-executive director | M | May 1960 | Since Mar. 2021 | Note 5 |
| LIU Xiaodan | Independent non-executive director | F | Jun. 1972 | Since Jan. 2021 | 31.25 |
| CHEN Jizhong | Independent non-executive director | M | Apr. 1956 | Since Jul. 2019 | Note 5 |
| LAM Tyng Yih, Elizabeth | Independent non-executive director | F | Oct. 1964 | Since Jul. 2019 | 35 |
| WOO Ka Biu, Jackson | Independent Non-executive director | M | Sept.1962 | Since Mar. 2021 | 22.5 |
| JIANG Xuping | Independent non-executive director | M | May 1955 | Since Aug. 2019 | 35 |
| ZHU Yonghong | Chairman of board of supervisors and shareholder representative supervisor | M | Jan. 1969 | Since Jul. 2018 | Note 5 |
| JI Zhengrong | Employee representative supervisor | M | Dec. 1963 | Since Apr. 2019 | 103.7 |
| | Vice chairman of board of supervisors | | | Since Aug. 2019 | |
| LU Ning | Shareholder representative supervisor | M | Sept. 1968 | Since Jul. 2018 | Note 5 |
| GU Qiang | Employee representative supervisor | M | Jan. 1967 | Since Jan. 2021 | 224.1 |
| YU Bin | Vice president | M | Aug. 1969 | Since Oct. 2018 | 145.4 |
| MA Xin | Vice president | M | Apr. 1973 | Since Dec. 2018 | 143.0 |
| | Board secretary | | | Jul. 2015 – Mar. 2021 | |
| | Joint company secretary | | | Jun. 2015 – Apr. 2021 | |
| SUN Peijian | Chief risk officer | M | Sept.1963 | Since Mar.2021 | 252.2 |
| ZHANG Yuanhan | Finance responsible person | M | Nov. 1967 | Since Jun. 2019 | 529.5 |
| | Chief actuary | | | Since Jan. 2013 | |

| Name | Position | Gender | Date of birth | Term of office | Total Remuneration payable from the Company (before tax) during the reporting period |
|---|---|---|---|---|---|
| ZHANG Weidong | Chief compliance officer | M | Oct. 1970 | Since Jun.2016 | 292.8 |
| | Chief legal councilor | | | Since Oct. 2018 | |
| | Chief risk officer | | | Jun.2016 – Mar. 2021 | |
| QIAN Zhonghua | Chief internal auditor and internal auditing responsible person | M | Jul. 1962 | Since Oct. 2019 | 351.1 |
| SHENG Yafeng | Director of Greater Bay Area development | M | Jul. 1965 | Since May 2021 | 251.8 |
| CHEN Wei | Chief administrative officer | M | Apr. 1967 | Since Nov. 2021 | 25.1 |
| SU Shaojun | Board secretary | M | Feb.1968 | Since Mar.2021 | 214.6 |
| | Joint company secretary | | | Since Apr.2021 | |
| SU Gang | Chief investment officer | M | Sept.1973 | Since Jan. 2022 | - |
| **Departed Directors, Supervisors and Senior Management** | | | | | |
| ZHAO Yonggang | Vice president | M | Nov. 1972 | Dec. 2018 – May 2021 | 60.7 |
| Benjamin DENG | Chief investment officer | M | Nov. 1969 | Dec. 2018 –Sept. 2021 | 323.8 |
| **Total** | | | | | **3389.1** |

Notes:

1. Total remuneration payable (before tax) listed in this table includes basic salaries, bonuses, allowances, subsidies, employee welfare and various insurance premiums, provident funds, annuities, and other forms of remuneration received from the Company payable in 2021. According to Provisional Guidelines on Compensation Management of Insurance Companies (Bao Jian Fa (2012) No. 63) and relevant policies and rules of the Company, performance-related remuneration of the Company's senior management takes the form of deferred payment, which is included in total remuneration payable (before tax) listed in this table.
2. Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
3. According to relevant policies, the final amounts of remunerations of the chairman, president, vice chairman of the board of supervisors, and vice presidents are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
4. The compensation for the Company's directors, supervisors and senior management was calculated based on their actual term of office during the reporting period.
5. Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr. John Robert Dacey, Mr. ZHU Yonghong, and Mr. LU Ning do not take any allowances. Mr. CHEN Jizhong does not take any allowances temporarily.
6. The appointment qualification of Mr. SU Gang was approved by CBIRC in January 2022.
7. In May 2021, Mr. ZHAO Yonggang ceased to serve as vice president of the Company; in Sept. 2021, due to personal reasons, Mr. Benjamin DENG resigned as chief investment officer of the Company.

## (II) Shareholdings

Unit: share

| Name | Position | Type of shares | Shareholding at the beginning of the reporting period | Increase in shareholding during the reporting period | Decrease in shareholding during the reporting period | Shareholding at the end of the reporting period | Reason for the change |
|---|---|---|---|---|---|---|---|
| YU Bin | Vice President | A share | 5,900 | - | - | 5,900 | - |
| | | H share | 26,600 | - | - | 26,600 | - |
| MA Xin | Vice President | A share | 4,300 | - | - | 4,300 | - |
| | | H share | 16,400 | 42,000 | - | 58,400 | Secondary market transaction |
| SUN Peijian | Chief Risk Officer | A share | 36,125 | - | 16,000 | 20,125 | Secondary market transaction |
| SHENG Yafeng | Director of Greater Bay Area development | A share | 11,300 | - | 500 | 10,800 | Secondary market transaction |
| CHEN Wei | Chief administrative officer | A share | 40,000 | - | 40,000 | 0 | Secondary market transaction |
| ZHAO Yonggang | Vice President | A share | 17,200 | - | - | 17,200 | - |

Notes:

1. With the appointment at the 8th meeting of the 9th Board of Directors of the Company and the qualification approval from CBIRC, the term of office of Mr. SUN Peijian became effective in March 2021. The changes of Mr. SUN's shareholding shown in the table above all occurred before his term of office.
2. With the appointment at the 9th meeting of 9th Board of Directors of the Company and the qualification approval from CBIRC, the term of office of Mr. SHENG Yafeng became effective in May 2021. The changes of Mr. SHENG Yafeng's shareholding shown in the table above all occurred before his term of office.
3. With the appointment at the 11th meeting of 9th Board of Directors of the Company and the qualification approval from CBIRC, the term of office of Mr. CHEN Wei became effective in November 2021. The changes of Mr. CHEN Wei's shareholding shown in the table above all occurred before his term of office.
4. In May 2021, due to job changes, Mr. ZHAO Yonggang ceased to serve as vice president of the Company.

## (III) Professional background and biographies

### 1. Directors

The biographies of the incumbent directors of the Company are as follows:

Mr. KONG Qingwei currently serves as chairman and an executive director of the Company. Previously, Mr. KONG served as deputy general manager of Shanghai Bund House Exchange Co., Ltd., general manager of the Housing Exchange Headquarter of Shanghai Jiushi Corporation, executive deputy director of Shanghai Provident Fund Management Centre, deputy general manager of Shanghai Urban Construction Investment Development Corporation, vice chairman of Shanghai Minhong (Group) Co., Ltd., director of Shanghai World Expo Land Reserve Centre, president of Shanghai World Expo Land Holding Co., Ltd., general manager of Shanghai Urban Construction Investment and Development Corporation, Party secretary of the Financial Working Committee of the CPC of the city of Shanghai, chairmen of Shanghai Guosheng (Group) Co., Ltd and CPIC Life. Mr. KONG holds a master’s degree.

Mr. FU Fan currently serves as executive director and president of the Company, director of CPIC AMC. Previously, Mr. FU served as deputy general manager of Shanghai Investment Corporation, deputy general manager of China International Fund Management Co., Ltd., general manager and vice chairman of Shanghai International Trust Co., Ltd., chairman of Shanghai State-owned Assets Operation Co., Ltd., and director and general manager of Shanghai International Group Co., Ltd. Mr. FU holds a master’s degree.

Mr. HUANG Dinan currently serves as vice chairman and non-executive director of the Company, chairman of Shenergy Group Co., Ltd. and president of Shanghai Society for Electrical Engineering. Previously, Mr. HUANG was consecutively research fellow, deputy head of the No.3 Research Team, assistant director and vice director of the Research Institute of Shanghai Turbine Plant; assistant general manager, deputy general manager and general manager of Shanghai Turbine Plant; Assistant president, head of the President's Office, vice chairman and chairman of Shanghai Turbine Company Limited; vice president, president, and vice chairman of Shanghai Electric (Group) Corporation; president, vice chairman and chairman of Shanghai Electric Group Company Limited, a company listed on SSE and SEHK (SSE stock code: 601727, SEHK stock code: 02727), and president of China Society of Power Engineering. Mr. HUANG holds a master's degree and a title of Senior Engineer (professor level).

Mr. WANG Tayu currently serves as non-executive director of the Company, investment director of Shanghai International Group Co., Ltd., chairman of Shanghai International Group Asset Management Co., Ltd., chairman of GP Capital, chairman of Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd., chairman of Shanghai Guofang Private Equity Fund Management Co., Ltd., director and general manager of Shanghai Xieyi Asset Management Co., Ltd., director of AVIC Investment Holdings Co., Ltd, director of Shanghai Fintech Co., Ltd. and director of Shanghai Data Exchange Co., Ltd. Previously, Mr. WANG served as assistant president and vice president of Shanghai State-owned Assets Operation Co., Ltd., chairman of Shanghai Guoxin Investment and Development Co., Ltd., vice chairman of Shanghai Guotai Junan Investment Management Co., Ltd. and director of Shanghai Rural Commercial Bank Co., Ltd. Mr. WANG has a master's degree.

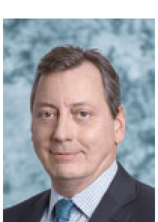
Mr. WU Junhao currently serves as non-executive director of the Company, directors of CPIC Life and CPIC P/C, and general manager of the Financial Management Department of Shenergy (Group) Co., Ltd. Mr. WU is also a director of Shanghai Chengyi New Energy Venture Capital Co., Ltd., director of Chengdu Xinshen Venture Capital Co., Ltd., supervisor of Orient Securities Company Limited, a company listed on SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958), supervisor of Everbright Banking Co., Ltd., a company listed on both SSE and SEHK (SSE stock code: 601818, SEHK stock code: 06818), chairman of the Supervisory Board of Shanghai ICY Capital Co., Ltd., and chairman of the Supervisory Board of Shanghai Shenergy Chengyi Equity Investment Co., Ltd. Mr. WU formerly worked as head of the Teaching Research Department of the School of Business Management of Changzhou University, executive deputy general manager of Shanghai New Resources Investment Consulting Company, deputy general manager of Shanghai Bailitong Investment Company, deputy chief of Shanghai Shenergy Assets Management Co., Ltd., deputy chief, chief and senior chief of the Assets Management Department, deputy manager of the Financial Management Department of Shenergy (Group) Co., Ltd. and director of Shanghai Jiulian Group Co., Ltd. Mr. WU was also supervisor of Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on SSE and SEHK (SSE stock code: 601607, SEHK stock code: 02607), and director of Orient Securities Company Limited (SSE stock code:600958, SEHK stock code: 03958). Mr. WU has a master's degree.

Mr. CHEN Ran currently serves as non-executive director of the Company, deputy general manager of Hwabao Investment Co., Ltd., and chairman of Shanghai Ouyeel Financial Information Service Co., Ltd. Mr. CHEN also serves as executive director of Easternpay Information & Technology Co., Ltd. and director of China United SME Guarantee Corporation. Previously, Mr. CHEN served as the sales representative and marketing director of No. 1 Division of Marketing Department of Shanghai Baosteel Steel Products Trading Co., Ltd., leadership development manager of the Human Resources Department and senior secretary of the Administration Office of China Baowu Steel Group Corporation Ltd., deputy general manager of Shanghai Ouyeel Financial Information Service Co., Ltd., chairman of Shanghai Ouyeel Pawn Co., Ltd., and president of Shanghai Ouyeel Financial Information Service Co., Ltd. Mr. CHEN holds a bachelor's degree.

Mr. ZHOU Donghui currently serves as non-executive director of the Company, general manager of Shanghai Haiyan Investment Management Co., Ltd., non-executive director of Orient Securities Company Limited listed on both SSE and SEHK (SSE stock code: 600958, SEHK stock code: 03958), non-executive director of Haitong Securities Co., Ltd. listed on both SSE and SEHK (SSE stock code: 600837, SEHK stock code:06837), and vice chairman and director of Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd., vice chairman and director of Shanghai Deqiang Industrial Co., Ltd., and supervisor of China Aviation Development Commercial Aviation Engine Co., Ltd. Previously, Mr. ZHOU was deputy manager and manager of the Financial Department of Shanghai Import and Export of China Tobacco Co., Ltd., deputy director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., deputy director of the Financial Department, deputy head of the Fund Management Centre, deputy director and director of the Investment Management Department of Shanghai Tobacco Group Co., Ltd., and deputy general manager and executive deputy general manager of Shanghai Haiyan Investment Management Co., Ltd. Mr. ZHOU holds a bachelor's degree and the title of Senior Accountant.

Ms. LIANG Hong currently serves as non-executive director of the Company and president of the Institute of Innovation and Industry Studies of Hillhouse Group. Previously, Ms. LIANG served as an economist with the International Monetary Fund; chief economist of China, managing director and co-head of Asia-Pacific Economic Research Department of Goldman Sachs; member of the Management Committee, head of the Research Department, chief economist, co-head of the Sales and Trading Department and head of the Capital Market Department of China International Capital Corporation Limited. Ms. LIANG holds a doctor's degree.

Ms. LU Qiaoling currently serves as non-executive director of the Company, general manager of the Industry and Finance Development Centre and the Capital Operation Department of China Baowu Steel Group Corporation Limited, director of Hwabao Trust Co., Ltd., director of Baowu Group Zhongnan Iron and Steel Co., Ltd., and director of Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd. Previously, Ms. LU was chief accountant of Hebei Petrochemical Supply and Marketing Corporation, deputy director of the Industry Guidance Department and deputy director of the Administration Office of the Audit Bureau of the Ministry of Chemical Industry, assistant inspector of the State Council 's Audit Commissioner, and full-time supervisor for state-owned medium and large-sized enterprises under the CPC Central Enterprise Working Committee, deputy director and director of the Internal Audit Department of Baosteel Group Co., Ltd., director of the Internal Audit Department of Baoshan Iron and Steel Co., Ltd., deputy general manager of Baosteel Engineering Technology Group Co., Ltd, director of Baosteel Group Finance Co., Ltd., general manager of the Financial Department of China Baowu Steel Group Corporation Limited, and chairman of the Board of Supervisors of Baowu Group Zhongnan Iron and Steel Co., Ltd., Ouye Yunshang Co., Ltd., Baowu Equipment Intelligent Technology Co., Ltd. and Huabao Investment Co., Ltd. Ms. LU holds a master's degree, and has the title of senior accountant, certified public accountant, and auditor.



Mr. John Robert DACEY, American, currently serves as non-executive director of the Company, and chief financial officer and a member of the Executive Committee of Swiss Reinsurance Company Ltd. Mr. DACEY was a consulting partner of McKinsey & Company, chief strategy officer and a member of the Executive Committee of Winterthur Insurance as well as vice chairman and a member of the Executive Committee of the Asia-Pacific Regional Office of AXA and chief executive officer of AXA Japan and Asia-Pacific Regional Headquarters. Mr. DACEY also served as a non-executive director of New China Life Insurance Company Limited (SSE stock code: 601336, SEHK stock code:01336). Mr. DACEY holds a master's degree.

Ms. LIU Xiaodan currently serves as independent non-executive director of the Company, general manager of Chenyi Investment (Beijing) Co., Ltd. and chairman of Chenyi Fund Management (Beijing) Co., Ltd. Previously, Ms. LIU was president and chairman of Huatai United Securities Co., Ltd. and chairman of Asset Mark Financial Holdings, Inc., a company listed on the New York Stock Exchange (stock code: AMK). Previously, Ms. LIU worked at Peking University. She also served as a member of the 4th and 5th Committees for Mergers, Acquisitions, and Restructuring of China Securities Regulatory Commission. Ms. LIU holds a master's degree.

Mr. CHEN Jizhong currently serves as independent non-executive director of the Company. Previously, Mr. CHEN served as head of the Personnel Department for Entities under Direct Administration of the Personnel Division of the State Planning Commission, deputy director of the Human Resources Department of China Development Bank, director of the Executive Office of China Development Bank, successively general manager of Xi'an Branch, Shaanxi Branch, and Shanghai Branch of China Development Bank, and chief internal auditor of China Development Bank. Mr. CHEN holds a master's degree.

Ms. LAM Tyng Yih, Elizabeth currently serves as independent non-executive director of the Company, independent non-executive director of Fobon Bank (Hong Kong), and director and honorary treasurer of HK Agency for Volunteer Service. Previously, Ms. LAM served as consultant and partner of Ernst & Young. Ms. Lam holds a bachelor's degree in business administration and a master's degree in accounting and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. WOO Ka Biu, Jackson, currently serves as independent non-executive director of the Company, CEO of Challenge Capital Management Limited, consultant of Guantao Law Firm (Hong Kong), director of Kailey Enterprises Limited and Fong Fun Enterprises Limited and independent non-executive director of Henderson Land Development Company Limited listed on the SEHK (stock code: 00012), honorary member of the Board of Trustees of Tsinghua University, notary public entrusted by the Ministry of Justice of the People's Republic of China, a practising solicitor member on the panel of the Solicitors' Disciplinary Tribunal in the Hong Kong Special Administrative Region, member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of Securities and Futures Commission of Hong Kong, member of the Main Board and GEM Listing Review Committee of the Stock Exchange of Hong Kong Limited, honorary advisor of the Hong Kong Financial Reporting Council and member of the Oversight, Policy and Governance Committee. Mr. WOO was a member of the Public Shareholders' Rights Group of Securities and Futures Commission of Hong Kong, a member of the Investigation Committee of the Hong Kong Financial Reporting Council, chairman of Beijing Guantao Zhongmao Law Firm (International), a partner of Ashurst Law Firm, founding partner of Woo Ka Biu Law Firm, director and co-head of Investment Banking of Great China of N.M. Rothschild & Sons (Hong Kong) Limited, partner of Messrs. Woo, Kwan, Lee & Lo of Hong Kong, independent non-executive director of Ping An Insurance (Group) Co., Ltd., a company listed on both SSE and SEHK (SSE stock code: 601318, SEHK stock code: 02318), non-executive director of Sun Hung Kai Properties Limited (stock code: 00016) and Henderson Investment Limited listed on SEHK (stock code: 00097), and alternative director of Sir Po-shing Woo. Mr. WOO holds a master's degree, and is a Qualified Solicitor in the Supreme Courts of Hong Kong, England and Wales and the Australian Capital Territory, and a licensee of the Securities and Futures Commission of Hong Kong.

Mr. JIANG Xuping currently serves as independent non-executive director of the Company, professor with the Department of Marketing of the School of Economics and Management, Tsinghua University, research fellow at the Research Centre for Contemporary Management, Tsinghua University, and research fellow at the Centre for Corporate Governance of Tsinghua University. Mr. JIANG also serves pro bono as dean of the School of Internet Marketing and Management of Guizhou Forerunner College. Previously, Mr. JIANG served as lecturer, associate professor, professor of School of Economics and Management of Tsinghua University, and head of Internet Marketing and Management of the Software School of Beihang University. Mr. JIANG holds a master's degree and the title of professor.

## 2. Supervisors

The biographies of the incumbent supervisors of the Company are as follows:

Mr. ZHU Yonghong currently serves as chairman of the board of supervisors of the Company and chief accountant and board secretary of China Baowu Steel Group Corporation Limited. Mr. ZHU also is chairman of Baowu Group Finance Co., Ltd., and chairman of the Board of Supervisors of Baoshan Iron and Steel Co., Ltd., a company listed on SSE (stock code: 600019). Mr. ZHU previously worked as chairman of Wuhan Iron and Steel (Group) Finance Co., Ltd., CFO and head of the Planning and Finance Department, deputy chief accountant and chief accountant of Wuhan Iron and Steel (Group) Company, director of Wuhan Iron and Steel Company Limited, a company listed on SSE (stock code: 600005), vice chairman of Hebi Fuyuan Refined Coal Co., Ltd., director of Hankou Banking Co., Ltd., director of Beibu Gulf Property & Casualty Insurance Co., Ltd., chairman of the Board of Supervisors of Changjiang Property & Casualty Insurance Co., Ltd., director of Hubei United Development & Investment Co., Ltd, chairman of Hwabao Trust Co., Ltd., chairman of Hwabao Investment Co., Ltd., chairman of Wuhan Iron and Steel (Group) Kunming Iron and Steel Co., Ltd., chairman of Hwabao WP Fund Management Co., Ltd., and director of Hwabao Trust Co., Ltd. Mr. ZHU holds a doctor's degree and the title of senior accountant.

