中国太平
CHINA TAIPING
中國太平保險控股有限公司
China Taiping Insurance Holdings Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 966)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors of China Taiping Insurance Holdings Company Limited is pleased to announce the unaudited interim financial results of the Company and its subsidiaries for the six months ended 30 June 2023 as follows, which should be read in conjunction with the Management Discussion and Analysis set out below:

The Group adopted HKFRS 17 Insurance Contracts and HKFRS 9 Financial Instruments ("New Standards") from 1 January 2023. According to requirements of the new insurance standards, the Group adjusted comparative figures of the prior period related to insurance business. As permitted under HKFRS 17, the Group has elected to apply classification overlay in the comparative period in presenting the financial instruments. Please refer to "1 Basis of Preparation" and "2 New Accounting Standards and Amendments Adopted by the Group for the First Time of Financial Period Beginning on 1 January 2023" of the "Notes to the Unaudited Condensed Consolidated Financial Statements" for details of changes in Accounting policies.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, China Taiping adhered to pursuing progress while ensuring stability, and upholding fundamental principles while breaking new grounds, charted a path forward towards value orientation, strengthened risk prevention and control, and rigorously promoted the strategy of high-quality development. Best efforts have been made to serve the national strategies and opportunities seized in the development of "Inclusive Finance", "Ageing Finance" and "Green Finance". China Taiping also accelerated the pace of ecosystem construction and promoted the in-depth integration of "Insurance + Medical Health & Elder Care"; continued deepening comprehensive synergies, with the atmosphere of comprehensive synergies and the synergy effect becoming more and more prominent. We have steadily pushed forward with internationalisation and continued building on Taiping's distinctive strengths, practiced the concept of "Customer First" and continuously strengthened our customer service and technological capabilities, continued strengthening our awareness of risk prevention and made positive progress in risk prevention and mitigation. We have also seen outstanding performance in value growth, and steady progress in business operations with good momentum of healthy development being further consolidated.

The Company has Solid Foundation of Profitability with Fast Growth of Operating Profit in the First Half

- Profit attributable to owners was HK$5.22 billion, increased by 20.5% over the Last Period
- Contractual service margin ("CSM") was HK$217.788 billion, decreased by 1.6% over the 2022 year-end
- Ordinary shareholders' equity was HK$82.030 billion, decreased by 2.3% over the 2022 year-end
- Total assets were HK$1,423.0 billion, increased by 7.7% over the 2022 year-end

Life Insurance Businesses[1] Progressed Steadily, with Overall Strength Further Enhanced

- Insurance revenue of the life insurance increased by 0.7% over the Last Period; with insurance revenue of the PRC domestic life insurance[2] increased by 1.2%; direct premium of the PRC domestic life insurance increased by 9.9%, breaking the hundred billion mark for the first time in the interim period

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[1] *Calculated in RMB.*
[2] *Including TPL and TPP.*

Life Insurance Businesses[1] Progressed Steadily, with Overall Strength Further Enhanced *(Continued)*

- As at the end of June 2023, CSM of the life insurance increased by 1.4% over the 2022 year-end, the contribution of life insurance new business for the first half of 2023 to the CSM increased by 9.4% over the Last period, with the contribution of TPL's new business for the first half of 2023 to the CSM increased by 15.0% over the Last Period
- TPL's new business value was RMB3.65 billion, increased by 28.5% over the Last Period; first year premium increased by 42.4% over the Last Period, with first year premium from individual insurance and bancassurance increased by 21.8% and 82.5% over the Last Period, respectively; four persistency ratios of the individual agency and bancassurance channels maintained industry-leading
- TPP's group employee benefit business increased by 20.8% over the Last Period, with high value long term insurance business increased substantially by 58.0% over the Last Period; individual pension business achieved a breakthrough, recording a premium income of RMB72.45 million
- TPL (HK)'s business developed steadily, and saw continued transformation towards value orientation

Property and Casualty Insurance Businesses' Profitability Continued Improving, with the Foundation for Development Further Strengthened

- TPI's[3] insurance revenue increased by 7.7% over the Last Period, the underwriting combined ratio was 97.6%. Direct premium increased by 10.3% over the Last Period; the persistency ratio of motor insurance increased by 5.1 percentage points over the Last Period; the proportion of direct premium from non-motor insurance business increased by 3.9 percentage point over the Last Period, with business structure continuously optimised
- CTPI (HK)'s direct business grew steadily, the underwriting combined ratio was 91.7%, with enhanced insurance service result over the Last Period
- TP Macau's market position is solid, the motor insurance and property and casualty insurance business grew rapidly, with an underwriting combined ratio of 68.2% and outstanding underwriting performance
- TP Singapore's property and casualty insurance business achieved a steady growth, insurance revenue increased by 6.6% over the Last Period, with an underwriting combined ratio of 92.0% and good underwriting performance
- TP Indonesia's insurance revenue increased by 12.0% over the Last Period, the underwriting combined ratio was 81.7%, and outstanding underwriting performance

Reinsurance Business Grew Steadily, with Business Structure Further Optimised

- TPRe's business grew steadily, the insurance revenue increased by 2.1% over the Last Period, the insurance revenue of the overseas business increased rapidly; the business structure of life reinsurance business continued optimising, with the proportion of protection business increased

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[3] *Calculated in RMB.*

Steady Development in Investment Business, with Equities Performance Outperforming Market Benchmark

- Steady growth in investment scale, total investment income stably enhanced. As at the end of June 2023, the total investment assets with insurance funds of the Group were HK$1,262.8 billion, increased by 7.5% over the 2022 year-end, total investment income for the first half of 2023 was HK$23.705billion, representing an increase of 105.9% over the Last Period
- By strengthening the research-driven investments, the equities outperformed the market benchmarks. In the first half of the year, the Group strengthened its capital market research and judgement, and strengthened its tactical operations under the highly volatile market. The performance of the Group's high dividend Hong Kong stocks outperformed the Hang Seng Index (including dividends) by 11.42 percentage points, and as a result, the overall performance of the Group's investment in equities outperformed the CSI 300 Index by 2.19 percentage points
- Consolidated the foundation for investment control to promote high-quality development of investment. In the first half of 2023, the Group further strengthened information systems construction, enhanced the Group headquarters' investment management capabilities, and optimised the investment risk monitoring system to prevent material risks and systemic risks, thus promoting the high-quality development of the investment business
- The investment management capabilities were improved, and the third-party asset management business expanded. In the first half of 2023, the Group continued promoting the professional transformation of investment institutions and improving their professional capabilities and management levels. The scale of third-party entrusted assets managed by the Group was HK$1,121.5 billion, representing a growth of 2.6% over the 2022 year-end

Comprehensive Synergy and Strategic Cooperation Business Accelerated

- As at the end of June 2023, China Taiping had established strategic cooperation with 111 large clients and these strategic clients have contributed total premium of HK$39.056 billion and new payment from pension of HK$24.156 billion
- In the first half of 2023, our domestic cross-selling initiatives achieved HK$5.094 billion insurance sales, including HK$3.721 billion of property insurance sales through TPL, HK$1.109 billion of pension sales through TPL, HK$194 million of property insurance sales through TPP, HK$39.93 million of pension sales through TPI and HK$28.80 million of life insurance sales through TPI

Actively Serve the Construction of Multi-level Pension Security System

- Long-term care insurance has been highlighted in pension business. As at the end of June 2023, TPP's long-term care insurance has cumulatively handled 37 projects, covering 12 provinces (municipalities and autonomous regions) across the country, covering about 26 million insured people. TPP jointly released the first domestic "White Paper on Long-term Care Insurance" with Fudan University
- TPP put its focus on the development of the third pillar of pension business, and made Taiping's contribution to the implementation of the national strategy of actively responding to an aging population. Among them, the personal pension business took the first-mover advantage and achieved market leadership. As at the end of June 2023, the cumulative number of accounts and premium income ranked among the forefront of the insurance industry. TPP's commercial pension products were successfully launched in late April

Positive Progress in Strategic Layout

- Focus has been on serving the Guangdong-Hong Kong-Macau Greater Bay Area and the construction of “The Belt and Road”. In the first half of 2023, the premium income in the Guangdong-Hong Kong-Macau Greater Bay Area was HK$41.8 billion, the proportion was 25.5% in terms of RMB, increased by 2 percentage points over the 2022 year-end, providing risk protection of HK$10.8 trillion, and the total investment balance was HK$89.1 billion. The first cross-border motor insurance policy for “Hong Kong Cars Travelling to Guangdong” was issued following the “Macau Cars Travelling to Guangdong” policy. “China Taiping Solutions for Hong Kong Residents Retirement Care in Greater Bay Area” was released, providing new options for Hong Kong citizens’ retirement in the Greater Bay Area. We officially took over the operation of the Traditional Chinese Medicine Science and Technology Industrial Park of Co-operation between Guangdong and Macau. 296 major projects along the “The Belt and Road” was underwritten, providing risk protection of HK$392.2 billion, an increase of 4.8% over the Last Period. We have been steadily promoting our internationalisation strategy, both in terms of “Going Global”, where we have been solidly promoting the set-up of a property and casualty insurance entity in Luxembourg; in terms of “Bringing In”, where we have been deepening our external exchange and cooperation, and actively attracting quality resources from overseas

New Breakthroughs in Ecosystem Construction

- China Taiping Sanya “Taiping Town · Haitang Family” elder care community was officially opened and the “Taiping Town · Mumian Family” in Guangzhou was put into operation, increasing the number of “Self-built + Cooperative” elder care communities to 36, covering 23 provinces and 29 cities. The 4th China Taiping Medical Health & Elder Care Ecological Alliance conference was successfully held, increasing the number of alliance members to 26, and the brand influence was further strengthened. China Taiping’s cross-border medical service platform was announced, thus the insurance business became more integrated with medical health & elder care services

Digital Transformation Gets Strengthened

- We solidly promoted new digital infrastructure. HKFRS 17 data platform, measurement and accounting platform and new consolidation system were officially initiated. We steadily implemented the second phase project of the Wuhan Data Center, fully deployed the backbone network nodes of the three data centers, upgraded CTPI (HK)’s accident & health insurance system, and built TPP’s enterprise annuity digital open platform
- We deepened the empowerment of scientific and technological innovation and adhered to the strategy of “Independent Innovation + Collaborative Innovation”. The Group has promoted the steady operation of the Fintech Ecological Alliance. The self-developed “Vehicle Insurance Credit”, “Taiping Health Guardian” and the dedicated virtual human have been applied in-depth in a variety of business scenarios, and RPA tools have been applied within the Group. The Group has completed the AI Intelligent Cloud Platform, an integration of 70 intelligent components, and initiated the construction of the privacy-preserving computing platform. Mobile service of life insurance policies, AI Underwriting & AI Claims, and “Taiping Good Service 2.0” of property and casualty insurance policies and other operational service innovation projects were promoted

Customer Satisfaction Continuously Improved, Brand Visibility Effectively Enhanced