Mr. JI Zhengrong currently serves as vice chairman of the board of supervisors, employee representative supervisor, and chairman of the Trade Union of the Company. Previously, Mr. JI served as vice chairman of the Board of Supervisors and chairman of the Trade Union of Shanghai New Union Textra Import and Export Co., Ltd., vice chairman of the Board of Supervisors of Shanghai New Union Textra Joint Company, and vice chairman of the Board of Supervisors of Shanghai Textile (Group) Co., Ltd. Mr. JI received university education.

Mr. LU Ning currently serves as shareholder representative supervisor of the Company, and head of the Financial Assets Department of Yunnan Hehe (Group) Co., Ltd. Mr. LU is also director of Yunnan Horticulture Industrial Investment Management Co., Ltd., director of Yunnan Tourism Co., Ltd., and chairman of Jiangsu Tobacco Jinsili Leasehold Co., Ltd. Mr. LU previously worked as chairman of Shanghai Hongta Hotel Co., Ltd., chairman of Yunnan Hongta Hotel Co., Ltd., chairman of Yunnan Honghe Investment Co., Ltd., chairman of Kunming Hongta Building Co., Ltd., chairman of Kunming Hongta Building Property Management Co., Ltd., and director of Yunnan Hongta Sports Centre Co., Ltd., director of Yunnan Zhongwei Hotel Management Co., Ltd., director of Kunming Wanxing Real Estate Development Co., Ltd., deputy general manager of Yunnan Tobacco Group Xingyun Co., Ltd., general manager of Kunming Wanxing Real Estate Development Co., Ltd., head of the Hotel Property Department of Yunnan Hehe (Group) Co., Ltd., director of Yunnan Tobacco Xingyun Investment Co., Ltd., chairman of Yunnan Hongta Real Estate Development Company, chairman of Zhongshan Hongta Property Development Co., Ltd., and director of Hongta Innovation Investment Co., Ltd. Mr. LU holds a bachelor's degree.

Mr. GU Qiang currently serves as employee representative supervisor of the Company, chairman of the board of supervisors of CPIC AMC, chairman of the board of supervisors of Changjiang Pension and chairman of the board of supervisors of CPIC Health. Mr. GU formerly served as deputy chief accountant, CFO, finance responsible person and deputy general manager of CPIC P/C, director of CPIC AMC, director of China Pacific Insurance Co., (H.K.) Limited, director, vice president and CFO of CPIC Anxin Agricultural. Prior to joining the Company, Mr. GU was a lecturer at the Department of Finance and Insurance of Shanghai University of Finance and Economics, senior auditor of Pricewaterhouse Da Hua Certified Public Accountants, deputy manager of Integrated Planning Department and manager of the International Business Department of Wanguo Securities Co., Ltd., vice president and CFO of Shanghai Branch of American International Underwriters. Mr.GU holds a master's degree and the title of Senior Accountant.

## 3. Senior management

Mr. KONG Qingwei currently serves as chairman of the Company. Please refer to the Section headed "1. Directors" above for the details of his biography.

Mr. FU Fan currently serves as president of the Company. Please refer to the Section headed "1. Directors" above for the details of his biography.

The biographies of the rest senior managements of the Company are as follows:

Mr. YU Bin currently serves as vice president of the Company, chairman of CPIC Technology and a director of CPIC P/C. Mr. YU previously served consecutively as deputy general managers of the Non-marine Insurance Department and Underwriting & Claims Department of CPIC P/C, general managers of the Market R&D Centre and the Market Department of CPIC P/C, chief marketing officer and deputy general manager of CPIC P/C, and assistant vice president of the Company. Mr. YU has a master's degree.

Mr. MA Xin currently serves as vice president of the Company, chairman of CPIC Health, and directors of CPIC P/C, CPIC Life and Changjiang Pension respectively. Mr. MA previously worked as general manager of CPIC Life Shaanxi Branch, director of the Strategic Transformation Office, general manager of Strategic Planning Department and the director on transformation matters of the Company and board secretary of the Company. Mr. MA has a master's degree.

Mr. SUN Peijian currently serves as chief risk officer of the Company, chairmen of board of supervisors of CPIC Life and CPIC P/C. Previously, he served as assistant general manager, deputy general manager, general manager of Reinsurance Department of the Company, assistant general manager, deputy general manager, compliance responsible person, chief compliance officer and vice president of the Company, and directors of CPIC P/C, CPIC Life and CPIC AMC, general manager and chairman of CPIC Health. Mr. SUN has a master's degree.

Mr. ZHANG Yuanhan is chief actuary and CFO of the Company, director and chief actuary of CPIC Health, directors of CPIC P/C, CPIC Life and CPIC AMC respectively. Mr. ZHANG previously served as the chief actuary, deputy general manager and vice president of MetLife Insurance Company Limited, chief actuary of Sino Life Insurance Co., Ltd., deputy general manager, CFO and chief actuary of Sun Life Everbright Life Insurance Co., Ltd., and director of Sun Life Everbright Asset Management Co., Ltd. Mr. ZHANG has a master's degree and is a director of China Association of Actuaries and a member of The Society of Actuaries and American Academy of Actuaries.

Mr. ZHANG Weidong currently serves as compliance responsible person and chief legal councilor of the Company and directors of CPIC P/C, CPIC Life, CPIC AMC, CPIC Health and Changjiang Pension. Mr. ZHANG previously served as general manager of the Legal & Compliance Department, head of the Board Office of the Company, concurrently board secretaries of CPIC P/C, CPIC Life and CPIC AMC, risk & compliance officer, general manager of the Risk Management Department and chief risk officer of the Company. Mr. ZHANG holds a bachelor's degree.

Mr. QIAN Zhonghua currently serves as chief internal auditor and internal auditing responsible person of the Company. Previously, Mr. QIAN served as general manager of Suzhou Central Sub-branch, deputy general manager of Jiangsu Branch, general managers of Shenzhen Branch and Guangdong Branch of CPIC Life, deputy general manager, general manager and director of CPIC Life. Mr. QIAN holds a master's degree and the title of senior accountant.

Mr. SHENG Yafeng currently serves as director of Greater Bay Area development of the Company. Previously, Mr. SHENG served as deputy general manager of the Auto Insurance Department of the Company, deputy general manager of CPIC P/C Chengdu Branch, deputy general manager, general manager of the Market Department, general manager of the Sales Management Department of CPIC P/C, general manager of the Product Business Centre and general manager of the Accident and Health Insurance Department of CPIC P/C, head of claims, and deputy general manager, executive deputy general manager, director and general manager of CPIC P/C. Mr. SHENG holds a PhD degree.

Mr. CHEN Wei currently serves as chief administrative officer of the Company. Previously, Mr. CHEN served as chief representative of the Company's London Representative Office, director and general manager of CPIC HK, board secretary and general manager of the Strategic Planning Department of the Company, head of auditing, internal auditing responsible person, chief internal auditor, board secretary of CPIC Life, chairman of the board of supervisors of CPIC AMC, and general manager and director of CPIC Health. Mr. CHEN holds a master's degree and the title of senior engineer, and is a member of the ACII.

Mr. SU Shaojun currently serves as board secretary and deputy director on transformation matters of the Company, and director of CPIC P/C, CPIC Life. Previously, he served as assistant general manager and deputy general manager of the Underwriting Department, deputy general manager and general manager of Beijing branch, general manager of Development Planning Department, head of the Board office, head of the Board of Supervisors' Office, general manager of the Telemarketing Department of CPIC P/C, and head of the Strategic Research Department of the Company. Mr. SU holds a PhD degree and title of senior engineer.

Mr. SU Gang currently serves as chief investment officer of the Company. Previously, Mr. SU served as head of the Investor Relations Department of the Company, head of project investment of CPIC AMC, deputy general manager of CPIC AMC and general manager of the Alternative Investment Management Centre of CPIC AMC, deputy general manager of CPIC Life, general manager and chairman of Changjiang Pension. Before joining the Company, Mr. SU served as general manager of the Fixed Income Department and deputy general manager of the Investment Banking Headquarters of Shenyin Wanguo Securities Company. Mr. SU holds a PhD degree.

## (IV) Positions in corporate shareholders

| Name | Shareholder | Position held | Term |
| --- | --- | --- | --- |
| HUANG Dinan | Shenergy (Group) Co., Ltd. | Chairman | Since 2018 |
| WU Junhao | Shenergy (Group) Co., Ltd. | General manager of the Financial Management Department | Since 2020 |
| CHEN Ran | Hwabao Investment Co., Ltd. | Deputy general manager | Since2021 |
| ZHOU Donghui | Shanghai Haiyan Investment Management Co., Ltd. | General manager | Since 2015 |
| LIANG Hong | Hillhouse Group | President of the Institute of Innovation and Industry Studies | Since 2020 |
| LU Qiaoling | China Baowu Steel Group Corporation | General manager of the Financial Department | 2018-2021 |
| | China Baowu Steel Group Corporation | General manager of the Industry and Finance Development Centre and the Capital Operation Department | Since 2021 |
| | Hwabao Investment Co., Ltd. | Chairman of the board of supervisors | 2019-2021 |
| ZHU Yonghong | China Baowu Steel Group Corporation | Chief accountant | Since 2016 |
| | China Baowu Steel Group Corporation | Board secretary | Since 2018 |
| LU Ning | Yunnan Hehe (Group) Co., Ltd. | Head of the Financial Assets Department | Since 2017 |

## (V) Positions in other entities

| Name | Other entities | Position held | Term |
|---|---|---|---|
| HUANG Dinan | Shanghai Society for Electric Engineering | Chairman | Since 2004 |
| WANG Tayu | Shanghai International Group Co., Ltd. | Investment director | Since 2021 |
| | Shanghai International Group Co., Ltd. | General manager of No. 1 Division of Investment Management Department | 2017-2021 |
| | Shanghai International Group Asset Management Co., Ltd. | Chairman | Since 2021 |
| | Shanghai Xieyi Asset Management Co., Ltd. | Director, general manager | Since 2017 |
| | GP Capital | Chairman | Since 2021 |
| | Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd. | Chairman | Since 2021 |
| | Shanghai Guofang Private Equity Fund Management Co., Ltd. | Chairman | Since 2021 |
| | AVIC Capital Co., Ltd. | Director | Since 2019 |
| | Shanghai Fintech Co., Ltd. | Director | Since 2021 |
| | Shanghai Data Exchange Co., Ltd. | Director | Since 2021 |
| WU Junhao | China Everbright Bank Co., Ltd. | Supervisor | Since 2009 |
| | Shanghai ICY Capital Co., Ltd. | Chairman of the board of supervisors | Since 2021 |
| | Shanghai Chenyi New Energy Venture Capital Co., Ltd. | Director | Since 2011 |
| | Orient Securities Company Limited | Director | 2011-2021 |
| | Orient Securities Company Limited | Supervisor | Since 2021 |
| | Chengdu Xinshen Venture Company | Director | Since 2011 |
| | Shanghai Shenery Chengyi Equity Investment Co., Ltd. | Chairman of the board of supervisors | Since 2016 |
| CHEN Ran | Shanghai Ouyeel Financial Information Service Co., Ltd. | President | 2019-2021 |
| | Shanghai Ouyeel Financial Information Service Co., Ltd. | Chairman | Since 2021 |
| | Shanghai Ouyeel Financial Information Service Co., Ltd. | Director | Since 2018 |
| | Shanghai Ouyeel Pawn Co., Ltd. | Chairman | 2019-2022 |
| | Easternpay Information & Technology Co., Ltd. | Executive director | Since 2019 |
| | China United SME Guarantee Corporation | Director | Since 2018 |
| ZHOU Donghui | Orient Securities Company Limited | Non-executive Director | Since 2020 |
| | Haitong Securities Co., Ltd. | Non-executive Director | Since 2020 |
| | Shanghai Tobacco Machinery Co. , Ltd. | Vice Chairman, Director | Since 2015 |
| | Shanghai Jieqiang Tobacco Sugar & Liquor (Group) Chain Co., Ltd. | Vice Chairman, Director | Since 2015 |
| | Shanghai Deqiang Industrial Co., Ltd. | Vice Chairman, Director | Since 2015 |
| | China Aviation Development Commercial Aviation Engine Co., Ltd. | Supervisor | Since 2015 |
| LU Qiaoling | Hwabao Trust Co., Ltd. | Director | Since 2021 |
| | Baowu Group Guangdong Shaoguan Iron and Steel Co., Ltd. | Chairman of the board of supervisors | 2017-2021 |
| | Baowu Group Zhongnan Iron and Steel Co., Ltd. | Director | Since 2021 |
| | Ouye Yunshang Co., Ltd. | Chairman of the board of supervisors | 2017-2021 |
| | Magang (Group) Holding Co., Ltd. | Supervisor | 2019-2021 |
| | Baowu Equipment Intelligent Technology Co., Ltd. | Chairman of the board of supervisors | 2019-2021 |
| | Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd. | Director | Since 2021 |
| John Robert Dacey | Swiss Reinsurance Company Ltd | Chief financial officer | Since 2021 |
| | Swiss Reinsurance Company Ltd | Member of the Executive Committee | Since 2017 |
| LIU Xiaodan | Chenyi Investment (Beijing) Co., Ltd. | General manager | Since 2019 |
| | Chenyi Fund Management (Beijing) Co., Ltd. | Chairman | Since 2019 |
| LAM Tyng Yih, Elizabeth | HK Agency for Volunteer Service | Director, Honorary Treasurer | Since 2012 |
| | Fobon Bank (Hong Kong) | Independent non-executive director | Since 2021 |

| Name | Other entities | Position held | Term |
| --- | --- | --- | --- |
| WOO Ka Biu, Jackson | Challenge Capital Management Limited | CEO | Since 2015 |
| | Guantao Law Firm (Hong Kong) | Consultant | Since 2014 |
| | Kailey Enterprises Limited | Director | Since 1992 |
| | Fong Fun Company Limited | Director | Since 1991 |
| | Henderson Land Development Company Limited | Independent non-executive director | Since 2012 |
| | Po Leung Kuk Hong Kong | Member of the Selection Committee | Since 2004 |
| | Shun Tak Faternal Association | Director | Since 2013 |
| | Shun Tak Fraternal Association Seaward Woo College | Member of the board of trustees | Since 2000 |
| | The Hong Kong Jockey Club | Member of the Selection Committee | Since 2004 |
| | Lok Sin Tong Hong Kong | Committee member | Since 2007 |
| | Riding for the Disabled Association Ltd. | Chairman of the Rehabilitation Committee, member of the Selection Committee | Since 2015 |
| | RDA Academy Limited | Vice chairman and director | Since 2014 |
| | UNICEF Hong Kong | Member of the audit committee | Since 2018 |
| | HKJC Racing Club Limited | Chairman of the Horse Management Board | Since 2019 |
| | The Racing Club Horse Management Limited | Director | Since 2019 |
| | Tsinghua University | Honorary member of the board of trustees | Since 2012 |
| | Ministry of Justice of the People's Republic of China | Entrusted Notary Public | Since 2012 |
| | Panel of the Solicitors' Disciplinary Tribunal in the Hong Kong Special Administrative Region | Member (Practising Solicitor) | Since 2011 |
| | Securities and Futures Commission of Hong Kong | Member of the Takeovers and Mergers Committee and Takeover Appeals Committee | Since 2019 |
| | The Stock Exchange of Hong Kong Limited | Member of the Main Board and GEM Listing Review Committee | Since 2019 |
| | Hong Kong Financial Reporting Council | Honorary advisor | Since 2019 |
| | Hong Kong Financial Reporting Council | Member of the Oversight, Policy and Governance Committee | Since 2020 |
| JIANG Xuping | Tsinghua University | Professor, Department of Marketing, School of Economics and management | Since 2002 |
| | | Researcher at the Research Centre for Contemporary Management | Since 2003 |
| | | Researcher at the Centre for Corporate Governance | Since 2007 |
| | Guizhou Forerunner College | Dean of the School of Internet Marketing and Management (volunteer) | Since 2012 |
| ZHU Yonghong | Hwabao WP Fund Management Co., Ltd. | Chairman | 2020-2022 |
| | Hwabao Trust Co., Ltd. | Director | 2018-2021 |
| | Baosteel Group Finance Co., Ltd. | Chairman | Since 2018 |
| | Baoshan Iron and Steel Co., Ltd. | Chairman of the board of supervisors | Since 2017 |
| LU Ning | Jiangsu Tobacco Jinsili Leasehold Co., Ltd. | Chairman | Since 2021 |
| | Hongta Innovation Investment Co., Ltd. | Director | 2018-2022 |
| | Yunnan Flower Industry Investment Management Co., Ltd. | Director | Since 2018 |
| | Yunnan Tourism Co., Ltd. | Director | Since 2019 |

## (VI) Determination and basis for determination of remuneration

The remuneration of directors and supervisors is determined by the SGM, while the remuneration of the senior management is determined by the Nomination and Remuneration Committee of the Board and submitted to the board of directors for approval.

The Company determines the remuneration of directors, supervisors and senior management based on factors such as the Company's business results, the line-up of positions, risk management and performance appraisal results while considering market remuneration benchmarks provided by human resources consulting service.

# 2

# Employees

As at the end of the reporting period, the basic information on the employees of the Company and its major subsidiaries is summarized as below:

| | |
|---|---|
| Headcount of employees of the Company | 2,771 |
| Headcount of employees of its major subsidiaries | 104,229 |
| Total number of employees | 107,000 |
| Headcount of retirees for whom the Company or its major subsidiaries bear expenses | 5,433 |

Their expertise and educational background are set out below:

## (I) Expertise

| Expertise | Head count | Percentage |
|---|---|---|
| Management | 8,015 | 7.49% |
| Professional | 38,029 | 35.54% |
| Marketing | 60,956 | 56.97% |
| Total | 107,000 | 100.00% |

## (II) Education background

| Education background | Head count | Percentage |
|---|---|---|
| Master's degree or above | 5,561 | 5.20% |
| Bachelor's degree | 62,976 | 58.86% |
| Other | 38,463 | 35.95% |
| Total | 107,000 | 100.00% |

## (III) Remuneration policies and training programs for employees

The Company has established a remuneration mechanism that is position-specific, performance and market-oriented and risk-linked, based on specific positions and performance of the employees with reference to the market conditions. The basic remuneration of our employees is determined based on their positions, duty performances and working experience. The performance-related remuneration of our employees is linked to the results performance of the Company and is determined and paid according to the results of operation of the Company and their individual performance. The Company also provides its employees with benefits and allowance according to applicable regulations of China and industry standards.

Positioned as a learning organization, the Company stepped up development of AI-enabled "CPIC Learning" online training platforms to better serve its strategic transformation, business development and organizational health, in a bid to turn learning into productivity.

# Corporate governance

# 1

# Corporate governance

In 2021, in strict compliance with Company Law of the PRC, Securities Law of the PRC, Insurance Law of the PRC and other applicable laws of the PRC, relevant government ordinances and regulations, and drawing on international best practices, the Company continued to improve the centralised management structure based on realignment of resources and enhanced interaction with the capital market, and strengthen internal and external supervision to improve the soundness, effectiveness and transparency of management, putting in place a sound corporate governance with effective coordination and a sound system of checks and balances.

The board of directors is committed to continuous improvement of the Company's corporate governance by enhancing the integrated management mechanisms and systems. While maintaining the right of self-management of its subsidiaries as independent legal entities, the Group also promoted the centralisation of governance of the Company's subsidiaries at the group level, given the fact that the Company was listed as a group. The subsidiaries of the Company have also established a system structure that satisfies the requirements of the Company's operation and has formulated unified and consistent governance systems that meet all kinds of needs. Through the classification of subsidiaries, the Company has adopted differentiated management of its subsidiaries, fully covering the corporate governance structure under the Group.

The SGM, board of directors, board of supervisors and the senior management fulfilled their functions independent of one another, exercised their rights respectively in accordance with the Articles of Association, coordinating and balancing among each other to ensure the smooth operation of the Company. The SGM is composed of all shareholders. The board of directors implements the resolutions made by the SGM and exercises the decision-making power of the Company, responsible for the overall leadership of the Group; while the senior management, under the leadership of the president, is responsible for the day-to-day management of the Company's businesses and implementation of the strategies approved by the board of directors. The board of supervisors is responsible to the SGM, and exercises the duties of supervising the directors and senior executives and reviewing the financials of the Company. The Company also put in place mechanisms to ensure smooth communication between the board of directors, the supervisory board and the management, creating an enabling environment for the board of directors and the board of supervisors to perform their duties and keep abreast of the Company's situation.

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

The Company has adopted and implemented the Model Code for Securities Transactions for the securities transactions of its directors and supervisors. After specific inquiry by the Company, all of its directors and supervisors confirmed that they complied with the Code of Conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of its directors or supervisors that were not in full compliance with the Model Code for Securities Transactions. There is no mutual directorship among the Company's board directors.

## (I) Shareholders and the SGM

Shareholders are the investors of the Company. To equally safeguard shareholder's rights, the Company sets out detailed provisions on shareholder's rights and how to realise them in the Articles of Association, and takes seriously the dividend policy, shareholders' investment return and their right to earnings. The Company also focused on communication with shareholders to help them make informed decisions.

Under the Articles of Association, the main responsibilities of the SGM are, among others, to formulate the Company's strategic direction and investment plans, elect and replace directors and supervisors other than those who are also the Company's employees and decide their remuneration, consider and approve the annual budgets and accounts, profit distribution plans and loss compensation plans of the Company, adopt proposals regarding any increase or decrease in the registered capital of the Company and any merger, separation, dissolution or liquidation or change of corporate form of the Company, consider and approve the listing of all or any part of the shares on any stock exchange as well as any proposed issuance of bonds or other securities of the Company, adopt proposals regarding the appointment and dismissal of the accountant of the Company, which conduct statutory audit of the Company's financial reports on a regular basis, and amend the Articles of Association.

The Articles of Association and the Procedural Rules for the SGM also contain detailed rules for convening extraordinary sessions and specific procedures for putting forward proposals at such meetings. Under Article 98(1) of the Articles of Association and Article 6(3) and Article 7 of the Procedural Rules for SGM, shareholders holding 10% or above of total voting shares issued by the Company individually or jointly may sign and submit a request in writing to the board of directors for an extraordinary general meeting or a classified SGM. Upon receipt of such a request, the board of directors shall decide whether to convene a general meeting or a classified SGM based on the actual situation according to the laws, administrative regulations and the Articles of Association. Pursuant to Articles 68(12) and 73 of the Articles of Association and Articles 12 and 13 of the Procedural Rules for SGMs, shareholders holding 3% or above (including 3%) of the total voting shares issued by the Company individually or jointly may put forward temporary proposals, but they must submit the proposal to the convener in writing ten days prior to the holding of general meeting. If the shareholder entitled to submit proposals has any objection towards the decision of the Board for not including his/her proposal in the agenda of the general meeting, he/she may request a separate extraordinary general meeting according to the procedures as set out in the Procedural Rules for SGMs. The contact information for shareholders' enquiry regarding the affairs of Company is set out in the Section "Corporate information and definitions" of this report.

In 2021, the Company held 1 shareholders' general meeting:

On 28 May 2021, the Company held the 2020 annual general meeting in Shanghai, at which resolutions including The Resolution in Relation to the Report the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2020 were considered and approved (for details, please refer to the announcements published on the websites of SSE, SEHK, LSE and the Company). The shareholders attending the meeting held a total of 5,822,097,650 voting shares, accounting for 60.52% of the Company's total voting shares. All the resolutions of this meeting were passed.

The attendance of directors was as follows:

| Names of directors | No. of general meetings convened | Attendance in person | Percentage of attendance (%) | Remarks |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| KONG Qingwei | 1 | 1 | 100 | |
| FU Fan | 1 | 1 | 100 | |
| **Non-executive Directors** | | | | |
| HUANG Dinan | 1 | 0 | 0 | Unable to attend the 2020 SGM for work reasons. |
| WANG Tayu | 1 | 1 | 100 | |
| WU Junhao | 1 | 1 | 100 | |
| CHEN Ran | 1 | 1 | 100 | |
| ZHOU Donghui | 1 | 0 | 0 | Unable to attend the 2020 SGM for work reasons. |
| LIANG Hong | 1 | 1 | 100 | |
| LU Qiaoling | 1 | 1 | 100 | |
| John Robert Dacey | 1 | 1 | 100 | |
| **Independent Non-executive Directors** | | | | |
| LIU Xiaodan | 1 | 1 | 100 | |
| CHEN Jizhong | 1 | 1 | 100 | |
| LAM Tyng Yih, Elizabeth | 1 | 1 | 100 | |
| WOO Ka Biu, Jackson | 1 | 1 | 100 | |
| JIANG Xuping | 1 | 1 | 100 | |

Note: The appointment qualifications of Mr. CHEN Ran, Mr. ZHOU Donghui and Ms. LIU Xiaodan were approved by the CBIRC in January 2021. The appointment qualification of Ms. LIANG Hong was approved by the CBIRC in February 2021. The appointment qualifications of Ms. LU Qiaoling, Mr. WOO Ka Biu, Jackson and Mr. John Robert DACEY were approved by the CBIRC in March 2021.

The notification, convening, and proceeding of the general meetings and the procedures followed for voting were in compliance with the Company Law of the PRC, the Articles of Association and applicable regulations.

The SGM has set up an effective communication channel with the shareholders so that their voices can be heard and their advice heeded, ensuring shareholders' rights to information, participation and voting in respect of any significant issues of the Company. This created a positive atmosphere for the shareholders to take part in the decision-making process of the Company and exercise their rights equally.

In strict compliance with regulatory rules and requirements on corporate governance and the protection of retail investors, the Company continued to improve its corporate governance and investor communication mechanisms to fulfil its responsibilities to shareholders. To better protect the interests of retail investors, we added stipulations on voting rights to select independent directors to the Articles of Association, and fully adopted measures such as online voting in shareholders' general meetings, and the separate vote counting and public disclosure for retail investors.

## (II) Directors, board of directors and committees of the board of directors

At present, the Board consists of 15 directors. Among them, there are 2 executive directors: Mr. KONG Qingwei and Mr. FU Fan; 8 non-executive directors: Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LIANG Hong, Ms. LU Qiaoling, and Mr. John Robert DACEY; 5 independent non-executive directors: Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping. The number of independent non-executive directors on the Board exceeds one-third of the number of all directors. The number of directors and composition of the Board comply with applicable regulatory requirements as well as requirements of the Articles of Association of the Company.

Under the Articles of Association, the board of directors shall be accountable to the SGM and exercise, among others, the following powers: to convene SGMs, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or decreases in the registered share capital and issue and listing of other securities of the Company, appointment or dismissal of president, appointment or dismissal of board secretary based on chairman's nomination, appointment or dismissal of chief internal auditor and head of audit based on chairman or Audit Committee's nomination, appointment, dismissal and remuneration of vice president, chief actuary, chief legal councillor, chief risk officer, chief technology officer, chief investment officer, CFO, chief compliance officer and other senior executives based on president's nomination and develop the basic policies and systems of the Company.

So far as the Company is aware, no financial, business, family or other material/relevant relationship exists among its board members. In particular, there are none between chairman and president. Currently, Mr. KONG Qingwei serves as chairman of the Board, and Mr. FU Fan serves as president of the Company. The chairman is responsible for presiding over the general meeting of shareholders and the board of directors and performing other duties as delegated by the board of directors, while the president is responsible to the board of directors, and preside over the management of the company. The division of responsibilities between the chairman and president of the Company is stated in the Articles of Association.

### 1. Attendance of board meetings

In 2021, the Board held 6 meetings. All directors duly performed their duties and attended the meetings in person or by proxy. They made informed decisions to safeguard the interests of the Company and their shareholders as a whole. The attendance of directors is as follows:

| Names of directors | No. of board meetings convened | Attendance in person | Attendance by proxy | Absence | Remarks |
|---|---|---|---|---|---|
| Executive Directors | | | | | |
| KONG Qingwei | 6 | 5 | 1 | 0 | Unable to attend the 12th session of the 9th Board of Directors for other business engagement and Director HUANG Dinan was appointed to attend and vote at the meeting on his behalf. |
| Fu Fan | 6 | 6 | 0 | 0 | |
| Non-executive Directors | | | | | |
| HUANG Dinan | 6 | 5 | 1 | 0 | Unable to attend the 13th session of the 9th Board of Directors for other business engagement and Director WU Junhao was appointed to attend and vote at the meeting on his behalf. |
| WANG Tayu | 6 | 5 | 1 | 0 | Unable to attend the 14th session of the 9th Board of Directors for other business engagement and Director FU Fan was appointed to attend and vote at the meeting on his behalf. |
| WU Junhao | 6 | 6 | 0 | 0 | |
| CHEN Ran | 6 | 5 | 1 | 0 | Unable to attend the 13th session of the 9th Board of Directors for other business engagement and Director ZHOU Donghui was appointed to attend and vote at the meeting on his behalf. |
| ZHOU Donghui | 6 | 5 | 1 | 0 | Unable to attend the 10th session of the 9th Board of Directors for other business engagement and Chairman KONG Qingwei was appointed to attend and vote at the meeting on his behalf. |
| LIANG Hong | 6 | 6 | 0 | 0 | |
| LU Qiaoling | 6 | 5 | 1 | 0 | Unable to attend the 13th session of the 9th Board of Directors for other business engagement and Chairman KONG Qingwei was appointed to attend and vote at the meeting on her behalf. |
| John Robert Dacey | 5 | 4 | 1 | 0 | Unable to attend the 11th session of the 9th Board of Directors for other business engagement and Chairman KONG Qingwei was appointed to attend and vote at the meeting on his behalf. |
| Independent Non-executive Directors | | | | | |
| LIU Xiaodan | 6 | 5 | 1 | 0 | Unable to attend the 11th session of the 9th Board of Directors for other business engagement and Director CHEN Jizhong was appointed to attend and vote at the meeting on her behalf. |
| CHEN Jizhong | 6 | 6 | 0 | 0 | |
| LAM Tyng Yih, Elizabeth | 6 | 6 | 0 | 0 | |
| WOO Ka Biu, Jackson | 6 | 6 | 0 | 0 | |
| JIANG Xuping | 6 | 6 | 0 | 0 | |

Note: The appointment qualifications of Mr. CHEN Ran, Mr. ZHOU Donghui and Ms. LIU Xiaodan were approved by the CBIRC in January 2021. The appointment qualification of Ms. LIANG Hong was approved by the CBIRC in February 2021. The appointment qualifications of Ms. LU Qiaoling, Mr. WOO Ka Biu, Jackson and Mr. John Robert DACEY were approved by the CBIRC in March 2021.

## 2. Board meetings and resolutions

The Board held 6 meetings in 2021 (for details please refer to the announcements published on the websites of SSE, SEHK and the Company):

(1) On 26 March 2021, the Company held the 9th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution in Relation to the Report the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2020 were considered and approved.

(2) On 28 April 2021, the Company held the 10th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the First Quarter Report for 2021 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 27 August 2021, the Company held the 11th session of the 9th Board of Directors in Shanghai, at which The Resolution on the 2021 Interim Report of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(4) On 29 October 2021, the Company held the 12th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the Third Quarter Report for 2021 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 24 November 2021, the Company held the 13th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the Capital Injection of China Pacific Insurance (Group) Co., Ltd. to Pacific Health Insurance Co., Ltd. and Major Related Transactions were considered and approved.

(6) On 29 December 2021, the Company held the 14th session of the 9th Board of Directors in Shanghai, at which resolutions including The Resolution on the 2021 Recovery Plan Report and the 2021 Disposal Plan Recommendation Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

## 3. Implementation of the resolutions of the SGM by the board of directors

In 2021, all the Company's board members fully implemented the resolutions passed by the SGM including those on profit distribution plan for 2020, and the engagement of auditors for 2021, accomplishing all the tasks delegated and assigned by the SGM with due diligence and in compliance with relevant laws and regulations and the provisions under the Articles of Association.

The Company distributed a cash dividend of RMB 1.20 per share (including tax) and a special 30th anniversary cash dividend of RMB 0.10 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2020 approved at the 2020 SGM. The implementation of this distribution plan was completed in June 2021.

## 4. Corporate governance functions of the board of directors

The board of directors is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) To develop and review the Company's policies and practices on corporate governance and make recommendations;

(2) To review and monitor the training and continuous professional development of directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct applicable to the employees and directors of the Company;

(5) To review the Company's compliance with Corporate Governance Code and disclosure requirements in the Corporate Governance Report; and

(6) To review and monitor the Company's risk management and internal control systems.

During the reporting period, the Board fulfilled the above corporate governance functions. In accordance with the regulatory requirements of the SEHK and taking into consideration events such as the Company's GDR issuance and registered capital changes, the Company revised relevant documents including the Articles of Association and the Rules of Procedures for Shareholders' Meeting, changed the former Strategic and Investment Decision-Making Committee under the Board to the Strategic and Investment Decision-Making & ESG Committee, adjusted the Company's registered capital and share structure, etc., and added information on the attendance of GDR shareholders at the SGM. We also formulated the Measures for the Performance Evaluation and Accountability of Directors and Supervisors as per the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial) issued by the China Banking and Insurance Regulatory Commission.

The Board has completed the annual review of the effectiveness of the Company's risk management and internal control systems for the year ended 31 December 2021 (including those of the Company's key subsidiaries), and continuously oversees the issuers' risk management and internal control systems, including financial monitoring, operational monitoring and compliance monitoring. In this regard, the board of directors has obtained confirmation from the management on the effectiveness and completeness of the Company's risk management and internal control systems and procedures. (For details of the risk management & internal control and inside information control of the Company, please refer to the corresponding sections of this chapter.)

The Board had reviewed the Company's risk management and internal control systems, and considered them to be effective and sufficient.

## 5. Performance of duties by the special committees under the board of directors

In 2021, the Company changed the former Strategic and Investment Decision-Making Committee under its Board to the Strategic and Investment Decision-Making & ESG Committee to help the Board with ESG related work. The Strategic and Investment Decision-Making & ESG Committee emulates best practices of ESG in China and overseas and incorporates philosophies of sustainable development into business operation to boost high-quality development in environment, society and governance. At the end of the reporting period, the Board had 5 special committees, namely, the Strategic and Investment Decision-Making & ESG Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Related Party Transactions Control Committee, and the Technological Innovation and Consumer Rights Protection Committee, which conduct in-depth studies on specific issues and submit their recommendations to the Board for consideration.

### (1) Performance of duties by the Strategic and Investment Decision-Making & ESG Committee of the Board of Directors

The primary duties of the Strategic and Investment Decision-Making & ESG Committee are, among others, to study and advise on the long-term development strategies of the Company and its subsidiaries; review the investment decision-making procedures and delegation mechanism as well as the management of insurance funds; study and advise on material investments decisions or proposals, material capital management projects and asset management projects; identify the Company's ESG risks, study and plan the Company's ESG strategy, set out the Company's ESG goals, plans, management policies, performance appraisals, etc., and supervise their implementation.

In 2021, the Strategic and Investment Decision-Making & ESG Committee held 7 meetings as follows:

| Time of the meeting | Name of the meeting | Reports heard or resolutions reviewed |
|---|---|---|
| 1 February 2021 | The 1st meeting of the Strategic and Investment Decision-Making Committee of the 9th Board of Directors in 2021 | Heard the Report on the 2021 Annual Financial Budget Plan of China Pacific Insurance (Group) Co., Ltd. |
| 25 March 2021 | The 2nd meeting of the Strategic and Investment Decision-Making Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2020 Annual Profit Distribution Plan of China Pacific Insurance (Group) Co., Ltd. |
| 23 April 2021 | The 3rd meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2021-2023 Development Plan for Subsidiaries |
| 27 April 2021 | The 4th meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2021-2023 Capital Plan of China Pacific Insurance (Group) Co., Ltd. |
| 28 October 2021 | The 5th meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on The Investment in CPIC Capital by China Pacific Insurance (Group) Co., Ltd.- Xinyi Yihao Private Equity Fund. |
| 24 November 2021 | The 6th meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Capital Injection of China Pacific Insurance (Group) Co., Ltd. to Pacific Health Insurance Co., Ltd. and Major Related Transactions |
| 28 December 2021 | The 7th meeting of the Strategic and Investment Decision-Making & ESG Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Capital Injection of CPIC Life to Pacific Health Insurance Co., Ltd. |

Note: On March 25, 2021, the 2nd meeting of the Strategy and Investment Decision-Making Committee of the 9th Board of Directors reviewed and passed a resolution to change the former "Strategic and Investment Decision-Making Committee" of the Board of Directors to the "Strategic and Investment Decision-Making & ESG Committee".

The composition and attendance of the members of the Strategic and Investment Decision-Making & ESG Committee are as follows:

| Names of members | Position | No. of committee meetings convened | Attendance in person | Attendance by proxy | Absence |
|---|---|---|---|---|---|
| **Incumbent members** | | | | | |
| KONG Qingwei (chairman) | Chairman and executive director | 7 | 7 | 0 | 0 |
| HUANG Dinan | Non-executive director | 7 | 7 | 0 | 0 |
| LIANG Hong | Non-executive director | 5 | 5 | 0 | 0 |
| LU Qiaoling | Non-executive director | 5 | 5 | 0 | 0 |
| LIU Xiaodan | Independent non-executive director | 5 | 5 | 0 | 0 |
| **Outgoing members** | | | | | |
| CHEN Jizhong | Independent non-executive director | 2 | 2 | 0 | 0 |

Note: On 26 March 2021, at the 9th session of the Board, Ms. LIANG Hong, Ms. LU Qiaoling, and Ms. LIU Xiaodan were elected as members of the Strategic and Investment Decision-Making & ESG Committee under the Board, and Mr. CHEN Jizhong was no longer a member of the committee.

### (2) Performance of duties by the Audit Committee of the Board of Directors

The primary duties of the Audit Committee are, among other things, to nominate external auditors; review the Company's basic internal audit systems and to make recommendations to the board; approve the Company's annual audit plan and budget; supervise the independence of the Company's internal audit department; review the financial information of the Company and its disclosure; evaluate the completeness and effectiveness of the Company's internal control system on a regular basis; hear the reports and assess the performance of the Internal Audit Responsible Person regularly and make recommendations to the board of directors; and review accounting policies and practices of the Company and its subsidiaries.

The primary duties of the Audit Committee are, among other things, to evaluate the completeness and effectiveness of the Company's internal control system on a regular basis to ensure the effective operation of the internal control system. The Audit Committee hears the annual internal control assessment report from the chief internal auditor every year, obtains assurance from the management on the effectiveness and completeness of the Company's internal control system, and reviews the effectiveness of the internal control system. Meanwhile, members of the Audit Committee, from time to time, communicate with the chief Internal Auditor and other senior managers on the internal control situation, and through participation in relevant meetings of the audit centre, keep close contact with the audit centre, to continuously monitor the completeness and effectiveness of the internal control system.

In 2021, the Audit Committee held 10 meetings as follows:

| Time of the meeting | Name of the meeting | Reports heard or resolutions reviewed |
|---|---|---|
| 29 January 2021 | The 1st meeting of the Audit Committee of the 9th Board of Directors and Independent Directors on the Preparation of the 2020 Annual Report | Made a preliminary review of the Company's unaudited 2020 Financial Statements |
| 5 March 2021 | The 2nd meeting of the Audit Committee of the 9th Board of Directors and Independent Directors on the Preparation of the 2020 Annual Report | Communicated with the external auditors of the Company on the preliminary audit opinions of the annual audit |
| 5 March 2021 | The 1st meeting of the Audit Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2020 Internal Audit Work Summary Report of China Pacific Insurance (Group) Co., Ltd. |
| 26 March 2021 | The 2nd meeting of the Audit Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Changes in Accounting Estimates for 2020 of China Pacific Insurance (Group) Co., Ltd. |
| 23 April 2021 | The 3rd meeting of the Audit Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the First Quarter Report for 2021 of China Pacific Insurance (Group) Co., Ltd. |

| Time of the meeting | Name of the meeting | Reports heard or resolutions reviewed |
|---|---|---|
| 27 July 2021 | The 4th meeting of the Audit Committee of the 9th Board of Directors in 2021 | Heard The Report on the Work Arrangement for the Selection and Engagement of Auditing Firm for the 2022 Annual Audit of China Pacific Insurance (Group) Co., Ltd. |
| 26 August 2021 | The 5th meeting of the Audit Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution relating to the Changes in Accounting Estimates in the First Half of 2021 of China Pacific Insurance (Group) Co., Ltd. |
| 30 September 2021 | The 6th meeting of the Audit Committee of the 9th Board of Directors in 2021 | Heard The Report on the Selection and Engagement of Auditing Firm for the 2022 Annual Audit of China Pacific Insurance (Group) Co., Ltd. |
| 29 October 2021 | The 7th meeting of the Audit Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution of China Pacific Insurance (Group) Co., Ltd. on Adopting China's Accounting Standards for Enterprises to Prepare Financial Statements. |
| 28 December 2021 | The 8th meeting of the Audit Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Exit Audit Report on Former Board Secretary MA Xin of China Pacific Insurance (Group) Co., Ltd. |

The composition and the attendance of the members of the Audit Committee are as follows:

| Names of members | Position | No. of Committee meetings convened | Attendance in person | Attendance by proxy | Absence |
|---|---|---|---|---|---|
| Incumbent members | | | | | |
| LAM Tyng Yih, Elizabeth (chairman) | Independent non-executive director | 10 | 10 | 0 | 0 |
| Wu Junhao | Non-executive director | 10 | 10 | 0 | 0 |
| JIANG Xuping | Independent non-executive director | 10 | 10 | 0 | 0 |
| ZHOU Donghui | Non-executive director | 6 | 6 | 0 | 0 |
| WOO Ka Biu, Jackson | Independent non-executive director | 6 | 6 | 0 | 0 |

Note: On 26 March 2021, at the 9th session of the Board, Mr. ZHOU Donghui and Mr. WOO Ka Biu, Jackson were elected as members of the Audit Committee of the Board.