- TPG, with CTIH as a core subsidiary, was ranked in "Fortune Global 500" in 2023 at 385th, and has been on the list for 6 consecutive years. It was selected in the list of Insurance 100 2023 for 9 consecutive years, and the only insurance company to be selected in the Fortune China ESG Influence List for 2 consecutive years. TPG's 11 institutions were rated "A" by international leading rating agencies and received the highest ranking "Good" in the 2022 evaluation of targeted poverty alleviation performance among centrally administered state-owned units for two consecutive years
- Customer service achieved significant results. The 4th "Lucky Elephant Festival · China Taiping Customer Festival" was successfully opened, with 542 offline viewing events and more than 50 thousand participants on the opening day, accruing more than 29.05 million online views. A new system for the Group's family office business was established, and has initiated the construction of Taiping 1929 Global Reception Room in Hong Kong and Singapore. The Taiping Tong App launched a dedicated area for services such as home-based elder care and "Xiangyue Taiping", with registered users exceeding 23 million, monthly active users exceeding 1.56 million and daily active users exceeding 100 thousand
- Consumer rights protection continued upgrading, with the convening of the Group's Customer Service and Consumer Rights Protection Conference, the completion of the "3.15" consumer rights protection education and publicity week with high quality, and the launch of online and offline education and publicity activities for 4,420 times, which reached more than 57 million consumers. Both TPL and TPP's 2022 Insurance Service Quality Index were ranked at the forefront of the industry

CONSOLIDATED FINANCIAL RESULTS

The financial highlights of the Group for the Period were as follows:

HK$ million

	1H 2023	1H 2022	Change
Insurance revenue	**54,128.83**	56,135.35	-3.6%
Profit before taxation	**7,844.45**	7,071.03	+10.9%
Profit after taxation	**7,521.24**	6,904.34	+8.9%
Net profit attributable to the owners	**5,220.36**	4,332.44	+20.5%
Basic earnings per share *(HK$)*	**1.365**	1.205	+0.160 dollar
Interim dividend proposed	**-**	-	-

HK$ million

	At 30 June 2023	At 31 December 2022	Change
Total assets	**1,422,988.84**	1,321,590.06	+7.7%
Contractual service margin	**217,787.93**	221,413.28	-1.6%
Total equity	**123,914.44**	109,797.44	+12.9%
Ordinary shareholders' equity	**82,029.94**	83,937.37	-2.3%
- Per share *(HK$)*	**22.824**	23.355	-0.531 dollar

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The figures below were the results of the respective companies from their operations, before intra-group eliminations.

The net operating profit/(loss) by each business line was summarised below:

HK$ million

	1H 2023	1H 2022	Change
Life insurance [1]	**7,477.70**	6,512.89	+14.8%
PRC domestic property and casualty insurance [2]	**185.36**	576.70	-67.9%
Overseas property and casualty insurance [3]	**174.28**	158.24	+10.1%
Reinsurance [4]	**(285.68)**	(239.46)	+19.3%
Asset management business [5]	**92.93**	654.10	-85.8%
Others [6]	**(123.35)**	(758.13)	-83.7%
Net profit from operations	**7,521.24**	6,904.34	+8.9%
Non-controlling interests	**(2,300.88)**	(2,571.90)	-10.5%
Net profit attributable to the owners	**5,220.36**	4,332.44	+20.5%

[1] *Life insurance includes the operating results of TPL, TPP's life and pension insurance business, TPL (HK) and TP Singapore's life insurance business.*

[2] *PRC domestic property and casualty insurance includes the operating results of TPI.*

[3] *Overseas Property and casualty insurance includes the operating results of CTPI (HK), TP Macau, TP UK, TP Singapore and TP Indonesia's property and casualty insurance business.*

[4] *Reinsurance mainly includes the operating results of TPRe and TPRe (China).*

[5] *Asset management business includes the operating results of TPAM, TP Fund, TPFH, TPCA, and TPP's annuity investment business.*

[6] *Others mainly includes the operating results of the holding company, TPIH (HK) and consolidation adjustments.*

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The following analysis showed the movement of the total equity of the Group.

HK$ million

	2023	2022
Total equity as at 1 January	**108,843.60**	119,958.45
Net profit recognised in statement of profit or loss	**7,521.24**	6,904.34
Net changes in fair value reserve	**10,828.66**	(442.22)
Net changes in insurance finance reserve	**(14,557.20)**	174.88
Revaluation gain arising from reclassification of own-use properties into investment properties	**12.08**	43.27
Exchange differences arising from translation of financial statements of foreign and non-foreign operations	**(3,246.66)**	(4,719.28)
Capital injection made to a subsidiary	**11.70**	-
Perpetual subordinated capital securities issued	**15,674.80**	-
Dividend declared by subsidiaries to non-controlling interests	**(239.34)**	(1,215.47)
Dividend declared to shareholders	**(934.44)**	(1,653.25)
Total equity as at 30 June	**123,914.44**	119,050.72
Attributable to:		
Ordinary shareholders of the Company	**82,029.94**	91,928.63
Perpetual subordinated capital securities	**15,990.01**	-
Non-controlling interests	**25,894.49**	27,122.09
	123,914.44	119,050.72

LIFE INSURANCE BUSINESS

The Group's life insurance business is operated by TPL, TPP, TPL (HK) and TP Singapore, which are engaged in the underwriting of life insurance businesses in Mainland China, Hong Kong, Macau and Singapore, respectively.

TPL is incorporated in the PRC and is 75.1% owned by the Group.

TPP is incorporated in the PRC and is wholly-owned by the Group. TPP operates corporate and personal retirement insurance and group life insurance business, apart from its annuity and retirement plan's investment, entrustment and other management services business under the section headed "Asset Management Business".

TPL (HK) is incorporated in Hong Kong in 2015 and is wholly-owned by the Group. In order to cope with the Group's business strategy, TPL (HK) incorporated a subsidiary in Macau, TPL (Macau), in 2019 to explore and develop life insurance business in Macau.

TP Singapore is incorporated in Singapore and is wholly-owned by the Group. TP Singapore launched its life insurance business since 2018 alongside its property and casualty insurance business. TP Singapore's property and casualty insurance business under the section headed "Overseas Property and Casualty Insurance Business".

Financial Performance

The figures below were the results of life insurance business, before intra-group eliminations.

During the period, the Group's insurance revenue of the life insurance business was HK$31.002 billion, decreased by 5.9% over the Last Period. The decrease was mainly due to the impact of exchange rate. The Group's insurance revenue of the life insurance business increased by 0.7% over the Last Period, in terms of the same currency and excluding the impact of exchange rate.

HK$ million	**1H 2023**	1H 2022	Change
Insurance revenue	**31,002.11**	32,944.59	-5.9%
Insurance service expenses	**(23,288.15)**	(22,059.11)	+5.6%
Net expenses from reinsurance contracts held	**(76.65)**	(569.00)	-86.5%
Insurance service results	**7,637.31**	10,316.48	-26.0%
Net investment results	**463.36**	(3,670.70)	N/A
Profit before taxation	**7,396.45**	6,270.18	+18.0%
Profit after taxation	**7,477.70**	6,512.89	+14.8%

HK$ million	**At 30 June 2023**	At 31 December 2022	Change
Total assets	**1,186,695.41**	1,099,619.38	+7.9%
Total equity	**62,497.33**	60,747.57	+2.9%

LIFE INSURANCE BUSINESS *(Continued)*

Financial Performance *(Continued)*

Contractual Service Margin

The movements in life insurance business's contractual service margin are summarised below:

HK$ million

	1H 2023	1H 2022	Change
Balance as at 1 January	**220,683.17**	234,312.23	-5.8%
Contracts initially recognised in this Period	**10,732.58**	10,501.00	+2.2%
CSM recognised for service provided	**(9,122.08)**	(9,502.61)	-4.0%
Changes in estimates that adjust the CSM	**(2,679.14)**	353.81	N/A
Financial movements in insurance contracts	**3,976.83**	3,413.73	+16.5%
Effect of exchange differences	**(6,892.38)**	(10,320.47)	-33.2%
Balance as at 30 June	**216,698.98**	228,757.69	-5.3%

Solvency

The comprehensive solvency ratios of life insurance business under local regulations are summarised below:

	At 30 June 2023	At 31 December 2022	Change
TPL	**197%**	194%	+3pts
TPP	**212%**	224%	-12pts
TPL(HK)	**231%**	204%	+27pts

LIFE INSURANCE BUSINESS *(Continued)*

Insurance Performance

Premium

Direct premium of life insurance business are summarised below:

HK$ million

	1H 2023	1H 2022	Change
TPL	**115,265.34**	112,764.43	+2.2%
TPP	**5,711.22**	5,063.20	+12.8%
TPL (HK)	**10,904.36**	11,209.86	-2.7%
TP Singapore	**362.21**	381.50	-5.1%

TPL's direct premium increased by 2.2% to HK$115.265 billion from HK$112.764 billion in the Last Period.

TPL's direct premium by line of business are summarised below:

HK$ million

	1H 2023	1H 2022	Change
Individual	**73,384.93**	73,909.81	-0.7%
Bancassurance	**37,043.60**	34,611.12	+7.0%
Group	**611.06**	504.43	+21.1%
Other Channels [1]	**4,225.75**	3,739.07	+13.0%
	115,265.34	112,764.43	+2.2%

[1] *Other Channels mainly consisted of telemarketing.*

LIFE INSURANCE BUSINESS *(Continued)*

Insurance Performance *(Continued)*

Premium *(Continued)*

The detailed breakdown of TPL's direct premium by payment type was summarised as follows:

HK$ million

Individual

	1H 2023	1H 2022	Change
Long-term First Year			
– Single Premium	**120.40**	54.29	+121.8%
– Regular Premium	**13,385.84**	10,884.22	+23.0%
Renewal Year	**55,607.18**	58,288.36	-4.6%
Short-term	**4,271.51**	4,682.94	-8.8%
	73,384.93	73,909.81	-0.7%

Bancassurance

	1H 2023	1H 2022	Change
Long-term First Year			
– Single Premium	**70.80**	18.59	+280.8%
– Regular Premium	**13,411.40**	7,862.08	+70.6%
Renewal Year	**23,519.74**	26,677.04	-11.8%
Short-term	**41.66**	53.41	-22.0%
	37,043.60	34,611.12	+7.0%

Group

	1H 2023	1H 2022	Change
Group Insurance	**611.06**	504.43	+21.1%

Other Channels

	1H 2023	1H 2022	Change
Long-term First Year			
– Single Premium	**782.73**	107.65	+627.1%
– Regular Premium	**563.55**	839.76	-32.9%
Renewal Year	**2,860.67**	2,780.39	+2.9%
Short-term	**18.80**	11.27	+66.8%
	4,225.75	3,739.07	+13.0%

LIFE INSURANCE BUSINESS *(Continued)*

Premium *(Continued)*

TPL's direct premium by product type are summarised below:

HK$ million

	1H 2023	1H 2022	Change
Participating	**19,032.30**	23,048.87	-17.4%
Annuity	**24,729.87**	28,509.77	-13.3%
Long-term health	**21,206.13**	23,256.99	-8.8%
Traditional life	**44,509.96**	31,404.80	+41.7%
Accident and short-term health	**5,779.89**	6,537.12	-11.6%
Universal life	**6.18**	5.98	+3.3%
Investment-linked	**1.01**	0.90	+12.2%
Total	**115,265.34**	112,764.43	+2.2%

Key Operational Data

TPL's key operational data was summarised below:

	At 30 June 2023	At 31 December 2022	Change
Market share [1]	**4.4%**	4.8%	-0.4pt
Number of provincial branches	**38**	38	-
Number of sub-branches and marketing centers	**1,375**	1,375	-
Number of customers			
- Individual	**15,261,773**	15,743,273	-481,500
- Corporate	**814**	816	-2
Distribution network			
- Number of individual agents	**320,260**	391,069	-70,809
- Number of bancassurance outlets	**75,563**	73,632	+1,931
Agent monthly per capita regular direct premium *(RMB)* [2]	**18,167**	13,685	+4,482 dollars
Direct premium persistency ratios – 13th month [3]			
- Individual	**96.1%**	93.0%	+3.1pts
- Bancassurance	**98.1%**	96.7%	+1.4pts
Direct premium persistency ratios – 25th month [3]			
- Individual	**91.6%**	91.8%	-0.2pt
- Bancassurance	**96.8%**	96.1%	+0.7pt

[1] *Derived according to the direct premium published by the NAFR.*
[2] *Based on regular direct premium and number of active agents.*
[3] *Based on the amount of direct premium.*

PRC DOMESTIC PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's PRC domestic property and casualty insurance segment is operated by TPI. TPI is a PRC-incorporated company and is wholly-owned by the Group.