The Audit Committee discussed with the external auditors and agreed on the schedule for the auditing of the Company's financial statements based on the plan for the preparation of the Company's annual report. It held a meeting to review the financial statements prepared by the Company and issued its opinions in writing prior to the commencement of the audit by the external auditors, and maintained adequate and timely communication with the auditors during the process. The committee also convened to review the financial statements of the Company after the external auditors issued their preliminary opinions, and issued its opinions in writing. At its 2nd meeting of the year, it formed a resolution on the submission of the Company's annual report to the board of directors for approval.

In 2021, the Audit Committee submitted a report on the overview of auditing by external auditors for the year 2020 to the board of directors. In this report, it expressed satisfaction with the overall performance of the auditors. At its 1st meeting in 2021, the Committee formed a resolution to submit a resolution regarding the engagement of external auditors to the board of directors for consideration and approval.

Moreover, according to the requirements on engaging accounting firms issued by the Ministry of Finance, an accounting firm can continuously provide audit services to a state-owned financial enterprise for a maximum of 8 consecutive years. After the completion of audit work for the year 2021, the Company had engaged PwC for 8 consecutive years, and had to change auditors. The Audit Committee has gained a full understanding of and reviewed the professional competence, investor protection capability, integrity and independence of Ernst & Young Hua Ming LLP, and believes that it possesses rich experience in the securities industry, sound professional ethics and practice, enough qualifications and capabilities to engage in financial audit and internal control audit, thus, can meet the requirements for providing audit services for the Company. The committee proposed to the Board to appoint it as the auditor for the Company's financial statements and internal control audit of 2022.

The committee pays close attention to the internal control of the Company and objectively assesses the Company's financial position and internal control procedures through two independent communications with external auditors each year. It also provides guidance in relation to the Company's internal audit and takes part in the appraisal and evaluation of the annual performance of the internal audit department.

### (3) Performance of duties by the Nomination and Remuneration Committee of the Board of Directors

The primary duties of the Nomination and Remuneration Committee are, among others, to provide recommendations to the board with respect to the remuneration and performance management policy and structures for directors and senior management; conduct examination and evaluation of the performance of duties and annual performance of the directors and the senior management; review the selection and appointment system for the directors and senior management and provide recommendations to the board; evaluate candidates of senior management positions nominated by the president; and review the policy on diversity of board members.

In the Articles of Association, the Company has clarified the nomination policy for board directors: the board of directors of the Company, the Nomination and Remuneration Committee, and the shareholders who hold more than 3% of the Company's shares individually or collectively are entitled to nominating candidates for directors. Among them, the independent directors may be nominated by the Nomination and Remuneration Committee, the board of supervisors, and shareholders who hold more than 1% of the Company's shares individually or collectively, or by other means as determined by CBIRC. According to the Work Rules of the Nomination and Remuneration Committee, the procedures for nominating board directors mainly include: the Nomination and Remuneration Committee consolidates a list of candidates for directors, collects detailed information including their occupation, education, title, work experience and part-time jobs and creates written documents based on that; the committee solicits the nominee's consent to the nomination, convenes a committee meeting, and conducts qualification review of relevant candidates based on director's appointment requirements; the committee submits its appointment recommendations and other relevant materials to the board of directors, and follows up on it as per the Board's resolutions and feedback. The Company has complied with the above policy during the nomination process for directors.

The Company also focuses on the diversity of board members. The Company believes that diversity of board members has brought a broad vision and rich and high-level professional experience to the Company, which is conducive to promoting decision-making and improving corporate governance. For that, the Company has incorporated the diversity policy into the terms of reference of the Nomination and Remuneration Committee. In assessing the Board composition, the Nomination and Remuneration Committee and the Board would take into account various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination and Remuneration Committee would discuss and agree on measurable objectives for achieving diversity on the Board, and where necessary recommend them to the Board for adoption.

The Company has complied with requirement set out in the Corporate Governance Code regarding the diversity of board members and is focused on building a professional, diversified and balanced high-quality board of directors team to further improve the Board's decision-making capabilities in different professional fields. At present, the Company's board of directors is diversified in terms of gender, region, and professional background: there are 11 male directors and 4 female directors; there are 12 directors from mainland China and 3 from Hong Kong or overseas; there are 3 directors with accounting background, 1 with legal background, and 11 with professional backgrounds in finance, management, and new technologies, etc.

In 2021, the Nomination and Remuneration Committee held 5 meetings as follows:

| Time of the meeting | Name of the meeting | Reports heard or resolutions reviewed |
|---|---|---|
| 25 March 2021 | The 1st meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2020 Annual Performance Appraisal Results of China Pacific Insurance (Group) Co., Ltd. |
| 27 April 2021 | The 2nd meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2021 | Reviewed The Resolution on the Appointment and Renewal of Joint Company Secretary of China Pacific Insurance (Group) Co., Ltd. |
| 26 August 2021 | The 3rd meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2021 | Reviewed The Resolution on the Appointment of Mr. CHEN Wei as Head of Administration of China Pacific Insurance (Group) Co., Ltd. |
| 24 November 2021 | The 4th meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Implementation plan for Further Deepening the Reform of the Remuneration System for Professional Managers of China Pacific Insurance (Group) Co., Ltd. |
| 28 December 2021 | The 5th meeting of the Nomination and Remuneration Committee of the 9th Board of Directors in 2021 | Heard The Report on the 2021 Budget Adjustment Plan and Performance Appraisal Form of China Pacific Insurance (Group) Co., Ltd. |

The composition and attendance of the members of the Nomination and Remuneration Committee are as follows:

| Names of members | Position | No. of committee meetings convened | Attendance in person | Attendance by proxy | Absence |
|---|---|---|---|---|---|
| Incumbent members | | | | | |
| LIU Xiaodan (Chairman) | Independent non-executive director | 4 | 4 | 0 | 0 |
| JIANG Xuping | Independent non-executive director | 5 | 5 | 0 | 0 |
| CHEN Jizhong | Independent non-executive director | 5 | 5 | 0 | 0 |
| John Robert Dacey | Non-executive Director | 4 | 4 | 0 | 0 |
| Outgoing members | | | | | |
| LAM Tyng Yih, Elizabeth | Independent Non-executive Director | 1 | 1 | 0 | 0 |

Note: On 26 March 2021, at the 9th session of the 9th Board of Directors, Ms. LIU Xiaodan was elected as Chairman of the Nomination and Remuneration Committee, and Mr. John Robert Dacey was elected as a member of the committee. Ms. LAM Tyng Yih, Elizabeth ceased to serve as a member of the committee.

### (4) Performance of duties by the Risk Management and Related Party Transactions Control Committee of the Board of Directors

The primary duties of the Risk Management and Related Party Transactions Control Committee are, among others, to make recommendations to the board with respect to the overall objective, basic policies and work rules of risk management; make recommendations to the board of directors with respect to the risk evaluation for major decisions and solutions for significant risks; review the management system for insurance funds management; advise the board of directors on the SAA plan, annual investment plan and investment guidelines and their adjustments; make recommendations to the board of directors with respect to the coordination mechanisms for product design, sales and investment and their performance; discuss risk management system with the management to ensure that effective risk management system is established; conduct research on important findings of risk management issues; conduct solvency management; conduct risk management for subsidiaries; identify and maintain relations with related parties; manage, review, approve related party transactions; conduct risk control of related party transactions; verify material related party transactions; and carry out regular filing of general related party transactions, etc.

The Company's Risk Management and Related Party Transactions Control Committee hears a quarterly risk assessment report by the chief risk officer each quarter, obtains assurance at the time of annual reporting from the management on the effectiveness and completeness of the Company's risk management system, and reviews the effectiveness of the risk management system. Meanwhile, the committee, from time to time, communicates with the chief risk officer and other senior managers on the major risks of the Company and its subsidiaries to monitor the effectiveness of the risk management system. In addition, the Company has established a mechanism for reporting to the Board's Risk Management and Related Party Transactions Control Committee major risk events such as solvency early warning. In case of significant risk, the Risk Management and Related Party Transactions Control Committee of the Board will be notified in a timely manner.

In 2021, the Risk Management and Related Party Transactions Control Committee held 6 meetings as follows:

| Time of the meeting | Name of the meeting | Reports heard or resolutions reviewed |
|---|---|---|
| 25 March 2021 | The 1st Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2020 Solvency Report of China Pacific Insurance (Group) Co., Ltd. |
| 23 April 2021 | The 2nd Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2020 Risk Appetite System Assessment and Update Report of China Pacific Insurance (Group) Co., Ltd. |
| 23 August 2021 | The 3rd Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Mistake Correction and Accountability Policy of China Pacific Insurance (Group) Co., Ltd. |
| 27 October 2021 | The 4th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2021 | Heard reports including The Compliance Report for the Third Quarter of 2021 of China Pacific Insurance (Group) Co., Ltd. |
| 24 November 2021 | The 5th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Reinsurance Strategy of China Pacific Insurance (Group) Co., Ltd. |
| 28 December 2021 | The 6th Meeting of the Risk Management and Related Party Transactions Control Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the 2021 Fraud Risk Management Work Report of China Pacific Insurance (Group) Co., Ltd. |

The composition of the Risk Management and Related Party Transactions Control Committee and attendance of its members are as follows:

| Names of members | Position | No. of committee meetings convened | Attendance in person | Attendance by proxy | Absence |
|---|---|---|---|---|---|
| **Incumbent members** | | | | | |
| CHEN Jizhong (chairman) | Independent Non-executive Director | 6 | 6 | 0 | 0 |
| FU Fan | Executive Director | 6 | 6 | 0 | 0 |
| WANG Tayu | Non-executive Director | 6 | 6 | 0 | 0 |
| LAM Tyng Yih, Elizabeth | Independent Non-executive Director | 6 | 6 | 0 | 0 |
| WOO Ka Biu, Jackson | Independent Non-executive Director | 5 | 5 | 0 | 0 |
| **Outgoing members** | | | | | |
| JIANG Xuping | Independent Non-executive Director | 1 | 1 | 0 | 0 |

Note: On 26 March 2021, Mr. WOO Ka Biu, Jackson was elected as a member of the Risk Management and Related Party Transactions Control Committee of the Board of Directors at the 9th session of the 9th Board of Directors, and Mr. JIANG Xuping was no longer member of the committee.

### (5) Performance of duties by the Technological Innovation and Consumer Rights Protection Committee of the Board of Directors

The primary duties of the Technological Innovation and Consumer Rights Protection Committee are, among others, to review the Company’s technological innovation and data management strategy and plans, and overall work objectives; urge the Company’s management to establish an effective technological innovation operation system; guide and supervise the establishment and improvement of the consumer rights protection work management system; carry out research on major issues in the field of technological innovation and consumer rights protection.

In 2021, the committee held 3 meetings as follows:

| Time of the meeting | Name of the meeting | Reports heard or resolutions reviewed |
|---|---|---|
| 25 March 2021 | The 1st meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9th Board of Directors in 2021 | Heard reports including The 2020 Recap Report on the Implementation of the Science and Technology Plan of China Pacific Insurance (Group) Co., Ltd. |
| 26 August 2021 | The 2nd meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Insurance Consumer Rights Protection Work Report for the First Half of 2021 of China Pacific Insurance (Group) Co., Ltd. |
| 28 December 2021 | The 3rd meeting of the Technological Innovation and Consumer Rights Protection Committee of the 9th Board of Directors in 2021 | Reviewed resolutions including The Resolution on the Consumer Rights Protection Management Policy of China Pacific Insurance (Group) Co., Ltd. |

The composition of the committee and attendance of its members are as follows:

| Names of members | Position | No. of committee meetings convened | Attendance in person | Attendance by proxy | Absence |
|---|---|---|---|---|---|
| JIANG Xuping (Chairman) | Independent Non-executive Director | 3 | 3 | 0 | 0 |
| FU Fan | Executive Director | 3 | 3 | 0 | 0 |
| WU Junhao | Non-executive Director | 3 | 3 | 0 | 0 |
| CHEN Ran | Non-executive Director | 2 | 2 | 0 | 0 |
| LIANG Hong | Non-executive Director | 2 | 2 | 0 | 0 |

Note: On 26 March 2021, Mr. CHEN Ran and Ms. LIANG Hong were elected as members of the Technological Innovation and Consumer Rights Protection Committee of the Board of Directors at the 9th session of the 9th Board of Directors.

## (III) Supervisors and the Board of Supervisors

Currently, the Company has 4 supervisors, including 2 shareholder representative supervisors (Mr. ZHU Yonghong and Mr. LU Ning) and 2 employee representative supervisors (Mr. JI Zhengrong and Mr. GU Qiang). Their biographies are set out in the section "Directors, supervisors, senior management and employees" of this report.

Under the Articles of Association, the board of supervisors is vested by law to exercise the following rights and powers: examine the finances of the Company; monitor the behaviors of directors, president, vice presidents and other senior management during their performance of duties; review the financial information including financial reports, operation reports and profit distribution plans to be submitted to the SGM; propose to convene extraordinary session of the SGM and propose resolutions to it; and conduct investigation when there is any major abnormality in the Company's operation.

### 1. Attendance of supervisors

In 2021, the board of supervisors held 5 meetings. Their attendance is as follows:

| Supervisors | No. of meetings convened | Attendance in person | Attendance by proxy | Absence | Remarks |
|---|---|---|---|---|---|
| ZHU Yonghong | 5 | 4 | 1 | 0 | Due to other business engagements, ZHU Yonghong did not attend the 8th session of the 9th Board of Supervisors and appointed in writing Director JI Zhengrong to attend the meeting and vote on his behalf. |
| JI Zhengrong | 5 | 5 | 0 | 0 | |
| GU Qiang | 5 | 5 | 0 | 0 | |
| LU Ning | 5 | 5 | 0 | 0 | |

## 2. Meetings of the Board of Supervisors and resolutions

The board of supervisors held 5 meetings in 2021 (please refer to announcements published on the websites of SSE, SEHK and the Company for details).

(1) On 26 March 2021, the Company held the 5th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Report of the Board of Supervisors for 2020 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(2) On 28 April 2021, the Company held the 6th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the First Quarter Report for 2021 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 27 August 2021, the Company held the 7th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution on the 2021 Interim Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 29 October 2021, the Company held the 8th session of the 9th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Third Quarter Report for 2021 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 29 December 2021, the Company held the 9th session of the 9th Board of Supervisors by way of written correspondence, at which resolutions including The Resolution in Relation to the Measures on the Performance Evaluation and Accountability of Directors and Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

## (IV) Discussions held and research made by directors and supervisors

In 2021, given the changes in the internal and external business environment, regulatory policies, customer behaviour and new technology, the Company's Board of Directors and Board of Supervisors continued to adhere to long-termism and the goal of becoming "a leader in the healthy and stable development of the insurance industry" with "best customer experience, business quality, and risk control", thus giving full play to their role in strategic decision-making and supervision. To boost high-quality development, we continued to focus on the insurance business and long-term talent incentives, investment management, platform-based health-related services, technology innovation and corporate governance modernization. The two boards familiarized themselves with and discussed the Company's operating performance and key issues by convening board meetings, listening to special reports to the boards and holding seminars, so as to strengthen the guidance for operation, accelerate the shift of growth drivers and boost service capabilities.

In 2021, the Board of Directors continued to strengthen its strategic guidance and help the management improve performance. On the one hand, it focused on value creation, long-term development, kept a close eye on the business goals for the year, and promoted the implementation of major business decisions to ensure the stability of our performance and market position; on the other hand, it pushed forward the Company's transformation by focusing on new drivers of value growth, "CPIC Service" brand building, development of the Group's centralised investment and research platform, talent mechanism innovation, technology marketization, and health-related business development.

In 2021, the Company held two seminars for directors and supervisors, at which they were briefed on the Company's health care business development, new regulatory rules from the C-ROSS II, and the Company's ESG-related strategic planning, etc., and discussed solutions to key issues in the Company's operation based on our current situation and future plans. The directors and supervisors endorsed the Company's continuous progress and practices in system and mechanism reform, product and service innovation, adaptation to new regulatory policies, fulfilling social responsibilities, and serving national strategies.

## (V) Training for directors and supervisor

To improve their performance of duties, professional skills and knowledge of insurance policies and regulations, the directors and supervisors of the Company participated in various online training and lectures held by the regulators as well as by the Company. Due to the pandemic, most of the external training sessions this year were held online. Ms. LAM Tyng Yih, Elizabeth, Mr. CHEN Jizhong and Mr. JIANG Xuping, all Independent Directors, attended the follow-up training of the second independent director qualification training session organized by the SSE in 2021; all directors and supervisors of the Company participated in online training sessions held by the SSE on subjects such as the Code of Corporate Governance for Banking and Insurance Institutions, the responsibilities and legal positioning of directors, supervisors and senior management in insurance institutions, the identification and prevention of corporate governance risks in insurance institutions, and the performance risks and self-protection of directors, supervisors and senior management in insurance institutions. Moreover, the Company held special training for all its directors and supervisors in response to new regulations issued by the CSRC, CBIRC, SSE, and SEHK, such as the Interim Measures on the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions, and the first annual survey report of HK's Financial Reporting Council, etc. Directors and supervisors also carefully studied the latest laws, regulations and regulatory rules released from time to time by the regulators through other means. All of that helped with their performance of duties.

The Company also encouraged all its directors and supervisors to attend training, at the cost of the Company. Since 2012, all the directors have been required to provide their records of training to the Company.

## (VI) Auditors' remuneration

Information on auditors' remuneration is set out in the "Report of the Board of Directors and significant events".

## (VII) Responsibilities of Directors for financial statements

The directors confirm that they are responsible for the preparation of financial statements to truthfully and fairly report the situation of the Company. Please refer to the "Financial report" section of this report for the statement of responsibility made by the auditor of the Company for accounts reporting. Having made due enquiry, the directors are of the opinion that the Company has sufficient resources to continue operating in the foreseeable future and it is therefore appropriate to adopt the going concern principle for the preparation of financial statements.

## (VIII) Investor relations

The Company has formulated and implemented relevant regulations such as the Shareholder Communication Regulations and the Investor Relations Management Measures. While complying with the above-mentioned regulations, the investor relations (IR) programme of the Company focuses on market value management and seeks to establish a comprehensive and investor-oriented platform with diversified channels of effective communication to improve the reach and effectiveness of investor communication.

This year, the Company held its 2021 Interim/2020 Annual Results Announcements, 2021 Q3 Results Release, and global road show by means such as live video broadcast and conference call. In 2021, the Company hosted over 60+ conference calls and visits from analysts and investors, participated in 20 global investor strategy meetings, forums and summits, and timely and effectively communicated the Company's business performance and strategies to the capital market; continued to compile monthly Investor Newsletters in both Chinese and English and publish them in the investor relations column on the Company's official website with a total of 13 issues published in 2021; and also employed other means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, etc. Those initiatives were well received by the capital market.

Actively responding to the call of the securities regulators to strengthen the protection of retail investors, the Company issued announcements and publicly solicits questions from investors before holding such results releases, and answered those questions at the conference. Meanwhile, it provides retail investors with video links to participate in those events and they can raise questions through the live broadcast platform and get a reply within the same day. Moreover, the Company assigned personnel for the investor relations hotline to promptly respond to investor questions on the E-communication platform of the SSE, objectively and comprehensively conveying information to the market to help investors correctly understand the Company's investment value.

Moreover, fully using the two-way communication role of investor relations, the Company actively transmits the voice of the capital market inward by forms of capital market flash reports and special reports to provide a basis for management decision-making.

## (IX) Information disclosure and inside information management

Regarding information disclosure, the Company attaches great importance to the regulatory rules of the places where its securities are listed, strictly abides by the principle of “truthfulness, accuracy, completeness, timeliness and fairness”. During the reporting period, regular reports and a number of provisional announcements were released in strict accordance with regulatory requirements; and as an insurance company simultaneously listed in Shanghai, Hong Kong and London, the Company, focusing on investor’s needs and fairly treating all types of investors, continued to expand the scope of information disclosure, benchmarked with industry-leading domestic and international insurers and adopted innovative ways of disclosing non-financial information to fully, concisely, and effectively communicate its major business development strategies and results and its corporate social responsibility efforts and results to investors and other stakeholders in a comprehensive manner, greatly improving the relevance and effectiveness of information disclosure. During the reporting period, to ensure the efficiency and standardization of inside information disclosure management within the Group, the Company continuously improved the Group-wide compliance management. It also paid close attention to new industry policies and regulatory developments, and based on the latest corporate governance and information disclosure requirements for the insurance industry, enriched the information disclosure content. During the reporting period, the Company effectively performed its information disclosure obligations with zero punishment from the regulators and zero major error or omission in information disclosure. The Company was rated A by SSE for its information disclosure in 8 consecutive years.