Financial Performance

The figures below were the results of TPI's business, before intra-group eliminations.

TPI's key financial data was summarised below:

HK$ million	**1H 2023**	1H 2022	Change
Insurance revenue	**16,101.57**	16,005.86	+0.6%
Insurance service expenses	**(15,331.72)**	(14,813.65)	+3.5%
Net expenses from reinsurance contracts held	**(377.91)**	(430.19)	-12.2%
Insurance service results	**391.94**	762.02	-48.6%
Net investment results	**(63.41)**	44.20	N/A
Profit before taxation	**193.88**	709.77	-72.7%
Profit after taxation	**185.36**	576.70	-67.9%
Underwriting combined ratio [1]	**97.6%**	95.2%	+2.4pts

HK$ million	**At 30 June 2023**	At 31 December 2022	Change
Total assets	**42,013.89**	41,458.08	+1.3%
Total equity [2]	**9,236.54**	8,124.76	+13.7%

[1] *Underwriting combined ratio = (Insurance service expenses + Net expenses from reinsurance contracts held) /insurance revenue.*

[2] *During the first half of 2023, CTIH made capital injection to TPI of RMB1.0 billion.*

PRC DOMESTIC PROPERTY AND CASUALTY INSURANCE BUSINESS *(Continued)*

TPI's BUSINESS *(Continued)*

Insurance Performance

Premium

TPI's direct premium increased by 3.1% to HK$18.433 billion from HK$17.883 billion in the Last Period. The detailed breakdown of TPI's direct premium by category are summarised below:

HK$ million

Business Line	1H 2023	1H 2022	Change
Motor	**10,304.47**	10,696.68	-3.7%
Marine	**361.71**	381.84	-5.3%
Non-marine	**7,766.66**	6,804.52	+14.1%
	18,432.84	17,883.04	+3.1%

Solvency

TPI's comprehensive solvency ratio under local regulations is summarised below:

	At 30 June 2023	At 31 December 2022	Change
Comprehensive solvency ratio	**200%**	186%	+14pts

Key Operational Data

TPI's key operational data was summarised below:

	At 30 June 2023	At 31 December 2022	Change
Market share [1]	**1.8%**	1.9%	-0.1pt
Number of provincial branches	**33**	33	-
Number of sub-branches and marketing centers	**902**	881	+21
Number of customers			
- Individual	**9,901,261**	8,098,149	+1,803,112
- Corporate	**503,959**	454,600	+49,359
Number of direct sales representatives	**11,916**	11,945	-29

[1] *Derived according to the direct premium published by the NAFR.*

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's overseas property and casualty insurance segment covers Hong Kong, Macau, UK, Singapore and Indonesia, and is operated by CTPI (HK), TP Macau, TP UK, TP Singapore and TP Indonesia respectively. CTPI (HK), TP Macau, TP UK and TP Singapore are wholly-owned by the Group. TP Indonesia is 55% owned by the Group.

TP Singapore's life insurance business aforementioned in the section headed "Life Insurance Business".

Financial Performance

The figures below are the results of these companies from their operations, before intra-group eliminations.

The key financial data of the overseas property and casualty insurance business is summarised below:

HK$ million

	1H 2023	1H 2022	Change
Insurance revenue			
CTPI (HK)	**1,679.91**	1,682.95	-0.2%
TP Macau	**363.27**	410.31	-11.5%
TP UK	**236.25**	30.95	+663.3%
TP Singapore [1]	**401.56**	376.83	+6.6%
TP Indonesia	**249.74**	222.89	+12.0%
Insurance service result			
CTPI (HK)	**139.37**	67.66	+106.0%
TP Macau	**115.50**	101.31	+14.0%
TP UK	**15.43**	2.66	+480.1%
TP Singapore [1]	**32.10**	54.28	-40.9%
TP Indonesia	**45.83**	38.20	+20.0%
Profit/(loss) before taxation			
CTPI (HK)	**132.69**	78.26	+69.6%
TP Macau	**85.55**	29.58	+189.2%
TP UK	**(34.96)**	(74.55)	-53.1%
TP Singapore [1]	**45.51**	64.28	-29.2%
TP Indonesia	**6.20**	16.91	-63.3%
Profit/(loss) after taxation			
CTPI (HK)	**119.65**	80.02	+49.5%
TP Macau	**75.30**	24.23	+210.8%
TP UK	**(37.55)**	(44.58)	-15.8%
TP Singapore [1]	**34.04**	56.53	-39.8%
TP Indonesia	**4.83**	13.46	-64.1%

[1] *The results of TP Singapore from its property and casualty insurance business, which do not include its life insurance business*

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS *(Continued)*

Underwriting combined ratio

Underwriting combined ratios of overseas property and casualty business are summarised below:

HK$ million

	1H 2023	1H 2022	Change
CTPI (HK)	**91.7%**	96.0%	-4.3pts
TP Macau	**68.2%**	75.3%	-7.1pts
TP UK	**93.5%**	91.4%	+2.1pts
TP Singapore [1]	**92.0%**	85.6%	+6.4pts
TP Indonesia	**81.7%**	82.9%	-1.2pts

[1] *The results of TP Singapore from its property and casualty insurance business, which do not include its life insurance business.*
[2] *Underwriting combined ratio = (Insurance service expenses + Net expenses from reinsurance contracts held) /insurance revenue.*

Insurance Performance

Premium

Direct premium by overseas property and casualty business are summarised below:

HK$ million

	1H 2023	1H 2022	Change
CTPI (HK)	**1,372.91**	1,267.61	+8.3%
TP Macau	**478.80**	494.33	-3.1%
TP UK	**214.14**	182.05	+17.6%
TP Singapore [1]	**405.92**	380.72	+6.6%
TP Indonesia	**299.24**	238.36	+25.5%

[1] *The results of TP Singapore from its property and casualty insurance business, which do not include its life insurance business.*

Solvency

The comprehensive solvency ratios of overseas property and casualty insurance business under local regulations are summarised below:

	At 30 June 2023	At 31 December 2022	Change
CTPI (HK)	**1,154%**	991%	+163pts
TP Macau	**317%**	340%	-23pts
TP UK	**174%**	157%	+17pts
TP Singapore [1]	**216%**	151%	+65pts
TP Indonesia	**219%**	215%	+4pts

[1] *TP Singapore's solvency margin ration includes both its life insurance business and property and casualty insurance business.*

REINSURANCE BUSINESS

The Group's reinsurance business is mainly operated by TPRe and TPRe (China).

TPRe is 75% owned by the Group. TPRe (China) was incorporated in PRC in 2015 and is wholly-owned by TPRe.

Financial Performance

The figures below were the consolidated results of reinsurance operating segment, before intra-group eliminations.

The key financial data and key performance indicators of the reinsurance business are summarised below:

HK$ million

	1H 2023	1H 2022	Change
Insurance revenue	**4,921.02**	4,818.03	+2.1%
Insurance service expenses	**(4,958.27)**	(5,275.80)	-6.0%
Net expenses from reinsurance contracts held	**(278.61)**	170.65	N/A
Insurance service results	**(315.86)**	(287.12)	+10.0%
Net investment results	**169.83**	166.97	+1.7%
Loss before taxation	**(272.11)**	(221.15)	+23.0%
Loss after taxation	**(285.68)**	(239.46)	+19.3%
Underwriting combined ratio [1]	**105.8%**	101.4%	+4.4pts

HK$ million

	At 30 June 2023	At 31 December 2022	Change
Total assets	**48,521.07**	47,603.51	+1.9%
Total equity	**8,863.31**	9,169.43	-3.3%

[1] *Underwriting combined ratio =(Insurance service expenses + Net expenses from reinsurance contracts held) /insurance revenue.*

REINSURANCE BUSINESS *(Continued)*

Insurance Performance

Premium

Reinsurance business's total premium increased by 2.3% to HK$10.032 billion from HK$9.808 billion in the Last Period.

Total premium by types of reinsurance contracts are summarised below:

HK$ million

	1H 2023	1H 2022	Change
Life	**2,041.54**	1,868.81	+9.2%
Non-life	**7,990.26**	7,939.23	+0.6%
	10,031.80	9,808.04	+2.3%

Solvency

The comprehensive solvency ratios of reinsurance business under local regulations are summarised below:

	At 30 June 2023	At 31 December 2022	Change
TPRe	**326%**	315%	+11pts
TPRe (China)	**220%**	169%	+51pts

ASSET MANAGEMENT BUSINESS

The Group's asset management business is mainly operated by TPAM and TP Fund, TPCA, TPFH, and TPP, which engage in the provision of asset management services to the Group in managing its RMB and non-RMB investment portfolios and the annuity investment and entrustment services.

TPAM is a PRC-incorporated company and is 80% owned by the Group, while TP Fund, acquired by TPAM in September 2016 and increased registered capital by TPL in January 2022, is 56.3% owned by TPAM and 38.5% owned by TPL.

TPCA is a PRC-incorporated company established in 2017. TPCA is 60% owned by TPL and 40% owned by TPI.

TPFH is a Hong Kong-incorporated company and is wholly-owned by the Group.

TPP operates the Group's annuity and retirement plan's investment, entrustment services etc., apart from its corporate and personal retirement insurance and group life insurance business aforementioned in the section headed "Life Insurance Business".

Financial Performance

The figures below were the results of asset management business, before intra-group eliminations.

The key financial data of the asset management business operated is summarised below:

HK$ million

	1H 2023	1H 2022	Change
Management fee income	**1,284.93**	1,498.34	-14.2%
Profit before taxation	**226.10**	765.54	-70.5%
Profit after taxation	**92.93**	654.10	-85.8%

Assets Under Management

The size of assets under management of major subsidiaries is summarised below:

HK$ million

	At 30 June 2023	At 31 December 2022	Change
TPAM	**1,409,075.05**	1,344,523.82	+4.8%
TPCA	**57,881.95**	43,739.99	+32.3%
TPFH	**123,884.63**	125,123.34	-1.0%
TPP	**616,318.04**	671,184.27	-8.2%

ASSET MANAGEMENT BUSINESS *(Continued)*

Assets Under Management *(Continued)*

Managed assets within the Group and for third parties is summarised below:

HK$ million

	At 30 June 2023	At 31 December 2022	Change
Insurance fund assets within the Group	**1,262,759.80**	1,174,666.62	+7.5%
Managed assets for third parties	**1,121,538.82**	1,092,814.71	+2.6%

Insurance Fund Management within the Group

Investment Income

The total investment income and investment yield of the Group are summarised below:

HK$ million

	1H 2023	1H 2022	Change
Net investment income [1]	**22,113.41**	22,826.30	-3.1%
Including: Share of results of associates and joint ventures [2]	***1,243.79***	*322.66*	*+285.5%*
Net realised and unrealised investment gains [3]	**1,591.14**	(11,316.01)	N/A
Total investment income	**23,704.55**	11,510.29	+105.9%
Annualised net investment yield	**3.63%**	3.94%	-0.31pt
Annualised total investment yield [4]	**3.89%**	1.98%	+1.91pts
Annualised comprehensive investment yield	**5.92%**	1.92%	+4.00pts

[1] *Including the interests income from deposits, interests income from debt financial assets, dividends from equity financial assets, rental income from investment properties, share of results of associates and joint ventures and deducting interest expenses on securities sold under repurchase agreements.*

[2] *Including the income generated from asset management products, funds etc., that has been classified as share of results of associates and joint ventures.*

[3] *Including the income from the spread of investment securities, gain or loss on changes in fair value and impairment loss of investment assets.*

[4] *In the calculation of annualised total investment yield, as the denominator, the average investment assets take into account the effect of securities purchased under resale agreements and securities sold under repurchase agreements. When annualising the total investment yield, the interests income from deposits, interests income from debt financial assets, dividend from equity financial assets, rental income from investment properties, share of results of associates and joint ventures, income from the spread of securities and impairment loss of assets, deducting interest expenses on securities sold under repurchase agreements were multiplied by two.*

ASSET MANAGEMENT BUSINESS *(Continued)*

Assets Under Management *(Continued)*

Insurance Fund Management within the Group *(Continued)*

Net investment income decreased by 3.1% from HK$22.826 billion in the first half of 2022 to HK$22.113 billion in the first half of 2023. The realised and unrealised investment gains turnaround from a loss of HK$11.316 billion in the first half of 2022 to a gain of HK$1.591 billion in the first half of 2023, mainly because the performance of the equity market was significantly better than the Last Period.

Under the combined influence of the above factors, the total investment income of investment assets of the Group amounted to HK$23.705 billion in the first half of 2023, increased by 105.9% over the HK$11.510 billion in the first half of 2022; the annualised total investment yield increased from 1.98% in the first half of 2022 to 3.89% in the first half of 2023.

Investment Portfolio

The assets allocation of the investment portfolio of the Group's insurance funds is as follows:

HK$ million

	At 30 June 2023	**% of Total**	At 31 December 2022	% of Total
By investment category				
Fixed income				
Term deposits	**56,678.34**	**4.5%**	74,257.65	6.3%
Debt securities	**801,121.23**	**63.4%**	730,440.11	62.2%
Debt products	**86,631.90**	**6.9%**	82,915.34	7.1%
Equity investments				
Equity securities	**141,710.11**	**11.2%**	139,245.99	11.9%
Investment Funds	**82,067.79**	**6.5%**	56,291.06	4.8%
Other equity investments	**13,646.38**	**1.1%**	13,231.62	1.1%
Long-term equity investments	**30,559.77**	**2.4%**	26,897.67	2.3%
Investment properties	**24,296.59**	**1.9%**	21,830.93	1.9%
Cash, cash equivalents and others				
Cash and cash equivalents	**56,736.54**	**4.5%**	42,472.43	3.5%
Securities purchased under resale agreements/ securities sold under repurchase agreements	**(30,688.85)**	**-2.4%**	(12,916.18)	-1.1%
Total invested assets	**1,262,759.80**	**100.0%**	1,174,666.62	100.0%

Based on research and judgement of the capital market, the Group took the initiative in improving its investment portfolio to respond to the new capital market situation, and the proportion of fixed income investments to total investment assets decreased from 75.6% in the 2022 year-end to 74.8% in the end of June 2023. The proportion of equity investments to total investment assets increased from 17.8% in the 2022 year-end to 18.8% in the end of June 2023.

ASSET MANAGEMENT BUSINESS *(Continued)*

Assets Under Management *(Continued)*

Insurance Fund Management within the Group *(Continued)*

Analysis of Investment in Securities

High Credit Ratings for Debt Securities

As at the end of June 2023, debt securities held by the Group amounted to HK$801.1 billion, representing approximately 56.2% of the total assets, of which 86.9% were PRC domestic bonds investment. Within the PRC domestic bonds, 99.6% were bonds with AAA ratings, government bonds and financial policy bonds, A-1 ratings short term bonds, investment grade bonds with BBB ratings or higher reaching 100%. Overseas bonds investment constitutes 13.1% of debt securities held by the Group, and about 88.7% of them were investment grade bonds with international ratings of BBB or higher.

Relatively Good Credit Status for Debt Products

As at the end of June 2023, debt products held by the Group amounted to HK$86.6 billion, representing approximately 6.1% of the total assets. The credit ratings of the PRC domestic financial investment debt products remained relatively high, with products rated AAA accounting for 90.5%, products rated AA+ accounting for 1.8%, the remaining being low risk bank wealth management products which accounted for 7.5%; overseas financial investment debt products mainly were private placement debt and debt funds. The Group's investment in debt products have gone through a rigorous investment decision-making process, with a proprietary information system in place for monitoring during the investment and post-investment management. In general, the Group has made sufficient assessment on its alternative investment risks, which indicated sound asset credit.

- *Relatively Low Proportion of Real Estate Financial Investment Debt Products*

As at the end of June 2023, real estate financial investment debt products of approximately HK$27.1 billion, representing 1.9% of the total assets, down by 0.1 percentage point over the 2022 year-end. The credit ratings of the real estate financial investment debt products remained high, with relatively comprehensive credit enhancement measures in place, and major projects are located in tier 1, provincial capital cities or developed tier 2 cities, thus financing entities have relatively strong solvencies.

Third-party Assets under Management

In the first half of 2023, with the Group proactively expanded the third-party asset management business, and the third-party entrusted investment assets under management maintained its growth. As at the end of June 2023, the total third-party entrusted investment assets managed by the Group amounted to HK$1,121.5 billion, increased by 2.6% over the 2022 year-end.

In the first half of 2023, TPAM (including TP Fund) recorded a total management fee income before taxation and deduction of HK$841 million, including HK$450 million derived from assets outside of the Group, which accounted for 53.6% of total management fee.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2023 amounted to HK$113.415 billion (31 December 2022: HK$116.730 billion).

FINANCIAL LEVERAGE

The Group's interest-bearing notes and bank facilities drawn as at 30 June 2023 amounted to HK$28.188 billion and HK$64.323 billion, respectively (31 December 2022: HK$27.398 billion and HK$60.684 billion). As at 30 June 2023, CTIH's consolidated financial leverage ratio (calculated by interest-bearing debts over the summation of interest-bearing debts plus ordinary shareholders' equity and the contractual service margin after taxation) was 27.4% (31 December 2022: 26.0%).

CAPITAL STRUCTURE

The Company did not issue new Shares during the Period and in 2022.

In March 2023, the Company had issued USD2 billion of perpetual subordinated capital securities, with an initial distribution rate of 6.4%, callable in 2028. Particulars are set out in Note 24 to the consolidated financial statements.

STAFF AND STAFF REMUNERATION

As at 30 June 2023, the Group had a total of 65,532 employees (30 June 2022: 64,967 employees), representing an increase of 565 employees. Total staff costs (excluding retirement plans contributions) for the Period amounted to HK$7.931 billion (first half of 2022: HK$8.899 billion), with a decrease of 10.9%. Bonuses are linked to both the performance of the Group and the performance of the individual.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

OUTLOOK

Maintained Strategy Determination, Striving to Create a New Situation in High-Quality Development

In the second half of 2023, China Taiping will continue to pursue progress while ensuring stability, uphold fundamental principles while breaking new grounds, chart a path forward towards value orientation, strengthen risk prevention and control, strive to meet with the strategic requirements of "Devotion of Central Enterprises, Customer First, Leading Innovation and Value Orientation", maintain strategic focus and implement high-quality development strategies in depth. We will vigorously expand key businesses including "Inclusive Finance", "Ageing Finance" and "Green Finance", and seize development opportunities while serving the national strategies. We will continue to take a firm foothold in Hong Kong and Macau, cultivate the market in Guangdong-Hong Kong-Macau Greater Bay Area, strengthen and optimise the principal insurance business in Hong Kong and Macau as well as consolidate and expand cross-border advantages. Oriented towards "Value Growth and Quality Development", we will make great efforts to improve business quality, strengthen investment capabilities, optimise asset and liability management, and enhance capital efficiencies. We will continue to create competitive advantages, accelerate the business ecosystem construction, dug deep into the potential of comprehensive synergy, expedite digital transformation, and rigorously self-upgrade. We strive to continue to enhance risk prevention and control, and achieve improved compliance operations. We will also promote the brand visibility, take the lead in shaping a corporate image that values integrity, responsibility and respect, and strive to build a benchmark of integrity, professionalism and compliance in China's insurance industry.

PRC Domestic Life Insurance Business – TPL

- Focus on the main line of value growth, increase the number of staff, emphasise the cultivation and leading role of managers, improve human resources efficiency, and promote the overall high-quality development of the company with high-quality development of the business team
- Adhere to the diversified supply of products and differentiated management of customers, deepen the construction of the medical health & elder care ecosystem, create the characteristics and advantages of the customer service rights system, and accelerate the upgrading of products and services supply
- Strengthen the foundation, reduce costs and increase efficiencies, continuously optimise the business structure, enhance cost and risk management & control, highlight the empowerment of technology to the whole process of sales and service, and comprehensively enhance operation management capabilities, quality and efficiency

PRC Domestic Property and Casualty Insurance Business – TPI

- For the motor insurance business, we will actively respond to the impact of the deepening of motor insurance comprehensive reform, strengthen the pricing capabilities building, continue to increase the market share of new energy vehicle insurance and the persistency ratios of all vehicle types, and enhance the profitability and effectiveness of cost allocation for the non-private car segment
- For the non-motor insurance business, we will focus on serving the national strategy, strengthen product innovation, accelerate the development of agricultural insurance business, actively promote the "Zero-breaking Plan" of policy health insurance, and increase the premium contribution from key areas including green insurance and strategic emerging industry insurance

Group Insurance and Pension Business – TPP

- Seize policy opportunities, continue to expand and optimise the third pillar of pension business including personal pension and commercial pension, and at the same time continue to consolidate the overall situation of annuity entrusted business; continue to optimise the asset allocation, strengthen the research on investment strategies, and promote continuous improvement in investment results
- For group insurance, we will continue to maintain the rapid growth trend of long-term insurance business in the first half of the year, promote business structure optimisation, deepen the company's transformation and increase the proportion of high-value business

Overseas Life Insurance Business – TPL (HK), TPL (Macau) and TP Singapore

- TPL (HK) will adhere to the value orientation, follow the route of high-quality development, promote accelerated transformation, and further strengthen the construction of professional and integrated management in the three dimensions of capital, assets and liabilities
- TPL (Macau) will steady enhance its business value and profitability, and expand its influence in the Macau market
- TP Singapore’s life insurance business will steadfastly promote transformation and development, strengthen the linkage with PRC domestic life insurance, continuously optimise the product structure, vigorously expand regular premium and protection products, and continue to enhance the business margin and capital efficiencies

Overseas Property and Casualty Business – CTPI (HK), TP Macau, TP UK, TP Singapore and TP Indonesia