## (X) Joint company secretaries

Mr. NGAI Wai Fung (director and group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited) and Mr. SU Shaojun were appointed as the joint company secretaries of the Company. Mr. SU, the secretary of the board of directors and joint company secretary, serves as the primary contact person between Mr. NGAI and the Company. For the year ended 31 December 2021, Mr. SU and Mr. NGAI have respectively participated in relevant professional trainings in accordance with the requirement of the Hong Kong Listing Rules.

# 2

# Performance of duties by independent non-executive directors

The Company’s 9th Board of Directors consists of 5 independent non-executive directors comprising professionals in accounting, finance, auditing and legal affairs, and independent non-executive directors exceed one-third of all the board members, in compliance with applicable regulatory requirements and the provisions of the Articles of Association.

The Company’s independent non-executive directors have the required expertise and experience and are able to perform their duties strictly in accordance with the requirements of applicable laws and regulations, regulatory documents, the Articles of Association and Provisions on Performance of Duties by Independent Non-executive Directors. They have provided comments and suggestions on, among other things, corporate governance, business operation, risk management and internal control. Independent non-executive directors have played a meaningful role in the Company’s decision making process, offering an independent and impartial perspective and safeguarding the interests of the Company and of the shareholders as a whole, and in doing so, the interests of minority shareholders as well.

In 2021, all the independent non-executive directors attended meetings of the Board as scheduled. They took the initiative to better understand the operating situation of the Company, doing research, making inquiries, and obtaining necessary materials and information for decision-making. They provided independent and unqualified opinions on matters of the Company such as changes of significant accounting estimates, election of board members, appointment of senior management members, related party transactions, and remuneration policy for and the performance appraisal of senior management.

In 2021, all independent non-executive directors and the chairman held separate communication meetings in Shanghai without the participation of other directors and executives, and conducted in-depth communication on the optimization of corporate governance, assessment of professional managers, innovation of products and services, risk and compliance management, and corporate culture development, etc.

## (I) Attendance of independent non-executive directors at the SGM

In 2021, the Company's independent non-executive directors actively attended the SGM, details of which are as follows:

| Names of independent non-executive directors | No. of SGMs convened | Attendance in person | Absence |
|---|---|---|---|
| LIU Xiaodan | 1 | 1 | 0 |
| CHEN Jizhong | 1 | 1 | 0 |
| LAM Tyng Yih, Elizabeth | 1 | 1 | 0 |
| WOO Ka Biu, Jackson | 1 | 1 | 0 |
| JIANG Xuping | 1 | 1 | 0 |

## (II) Attendance by independent non-executive directors of board meetings

In 2021, independent non-executive directors actively attended the meetings of the board of directors and the attendance of each of the independent non-executive directors is as follows:

| Names of independent non-executive directors | No. of board meetings convened | Attendance in person | Attendance by proxy | Absence |
|---|---|---|---|---|
| LIU Xiaodan | 6 | 5 | 1 | 0 |
| CHEN Jizhong | 6 | 6 | 0 | 0 |
| LAM Tyng Yih, Elizabeth | 6 | 6 | 0 | 0 |
| WOO Ka Biu, Jackson | 6 | 6 | 0 | 0 |
| JIANG Xuping | 6 | 6 | 0 | 0 |

## (III) Objections by the independent non-executive directors on relevant matters of the Company

No objections were raised by independent non-executive directors on relevant matters of the Company and there were no such cases where proposals by the independent non-executive directors were not adopted.

## (IV) Independence of independent non-executive directors

Pursuant to the Hong Kong Listing Rules, the Company has obtained written confirmation from each Independent Non-executive Director of his/her independence from the Company. The Company considers all of its Independent Non-executive Directors to be independent of the Company.

# 3

## Independence of the Company from its controlling shareholders in asset, personnel, finance, organization and business

The ownership structure of the Company is diversified and there is no controlling shareholder or de facto controller.

As a wholly-listed comprehensive insurance group company, the Company is fully independent in the following five aspects: assets, personnel, finance, organisation and business.

# 4

## Appraisal and incentive programs for the senior management

The performance management of the Company's senior management primarily comprises formulation of performance appraisal plan, performance tracking, appraisal of performance and application of the appraisal results. The annual performance appraisal plan will be determined by the Board based on the long-term and medium-term development strategies and the operation plan for the year. The Company will take follow-up actions on the fulfillment of various appraisal indicators regularly. At the end of the year, the Board will assess the performance based on the fulfillment of the operational objectives for the entire year. The results of appraisal are linked to the compensation for the senior management.

The Company has put in place a remuneration policy based on the position and performance of the employee and market conditions. It also adopts measures such as deferred bonus and compensation recovery and clawback mechanisms for the senior management as an incentive to create long-term value for the Company. In the event of violations of discipline or regulations or abnormal exposure of risk losses within duties, the Company will re-assess the performance remuneration of the person in question for the relevant year, and deduct, recover and stop payment of the performance remuneration for the corresponding period and deferred payment based on the severity of the consequence.

Leveraging remuneration schemes for professional managers, the Company took a market-oriented approach towards the remuneration and exit mechanisms for the president and vice president to improve incentives and accountabilities, and focussing on market-based selection and recruitment. Their employment contracts include clearly defined roles and responsibilities and duration of the positions, differentiated remuneration, detailed remuneration structure and appraisal terms, terms of contract renewal and termination.

# 5

# Risk management

Risk management is a core element of the Company's operation and management. The Company takes a centralized approach to risk management - set up one overarching risk management framework covering the whole Group, with one set of risk language, risk policies and important systems, core tools and indicators, and risk management information system shared across the Group to guide and supervise the Group's risk management work. While maintaining their independent risk governance and setting up necessary firewalls, each subsidiary is responsible for managing various categories of business risks in accordance with the basic goals and policies, systems and processes, methods and tools of the Group's risk management.

The Company has always maintained a high level of risk awareness to strictly guard against risks, optimized risk limit constraints and penetrating control mechanisms, and continued to improve solvency risk management to achieve the strategic goal of "developing the best risk control capabilities".

## (I) Risk governance structure

The Company has established an overarching risk management framework that covers all organizations and positions in which the board of directors bears the ultimate responsibility, the management provides direct leadership, the risk management departments conduct specific implementation, and the relevant functional departments offer close cooperation. The board of directors of the Group and its subsidiaries is the supreme authority for the risk management of the organization, and bears ultimate responsibility for their respective risk management systems and status.

In 2021, for subsidiaries that have been approved by the regulators to do without a risk management committee under its board of directors, the Company's Risk Management and Related Party Transactions Control Committee of the Board of Directors performs substantive control of their risk management and provides decision-making support to their board of directors. The Committee shall obtain a comprehensive understanding of the major exposures and their management status, and make recommendations to the board of directors over matters such as the review of the overall objectives, risk preferences and tolerances, and policies of risk management; the review of risk management institutions and the definition of their responsibilities; the review of risk assessment reports and special risk reports to better understand the risk management status; the review of the risk assessment of major decisions and solutions for the mitigation of major risks; assessing the effectiveness of the operation of the risk management system; the review of resolutions on related party transactions; and completing other tasks assigned to it by the Board of the Company.

The Company submits annual and quarterly risk evaluation reports to the Board Risk Management and Related Party Transactions Control Committee on the Company's risk positions and management measures. And the annual reports will be submitted to CBIRC after being reviewed by the Board. The Company has also established a mechanism for timely reporting to the Board Risk Management Related Party Transactions Control Committee on major risk events such as solvency early warning. In 2021, the committee convened 6 meetings to review related risk matters and reports.

The Company's Management Committee is mandated to organize and execute the Company's risk management activities, appoint the Chief Risk Officer, report to the Board's Risk Management and Related Party Transactions Control Committee on the Company's risk positions and management measures quarterly. The Management Committee has under it a Working Group of Risk Management and Audit, headed by the Company's President, with the Chief Risk Officer, the compliance responsible person, and the Chief Auditor serving as deputy heads. Other members of the Working Group include senior management members of related fields, responsible persons in legal compliance, risk monitoring, internal audit and human resources, etc., as well as senior managers of the Company's subsidiaries in charge of risk management and compliance. The Working Group is responsible for the formulation of risk management plans, co-ordination, execution and oversight.

The Company headquarters and its major insurance or asset management subsidiaries have all set up Risk Management Departments. These departments coordinate and implement the various decisions made by the management in the field of risk management, and organize, direct and supervise other departments to execute the daily risk management tasks determined by management. Risk management departments are composed of highly-educated people with risk management, accounting, actuarial, investment or other related professional background and years of relevant work experience. The Company has developed career planning and training programs for risk management personnel to improve their professional competence and quality.

As the first line of defence for risk management, all functional departments, subsidiaries and branches have appointed responsible persons for risk management and set up corresponding positions, who are responsible for the risk management work within his/her scope of responsibility and communication with the risk management department.

## (II) Risk management strategy and procedure

The Company has established scientific and effective risk management strategies based on its development strategy, organizational structure and operating characteristics. Under the constraints of reasonable risk management objectives, the Company uses appropriate risk management tools to manage insurance risk, market risk, credit risk, operational risk, strategy risk, reputational risk, liquidity risk and Group-specific risks, implement the management of the transmission and penetration of risk objectives of the Group, subsidiaries and branches, and to improve the closed-loop management mechanism.

The Company’s key risk management procedure includes: the setting of objectives, collection of information, risk identification & assessment, risk management control, risk reporting and supervision and rectification. The Company has established an early warning system to monitor the Group's major risks. The Company has also established a crisis management mechanism and contingency plans to enhance our capability to prevent and tackle emergencies, and we also regularly reviewed them and performed contingency drills.

## (III) Risk appetite

The Company adopts a “prudent” risk appetite, and cautiously manages various risks in business operation. The Company and its insurance subsidiaries maintain a sufficient level of solvency, and pursue stable profitability and sustainable value growth while maintaining appropriate liquidity, maintain a sound risk management status and market image, and continuously upgrade its risk control system to better match its listing in SSE, SEHK, and LSE, thus becoming a leader in healthy and stable development of the industry.

The Company's risk appetite system includes five core dimensions: maintaining adequate capital, pursuing stable profitability, achieving sustained value growth, maintaining appropriate liquidity, and establishing a good market image.

In terms of risk limits, the Company has established overall risk limits and cascaded them to its subsidiaries. Based on their own business characteristics and needs, each subsidiary further breaks down the limits for various risks and applies them to daily business decisions, risk monitoring and early warning to achieve healthy interaction and balance between risk management and business development.

## (IV) Risk management performance

2021 was a year of complex and evolving external environment, and the China Banking and Insurance Regulatory Commission stepped up efforts in regulating the market to prevent operational risks and promote the high-quality development of the insurance industry with a range of new regulations. In response to the changing market conditions and regulatory requirements, the Company kept upgrading and improving its risk management system, expanding the role of its three lines of defence in whole-process risk management, in a bid to develop an integrated risk management system. It also tightened control of key risks and strictly implemented regular pandemic control measures while seeking high-quality development through transformation and innovation. It maintained a balance between stable operation and rapid growth, supporting stable business operation with solid risk control.

In 2021, the Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, reputational risk, strategy risk, capital management risk and group specific risks.

(For details, please refer to the relevant notes of "Financial Report" section of this report.)

# 6

# Internal control

The Company has always been committed to improving its internal control and adopted sound internal control systems as per regulatory requirements to help achieve sustainable growth and fulfil internal control objectives such as reasonable assurance of the compliance and legality of the Company's operation, the safety of assets, the truthfulness and completeness of financial reports and relevant information, improved business efficiency and performance, and successful execution of business strategies. The Board of the Company is responsible for establishing and improving internal control and its effective implementation, reviewing the organizational structure and important policies of internal control, reviewing the handling of major risk events, as well as regularly assessing the soundness, rationality and effectiveness of the Company's internal control. The Supervisory Board is responsible for supervising the establishment and implementation of the Company's internal control. The Management Committee is responsible for establishing and improving the Company's organizational structure, improving the Company's internal control system, as well as for managing the daily operation of the Company's internal system as per decisions of the board of directors.

In 2021, the Company continued to optimize its internal control system by focusing on the key projects and key tasks of internal control construction, promoted the full integration of internal control into business management to ensure that the internal control system is complete, fully controlled, and implemented effectively. In 2021, it organized a Company-wide special operation, the "Internal Control and Compliance Management Construction Year", to complete various internal control self-inspection and construction work. Responding to the new changes and trends for regulations on listing, financial markets and state-owned assets, the Company formed a precision internal control mechanism where risks are differentiated and categorized, so that all key risk areas are covered by internal control. Following up on the implementation of major changes and new regulatory requirements, we have realized effective early warning in key risk areas. As for digitalization of risk management system, we promoted dynamic and agile risk control as well as transformation and empowerment, turning risk information into digital signals to form a new pattern of smart work application and risk data sharing.

In 2022, the Company will further upgrade Group-wide integrated internal control and compliance system, improve accountability of legal persons, open up paths for downward penetration and upward reporting, and strengthen substantive control of important matters. We will also establish and improve a Group-wide internal control system to improve overall operational efficiency and risk prevention capabilities.

Pursuant to the Code of Corporate Governance for Banking and Insurance Institutions (CBIRC [2021] No. 14), the Internal Audit Working Rules for Insurance Institutions (CRIC[2015] No. 113), the Regulations on Internal Audit of the National Audit Office of the Republic of China (CNAO[2018] No. 11), and the Articles of Association of the Company, the Company implements an internal audit system under the direct leadership of the Group's Party Committee and Board of Directors of and under the guidance and supervision of the Audit Committee of the Group's board of directors. The Company adopts centralized management of internal audit and has set up an Internal Audit Centre at its headquarters with full-time internal personnel carrying out internal audit work of the Group in a unified manner and entrusted to perform the internal audit duties of subsidiaries. Each subsidiary no longer has internal audit departments or positions. Secretary of the Group's CPC Party Committee and the Group's Chairman are in charge of internal audit; and Chief Auditor of the Group is also the Group's Internal Auditing Responsible Person, responsible for organizing the internal audit work of the Group. In 2021, focusing on high-quality development and technological empowerment of internal audit, the Group's Internal Audit Centre developed a healthy development index for the Company's branches and a digital internal audit evaluation system to further digitalize relevant work; timely revised the Company's internal audit-related policies, optimized and improved the internal audit mechanism, and further consolidated the basic management of internal audit; overcame multiple challenges such as the pandemic, innovated internal audit models and technical methods, improved internal audit efficiency, carried out special research and put forward targeted management recommendations, and solidified the Company's third line of defence. The Centre successfully completed all the tasks from the annual internal audit plan for 2021, making due contribution to the Company's high-quality development.

In accordance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations, and the Company's internal control system and evaluation methods, and based on the daily supervision and special supervision of the Company's internal control, the Company's internal audit department led the assessment of the effectiveness of the Company's internal control as at 31 December 2021 (the baseline date for internal control assessment report). Based on the conclusions relating to the major deficiencies of the Company's internal control for financial reporting, on the baseline date there were no such deficiencies. The board of directors believes that the Company maintained effective internal control for financial reporting in all major aspects. Based on the conclusions relating to the major deficiencies of the Company's internal control for areas other than financial reporting, on the baseline date there was no such deficiencies. There were no factors which may affect these conclusions regarding the internal control effectiveness between the baseline date and the date of the issuance of the internal control assessment report.

The Company's auditors also issued an audit report on the Company's internal control, which is of the opinion that as of 31 December 2021 the Company has maintained effective internal control in all major aspects for financial reporting in compliance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations.

# 7

# Management and control of subsidiaries

Guided by the overall strategic goals of the Group, we strengthened the strategic management and control of each subsidiary and established and kept improving relevant policies and working mechanisms.

In 2021, we further clarified the positioning and responsibilities of the Group and each subsidiary and enhanced the Group's coordination for those forward-looking, platform-based and shared functions to create a synergy-generating headquarters. Our insurance subsidiaries put more focus on insurance protection, risk management and capital utilisation to achieve business goals, enhance professional capabilities and competitiveness in the market while non-insurance subsidiaries gave more priority to optimising resource allocation of the Group, creating synergies and promoting the development of the Group's insurance business.

Adhering to the idea of "Group-coordinated development", the Company attaches great importance to overall strategic planning and development. We optimised strategic planning and management, and clarified the key tasks of and paths for realising the Group's strategic management and control; strengthened the cascading of Group strategies to subsidiaries by setting forth market strategies and key tasks and broke them down for each subsidiary with regular tracking and analysis of performance and progress by the Group. We established a strategic budget assessment system with properly balanced core indicators for current operation and long-term development to ensure the realisation of the Group's overall strategic goals and subsidiaries' targets.

Guided by regulatory policies, we continued to maintain the Group's substantial control over key areas and major issues, and stepped up efforts in building a closed-loop corporate governance management mechanism with clearly-defined rights and responsibilities, effective checks and balances, coordinated operations, and process penetration. We also further regulated the equity management and improved the governance structure of subsidiaries, strengthened the implementation of the responsibilities of legal persons for governance, and optimised the decision-making process for board resolutions, following principles such as "synergy and efficiency", "scientific and rational", and "matching of powers and responsibilities". The Company constantly improves its integrated risk management and control system to boost its risk management and control capabilities.

In April 2021, via the Shanghai United Assets and Equity Exchange, Pacific Insurance Senior Living Investment Management Co., Ltd., a subsidiary of the Company, acquired 100% shares of Shanghai Fankun Real Estate Development Co., Ltd. held by Shanghai Industrial Pension Development Co., Ltd., as well as the creditor's rights of Shanghai Fankun Real Estate Development Co., Ltd. As of the reporting date, the business registration of the transfer and capital increase, and the establishment of management teams had been completed, and the construction of CPIC Home Chongming Retirement Community Project was fully operational. This acquisition will boost the development of the Company's elderly care communities by increasing the supply of elderly care services.

In June 2021, CPIC Life acquired 100% shares of Beijing Borui Heming Insurance Agency Co., Ltd. held by Beijing Newbanker Technology Consulting Co., Ltd. via the Shanghai United Assets and Equity Exchange. As of the reporting date, the business registration of the transfer had been completed, and the construction and integration of personnel, business and information systems was under way. This acquisition will further expand the Company's business areas and contribute to the coordinated development of multi-channel business.

# 8

# Changes to Articles of Association

In accordance with the regulatory requirements of the SEHK and taking into consideration events such as the Company's GDR issuance and registered capital changes, the Company revised relevant documents including the Articles of Association and the Rules of Procedures for Shareholders' Meeting, changed the former Strategic and Investment Decision-Making Committee under the Board to the Strategic and Investment Decision-Making & ESG Committee, adjusted the Company's registered capital and share structure, etc., and added information on the attendance of GDR shareholders at the SGM (for details, please refer to the announcements published on the websites of SSE, SEHK, and the Company). On 28 May 2021, the Company held the 2020 SGM, at which the afore-mentioned amendments were considered and approved. In September 2021, CBIRC approved those amendments respectively.

# Environment and social responsibilities

# 1

## Hiring policy

CPIC is committed to harmonious and stable labour relations. As per relevant Chinese laws and regulations such as The Labour Law, The Labour Contracts Law, The Workers' Unions Law and Rules on Collective Contracts, it enters into Collective Contracts and Collective Contracts on Special Protection of Female Workers on a regular basis based on consultation with the Workers' Union, covering 100% of its employees. It strictly follows national labour laws and regulations and pays monthly salaries in full; continues to optimise career development mechanisms of its employees, putting in place diversified, multi-tiered career development paths across different tribes; established a differentiated compensation system aligned with performance and value contribution, so as to motivate employees and encourage their long-term capacity-building.

In response to government policies to "stabilise employment and protect jobs", CPIC seeks to make its staff younger, expands channels of recruitment and fully plays its role as a social stabiliser. In recruitment, it conforms with ESG social metrics, and recruits talent regardless of their region or sex, while continuously monitoring employee turnover.

The Company provides mandatory annual leave and voluntary leave for its employees, regularly organises formulation of leave plans by employees to safeguard their legitimate rights; offers multiple benefits to employees such as social insurance, housing provident fund, commercial insurance and enterprise annuity in accordance with the law to ensure comprehensive protection for all employees; safeguards employee rights and interests, convenes Worker's Union Meetings and Employee General Assembly on a regular basis where employee representatives can fully exercise their democratic rights and guarantee the protection of legitimate rights of all employees; formulated Collective Contracts on Special Protection of Female Workers in compliance with The Law on Protection of Women Rights and Interests, Special Provisions on Labour Protection of Female Workers, faithfully implemented regulations on maternal leave and ensures equal compensation and development opportunities of female workers.

# 2

## Supply-chain management

CPIC drafted Rules on Management of Suppliers, established mechanisms for enhanced procurement and supplier management; introduced the system for supplier access and scoring; continued to improve work process for procurement and supplier management, pushed for digitalisation, and put in place an integrated supplier management system covering access, evaluation and use.

In supplier access, the Company collects candidates through advertisements, referrals or self-recommendation by suppliers, and all interested parties shall register information via the Procurement Department and sign the ESG Letter of Commitments.