- CTPI (HK) will proactively serve the construction of the Guangdong-Hong Kong-Macau Greater Bay Area, and accelerate channel expansion. The core business has shown significant recovery, with the successful issuance of the first “Hong Kong Cars Travelling to Guangdong” policy. It will adhere to value orientation, enhance risk management capabilities, and optimise business quality to achieve steady growth
- TP Macau will take advantage of the opportunity of full resumption of normal travel, make full use of the opportunities such as the construction of the Guangdong–Hong Kong–Macau Greater Bay Area, intensify its business expansion efforts, secure policy renewals, and strengthen synergistic development with TPI and TPL (Macau) to ensure a leading position in the industry
- TP UK will further deepen the transformation and enhancement of foundation management, strengthen and improve system construction, give play to the role as a bridge linking the Chinese and British insurance markets, and continue to intensively develop the business of the Chinese enterprise and local Chinese market
- TP Singapore will actively support the “Belt and Road” initiative, tap into the potential of the Chinese enterprise business, maintain faster growth of the Chinese enterprise business, adhere to high-quality development, continuously optimise product structure, and continue maintaining outstanding underwriting profitability
- TP Indonesia will expand business cooperation with Chinese enterprise customers, maintain stable growth of Chinese enterprise business, continue to optimise the quality of local business structure, and improve the profitability of local business, so as to achieve stable and balanced business development

OUTLOOK *(Continued)*

Reinsurance Business – TPRe, TPRe (China) and TPRB

- TPRe will actively serve national strategic projects, accelerate the optimisation of business structure, strengthen catastrophe risk management and professional technical capabilities, and continue to promote synergies between domestic and overseas resources, intensify the support of the “Belt and Road” initiative and the “Going Global” of Chinese enterprises, so as to enhance underwriting profitability
- TPRe (China) will analyze the year end renewal strategy, continue to optimise the business layout, actively participate in the construction of the international reinsurance center in Shanghai, and actively promote the research of innovative product and service solutions, so as to enhance profitability
- TPRB will continue to enhance its placement capabilities, further increase the average production capacity of external customers, conduct deep research into market development trends and customer needs, strengthen client management and strategy research with the reinsurers, and get fully prepared for renewal at the end of the year

Investments

In the second half of 2023, global economic growth will continue to slow down as a result of the increasing interest rate by major central bank overseas to combat inflation. According to the World Economic Outlook released by the International Monetary Fund in July, the global economy growth rate is predicted to slow down to 3.0%. The level of global inflation will fall from 8.7% in 2022 to 6.8%. Among the world’s major economies, it is expected that the US’s economy will grow by 1.8%, the Eurozone’s economy will grow by 0.9%, and Japan's economy will grow by 1.4%. China's economy has recovered after the smooth transition from pandemic prevention and control policies, and manufacturing and service consumption have also rebounded. Although certain of high-frequency data in June showed that the momentum of economic recovery has weakened, we believed that with the implementation of a series of regulatory policies, the economy will continue to run smoothly in the second half of 2023.

In China, the Political Bureau of the Central Committee announced in July that “Carry Out the Economic Work Well in the Second Half of This Year and Adhere to the General Principle of Making Progress While Maintaining Stability” and “Activate the Capital Market to Boost Investor Confidence”. It is expected that market sentiment and expectations will gradually improve. In US, the US Fed Funds futures show that the Federal Reserve will continue to maintain a relatively high interest rate, which will put pressure on the valuation of risk assets. Regulators from including the United States and Switzerland have taken effective measures to control the risk contagion of financial institutions, and the risk pressure faced by financial institutions has subsided.

OUTLOOK *(Continued)*

Investments *(Continued)*

The Group will pay close attention to the macroeconomic trend and policy orientation, and monitor important changes in the capital market, evaluate potential investment opportunities and take risk prevention measures. On the other hand, the Group will meet the national's underlying principle of "Pursuing Progress While Ensuring Stability", and make full use of the advantage of long-term investment of insurance funds to inject financial vitality into the real economy. In terms of investment strategy, the Group will focus on controlling portfolio volatility, strictly control credit risks and strive to enhance investment returns.

Adhering to the philosophy of "Taiping for Your Peaceful Life", the Group strives to realise the high-quality development of its investment business while upholding the principles of serving the national strategy and supporting the real economy, and develops medical, health, elder care and other industrial layouts around the insurance industry to form a virtuous cycle for the combined development of insurance, investment and the greater business ecosystem.

TPL's Embedded Value

BASIS OF PREPARATION

The Group has appointed PricewaterhouseCoopers Limited ("PwC") to examine whether the methodology and assumptions used by TPL in the preparation of the Embedded Value and the New Business Value as at 30 June 2023 are consistent with standards generally adopted by insurance companies in the PRC.

CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what were envisioned when these calculations were made. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH's shares, investors should take into account not only the Embedded Value and the New Business Value of TPL, but also various other considerations. In addition, TPL is 75.1%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 30 June 2023 as disclosed below should therefore not be applied 100% in valuing CTIH. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations of the Embedded Value and New Business Value of TPL, if they believe such calculations are important and material to the valuation of the Company.

1 EMBEDDED VALUE

HK$ million

	At 30 June 2023	At 31 December 2022
Adjusted net worth [1]	**128,178**	116,547
Value of in-force business before cost of capital	**153,060**	149,744
Cost of capital	**(26,382)**	(23,663)
Embedded Value	**254,856**	242,627
Attributable to:		
Owners of the Company	**191,397**	182,213
Non-controlling interests	**63,459**	60,414
Embedded Value	**254,856**	242,627

[1] *The adjusted net worth is based on TPL's net asset value measured according to China Accounting Standards for Business Enterprises, after making the following major adjustments:*
i Adjustment for after-tax difference between market value and book value of assets; and
ii Adjustment for after-tax difference between provisions and valuation-related liabilities.

Embedded Value measured in RMB at 30 June 2023 was RMB234.972 billion (31 December 2022: RMB216.732 billion), among them, the adjusted net worth was RMB118.178 billion (31 December 2022: RMB104.108 billion).

TPL's Embedded Value *(Continued)*

2 NEW BUSINESS VALUE

HK$ million

	For the Past 6 Months as of 30 June 2023	For the Past 6 Months as of 30 June 2022
New Business Value before cost of capital	**7,870**	6,256
Cost of capital	**(3,915)**	(2,937)
New Business Value after cost of capital	**3,955**	3,319

New Business Value measured in RMB for the first half of 2023 was RMB3.646 billion (first half of 2022: RMB2.838 billion).

New business margin of TPL for the first half of 2023 was 12.2% (first half of 2022: 13.5%); from which the new business margin for individual business was 18.6% (first half of 2022: 17.3%); new business margin for bancassurance business was 3.6% (first half of 2022: 6.0%).

New Business Value by line of business was as follows:

HK$ million

	For the Past 6 Months as of 30 June 2023	For the Past 6 Months as of 30 June 2022
Individual	**3,279**	2,678
Bancassurance	**464**	462
Others [1]	**212**	179
	3,955	3,319

[1] *Others mainly consists of channel business such as internet & telemarketing and group insurance.*

Condensed Consolidated Statement of Profit or Loss
for the six months ended 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2023	2022
			(Restated)
	Notes	***$'000***	*$'000*
Insurance revenue	*4*	**54,128,830**	56,135,352
Insurance service expenses		**(44,667,250)**	(43,776,792)
Net expenses from reinsurance contracts held		**(1,311,726)**	(1,415,275)
Insurance service results		**8,149,854**	10,943,285
Interest revenue	*5*	**17,636,649**	17,857,812
Other investment return	*6*	**5,555,853**	(5,446,702)
Net impairment loss on financial assets	*7*	**(731,742)**	(1,223,480)
Share of results of associates and joint ventures		**1,243,794**	322,659
Investment return		**23,704,554**	11,510,289
Finance expenses from insurance contracts issued		**(22,183,048)**	(14,871,160)
Finance income from reinsurance contracts held		**129,668**	103,708
Net changes in investment contract liabilities		**(22,385)**	678,736
Net investment results		**1,628,789**	(2,578,427)
Other income	*8*	**3,185,053**	3,589,993
Other costs and operating expenses		**(3,402,162)**	(3,336,473)
Other finance costs	*9(a)*	**(1,717,081)**	(1,547,352)
Profit before taxation	*9*	**7,844,453**	7,071,026
Income tax charges	*10*	**(323,212)**	(166,683)
Profit after taxation		**7,521,241**	6,904,343
Attributable to:			
Owners of the Company		**5,220,365**	4,332,441
Non-controlling interests		**2,300,876**	2,571,902
		7,521,241	6,904,343
		dollars	*dollars*
Earnings per share attributable to the ordinary shareholders	*12*		
Basic		**1.365**	1.205
Diluted		**1.365**	1.205

The accompanying notes form an integral part of these interim financial statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	**2022**
		(Restated)
	$'000	*$'000*
Profit after taxation	**7,521,241**	6,904,343
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation gain arising from reclassification of own-use properties to investment properties, net of deferred tax	**12,084**	43,269
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations	**(3,279,402)**	(4,636,792)
Changes in the the fair value of equity investments at fair value through other comprehensive income, net of deferred tax	**1,642,147**	194,256
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations	**32,734**	(82,483)
Changes in the the fair value of debt investments at fair value through other comprehensive income, net of deferred tax	**9,186,516**	(636,480)
Finance (expenses)/income from insurance contracts issued, net of deferred tax	**(14,587,131)**	281,324
Finance income/(expenses) from reinsurance contracts held, net of deferred tax	**29,938**	(106,447)
Total comprehensive income for the period	**558,127**	1,960,990
Attributable to:		
Owners of the Company	**(60,273)**	744,049
Non-controlling interests	**618,400**	1,216,941
	558,127	1,960,990

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

	Notes	**At 30 June 2023** **$'000**	At 31 December 2022 *(Restated)* *$'000*	At 1 January 2022 *(Restated)* *$'000*
Assets				
Statutory deposits	*13*	**6,008,208**	6,113,255	5,625,026
Fixed assets				
- Property and equipment	*14*	**32,335,993**	34,083,236	32,944,714
- Investment properties		**24,296,588**	21,830,927	22,439,672
- Right-of-use assets		**5,142,911**	7,149,124	8,211,004
		61,775,492	63,063,287	63,595,390
Goodwill		**717,673**	719,253	723,948
Intangible assets		**261,638**	261,408	261,408
Interests in associates and joint ventures		**30,559,765**	26,897,674	20,679,533
Deferred tax assets		**10,576,975**	7,849,882	2,760,462
Financial investments	*15*			
- At fair value through profit or loss		**445,859,302**	351,026,822	385,256,839
- At amortised cost		**132,484,634**	138,997,514	153,397,094
- Debt investments at fair value through other comprehensive income		**520,217,859**	498,980,146	437,975,941
- Equity investments at fair value through other comprehensive income		**26,615,623**	33,119,635	27,007,680
Securities purchased under resale agreements	*16*	**10,055,427**	14,259,130	6,952,131
Amounts due from group companies		**2,116,026**	2,059,864	2,051,643
Insurance contract assets		**1,575,904**	1,653,570	1,643,877
Reinsurance contract assets		**9,993,160**	10,717,843	10,984,001
Finance lease receivables	*17*	**46,719,521**	44,616,648	51,294,691
Other assets	*18*	**10,044,958**	10,637,313	10,251,564
Pledged and restricted bank deposits		**1,755,824**	1,519,922	1,405,678
Deposits at banks with original maturity more than three months		**48,914,310**	66,624,469	73,698,407
Cash and cash equivalents	*19*	**56,736,544**	42,472,429	40,137,789
		1,422,988,843	1,321,590,064	1,295,703,102
Liabilities				
Insurance contract liabilities	*20*	**1,111,997,417**	1,041,941,305	999,026,618
Reinsurance contract liabilities		**442,400**	508,012	1,099,694
Investment contract liabilities		**5,319,177**	5,437,063	5,356,575
Deferred tax liabilities		**1,869,849**	1,951,225	2,303,943
Interest-bearing notes		**28,187,608**	27,398,385	33,051,183
Bank borrowings	*21*	**64,323,143**	60,684,134	60,348,566
Lease liabilities		**1,642,351**	1,793,124	2,230,327
Securities sold under repurchase agreements	*16*	**40,744,279**	27,175,308	19,383,203
Amounts due to group companies		**17,134**	19,005	19,733
Other payables and accruals		**42,357,499**	43,515,511	51,452,827
Current taxation		**2,173,549**	1,369,556	1,471,983
		1,299,074,406	1,211,792,628	1,175,744,652
Net assets		**123,914,437**	109,797,436	119,958,450

Condensed Consolidated Statement of Financial Position *(Continued)*
as at 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

	Notes	**At 30 June 2023** **$'000**	At 31 December 2022 *(Restated)* *$'000*	At 1 January 2022 *(Restated)* *$'000*
Capital and reserves attributable to the owners of the Company				
Share capital	*22*	**40,771,408**	40,771,408	40,771,408
Reserves	*23*	**41,258,524**	43,165,961	52,069,179
		82,029,932	83,937,369	92,840,587
Perpetual subordinated capital securities	*24*	**15,990,014**	-	-
		98,019,946	83,937,369	92,840,587
Non-controlling interests		**25,894,491**	25,860,067	27,117,863
Total equity		**123,914,437**	109,797,436	119,958,450

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

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

		Attributable to owners of the company											
	Notes	Share capital *$'000*	Capital reserve *$'000*	Merger reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Insurance finance reserve *$'000*	Revaluation reserve *$'000*	Retained profits *$'000*	Ordinary shareholders sub-total *$'000*	Perpetual subordinated capital securities *$'000*	Non-controlling interests *$'000*	Total *$'000*
Balance at 31 December 2022 *(Restated)*		40,771,408	(5,618,303)	(6,842,218)	(4,839,609)	14,857,635	(36,410,708)	1,479,780	80,539,383	83,937,368	-	25,860,068	109,797,436
Adjustment on initial application of HKFRS 9	2	-	-	-	-	153,953	-	-	(751,456)	(597,503)	-	(356,338)	(953,841)
Balance at 1 January 2023		40,771,408	(5,618,303)	(6,842,218)	(4,839,609)	15,011,588	(36,410,708)	1,479,780	79,787,927	83,339,865	-	25,503,730	108,843,595
Profit for the period		-	-	-	-	-	-	-	5,220,365	5,220,365	-	2,300,876	7,521,241
Other comprehensive income for the period, net of deferred tax		-	-	-	(2,448,672)	8,229,806	(11,070,847)	9,075	-	(5,280,638)	-	(1,682,476)	(6,963,114)
Total comprehensive income		-	-	-	(2,448,672)	8,229,806	(11,070,847)	9,075	5,220,365	(60,273)	-	618,400	558,127
Dividend declared to shareholders	*11(a)*	-	-	-	-	-	-	-	(934,445)	(934,445)	-	-	(934,445)
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(239,339)	(239,339)
Capital injections made to a subsidiary		-	-	-	-	-	-	-	-	-	-	11,700	11,700
Issuance of perpetual subordinated capital securities	*23*	-	-	-	-	-	-	-	-	-	15,674,799	-	15,674,799
Distribution to holders of perpetual subordinated capital securities	*23*	-	-	-	-	-	-	-	(315,215)	(315,215)	315,215	-	-
Disposal of equity investments at fair value through other comprehensive income		-	-	-	-	(102,469)	-	-	102,469	-	-	-	-
Balance at 30 June 2023		40,771,408	(5,618,303)	(6,842,218)	(7,288,281)	23,138,925	(47,481,555)	1,488,855	83,861,101	82,029,932	15,990,014	25,894,491	123,914,437

Condensed Consolidated Statement of Changes in Equity *(Continued)*
for the six months ended 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

		Attributable to owners of the company										
	Notes	Share capital *$'000*	Capital reserve *$'000*	Merger reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Insurance finance reserve *$'000*	Revaluation reserve *$'000*	Retained profits *$'000*	Ordinary shareholders sub-total *$'000*	Non-controlling interests *$'000*	Total *$'000*
Balance at 31 December 2021, as previously reported		40,771,408	(5,615,659)	(6,842,218)	2,045,498	(188,263)	-	1,416,584	56,479,482	88,066,832	25,389,128	113,455,960
Adjustment on initial application of HKFRS 17	2	-	-	-	-	-	(32,758,363)	-	20,773,041	(11,985,322)	(3,818,751)	(15,804,073)
Adjustment on application of classification overlay	2	-	-	-	-	16,316,054	-	-	443,023	16,759,077	5,547,486	22,306,563
Balance at 1 January 2022 *(Restated)*		40,771,408	(5,615,659)	(6,842,218)	2,045,498	16,127,791	(32,758,363)	1,416,584	77,695,546	92,840,587	27,117,863	119,958,450
Profit for the period		-	-	-	-	-	-	-	4,332,441	4,332,441	2,571,902	6,904,343
Other comprehensive income for the year, net of deferred tax		-	-	-	(3,650,018)	(541,557)	567,054	36,129	-	(3,588,392)	(1,354,961)	(4,943,353)
Total comprehensive income		-	-	-	(3,650,018)	(541,557)	567,054	36,129	4,332,441	744,049	1,216,941	1,960,990
Dividend declared to shareholders	*11(a)*	-	-	-	-	-	-	-	(1,653,249)	(1,653,249)	-	(1,653,249)
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	(1,215,473)	(1,215,473)
Acquisition of additional interest in subsidiary		-	(2,762)	-	-	-	-	-	-	(2,762)	2,762	-
Disposal of equity investments at fair value through other comprehensive income		-	-	-	-	(114,429)	-	-	114,429	-	-	-
Balance at 30 June 2022 *(Restated)*		40,771,408	(5,618,421)	(6,842,218)	(1,604,520)	15,471,805	(32,191,309)	1,452,713	80,489,167	91,928,625	27,122,093	119,050,718

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

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2023 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2023	2022
	Notes	***$'000***	*$'000*
Net cash from operating activities		**78,171,202**	58,045,908
Net cash used in investing activities		**(75,255,300)**	(49,458,489)
Net cash from financing activities		**14,645,616**	3,291,130
Effect of changes in exchange rates		**(3,297,403)**	(1,548,758)
Net increase in cash and cash equivalents		**14,264,115**	10,329,791
Cash and cash equivalents at 1 January		**42,472,429**	40,137,789
Cash and cash equivalents at 30 June		**56,736,544**	50,467,580
Analysis of the balances of cash and cash equivalents:			
Deposits with banks and other financial institutions with original maturity less than three months	*19*	**18,734,309**	5,063,363
Cash at bank and on hand	*19*	**38,002,235**	45,404,217
		56,736,544	50,467,580

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

Notes to the Unaudited Condensed Consolidated Financial Statements
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and with HKAS 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 24 August 2023.

The financial statements relating to the year ended 31 December 2022 that is included in the condensed consolidated interim financial statements for the six months ended 30 June 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The presentation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value or measured primarily based on actuarial methods as explained in the accounting policies set out below:

Stated at fair value

(i) Investment properties;

(ii) Financial instruments at fair value through profit or loss; and

(iii) Debt investments at fair value through other comprehensive income;

(iv) Equity investments at fair value through other comprehensive income.

Notes to the Unaudited Condensed Consolidated Financial Statements
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION *(Continued)*

Measured primarily based on actuarial methods

Insurance and reinsurance contract assets and liabilities.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as at 1 January 2023 as described in Note 2. The Group has not early adopted any other standards, interpretation or amendments that has been issued but not effective.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards and interpretation ("new and revised HKFRSs") issued by the HKICPA.

HKFRS 17	Insurance Contracts
HKFRS 9	Financial Instruments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except for the changes below, the application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of HKFRS 17 and HKFRS 9 are summarised below.

(a) Insurance contracts

(i) Insurance contracts - Classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risks.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to "insurance contracts" and "reinsurance contracts" include contracts issued, initiated or acquired by the Group, unless otherwise stated.

Some contracts issued by the Group have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are referred to as "investment contracts". Investment contracts issued by the Group that contains discretionary participation features, whereby investors have the right and is expected to receive, as a supplement to the amount not subjected to the Group's discretion, potential significant additional benefits based on the return of specified pools of assets, are accounted for under HKFRS 17 and are classified as insurance contracts. Investment contracts that do not contain discretionary participation features are classified as investment contracts and follow financial instrument accounting under HKFRS 9.

Insurance contracts are classified as contracts with direct participation features or contracts without direct participation features. Contracts with direct participation features are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance

Separating components from insurance and reinsurance contracts

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and

- distinct investment components, i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;

- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

- any remaining contracts in the annual cohort.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Aggregation and recognition of insurance and reinsurance contracts (Continued)

<u>*Insurance contracts*</u> *(Continued)*

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);

- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and

- for a group of contracts, when facts and circumstances indicate that the group becomes onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

<u>*Reinsurance contracts*</u>

Reinsurance contracts held are similar to insurance contracts issued and are aggregated and accounted for using the same way as insurance contracts issued, using assumptions consistent with the assumptions used for the measurement of underlying insurance contracts.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Aggregation and recognition of insurance and reinsurance contracts (Continued)

Reinsurance contracts (Continued)

Reinsurance contracts held are divided, grouped and recognised on the following date:

- Reinsurance contracts initiated by the Group that provide proportionate coverage: The beginning of the coverage period of the group of reinsurance contracts held or date on which any underlying insurance contract is initially recognised if the date is later than the beginning of the coverage period of the group of reinsurance contracts held. This applies to the Group's quota share and surplus reinsurance contracts.

- Other reinsurance contracts initiated by the Group: the beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date . This applies to the Group's excess of loss and stop loss reinsurance contracts.

Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include insurance contracts that are expected to arise from renewals of those contracts in that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than HKFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Insurance acquisition cash flows (Continued)

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and

- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Contract boundaries (Continued)

Insurance contracts *(Continued)*

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or

- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach

Insurance contracts - Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and the contractual service margin (“CSM”). The fulfilment cash flows of a group of insurance contracts do not reflect the Group’s non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows, any cash flows arising at that date, and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach (Continued)

Insurance contracts - Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses, other comprehensive income and CSM (for contracts with direct participation features).