In selection, CPIC strictly abides by national laws and regulations and its own policies, persists in principles of Openness, Fairness, Equity, Competition and Profitability. It chooses appropriate selection mechanisms based on concrete circumstances of the project and in compliance with laws and regulations. It refrains from setting unreasonable restrictions or discriminatory requirements for suppliers. It may choose to ban access by suppliers with misconduct while giving priority to those with ESG qualifications.

To ensure stable operation of the supplier chain, the Company persists in sustainable supplier management. It pays attention to identification and mitigation of environmental and social risks; ensures at least 3 suppliers for the same category to minimise supply-chain disruption. It assesses business integrity of suppliers, and would mete out punishment to those who disrupt procurement procedures, cheat or commit frauds to further their own interests, or breach contracts without justification, or commit other violations of laws and regulations or company policies . Penalties will be in proportion to the magnitude of the misconduct, which is rated as severe, medium and moderate.

# 3

# Environmental policies

Reduction of GHG emissions. CPIC strictly implemented the Work Programme on Control of Green-house Gases during the 13th 5-Year Plan Period issued by the State Council, stepped up management of exhaust gases and GHG, and waste disposal. It monitors and analyses, on a regular basis, volume of GHG emissions and wastes, optimised at-source management of GHG emissions and air pollutants, and formulated and implemented policies on management of pollutants.

Paperless operation. CPIC vigourously boosted green operation and upgraded full-process on-line capabilities, with online substitution rate of life insurance contract endorsement exceeding 90%. Committed to energy conservation and carbon emission reduction, it promoted paperless operation via electronic amendments, electronic insurance policies, and e-mail to reduce energy consumption, with 83% of customers subscribing to e-mail.

Efficient use of resources and energy. CPIC vigourously advocates the use of energy-efficient technologies and products, and phases out energy-intensive equipment or facilities. Based on national standards, the Company checks and eliminates sub-standard taps or plumbing on a regular basis, installs switches with ultra-red sensors, and steps up water conservation.

It centralised control of and optimised lighting in public places including corridors, staircases and halls. It used LED lighting with a policy of "Lights out and power off when people exit the place". It stipulates that in winter office air-conditioning shall be capped at 20 degrees Centigrade, while in summer floored at 26 degrees Centigrade; it calls for green staff conduct, such as lowering computer screen lightness, reduce in-door lighting and turn off power whenever possible.

The Company vigourously pushed for digitalisation, through increased use of digital systems for office work, procurement and business travel, which enabled full on-line processes in all these functions and minimised the use of paper. It is committed to green buildings, and promoted construction of multiple such buildings in its headquarters and branch offices.

The Company is not a high-pollution enterprise. In 2021, CPIC received neither punishment due to environmental violations nor any environmental complaint.

For details of the Company's fulfillment of social responsibilities, please refer to 2021 Sustainability Report of the Company published on the website of the SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and LSE (www.londonstockexchange.com).

# Other information

# Other information

# Documents available for inspection

# 1

## Original copy of the signed auditor's report from the accounting firm and the audited consolidated financial statements

# 2

## Original copies of all publicly disclosed announcements and documents of the Company during the reporting period

# 3

## Annual reports disclosed in other security markets

# Financial report

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# Independent Auditor's Report

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

*(Incorporated in the People's Republic of China with limited liability)*

## Opinion

What we have audited

The consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 5 to 108, comprise:

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

Our opinion

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

## Basis for Opinion

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

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

Independence

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

## Key Audit Matters

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

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

- Valuation of life insurance contract liabilities
- Valuation of non-life insurance contract liabilities
- Valuation of level 3 investments

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of life insurance contract liabilities**<br><br>Refer to note 2.2(23) Summary of principal accounting policies - Insurance contract liabilities and note 40 Insurance contract liabilities to the consolidated financial statements.<br><br>Refer to note 3.2(1) Estimation uncertainty - Valuation of insurance contract liabilities to the consolidated financial statements.<br><br>The Group had significant long-term life insurance contract liabilities stated at RMB 1,255.4 billion as at 31 December 2021, representing 73% of the Group's total liabilities.<br><br>The valuation of long-term life insurance contract liabilities involves complex models and a high degree of judgment by management in setting assumptions. Key assumptions used in measuring long-term life insurance contract liabilities include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions, etc.<br><br>We focused on this area due to the significant quantum amount of long-term life insurance contract liabilities to the consolidated financial statements and because the relevant key assumptions applied in valuation involved significant judgments and estimates and the inherent risk in relation to the valuation of life insurance contract liabilities was considered significant. | We (including our actuarial experts) performed the following audit procedures:<br><br>● We obtained an understanding of management's assessment process of valuation of life insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.<br><br>● We understood, evaluated and tested management's internal controls over valuation of life insurance contract liabilities including management's determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change, etc.<br><br>● We assessed the appropriateness of the actuarial valuation methodologies adopted by the Group. We performed independent modelling checks on selected actuarial models by considering mix of product types and distribution channels; and we checked the best estimate liabilities, risk margin and residual margin respectively at the point of policy issuance and evaluation.<br><br>● We evaluated key actuarial assumptions such as discount rates, mortality, morbidity, surrender rates, expense assumptions and policy dividend assumptions considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences.<br><br>● We evaluated the overall reasonableness of the long-term life insurance contract liabilities by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results.<br><br>Based on our audit work, we found methodologies applied appropriate and key assumptions adopted supportable by the evidence we gathered. |
| **Valuation of non-life insurance contract liabilities**<br><br>Refer to note 2.2(23) Summary of principal accounting policies - Insurance contract liabilities and note 40 Insurance contract liabilities to the consolidated financial statements.<br><br>Refer to note 3.2(1) Estimation uncertainty- Valuation of insurance contract liabilities to the consolidated financial statements.<br><br>The Group had claim reserves which was included in non-life insurance contract liabilities stated at RMB 58.4 billion as at 31 December 2021, representing 3% of the Group's total liabilities.<br><br>We focused on this area because the valuation of claim reserves involved a high degree of judgment by management in selecting the models and setting the assumptions including the development of paid and incurred losses and ultimate loss ratios, and the inherent risk in relation to the valuation of non-life insurance contract liabilities was considered significant. | We (including our actuarial experts) performed the following audit procedures:<br><br>We obtained an understanding of management's assessment process of valuation of non-life insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud.<br><br>We understood, evaluated and tested management's internal controls over valuation of non-life insurance contract liabilities including data collection and analysis, and management's assumptions setting processes, etc.<br><br>We performed independent modelling analysis for claim reserves by performing below procedures.<br><br>● For the underlying data used in actuarial models, we compared the data with source systems, such as earned premiums to accounting records and reported claims to the claims system.<br><br>● We set up independent actuarial assumptions including claims development, loss ratio, etc., by considering both the Group's historical data and applicable industry experiences.<br><br>● We evaluated the overall reasonableness of the Group's claim reserves by comparing management's result to the results from our independent modelling analysis.<br><br>Based on our audit work, we found management judgments in the valuation of claim reserves supportable by the evidence we gathered. |

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

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

*(All amounts expressed in RMB million unless otherwise specified)*

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

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

Operating results
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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the year ended 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

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

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

# CONSOLIDATED BALANCE SHEET

## 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

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

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

# CONSOLIDATED BALANCE SHEET (continued)
# 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

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

| KONG Qingwei | FU Fan |
|---|---|
| Director | Director |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

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

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

## For the year ended 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

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

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

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

# CONSOLIDATED CASH FLOW STATEMENT

## For the year ended 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

# 31 December 2021

*(All amounts expressed in RMB million unless otherwise specified)*

## 1. CORPORATE INFORMATION

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

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

In December 2009, the Company conducted a global offering of overseas listed foreign shares ("H shares"). Upon the completion of the H share offering, the issued capital was increased to RMB 8,600 million. The Company's H shares were listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB 9,062 million, which was approved by the former CIRC in December 2012.

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that have been measured primarily based on actuarial methods. These consolidated financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

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

### 2.1 Basis of preparation (continued)

#### (1) Changes in accounting policy and disclosures

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

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

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

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

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

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

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

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

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

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

### 2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

### 2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

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

### 2.1 Basis of preparation (continued)

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

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

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

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

### 2.2 Summary of principal accounting policies

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

#### (1) Basis of consolidation

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (2) Foreign currency translation

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

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

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

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

#### (3) Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

### 2.2 Summary of principal accounting policies (continued)

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

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

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

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

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

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

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

#### (5) Business combinations and goodwill

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (5) Business combinations and goodwill (continued)

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

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

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

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (6) Related parties

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

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or its parent.

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### (7) Property and equipment and depreciation

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (7) Property and equipment and depreciation (continued)

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

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

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

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

#### (8) Investment properties

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

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

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

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

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

#### (9) Intangible assets (other than goodwill)

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (10) Leases

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

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

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

(1) the amount of the initial measurement of the lease liability;

(2) any lease payments made at or before the commencement date, less any lease incentives received;

(3) any initial direct costs incurred by the lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

#### (11) Investments and other financial assets

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (11) Investments and other financial assets (continued)

*Financial assets at fair value through profit or loss*

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

*Loans and receivables*

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

*Held-to-maturity financial assets*

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

*Available-for-sale financial assets*

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

#### (12) Derivative financial instruments

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (13) Fair value measurement

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

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

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

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

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

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

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

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

#### (14) Impairment of financial assets

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

*Assets carried at amortised cost*

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (14) Impairment of financial assets (continued)

*Assets carried at amortised cost (continued)*

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

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

*Available-for-sale financial assets*

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (15) Derecognition of financial assets

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

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

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

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

#### (16) Offsetting of financial instruments

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

#### (17) Securities purchased under agreements to resell

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

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (19) Reinsurance

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

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

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

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

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

#### (20) Cash and cash equivalents

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

#### (21) Insurance contracts

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (22) Significant insurance risk test

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

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

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

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

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

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

#### (23) Insurance contract liabilities

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (23) Insurance contract liabilities (continued)

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

- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

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

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

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

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

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

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

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the underlying investment portfolios.

- The Group reasonably estimates the insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (23) Insurance contract liabilities (continued)

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

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

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

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

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

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

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

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

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

#### (25) Investment contract liabilities

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (26) Financial liabilities

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

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

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

*Financial liabilities at fair value through profit or loss*

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

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

#### (27) Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

#### (28) Securities sold under agreements to repurchase

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

#### (29) Provisions

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (30) Income tax

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

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

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

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

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

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

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

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

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (31) Revenue recognition

(a) Gross premiums

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

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

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

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

(b) Income from investment contracts

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

Income from investment contracts is included in other operating income.

(c) Investment income

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

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

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

### 2.2 Summary of principal accounting policies (continued)

#### (32) Employee benefits

(a) Pension schemes

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

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

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

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

(b) Housing benefits

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

(c) Medical benefits

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

(d) Deferred bonus plans

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

#### (33) Borrowing costs

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

#### (34) Dividends

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### 3.1 Significant judgements

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

#### (1) Classification of financial assets

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

#### (2) Unbundling and classification of hybrid contracts

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

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

#### (3) Measurement unit for insurance contracts

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

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

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

#### (5) Determination of control over structured entities

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### 3.2 Estimation uncertainty

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

#### (1) Valuation of insurance contract liabilities

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

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

*Unearned premium and long-term life insurance contract reserves*

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

(a) Discount rates

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

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

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

(b) Mortality and morbidity

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

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### 3.2 Estimation uncertainty (continued)

#### (1) Valuation of insurance contract liabilities (continued)

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

(c) Loss ratios

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

(d) Surrender rates

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

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

(e) Expense

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

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

(f) Policy dividend

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

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

*Claim reserves*

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### 3.2 Estimation uncertainty (continued)

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

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

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

### 3.3 Change in accounting estimates

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

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

## 4. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

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

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

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

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

## 4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2021

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

## 4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2021

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

* *Financial assets comprise financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity financial assets, available-for-sale financial assets, and investments classified as loans and receivables.*

Other segment information for the year ended 31 December 2021

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

## 4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2020

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

## 4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2020

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

* *Financial assets comprise financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity financial assets, available-for-sale financial assets, and investments classified as loans and receivables.*

Other segment information for the year ended 31 December 2020

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

## 5. SCOPE OF CONSOLIDATION

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

| Name | Type of legal entity | Business scope and principal activities | Place of incorporation/ registration | Place of operations | Registered capital (RMB thousand, unless otherwise specified) | Issued capital/ Paid-up capital (RMB thousand, unless otherwise specified) | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company(%) | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Direct | Indirect | | |
| China Pacific Property Insurance Co.,Ltd. ("CPIC Property") | Limited company | Property and casualty insurance | Shanghai | The PRC | 19,470,000 | 19,470,000 | 98.50 | - | 98.50 | |
| CPIC Life | Limited company | Life and health insurance | Shanghai | The PRC | 8,420,000 | 8,420,000 | 98.29 | - | 98.29 | |
| Pacific Asset Management Co., Ltd. ("CPIC Asset Management") | Limited company | Investment management | Shanghai | Shanghai | 2,100,000 | 2,100,000 | 80.00 | 19.67 | 100.00 | |
| China Pacific Insurance Co., (H.K.) Ltd. | Limited company | Property and casualty insurance | Hong Kong | Hong Kong | HK$ 250,000 thousand | HK$ 250,000 thousand | 100.00 | - | 100.00 | |
| Shanghai Pacific Insurance Real Estate Management Co., Ltd. | Limited company | Real estate | Shanghai | Shanghai | 115,000 | 115,000 | 100.00 | - | 100.00 | |
| Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension") | Limited company | Pension business and investment management | Shanghai | Shanghai | 3,000,000 | 3,000,000 | - | 61.10 | 62.16 | |
| CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)") | Limited company | Investment management | Hong Kong | Hong Kong | HK$ 200,000 thousand | HK$ 200,000 thousand | 12.25 | 87.46 | 100.00 | (1) |
| City Island Developments Limited ("City Island") | Limited company | Investment holding | The British Virgin Islands | The British Virgin Islands | US$ 50,000 | US$ 1,000 | - | 98.29 | 100.00 | |
| Great Winwick Limited* | Limited company | Investment holding | The British Virgin Islands | The British Virgin Islands | US$ 50,000 | US$ 100 | - | 98.29 | 100.00 | |
| Great Winwick (Hong Kong) Limited* | Limited company | Investment holding | Hong Kong | Hong Kong | HK$ 10,000 | HK$ 1 | - | 98.29 | 100.00 | |
| Newscott Investments Limited* | Limited company | Investment holding | The British Virgin Islands | The British Virgin Islands | US$ 50,000 | US$ 100 | - | 98.29 | 100.00 | |
| Newscott (Hong Kong) Investments Limited* | Limited company | Investment holding | Hong Kong | Hong Kong | HK$ 10,000 | HK$ 1 | - | 98.29 | 100.00 | |
| Shanghai Xinhui Real Estate Development Co., Ltd.* | Limited company | Real estate | Shanghai | Shanghai | US$ 15,600 thousand | US$ 15,600 thousand | - | 98.29 | 100.00 | |
| Shanghai Hehui Real Estate Development Co., Ltd.* | Limited company | Real estate | Shanghai | Shanghai | US$ 46,330 thousand | US$ 46,330 thousand | - | 98.29 | 100.00 | |
| Pacific Insurance Online Services Technology Co., Ltd. | Limited company | Consulting services, etc. | Shandong | The PRC | 200,000 | 200,000 | 100.00 | - | 100.00 | |
| Tianjin Trophy Real Estate Co., Ltd. | Limited company | Real estate | Tianjin | Tianjin | 353,690 | 353,690 | - | 98.29 | 100.00 | |
| Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment") | Limited company | Senior living properties investment and management, etc | Shanghai | Shanghai | 3,000,000 | 3,000,000 | - | 98.29 | 100.00 | |
| CPIC Health | Limited company | Health insurance | Shanghai | Shanghai | 1,700,000 | 1,700,000 | 85.05 | 14.69 | 100.00 | (2) |
| China Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC") | Limited company | Property and casualty insurance | Shanghai | Shanghai | 1,080,000 | 1,080,000 | - | 66.76 | 67.78 | (3) |

## 5. SCOPE OF CONSOLIDATION (continued)

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

| Name | Type of legal entity | Business scope and principal activities | Place of incorporation/ registration | Place of operations | Registered capital (RMB thousand, unless otherwise specified) | Issued capital/ Paid-up capital (RMB thousand, unless otherwise specified) | Percentage of equity attributable to the Company (%) | | Percentage of voting rights attributable to the Company(%) | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Direct | Indirect | | |
| Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare") | Limited company | Medical consulting services, etc. | Shanghai | Shanghai | 500,000 | 500,000 | - | 98.29 | 100.00 | |
| Pacific Insurance Agency Co., Ltd.("Pacific Insurance Agency") | Limited company | Insurance agency | Shanghai | Shanghai | 50,000 | 50,000 | - | 100.00 | 100.00 | |
| CPIC Fund Management Co., Ltd.("CPIC Funds") | Limited company | Fund management | Shanghai | Shanghai | 150,000 | 150,000 | - | 50.83 | 51.00 | |
| CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company") | Limited company | Senior living property investment and construction, etc. | Chengdu | Chengdu | 1,000,000 | 972,000 | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Hangzhou) Co., Ltd. | Limited company | Senior living property investment and construction, etc. | Hangzhou | Hangzhou | 1,200,000 | 875,000 | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Xiamen) Co., Ltd. | Limited company | Senior living property investment and construction, etc. | Xiamen | Xiamen | 900,000 | 510,000 | - | 98.29 | 100.00 | |
| Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. | Limited company | Seniors and disabled care, etc. | Chengdu | Chengdu | 60,000 | 20,000 | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Nanjing) Co., Ltd. | Limited company | Senior living property investment and construction, etc. | Nanjing | Nanjing | 220,000 | 129,000 | - | 98.29 | 100.00 | |
| Pacific Care Home (Dali) Co., Ltd. | Limited company | "Migrant-style" senior living, etc. | Dali | Dali | 608,000 | 418,000 | - | 74.70 | 76.00 | |
| CPIC (Shanghai) Senior Care Development Co., Ltd. | Limited company | Senior living property investment and construction, etc. | Shanghai | Shanghai | 250,000 | 230,000 | - | 98.29 | 100.00 | |
| Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. | Limited company | Seniors and disabled care, etc. | Hangzhou | Hangzhou | 60,000 | 8,200 | - | 98.29 | 100.00 | |
| CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company") | Limited company | Elderly service, real estate development and operation, etc. | Wuhan | Wuhan | 980,000 | 563,078 | - | 98.29 | 100.00 | (4) |
| CPIC Private Equity Fund Management Co., Ltd. ("CPIC Capital") | Limited company | Private equity investment fund management services | Shanghai | Shanghai | 100,000 | 100,000 | - | 99.67 | 100.00 | (5) |

## 5. SCOPE OF CONSOLIDATION (continued)

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

| Name | Type of legal entity | Business scope and principal activities | Place of incorporation/ registration | Place of operations | Registered capital (RMB thousand, unless otherwise specified) | Issued capital/ Paid-up capital (RMB thousand, unless otherwise specified) | Percentage of equity attributable to the Company (%) Direct | Percentage of equity attributable to the Company (%) Indirect | Percentage of voting rights attributable to the Company(%) | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| Shanghai (Chongming) Real Estate Development Co., Ltd. ("Shanghai (Chongming) Project Company") | Limited company | Real estate development and operation, own house rental service, etc. | Shanghai | Shanghai | 800,000 | 563,500 | - | 98.29 | 100.00 | (6) |
| Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)") | Limited company | Seniors and disabled care, etc. | Shanghai | Shanghai | 30,000 | 4,500 | - | 98.29 | 100.00 | (7) |
| Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming") | Limited company | Insurance agency | Beijing | The PRC | 52,000 | 52,000 | - | 98.29 | 100.00 | (8) |
| China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)") | Limited company | Life and health insurance | Hong Kong | Hong Kong | HK$ 1,000,000 thousand | HK$ 1,000,000 thousand | - | 98.29 | 100.00 | (9) |
| Qingdao Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Qingdao") | Limited company | Elderly service, real estate development and operation, etc. | Qingdao | Qingdao | 227,000 | - | - | 98.29 | 100.00 | (10) |

* *Subsidiaries of City Island*

(1) CPIC Investment (H.K.)

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

(2) CPIC Health

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

(3) PAAIC

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

## 5. SCOPE OF CONSOLIDATION (continued)

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

(4) Wuhan Project Company

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

(5) CPIC Capital

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

(6) Shanghai (Chongming) Project Company

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

(7) Pacific Care Home at Shanghai (Putuo)

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

(8) Borui Heming

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

(9) CPIC Life (H.K.)