The CSM of each group of contracts is calculated at each reporting date as follows:

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach (Continued)

<u>Insurance contracts without direct participation features</u>

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
    - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
    - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

<u>Insurance contracts with direct participation features</u>

Insurance contracts with direct participation features are contracts under which the Group’s obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group’s share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach (Continued)

<u>Insurance contracts without direct participation features</u> (Continued)

When measuring a group of contracts with direct participation features, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;

- the change in the amount of the Group’s share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

  - a decrease in the amount of the Group’s share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or

  - an increase in the amount of the Group’s share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);

- the effect of any currency exchange differences on the CSM; and

- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items - e.g. the effect of financial guarantees.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach (Continued)

Reinsurance contracts

To measure a group of reinsurance contracts held, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts where applicable, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, any cash flows arising at that date, and any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of a group of reinsurance contracts, then the Group recognises the cost immediately in profit or loss as an expense.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach (Continued)

Reinsurance contracts (Continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts not measured under the premium allocation approach (Continued)

<u>*Reinsurance contracts*</u> *(Continued)*

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and

- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

For reinsurance contracts acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss component that relates to the underlying contracts at the date of acquisition; and

- the percentage of claims on the underlying contracts that the Group expects at the date of acquisition to recover from the reinsurance contracts.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts measured under the premium allocation approach

The Group uses the premium allocation approach ("PAA") to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts, loss-occurring reinsurance contracts and facultative reinsurance contracts: The coverage period of each contract in the group is one year or less; or the Group reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the accounting policies for contracts not measured under the PAA.

- Risk-attaching reinsurance contracts: The Group reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies for contracts not measured under the PAA. When comparing the different possible measurements, the Group considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Group has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has adjusts the liability for remaining coverage to reflect the time value of money and the effect of financial risks.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Measurement - Contracts measured under the premium allocation approach (Continued)

Insurance contracts (Continued)

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. For property and casualty business, the Group has chosen to discount all future cash flows including those expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Derecognition and contract modification

The Group derecognises a contract when it is extinguished - i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;

- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and

- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

On derecognition of a contract from within a group of contracts measured under PAA, the same rules apply except that liability of remaining coverage is adjusted instead of CSM.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Presentation

Insurance contract assets and liabilities

Portfolios of insurance contracts in an asset position are presented separately from those in a liability position (no offsetting). Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts, it reduces the liability for remaining coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services. For contracts not measured under the PAA, insurance revenue comprises the following:

Amounts relating to the changes in the liability for remaining coverage:

- claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
    - amounts allocated to the loss component;
    - repayments of investment components and policyholder rights to withdraw an amount;
    - amounts of transaction-based taxes collected in a fiduciary capacity;
    - and insurance acquisition expenses;
- changes in the risk adjustment for non-financial risk, excluding:
    - changes included in insurance finance income (expenses);
    - changes that relate to future coverage (which adjust the CSM); and
    - amounts allocated to the loss component;
- amounts of the CSM recognised for the services provided in the period;
- experience adjustments arising from premiums received in the period other than that relate to future service; and
- other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Presentation (Continued)

Insurance revenue (Continued)

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits, excluding investment components reduced by loss component allocations;

- other incurred directly attributable expenses;

- insurance acquisition cash flows amortisation;

- changes that relate to past service (changes in the fulfilment cash flows relating to the liability for incurred claims); and

- changes that relate to future service (changes in the fulfilment cash flows that result in onerous contract losses or reversals of those losses)

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue. For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Presentation (Continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the general measurement model, the main amounts within insurance finance income or expenses are:

- interest accreted on the fulfilment cash flows and the CSM; and
- the effect of changes in interest rates and other financial assumptions.

For contracts measured under the variable fee approach, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- interest accreted on the liability for incurred claims; and
- the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Transition

At transition date, identified as 1 January 2022, the Group has applied full retrospective approach to the extent practicable. To the extent where it was impracticable to use a full retrospective approach, the Group applied modified retrospective or the fair value approach as at transition date.

Contracts measured under the modified retrospective approach

The Group has applied the modified retrospective approach to certain groups of contracts at transition date, where the full retrospective approach has not been applied because it was impracticable but the closest possible outcome could have been achieved using reasonable and supportable information. The modified retrospective approach was applied as follows:

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Transition (Continued)

<u>Contracts measured under the modified retrospective approach</u> (Continued)

Groups of contracts were divided into annual cohorts. Aggregation of insurance contracts by expected profitability was assessed as at the transition date to the extent that reasonable and supportable information was not available to perform this assessment as at initial recognition.

To the extent that reasonable and supportable information was not available to estimate future cash flows at initial recognition, future cash flows at the date of initial recognition of a group of insurance contracts were estimated as the future cash flows at the transition date, adjusted by the actual cash flows that have occurred between the transition (or earlier) date and the date of initial recognition.

The risk adjustment for non-financial risk was estimated at the transition date by adjusting the risk adjustment for non-financial risk at the transition date by the expected release of risk before the transition date.

If there exists a yield curve that can approximate the discount rate determined in accordance with HKFRS 17 in the same period at least three years before the transition date, this yield curve is used as the discount curve; If there is no such yield curve, the average difference (spread) between a certain yield curve and the discount rate determined in accordance with HKFRS 17 in the same period (at least three years before the transition date) shall be calculated.

The amount of the CSM for contracts without direct participation features recognised in profit or loss before transition date was determined by comparing the coverage units on initial recognition and the remaining coverage units at transition date.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Transition (Continued)

Contracts measured under the modified retrospective approach (Continued)

For the insurance contracts with direct participation features, a proxy for the CSM or loss component of the liability of remaining coverage at the transition date was calculated based on:

- the total fair value of the underlying assets at the transition date; minus
- the fulfilment cash flow at the date, adjusted for:
    - amounts charged to policyholders before that date;
    - amounts paid before the transition date that would not have varied based on the returns on the underlying items; and
    - the estimated release of the risk adjustment for non-financial risks before the transition date.

The calculated amount of the CSM was reduced for the allocation to profit or loss for services provided before the transition date by comparing the remaining coverage units as at the transition date with the coverage units provided under the group of contracts before the transition date. If the calculated amount of the CSM resulted in a loss component, then the Group adjusted the loss component to zero and increased the liability of remaining coverage excluding the loss component by the same amount at the transition date.

For contracts with direct participation features, the Group determined the cumulative amount of insurance finance income or expense recognised in accumulated other comprehensive income at the transition date as equal to the cumulative amount recognised in accumulated other comprehensive income on the respective underlying assets.

Contracts measured under the fair value approach

For all contracts measured under the fair value approach, the Group used reasonable and supportable information available as at transition date to determine:

- how to identify group of contracts; and
- whether a contract meets the definition of a direct participation contract; and
- how to identify discretionary cash flows for contracts without direct participation features.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(a) Insurance contracts *(Continued)*

(ii) Insurance and reinsurance (Continued)

Transition (Continued)

Contracts measured under the fair value approach *(Continued)*

For groups of contracts measured under the fair value approach, discount rate at the date of initial recognition were determined at the transition date. Fulfilment cash flows were estimated prospectively as at the transition date.

The amount of CSM (or the loss component) for the contracts measured under the fair value approach as at transition date was determined as the difference between the fair value of the group of contracts at the date and the fulfilment cash flow at that date.

The insurance finance income and expense accumulated in insurance service reserve at transition date was determined to be zero except for contracts with direct participation features.

(iii) Investment contracts

Contracts issued by the Group that contain discretionary participation features are accounted for under HKFRS 17 and are classified as “insurance contracts”. Contracts that do not contain discretionary participation features are classified as “investment contracts” and follow financial instrument accounting under HKFRS 9.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities

(i) Classification overlay

The Group applied the classification overlay for the purpose of presenting comparative information about the Group's financial asset as permitted by HKFRS 17. When applying the classification overlay, the Group has chosen to:

- present comparative information for all financial assets as if the classification and measurement requirements of HKFRS 9 had been applied to all financial assets based on preliminary assessments performed and using reasonable and supportable information available at the transition date to determine how the Group expects the financial assets would be classified and measured at initial applicable of HKFRS 9 (i.e. 1 January 2023);

- assess impairment of financial assets classified as measured at amortised cost and at fair value through other comprehensive income based on the requirements of HKAS 39 Financial Instruments: Recognition and Measurement.

- recognise any difference between the carrying amount of financial assets and the carrying amount at the transition date as a result of applying the classification overlay in the opening equity.

The effect of initial application of HKFRS 9 on the Group's financial statements on 1 January 2023 are disclosed set out in Note 2(b)*(vi)* .

(ii) Recognition and initial measurement

The Group recognises financial assets and liabilities on the date on which they are originated or on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument (including regular-way purchases and sales of financial assets).

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement

Financial assets

<u>*Classification*</u>

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are SPPI.

The Group elects to present changes in the fair value of certain equity investments that are not held for trading in other comprehensive income ("OCI"). The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

<u>*Business model assessment*</u>

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

For a majority of debt investments, the objective of the Group's business model is to fund insurance contract liabilities. The Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Group determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Certain debt securities are held in separate portfolios for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Group has determined that these prepayment features are consistent with the SPPI criterion. Because the Group would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Subsequent measurement and gains and losses

Financial assets at FVPL are measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.

Debt investments at FVOCI are measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are measured at fair value. Dividends are recognised as income in profit or loss when the Group’s right to receive payment is established, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Financial assets at amortised cost are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement (Continued)

Financial liabilities

Classification

The Group classified its financial liabilities, other than financial guarantees, into one of the following categories:

- financial liabilities at FVPL, and within this category as:
  - held-for trading; or
  - designated as at FVPL;
- financial liabilities at amortised cost.

All investment contract liabilities without discretionary participation features and third party interests in consolidated funds have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset specific performance risk and not credit risk, and the liabilities are fully collateralised. The Group has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

Subsequent measurement and gains and losses

Financial liabilities at FVPL are measured at fair value. Net gains and losses, including any interest expenses and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.

Financial liabilities at amortised cost are measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement (Continued)

Investment income

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is its amortised cost before adjusting for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the asset, but not expected credit loss ("ECL"). If the financial asset has become credit-impaired subsequent to initial recognition, then interest income is calculated by applying the effective interest rate to the amortised cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial liabilities, interest expenses are calculated by applying the effective interest rate to the amortised cost of the liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest revenue calculated using the effective interest method and other finance costs presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost and debt investments measured at FVOCI.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iii) Classification and subsequent measurement (Continued)

Derivatives, including embedded derivatives

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

(iv) Impairment

The Group recognises loss allowances for ECL on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL for trade receivables arising that result from transactions that are within the scope of HKFRS 15.

Financial assets for which 12-month ECL are recognised are referred to as "Stage 1 financial assets". 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial assets for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as "Stage 2 financial assets". Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as "Stage 3 financial assets".

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(iv) Impairment (Continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Group expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(v) Derecognition and contract modification

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. For debt investments at FVOCI and financial assets, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The cumulative gain or loss on equity investments designated as at FVOCI is not reclassified to profit or loss.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Examples of such transactions are securities sold under repurchase agreements.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the new asset.

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(v) Derecognition and contract modification (Continued)

Financial assets (Continued)

If cash flows are modified when the debtor is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual cash flows rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

If a financial asset measured at amortised cost or FVOCI is modified but not substantially, then the financial asset is not derecognised. The Group recalculates the gross carrying amount of the financial asset by discounting the modified contractual cash flows at the original effective interest rate and recognises the resulting adjustment to the gross carrying amount as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses; in other cases, it is presented as interest revenue. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notwithstanding the above, when, and only when, the Group repurchases its financial liability and includes it as an underlying item of contracts with direct participation features, the Group may elect not to derecognise the financial liability. Instead, the Group may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at FVPL. This election is irrevocable and is made on an instrument by-instrument basis.

If a financial liability measured at amortised cost is modified but not substantially, then it is not derecognised.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(v) Derecognition and contract modification (Continued)

Financial liabilities (Continued)

The Group recalculates the amortised cost of the financial liability by discounting the modified contractual cash flows at the original effective interest rate and recognises any resulting adjustment to the amortised cost as a modification gain or loss in "other finance costs" in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is required or permitted by a standard.