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

(10) Pacific Care Home at Qingdao

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

## 5. SCOPE OF CONSOLIDATION (continued)

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

| Name | Collective holding by the Group (%) | Product scale (units in RMB thousand) | Nature of business |
|---|---|---|---|
| CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund | 77.05 | 8,079,777 | Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC). |
| Pacific-Shanxi Coking Coal Debt Investment Plan | 69.93 | 7,150,000 | Investing in Shanxi Li-Liu Mining Area Pangpangta Coal Mine Project operated by Shanxi Coking Coal Group Co., Ltd. through debt investment plan. |
| CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund | 100.00 | 7,144,116 | Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC). |
| Pacific-Jiangsu Communications Holdings Co., Ltd. Debt Investment Plan (Phase I) | 100.00 | 4,000,000 | Investing in Taizhou Yangtze River Highway Bridge Project operated by Jiangsu Communications Holdings Co., Ltd. through debt investment plan. |
| Fullgoal Rongtai Three-month Regularly Open Mixed Type Launching Securities Investment Fund | 99.74 | 3,778,596 | Investing in financial instruments with high liquidity including main board, SME, GEM and other stocks allowed to be listed by the CSRC, depositary receipts, bonds (including national bonds, local treasury bonds, government backed bonds, government backed institutional bonds, financial bonds, enterprise bonds, corporate bonds, subordinated bonds, Central Bank bills, medium term notes, short-term commercial paper (including super short-term commercial paper), convertible bonds, bonds with warrants, exchangeable bonds, etc.), asset-backed securities, bonds repo, bank deposits (including term deposits, agreement deposits, notice deposits, etc.), NCDs, cash, derivatives (including treasury bond futures and stock index futures) and treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC). |

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

## 6. NET WRITTEN PREMIUMS

### (a) Gross written premiums

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

### (b) Premiums ceded to reinsurers

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

### (c) Net written premiums

| | 2021 | 2020 |
|---|---|---|
| Net written premiums | 341,848 | 337,323 |

## 7. INVESTMENT INCOME

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

### (a) Interest and dividend income

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

## 7. INVESTMENT INCOME (continued)

### (b) Realised gains

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

### (c) Unrealised gains

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

## 8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

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

## 8. NET POLICYHOLDERS' BENEFITS AND CLAIMS (continued)

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

## 9. FINANCE COSTS

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

## 10. PROFIT BEFORE TAX

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

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

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

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

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

## 12. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

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

### (a) Independent non-executive directors

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

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

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

## 12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

### (a) Independent non-executive directors (continued)

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

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

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

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

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

## 12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

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

1 *Resigned from non-executive director in May 2020.*

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB 300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB 50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong and Mr. John Robert Dacey, the non-executive director, waived remuneration during 2021 (2020: HUANG Dinan, SUN Xiaoning, WU Junhao, CHEN Xuanmin), Mr. CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2021 (2020: CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Ms. LIANG Hong, Mr. John Robert Dacey and Mr. CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2021.

### (c) Supervisors

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

1 *The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.*

2 *Supervisor since January 2021.*

## 12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

### (c) Supervisors (continued)

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

*1 Resigned from supervisor in May 2020.*

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

### (d) Directors' retirement benefits

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

### (e) Directors' termination benefits

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

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

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

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

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

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

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

## 13. FIVE HIGHEST PAID INDIVIDUALS

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

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

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

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

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

## 14. INCOME TAX

### (a) Income tax

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

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

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

## 14. INCOME TAX (continued)

### (c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

## 15. EARNINGS PER SHARE

### (a) Basic earnings per share

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

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

### (b) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2021.

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

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

## 16. OTHER COMPREHENSIVE INCOME/(LOSS)

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

## 17. GOODWILL

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

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

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

## 18. PROPERTY AND EQUIPMENT

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

## 19. RIGHT-OF-USE ASSETS

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

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

## 20. INVESTMENT PROPERTIES

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

## 20. INVESTMENT PROPERTIES (continued)

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

## 21. OTHER INTANGIBLE ASSETS

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

## 22. INTERESTS IN ASSOCIATES

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

## 22. INTERESTS IN ASSOCIATES (continued)

| | 31 December 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Historical cost | At 1 January 2021 | Increase / (Decrease) | Share of profit | Adjustment of other comprehensive income/(loss) | Other equity movement | Dividend declared | At 31 December 2021 |
| Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. ("Taijiashan") (Note 5) | 2,500 | - | 2,500 | 59 | - | - | (7) | 2,552 |
| Shanghai Sci-Tech Innovation Center Capital II LLP ("Sci-Tech Innovation II") (Note 6) | 450 | - | 450 | 1 | - | - | (2) | 449 |
| China Insurance Rongxin Private Equity Fund Co., Ltd. ("China Insurance Rongxin") (Note 7) | 1,500 | - | 1,500 | - | - | - | - | 1,500 |
| Total | 16,588 | 14,554 | 2,096 | 811 | - | 5 | (376) | 17,090 |

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

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

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

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

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

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

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

Nature of investment in associates as at 31 December 2021

| Name | Place of incorporation | Percentage of ownership interest | | Percentage of voting power | Registered capital (RMB thousand unless otherwise) | Paid-up capital (RMB thousand unless otherwise) | Principal activity |
|---|---|---|---|---|---|---|---|
| | | Direct | Indirect | | | | |
| Juche | Shanghai | - | 37.42% | 37.80% | 5,882 | 5,882 | Internet |
| Zhongdao | Shanghai | - | 26.37% | 26.67% | 63,000 | 63,000 | Road rescue |
| Zhizhong Hospital | Shanghai | - | 19.95% | 20.00% | 500,000 | 500,000 | Oncology,medical laboratory, clinical fluid, etc. |
| Dedao | Shanghai | - | 25.00% | 25.00% | 20,000 | 20,000 | Computer information technology, technical development in the field of automotive software technology, etc. |
| Better Sharing [1] | Shanghai | - | 6.73% | 6.82% | 60,000 | 60,000 | Technical development in the field of computer information technology, technical consulting, etc. |

## 22. INTERESTS IN ASSOCIATES (continued)

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

| Name | Place of incorporation | Percentage of ownership interest | | Percentage of voting power | Registered capital (RMB thousand unless otherwise) | Paid-up capital (RMB thousand unless otherwise) | Principal activity |
|---|---|---|---|---|---|---|---|
| | | Direct | Indirect | | | | |
| Beijing Miaoyijia | Beijing | - | 19.03% | 18.18% | 77,489 | 71,670 | Information transmission, software and information technology services |
| Lianren Digital Health | Shanghai | - | 24.57% | 25.00% | 2,000,000 | 2,000,000 | Information technology services |
| Xin'an Technology (2) | Quzhou | - | 8.85% | 9.00% | 13,354 | 13,354 | Network technology development services |
| Lingang GLP | Shanghai | - | 19.65% | 20.00% | US$ 119,990 thousand | US$ 119,990 thousand | Real estate |
| Hi-Tech | Shanghai | - | 19.65% | 20.00% | 453,250 | 453,250 | Business services |
| Lingang Yunhui | Shanghai | - | 19.65% | 20.00% | 275,000 | 275,000 | Real estate |
| Guangci Hospital | Shanghai | - | 40.00% | 40.00% | 26,433 | 26,433 | Health care services: internal medicine, surgery, Obstetrics and Gynecology, pediatrics,etc. |
| Shantai Healthcare | Shanghai | - | 39.32% | 40.00% | 100,000 | 70,000 | Health technology related industries |
| China Insurance Rongxin (3) | Shanghai | - | 9.97% | 12.50% | 14,800,000 | 14,800,000 | Capital market services |
| Heji (4) | Shanghai | - | 97.53% | | N/A | 202,000 | Enterprise management, industrial investment, investment management, assets management and consulting, etc. |
| CHEMCHINA Debt Investment Plan (5) | N/A | - | 70.55% | | N/A | 3,000,000 | Debt investment plan |
| Sichuan Railway Investment Plan (6) | N/A | - | 38.17% | | N/A | 600,000 | Debt investment plan |
| Ningbo Zhilin (7) | Ningbo | - | 88.46% | | N/A | 2,684,798 | Investment management, assets management |
| Jiaxing Yishang (8) | Jiaxing | - | 93.18% | | N/A | 950,501 | Equity investment |
| Yangtze River Delta Fund | Shanghai | - | 27.28% | | N/A | 6,924,521 | Equity investment |
| Taijiashan (9) | Shanghai | - | 97.32% | | N/A | 2,525,000 | Equity investment |
| Sci-Tech Innovation II | Shanghai | - | 25.42% | | N/A | 1,740,300 | Equity investment |

## 22. INTERESTS IN ASSOCIATES (continued)

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

*Notes:*

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

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

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

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

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

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

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

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

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

Summarised financial information for principal associates

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

Summarised financial information for other associates

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

## 23. INVESTMENT IN JOINT VENTURES

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

## 23. INVESTMENT IN JOINT VENTURES (continued)

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

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

*Note:*

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

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

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

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

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

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

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## 24. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

## 25. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

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

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

## 26. RESTRICTED STATUTORY DEPOSITS

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

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

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

## 26. RESTRICTED STATUTORY DEPOSITS (continued)

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

## 27. TERM DEPOSITS

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

## 28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

## 29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

## 30. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

## 31. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

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

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

## 32. INTEREST RECEIVABLES

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

## 33. REINSURANCE ASSETS

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

## 34. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

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

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

## 35. INSURANCE RECEIVABLES

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

An aging analysis of the insurance receivables is as follows:

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

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

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

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

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

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

## 36. OTHER ASSETS

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

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

## 37. CASH AND SHORT-TERM TIME DEPOSITS

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

The Group's bank balances denominated in RMB amounted to RMB 24,726 million as at 31 December 2021 (31 December 2020: RMB 18,708 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

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

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

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

## 38. ISSUED CAPITAL

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

## 39. RESERVES AND RETAINED PROFITS

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

### (a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed on the LSE in 2020 which also increased the capital reserves.

### (b) Surplus reserves

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

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

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

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

## 39. RESERVES AND RETAINED PROFITS (continued)

### (b) Surplus reserves (continued)

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

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

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

### (c) General reserves

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

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

### (d) Other reserves

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

### (e) Distributable profits

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

## 40. INSURANCE CONTRACT LIABILITIES

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

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

## 40. INSURANCE CONTRACT LIABILITIES (continued)

### (a) Long-term life insurance contract liabilities

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

### (b) Short-term life insurance contract liabilities

*Movements of unearned premiums*

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

*Movements of claim reserves*

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

## 40. INSURANCE CONTRACT LIABILITIES (continued)

### (c) Property and casualty insurance contract liabilities

*Movements of unearned premiums*

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

*Movements of claim reserves*

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

## 41. INVESTMENT CONTRACT LIABILITIES

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

## 42. BONDS PAYABLE

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

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

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

## 43. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

As at 31 December 2021, bond investments of approximately RMB 77,792 million (31 December 2020: RMB 97,065 million) were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

## 44. OTHER LIABILITIES

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

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

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

*Key assumptions*

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

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

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

*Sensitivities*

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

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

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

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

*Sensitivities (continued)*

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

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

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

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

*Key assumptions*

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

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

*Sensitivities*

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

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

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

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

*Claim development tables*

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

Gross property and casualty insurance claim reserves:

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

Net property and casualty insurance claim reserves:

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

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

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

*Claim development tables (continued)*

Gross short-term life insurance claim reserves:

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

Net short-term life insurance claim reserves:

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

## 46. RISK MANAGEMENT

### (a) Insurance risk

#### (i) Category of insurance risks

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

## 46. RISK MANAGEMENT (continued)

### (a) Insurance risk (continued)

#### (i) Category of insurance risks (continued)

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

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

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

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

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

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

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

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

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

#### (ii) Concentration of insurance risks

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

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

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk

*Market risk*

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

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

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.

- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific policyholder liabilities and that assets are held to deliver income and gains expected by policyholders.

#### (i) Currency risk

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

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

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

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

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Market risk (continued)*

(i) Currency risk (continued)

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

The Group has no significant concentration of currency risk.

*Sensitivities*

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

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

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

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

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

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Market risk (continued)*

#### (ii) Interest rate risk

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

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

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

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

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

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

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Market risk (continued)*

#### (ii) Interest rate risk (continued)

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

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

*Sensitivities*

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

*Sensitivities on fixed-rate financial instruments*

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit before tax (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Market risk (continued)*

#### (ii) Interest rate risk (continued)

*Sensitivities (continued)*

*Sensitivities on fixed-rate financial instruments (continued)*

| Change in RMB interest rate | 31 December 2021 | |
|---|---|---|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | (12) | (6,314) |
| -50 basis points | 12 | 7,002 |

| Change in RMB interest rate | 31 December 2020 | |
|---|---|---|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | (18) | (6,273) |
| -50 basis points | 18 | 6,916 |

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

*Sensitivities on floating-rate financial instruments*

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet dates.

| Change in RMB interest rate | 31 December 2021 | |
|---|---|---|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | 112 | 112 |
| -50 basis points | (112) | (112) |

| Change in RMB interest rate | 31 December 2020 | |
|---|---|---|
| | Impact on profit before tax | Impact on equity |
| +50 basis points | 88 | 88 |
| -50 basis points | (88) | (88) |

The above impact on equity represents adjustments of floating-rate financial assets and liabilities to profit before tax.

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Market risk (continued)*

#### (iii) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Equity investments exposed to market price risk mainly consist of stocks and equity investment funds. The Group applies the five-day market price value-at-risk ("VAR") technique to estimate its risk exposure to listed stocks and equity investment funds. VAR calculation is made based on the normal market condition and a 95% confidence level.

As at 31 December 2021, the estimated impact on equity investment for listed stocks and equity investment funds, using the VAR technique was RMB 5,586 million (31 December 2020: RMB 5,394 million ).

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, investments in bonds, premium receivables, reinsurance arrangements with reinsurers, securities purchased under agreements to resell, policy loans, and investments classified as loans and receivables.

Due to the restriction of the CBIRC, majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 31 December 2021 and 31 December 2020. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges instalment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Credit risk (continued)*

| | As at 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Past due but not impaired | | | | | |
| | Not due and not impaired | Less than 30 days | 31 to 90 days | More than 90 days | Total past due but not impaired | Impaired | Total |
| Held-to-maturity financial assets | 396,135 | - | - | - | - | 293 | 396,428 |
| Investments classified as loans and receivables | 406,110 | - | - | - | - | 166 | 406,276 |
| Term deposits | 196,519 | - | - | - | - | - | 196,519 |
| Available-for-sale debt investments | 289,559 | - | - | - | - | 5,705 | 295,264 |
| Debt investments at fair value through profit or loss | 1,996 | - | - | - | - | - | 1,996 |
| Interest receivables | 20,427 | - | - | - | - | - | 20,427 |
| Reinsurance assets | 30,872 | - | - | - | - | - | 30,872 |
| Insurance receivables | 33,748 | - | - | - | - | 3,146 | 36,894 |
| Cash and short-term time deposits | 32,545 | - | - | - | - | - | 32,545 |
| Others | 100,238 | - | - | - | - | 168 | 100,406 |
| Total | 1,508,149 | - | - | - | - | 9,478 | 1,517,627 |

| | As at 31 December 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Past due but not impaired | | | | | |
| | Not due and not impaired | Less than 30 days | 31 to 90 days | More than 90 days | Total past due but not impaired | Impaired | Total |
| Held-to-maturity financial assets | 329,129 | - | - | - | - | 231 | 329,360 |
| Investments classified as loans and receivables | 380,033 | - | - | - | - | 141 | 380,174 |
| Term deposits | 192,966 | - | - | - | - | - | 192,966 |
| Available-for-sale debt investments | 312,546 | - | - | - | - | 3,242 | 315,788 |
| Debt investments at fair value through profit or loss | 3,119 | - | - | - | - | - | 3,119 |
| Interest receivables | 20,563 | - | - | - | - | - | 20,563 |
| Reinsurance assets | 27,719 | - | - | - | - | - | 27,719 |
| Insurance receivables | 27,538 | - | - | - | - | 2,334 | 29,872 |
| Cash and short-term time deposits | 20,878 | - | - | - | - | - | 20,878 |
| Others | 97,560 | - | - | - | - | 265 | 97,825 |
| Total | 1,412,051 | - | - | - | - | 6,213 | 1,418,264 |

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Liquidity risk*

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

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

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency funding plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Liquidity risk (continued)*

The tables below summarise the contractual and expected remaining undiscounted cash flows of the financial assets and financial liabilities, and maturity profiles of insurance contract liabilities of the Group:

| | As at 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | Total |
| Assets: | | | | | | |
| Held-to-maturity financial assets | - | 25,745 | 105,092 | 630,695 | - | 761,532 |
| Investments classified as loans and receivables | - | 42,878 | 255,655 | 219,533 | - | 518,066 |
| Derivative financial assets | - | 24 | 237 | - | - | 261 |
| Restricted statutory deposits | - | 2,062 | 6,087 | - | - | 8,149 |
| Term deposits | - | 31,930 | 187,531 | - | - | 219,461 |
| Available-for-sale financial assets | 330 | 45,814 | 145,309 | 282,073 | 322,163 | 795,689 |
| Financial assets at fair value through profit or loss | 61 | 798 | 1,215 | 1,989 | 8,441 | 12,504 |
| Securities purchased under agreements to resell | - | 13,443 | - | - | - | 13,443 |
| Insurance receivables | 7,045 | 18,285 | 11,818 | 806 | - | 37,954 |
| Cash and short-term time deposits | 30,053 | 2,492 | - | - | - | 32,545 |
| Others | 3,885 | 75,931 | 1,785 | - | - | 81,601 |
| Total | 41,374 | 259,402 | 714,729 | 1,135,096 | 330,604 | 2,481,205 |
| Liabilities: | | | | | | |
| Insurance contract liabilities | - | 132,344 | 59,083 | 1,193,906 | - | 1,385,333 |
| Investment contract liabilities | - | 11,669 | 35,945 | 122,785 | - | 170,399 |
| Policyholders' deposits | - | 70 | - | - | - | 70 |
| Bonds payable | - | 505 | 2,376 | 10,855 | - | 13,736 |
| Derivative financial liabilities | - | 1 | - | - | - | 1 |
| Securities sold under agreements to repurchase | - | 73,546 | - | - | - | 73,546 |
| Lease liabilities | - | 1,244 | 1,964 | 187 | - | 3,395 |
| Others | 47,907 | 43,670 | 1,638 | 84 | - | 93,299 |
| Total | 47,907 | 263,049 | 101,006 | 1,327,817 | - | 1,739,779 |

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Liquidity risk (continued)*

| | As at 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | Total |
| Assets: | | | | | | |
| Held-to-maturity financial assets | - | 23,717 | 104,517 | 483,906 | - | 612,140 |
| Investments classified as loans and receivables | - | 38,025 | 255,852 | 198,146 | - | 492,023 |
| Derivative financial assets | - | 4 | 136 | - | - | 140 |
| Restricted statutory deposits | - | 1,201 | 6,525 | - | - | 7,726 |
| Term deposits | - | 42,809 | 173,326 | 156 | - | 216,291 |
| Available-for-sale financial assets | 241 | 40,927 | 167,704 | 285,804 | 258,720 | 753,396 |
| Financial assets at fair value through profit or loss | 61 | 542 | 2,854 | 1,396 | 7,846 | 12,699 |
| Securities purchased under agreements to resell | - | 14,334 | - | - | - | 14,334 |
| Insurance receivables | 5,111 | 14,474 | 10,382 | 725 | - | 30,692 |
| Cash and short-term time deposits | 19,742 | 1,136 | - | - | - | 20,878 |
| Others | 1,711 | 75,178 | 1,619 | - | - | 78,508 |
| Total | 26,866 | 252,347 | 722,915 | 970,133 | 266,566 | 2,238,827 |
| Liabilities: | | | | | | |
| Insurance contract liabilities | - | 131,590 | 54,174 | 1,039,412 | - | 1,225,176 |
| Investment contract liabilities | - | 10,046 | 29,173 | 107,421 | - | 146,640 |
| Policyholders' deposits | - | 70 | - | - | - | 70 |
| Bonds payable | - | 505 | 2,276 | 11,460 | - | 14,241 |
| Securities sold under agreements to repurchase | - | 91,024 | - | - | - | 91,024 |
| Lease liabilities | - | 1,434 | 2,206 | 285 | - | 3,925 |
| Others | 48,221 | 35,054 | 1,685 | 98 | - | 85,058 |
| Total | 48,221 | 269,723 | 89,514 | 1,158,676 | - | 1,566,134 |

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

| | As at 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| Future contractual cash flows not included in lease liabilities | 12 | 113 | 327 | 690 | 1,142 |

## 46. RISK MANAGEMENT (continued)

### (b) Financial risk (continued)

*Liquidity risk (continued)*

The table below summarises the expected utilisation or settlement of assets and liabilities.

| | As at 31 December 2021 | | |
|---|---|---|---|
| | Current | Non-current | Total |
| Assets: | | | |
| Held-to-maturity financial assets | 8,441 | 387,987 | 396,428 |
| Investments classified as loans and receivables | 22,662 | 383,614 | 406,276 |
| Derivative financial assets | 24 | 235 | 259 |
| Term deposits | 23,837 | 172,682 | 196,519 |
| Available-for-sale financial assets | 355,714 | 289,667 | 645,381 |
| Financial assets at fair value through profit or loss | 9,206 | 3,147 | 12,353 |
| Cash and short-term time deposits | 32,545 | - | 32,545 |
| Others | 77,761 | 1,785 | 79,546 |
| Sub-total | 530,190 | 1,239,117 | 1,769,307 |
| Liabilities: | | | |
| Insurance contract liabilities | 132,344 | 1,252,989 | 1,385,333 |
| Investment contract liabilities | 2,492 | 100,281 | 102,773 |
| Policyholders' deposits | 70 | - | 70 |
| Bonds payable | - | 9,995 | 9,995 |
| Derivative financial liabilities | 1 | - | 1 |
| Securities sold under agreements to repurchase | 73,441 | - | 73,441 |
| Lease liabilities | 1,194 | 1,911 | 3,105 |
| Others | 91,577 | 1,722 | 93,299 |
| Sub-total | 301,119 | 1,366,898 | 1,668,017 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | Current | Non-current | Total |
| Assets: | | | |
| Held-to-maturity financial assets | 8,156 | 321,204 | 329,360 |
| Investments classified as loans and receivables | 18,529 | 361,645 | 380,174 |
| Derivative financial assets | 4 | 136 | 140 |
| Term deposits | 30,391 | 162,575 | 192,966 |
| Available-for-sale financial assets | 285,952 | 310,206 | 596,158 |
| Financial assets at fair value through profit or loss | 8,944 | 3,529 | 12,473 |
| Cash and short-term time deposits | 20,878 | - | 20,878 |
| Others | 75,021 | 1,619 | 76,640 |
| Sub-total | 447,875 | 1,160,914 | 1,608,789 |
| Liabilities: | | | |
| Insurance contract liabilities | 131,590 | 1,093,586 | 1,225,176 |
| Investment contract liabilities | 1,384 | 85,672 | 87,056 |
| Policyholders' deposits | 70 | - | 70 |
| Bonds payable | - | 9,991 | 9,991 |
| Securities sold under agreements to repurchase | 90,825 | - | 90,825 |
| Lease liabilities | 1,299 | 2,131 | 3,430 |
| Others | 83,275 | 1,783 | 85,058 |
| Sub-total | 308,443 | 1,193,163 | 1,501,606 |

## 46. RISK MANAGEMENT (continued)

### (c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure. When controls fail to perform, operational risks can cause damage to reputation, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

### (d) Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of assets and liabilities matching.

### (e) Capital management risks

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events. The CBIRC monitors capital management risks primarily through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholders value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

## 46. RISK MANAGEMENT (continued)

### (e) Capital management risks (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

| Group | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Core capital | 496,620 | 500,766 |
| Actual capital | 506,620 | 510,766 |
| Minimum required capital | 190,794 | 177,288 |
| Core solvency margin ratio | 260% | 282% |
| Comprehensive solvency margin ratio | 266% | 288% |

| CPIC Property | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Core capital | 47,808 | 44,208 |
| Actual capital | 57,808 | 54,208 |
| Minimum required capital | 20,072 | 19,672 |
| Core solvency margin ratio | 238% | 225% |
| Comprehensive solvency margin ratio | 288% | 276% |

| CPIC Life | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Core capital | 368,570 | 377,203 |
| Actual capital | 368,570 | 377,203 |
| Minimum required capital | 168,912 | 155,860 |
| Core solvency margin ratio | 218% | 242% |
| Comprehensive solvency margin ratio | 218% | 242% |

| CPIC Health | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Core capital | 1,286 | 1,294 |
| Actual capital | 1,286 | 1,294 |
| Minimum required capital | 934 | 949 |
| Core solvency margin ratio | 138% | 136% |
| Comprehensive solvency margin ratio | 138% | 136% |

| PAAIC | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Core capital | 2,863 | 1,821 |
| Actual capital | 2,863 | 1,821 |
| Minimum required capital | 673 | 614 |
| Core solvency margin ratio | 425% | 297% |
| Comprehensive solvency margin ratio | 425% | 297% |

## 47. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note 2.2(3) for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

As at 31 December 2021, the size of unconsolidated structured entities and Group's funding and maximum exposure are shown below:

| | 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | Size | Funding provided by the Group | Group's maximum exposure | Carrying amount of Group's investment | Interest held by the Group |
| Pension funds and endowment assurance products managed by affiliated parties | 299,019 | - | - | - | Management fee |
| Insurance asset management products managed by affiliated parties | 348,109 | 136,452 | 137,204 | 136,542 | Investment income and management fee |
| Securities Investment Fund managed by affiliated parties | 72,530 | 9,999 | 10,231 | 10,231 | Investment income and management fee |
| Insurance asset management products managed by third parties[Note 1] | | 127,920 | 128,897 | 128,547 | Investment income |
| Trust products managed by third parties[Note 1] | | 134,531 | 134,599 | 134,289 | Investment income |
| Bank wealth management products and asset management products managed by third parties[Note 1] | | 4,604 | 4,812 | 4,811 | Investment income |
| Securities Investment Fund managed by third parties[Note 1] | | 52,218 | 58,906 | 58,906 | Investment income |
| Total | | 465,724 | 474,649 | 473,326 | |

*Note 1: The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.*

The Group's interests in unconsolidated structured entities are included in wealth management products, funds, debt investment plans and other equity investments under financial assets at fair value through profit or loss, wealth management products, funds and other equity investments under available-for-sale financial assets, debt investment plans and wealth management products under investments classified as loans and receivables, and investments in associates and joint ventures.

## 48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note 3.2(2)).

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, restricted statutory deposits, etc.

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## 48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities and bonds payable, etc.

*Fair value of financial assets and liabilities not carried at fair value*

The following table summarises the carrying values and estimated fair values of held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

| | As at 31 December 2021 | |
|---|---|---|
| | Carrying amount | Fair value |
| Financial assets: | | |
| Held-to-maturity financial assets | 396,428 | 433,415 |
| Investments classified as loans and receivables | 406,276 | 406,311 |
| Financial liabilities: | | |
| Bonds payable | 9,995 | 11,037 |

| | As at 31 December 2020 | |
|---|---|---|
| | Carrying amount | Fair value |
| Financial assets: | | |
| Held-to-maturity financial assets | 329,360 | 348,481 |
| Investments classified as loans and receivables | 380,174 | 380,235 |
| Financial liabilities: | | |
| Bonds payable | 9,991 | 10,571 |

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

## 49. FAIR VALUE MEASUREMENT

*Determination of fair value and fair value hierarchy*

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

## 49. FAIR VALUE MEASUREMENT (continued)

*Determination of fair value and fair value hierarchy (continued)*

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total fair value** |
| **Assets measured at fair value** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Stocks | 19 | - | - | 19 |
| - Funds | 210 | 61 | - | 271 |
| - Bonds | 1,536 | 429 | - | 1,965 |
| - Others | - | 404 | 9,694 | 10,098 |
| | 1,765 | 894 | 9,694 | 12,353 |
| Available-for-sale financial assets | | | | |
| - Stocks | 149,050 | - | 5,286 | 154,336 |
| - Funds | 41,739 | 31,162 | - | 72,901 |
| - Bonds | 21,477 | 267,473 | 2,076 | 291,026 |
| - Others | - | 16,884 | 110,234 | 127,118 |
| | 212,266 | 315,519 | 117,596 | 645,381 |
| Derivative financial assets | - | 259 | - | 259 |
| **Liabilities measured at fair value** | | | | |
| Derivative financial liabilities | - | 1 | - | 1 |
| **Assets for which fair values are disclosed** | | | | |
| Held-to-maturity financial assets (Note 48) | 5,988 | 427,427 | - | 433,415 |
| Investments classified as loans and receivables (Note 48) | - | 2,034 | 404,277 | 406,311 |
| Investment properties (Note 20) | - | - | 11,538 | 11,538 |
| **Liabilities for which fair values are disclosed** | | | | |
| Bonds payable (Note 48) | - | - | 11,037 | 11,037 |

## 49. FAIR VALUE MEASUREMENT (continued)

*Determination of fair value and fair value hierarchy (continued)*

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total fair value |
| **Assets measured at fair value** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Stocks | 70 | - | - | 70 |
| - Funds | 307 | 108 | - | 415 |
| - Bonds | 2,596 | 502 | - | 3,098 |
| - Others | - | 228 | 8,662 | 8,890 |
| | 2,973 | 838 | 8,662 | 12,473 |
| Available-for-sale financial assets | | | | |
| - Stocks | 120,263 | 6,953 | - | 127,216 |
| - Funds | 37,688 | 26,046 | - | 63,734 |
| - Bonds | 16,661 | 295,319 | 2,038 | 314,018 |
| - Others | - | 9,752 | 81,438 | 91,190 |
| | 174,612 | 338,070 | 83,476 | 596,158 |
| Derivative financial assets | - | 140 | - | 140 |
| **Assets for which fair values are disclosed** | | | | |
| Held-to-maturity financial assets (Note 48) | 6,452 | 342,029 | - | 348,481 |
| Investments classified as loans and receivables (Note 48) | - | 2,110 | 378,125 | 380,235 |
| Investment properties (Note 20) | - | - | 11,470 | 11,470 |
| **Liabilities for which fair values are disclosed** | | | | |
| Bonds payable (Note 48) | - | - | 10,571 | 10,571 |

In 2021, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. In 2021, the Group transferred the bonds with a carrying amount of approximately RMB 3,871 million from Level 1 to Level 2 and approximately RMB 10,867 million from Level 2 to Level 1. In 2020, the Group transferred the bonds with a carrying amount of approximately RMB 14,263 million from Level 1 to Level 2 and approximately RMB 9,139 million from Level 2 to Level 1.

## 49. FAIR VALUE MEASUREMENT (continued)

*Determination of fair value and fair value hierarchy (continued)*

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning of year | Increase | Decrease | Transferred to Level 3 | Net unrealised gains/(losses) recognised in profit or loss | Net unrealised gains/(losses) recognised in other comprehensive income/(loss) | End of year |
| Financial assets at fair value through profit or loss | | | | | | | |
| - Wealth management products | 18 | - | (3) | - | - | - | 15 |
| - Debt investment plans | 3 | 13 | - | - | - | - | 16 |
| - Other equity investments | 8,641 | 91 | - | - | 931 | - | 9,663 |
| Available-for-sale financial assets | | | | | | | |
| - Stocks | - | 3,658 | - | - | - | 1,628 | 5,286 |
| - Preferred shares | 13,131 | 13 | (600) | - | - | (25) | 12,519 |
| - Other equity investments | 68,307 | 29,147 | (2,516) | - | (9) | 839 | 95,768 |
| - Finance bonds | 2,038 | - | - | - | 9 | 29 | 2,076 |
| - Wealth management products | - | 1,947 | - | - | - | - | 1,947 |

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Beginning of year | Increase | Decrease | Transferred to Level 3 | Net unrealised gains/(losses) recognised in profit or loss | Net unrealised gains recognised in other comprehensive income/(loss) | End of year |
| Financial assets at fair value through profit or loss | | | | | | | |
| - Wealth management products | 11 | 7 | - | - | - | - | 18 |
| - Debt investment plans | 3 | - | - | - | - | - | 3 |
| - Other equity investments | 595 | 8,034 | - | - | 12 | - | 8,641 |
| Available-for-sale financial assets | | | | | | | |
| - Preferred shares | 13,621 | - | (499) | - | - | 9 | 13,131 |
| - Other equity investments | 49,181 | 25,271 | (7,870) | - | (157) | 1,882 | 68,307 |
| - Finance bonds | 1,974 | 252 | - | - | (197) | 9 | 2,038 |

## 49. FAIR VALUE MEASUREMENT (continued)

*Determination of fair value and fair value hierarchy (continued)*

*Valuation techniques*

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 3.13% to 7.22%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

## 50. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

| | 2021 | 2020 |
|---|---|---|
| **Profit before tax** | 30,796 | 29,238 |
| Investment income | (91,643) | (82,740) |
| Foreign currency loss | 417 | 1,428 |
| Finance costs | 2,851 | 2,760 |
| Charge of impairment losses on insurance receivables and other assets, net | 263 | 152 |
| Depreciation of property and equipment | 1,835 | 1,791 |
| Depreciation of investment properties | 329 | 335 |
| Depreciation of right-of-use assets | 1,532 | 1,534 |
| Amortisation of other intangible assets | 819 | 725 |
| Amortisation of other assets | 18 | 18 |
| Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net | (10) | (4) |
| | (52,793) | (44,763) |
| Increase in reinsurance assets | (3,153) | (2,159) |
| Increase in insurance receivables | (7,262) | (6,616) |
| Decrease/(increase) in other assets | 938 | (2,172) |
| Increase in insurance contract liabilities | 157,786 | 145,020 |
| Increase in other operating liabilities | 16,316 | 24,180 |
| Cash generated from operating activities | 111,832 | 113,490 |

## 51. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties:

### (a) Sale of insurance contracts

| | 2021 | 2020 |
|---|---|---|
| Shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company | 5 | 7 |

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

### (b) Fund subscription and redemption transactions

| | 2021 | 2020 |
|---|---|---|
| Hwabao WP Fund Management Co., Ltd. | 819 | 1,289 |

### (c) Dividends paid

| | 2021 | 2020 |
|---|---|---|
| Shareholders who individually own more than 5% of voting rights of the Company | 4,161 | 4,571 |

### (d) Compensation of key management personnel

| | 2021 | 2020 |
|---|---|---|
| Salaries, allowances and other short-term benefits | 34 | 29 |
| Deferred bonus (1) | - | - |
| Total compensation of key management personnel | 34 | 29 |

*(1) This represents the amount under the Group's deferred bonus plans mentioned in Note 12.*
*This represents the amount under the Group's deferred bonus plans which in order to motivate senior management and certain key employees.*

Further details of directors' emoluments are included in Note 12.

### (e) The Group had the following major transactions with the joint venture:

| | 2021 | 2020 |
|---|---|---|
| Binjiang-Xiangrui | | |
| Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction cost and related taxes | 160 | - |
| Rental fees for leasing office buildings of Binjiang-Xiangrui | 79 | 79 |
| Total | 239 | 79 |
| Ruiyongjing Real Estate | | |
| Grant loans | 837 | 2,381 |

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

## 51. RELATED PARTY TRANSACTIONS (continued)

### (f) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organisations (collectively "government-related entities"). The Company is also a government-related entity.

In 2020 and 2021, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

Management considers that those transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are controlled, jointly controlled or significantly influenced by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

## 52. COMMITMENTS

### (a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

| | | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| Contracted, but not provided for | (1)(2) | 7,756 | 9,508 |
| Authorised, but not contracted for | (1)(2) | 6,149 | 7,872 |
| | | 13,905 | 17,380 |

As at 31 December 2021, major projects with capital commitments are as follows:

(1) CPIC Life and other two parties joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2021, the cumulative amount incurred by CPIC Life amounted to approximately RMB 13,289 million. Of the balance, approximately RMB 1,996 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.

(2) CPIC Life and CPIC Senior Living Investment obtained the use rights of eight parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up eight project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eight projects is approximately RMB 9,617 million. As at 31 December 2021, the cumulative amount incurred amounted to approximately RMB 3,558 million. Of the balance, approximately RMB 2,726 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 3,333 million was disclosed as a capital commitment authorised but not contracted for.

## 52. COMMITMENTS (continued)

### (b) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Within 1 year (including 1 year) | 821 | 866 |
| 1 to 2 years (including 2 years) | 604 | 589 |
| 2 to 3 years (including 3 years) | 420 | 331 |
| 3 to 5 years (including 5 years) | 448 | 397 |
| More than 5 years | 22 | 28 |
| | 2,315 | 2,211 |

## 53. CONTINGENT LIABILITIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 31 December 2021, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

## 54. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

| Company | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **ASSETS** | | |
| Cash at bank and on hand | 5,261 | 271 |
| Financial assets at fair value through profit or loss | 9 | 11 |
| Securities purchased under agreements to resell | 10 | 110 |
| Interest receivables | 631 | 648 |
| Term deposits | 14,278 | 21,190 |
| Available-for-sale financial assets | 29,442 | 32,369 |
| Investments classified as loans and receivables | 17,086 | 12,971 |
| Long-term equity investments | 64,985 | 65,072 |
| Investment properties | 2,992 | 3,289 |
| Fixed assets | 1,338 | 1,310 |
| Construction in progress | 3 | 59 |
| Right-of-use assets | 350 | 317 |
| Intangible assets | 236 | 330 |
| Other assets | 2,613 | 487 |
| **Total assets** | 139,234 | 138,434 |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities** | | |
| Securities sold under agreements to repurchase | 1,120 | 1,272 |
| Commissions and brokerage payable | 1 | 1 |
| Employee benefits payable | 339 | 245 |
| Taxes payable | 8 | 11 |
| Lease liabilities | 362 | 330 |
| Deferred income tax liabilities | 356 | 432 |
| Other liabilities | 556 | 530 |
| **Total liabilities** | 2,742 | 2,821 |
| **Equity** | | |
| Issued capital | 9,620 | 9,620 |
| Capital reserves | 79,312 | 79,312 |
| Other comprehensive income | 1,354 | 1,548 |
| Surplus reserves | 4,810 | 4,810 |
| Retained profits | 41,396 | 40,323 |
| **Total equity** | 136,492 | 135,613 |
| **Total liabilities and equity** | 139,234 | 138,434 |

KONG Qingwei
Director

FU Fan
Director

## 54. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

The movements in reserves and retained profits of the Company are set out below:

| Company | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Issued capital | Capital reserves | Other comprehensive income | Surplus reserves | Retained profits | Total equity |
| At 1 January 2021 | 9,620 | 79,312 | 1,548 | 4,810 | 40,323 | 135,613 |
| Amount of change this year | - | - | (194) | - | 1,073 | 879 |
| Net profit | - | - | - | - | 13,579 | 13,579 |
| Other comprehensive income/(loss) | - | - | (194) | - | - | (194) |
| Total comprehensive income | - | - | (194) | - | 13,579 | 13,385 |
| Profit Distribution | - | - | - | - | (12,506) | (12,506) |
| Profit distribution to shareholders | - | - | - | - | (12,506) | (12,506) |
| At 31 December 2021 | 9,620 | 79,312 | 1,354 | 4,810 | 41,396 | 136,492 |

| Company | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Issued capital | Capital reserves | Other comprehensive income | Surplus reserves | Retained profits | Total equity |
| At 1 January 2020 | 9,062 | 66,164 | 867 | 4,531 | 32,666 | 113,290 |
| Amount of change this year | 558 | 13,148 | 681 | 279 | 7,657 | 22,323 |
| Net profit | - | - | - | - | 18,810 | 18,810 |
| Other comprehensive income/(loss) | - | - | 681 | - | - | 681 |
| Total comprehensive income | - | - | 681 | - | 18,810 | 19,491 |
| Capital contribution and withdrawal by shareholders | 558 | 13,148 | - | - | - | 13,706 |
| Capital contribution by shareholders | 558 | 13,148 | - | - | - | 13,706 |
| Profit Distribution | - | - | - | 279 | (11,153) | (10,874) |
| Appropriations to surplus reserves | - | - | - | 279 | (279) | - |
| Profit distribution to shareholders | - | - | - | - | (10,874) | (10,874) |
| At 31 December 2020 | 9,620 | 79,312 | 1,548 | 4,810 | 40,323 | 135,613 |

The balance sheet and reserve movement of the Company disclosed in this note are prepared in accordance with PRC GAAP, the primary GAAP for the Company to determine the amount of retained profits available for distribution.

There is no material difference in recognition and measurement between PRC GAAP and the significant accounting policies as disclosed in Note 2.2 in preparation of the above balance sheet and reserve movement of the Company, other than that the Company's investment in subsidiaries are stated at cost less any impairment losses and the results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

There is no difference between the consolidated financial statements prepared in accordance with HKFRS and PRC GAAP by the Group in the equity as at 31 December 2021 and 31 December 2020 and no difference in the net profit for the respective years then ended.

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## 55. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the 11th extraordinary board meeting of the 7th Board of Directors of CPIC Life, CPIC Senior Living Development (Zhengzhou) Co., Ltd. and CPIC Senior Living Development (Beijing) Co., Ltd. were set up with estimated capital contributions of RMB 1,060 million and RMB 1,330 million respectively. CPIC Life had made the capital contribution of RMB 184 million and RMB 117 million respectively as at the date of approving these financial statements.

Pursuant to the resolution of the 16th extraordinary board meeting of the 7th Board of Directors and the 1st general meeting of shareholders of CPIC Life held in 2022, CPIC Life injected capital in the amount of RMB 2,000 million into CPIC Senior Living Investment. The capital injection is subject to approval from the CBIRC.

Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary set up by the Company, obtained the business license of legal entity in March 2022. The registered capital is RMB 700 million.

The Group does not have other significant post balance sheet events.

## 56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorised for issue by the Company's directors on 25 March 2022.

中国太平洋保险
China Pacific Insurance

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