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(vi) Effect of initial application

The following table explains the adjustments recognised for extracted financial statement line item under the effect of initial application of HKFRS 9 as at 1 January 2023:

	At 31 December 2022 Under HKAS 39	Reclassification	Remeasurement	At 1 January 2023 Under HKFRS 9
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Statutory deposits	6,028,949	84,306	(2,535)	6,110,720
Deferred tax assets	15,784,759	-	(7,713,563)	8,071,196
Financial investments				
- At fair value through profit or loss	77,297,344	274,069,111	(339,633)	351,026,822
- At amortised cost	-	138,439,356	116,604	138,555,960
- Debt investments at FVOCI	-	471,300,812	27,679,334	498,980,146
- Equity investments at FVOCI	-	33,119,635	-	33,119,635
- Held-to-maturity	506,443,539	(506,443,539)	-	-
- Available-for-sale	311,379,700	(311,379,700)	-	-
- Loans and receivables	88,204,013	(88,204,013)	-	-
Securities purchased under resale agreements	14,259,168	(38)	-	14,259,130
Policyholder account assets in respect of unit-linked products	1,371,609	(1,371,609)	-	-
Finance lease receivables	44,616,648	-	(637,323)	43,979,325
Other assets	22,492,836	(11,855,523)	(44,263)	10,593,050
Pledged and restricted bank deposits	1,519,922	-	-	1,519,922
Deposits with original maturity more than three months	64,589,930	2,034,539	(181,911)	66,442,558
Cash and cash equivalents	42,265,766	206,663	(426)	42,472,003
Total	1,196,254,183	-	18,876,284	1,215,130,467

2 NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP FOR THE FIRST TIME OF FINANCIAL PERIOD BEGINNING ON 1 JANUARY 2023 *(Continued)*

(b) Financial assets and financial liabilities *(Continued)*

(vi) Effect of initial application (Continued)

	At 31 December 2022 Under HKAS 39	Reclassification	Remeasurement	At 1 January 2023 Under HKFRS 9
	$'000	*$'000*	*$'000*	*$'000*
Financial liabilities				
Deferred tax liabilities	1,927,382	-	23,843	1,951,225
Interest bearing notes	27,044,216	354,169	-	27,398,385
Bank borrowings	60,467,029	217,105	-	60,684,134
Securities sold under repurchase agreements	27,086,339	88,969	-	27,175,308
Other payables and accruals	44,175,754	(660,243)	-	43,515,511
Total	160,700,720	-	23,843	160,724,563
Equity				
Retained profits	83,673,681	-	(3,885,754)	79,787,927
Fair value reserves	(7,726,607)	-	22,738,195	15,011,588
	75,947,074	-	18,852,441	94,799,515

The Group's accounting policies on the classification of financial instruments under HKFRS 9 are set out in Note 2(b*)(iii)*.

3 SEGMENT INFORMATION

The Group is organised primarily based on different types of businesses. The information reported to the Board, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, are prepared and reported on such basis. Accordingly, the Group's operating segments are detailed as follows:

- Life insurance business;

- PRC domestic property and casualty insurance business;

- Overseas property and casualty insurance business;

- Reinsurance business; and

- Other businesses which comprised the asset management business, insurance intermediary business, financial leasing, property investment business, securities dealing and broking business.

Information regarding the above segments is reported below.

Management monitors the operating results of the Group's business units separately for the purpose of performance assessment.

3 SEGMENT INFORMATION *(Continued)*

(a) Segmental statement of profit or loss for the six months ended 30 June 2023

	Six months ended 30 June 2023						
	Life insurance	PRC domestic Property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Insurance revenue	31,002,109	16,101,565	2,928,161	4,921,024	-	(824,029)	54,128,830
Insurance service expenses	(23,288,151)	(15,331,717)	(1,939,572)	(4,958,271)	-	850,461	(44,667,250)
Net expenses from reinsurance contracts held	(76,653)	(377,914)	(657,214)	(278,605)	-	78,660	(1,311,726)
Insurance service results	7,637,305	391,934	331,375	(315,852)	-	105,092	8,149,854
Interest revenue	15,746,408	410,058	108,393	817,667	342,950	211,173	17,636,649
Other investment return	5,624,312	(188,241)	45,488	(188,647)	478,127	(215,186)	5,555,853
Net impairment loss on financial assets	(698,329)	8,121	(7,651)	(82,384)	48,079	422	(731,742)
Share of results of associates and joint ventures	1,174,589	1,149	-	-	9,922	58,134	1,243,794
Investment return	21,846,980	231,087	146,230	546,636	879,078	54,543	23,704,554
Finance expense from insurance contracts issued	(21,404,509)	(355,252)	(58,845)	(398,843)	-	34,401	(22,183,048)
Finance income from reinsurance contracts held	42,434	60,756	19,625	22,869	-	(16,016)	129,668
Net changes in investment contract liabilities	(21,550)	-	-	(835)	-	-	(22,385)
Net investment results	463,355	(63,409)	107,010	169,827	879,078	72,928	1,628,789
Other income	1,177,716	68,176	43,411	(40,954)	4,160,029	(2,223,325)	3,185,053
Other costs and operating expenses	(1,485,778)	(122,653)	(255,337)	(64,942)	(3,363,523)	1,890,071	(3,402,162)
Other finance costs	(396,145)	(80,163)	(13,360)	(20,192)	(1,328,807)	121,586	(1,717,081)
Profit before taxation	7,396,453	193,885	213,099	(272,113)	346,777	(33,648)	7,844,453
Income tax credits/(charges)	81,251	(8,529)	(38,815)	(13,566)	(351,555)	8,002	(323,212)
Profit after taxation	7,477,704	185,356	174,284	(285,679)	(4,778)	(25,646)	7,521,241
Non-controlling interests							(2,300,876)
Profit attributable to owners other Company							5,220,365

Segment income (including total insurance service results and net investment results) and segment profit/(loss) represent the income and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

3 SEGMENT INFORMATION *(Continued)*

(b) Segmental statement of financial position as at 30 June 2023

	At 30 June 2023						
	Life insurance	PRC domestic property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	3,476,360	1,572,702	447,286	505,827	6,033	-	6,008,208
Fixed assets							
- Property and equipment	4,482,568	939,149	471,523	14,850	20,993,640	5,434,263	32,335,993
- Investment properties	4,678,236	523,309	3,079,628	227,230	22,719,509	(6,931,324)	24,296,588
- Right-of-use assets	1,888,211	509,903	14,801	94,047	3,326,174	(690,225)	5,142,911
Goodwill	-	-	-	-	49,156	668,517	717,673
Intangible assets	-	-	-	-	230	261,408	261,638
Interests in associates and joint ventures	40,577,055	2,509,117	-	-	2,851,786	(15,378,193)	30,559,765
Financial investments							
- At fair value through profit or loss	404,974,735	13,048,090	1,533,388	7,900,548	4,790,635	13,611,906	445,859,302
- At amortised cost	101,248,586	7,017,788	2,906,993	17,459,472	2,864,999	986,796	132,484,634
- Debt investments at fair value through other comprehensive income	503,494,316	2,789,276	2,187,142	11,217,718	529,407	-	520,217,859
- Equity investments at fair value through other comprehensive income	20,444,815	1,942,569	395,258	1,078,916	2,933,001	(178,936)	26,615,623
Insurance contract assets	519,036	762,093	116,458	177,312	-	1,005	1,575,904
Reinsurance contract assets	4,178,386	1,936,722	3,371,608	1,747,069	-	(1,240,625)	9,993,160
Finance lease receivables	-	-	-	-	46,719,521	-	46,719,521
Cash and bank deposits	69,876,797	5,720,772	2,265,430	5,583,389	17,796,737	6,163,553	107,406,678
Other segment assets	26,856,312	2,742,398	1,281,723	2,514,689	5,077,269	(5,679,005)	32,793,386
Segment assets	1,186,695,413	42,013,888	18,071,238	48,521,067	130,658,097	(2,970,860)	1,422,988,843
Insurance contract liabilities	1,049,520,701	23,464,925	8,260,834	31,652,540	-	(901,583)	1,111,997,417
Reiunsurance contract liabilities	22,936	326,412	121,555	52,362	-	(80,865)	442,400
Investment contract liabilities	1,733,982	-	138,842	3,446,353	-	-	5,319,177
Interest-bearing notes	16,688,032	3,336,219	-	1,427,485	6,735,872	-	28,187,608
Bank borrowings	-	-	-	-	66,558,121	(2,234,978)	64,323,143
Lease liabilities	1,726,566	444,910	15,287	98,597	108,775	(751,784)	1,642,351
Securities sold under repurchase agreements	28,373,482	325,449	399,210	1,808,671	219,195	9,618,272	40,744,279
Other segment liabilities	26,132,382	4,879,431	1,116,236	1,171,747	14,332,873	(1,214,638)	46,418,031
Segment liabilities	1,124,198,081	32,777,346	10,051,964	39,657,755	87,954,836	4,434,424	1,299,074,406
Non-controlling interests							(25,894,491)
Net assets attributable to the owners of the Company							98,019,946

Segment assets and segment liabilities represent the assets/liabilities recorded by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment

3 SEGMENT INFORMATION *(Continued)*

(c) Segmental statement of profit or loss for the six months ended 30 June 2022

	Six months ended 30 June 2022 *(Restated)*						
	Life insurance	PRC domestic property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Insurance revenue	32,944,587	16,005,863	2,719,233	4,818,034	-	(352,365)	56,135,352
Insurance service expenses	(22,059,105)	(14,813,650)	(1,880,150)	(5,275,801)	-	251,914	(43,776,792)
Net expenses from reinsurance contracts held	(568,999)	(430,187)	(571,552)	170,649	-	(15,186)	(1,415,275)
Insurance service results	10,316,483	762,026	267,531	(287,118)	-	(115,637)	10,943,285
Interest revenue	15,887,214	452,395	116,374	869,700	130,049	402,080	17,857,812
Other investment return	(3,452,973)	(60,958)	(58,548)	(810,996)	607,101	(1,670,328)	(5,446,702)
Net impairment loss on financial assets	(1,029,369)	15,970	(12,198)	(203,397)	5,514	-	(1,223,480)
Share of results of associates and joint ventures	(988,156)	(28,261)	-	-	(50,379)	1,389,455	322,659
Investment return	10,416,716	379,146	45,628	(144,693)	692,285	121,207	11,510,289
Finance expense from insurance contracts issued	(14,137,343)	(386,081)	(837)	(358,201)	-	11,302	(14,871,160)
Finance income from reinsurance contracts held	32,464	51,131	7,966	8,599	-	3,548	103,708
Net changes in investment contract liabilities	17,467	-	-	661,269	-	-	678,736
Net investment results	(3,670,696)	44,196	52,757	166,974	692,285	136,057	(2,578,427)
Other income	2,054,975	92,747	48,758	(35,312)	3,735,103	(2,306,278)	3,589,993
Other costs and operating expenses	(1,946,990)	(101,691)	(221,279)	(62,056)	(2,966,989)	1,962,532	(3,336,473)
Other finance costs	(483,589)	(87,504)	(4,562)	(3,634)	(1,119,954)	151,891	(1,547,352)
Profit before taxation	6,270,183	709,774	143,205	(221,146)	340,445	(171,435)	7,071,026
Income tax credits/(charges)	242,709	(133,075)	15,030	(18,314)	(255,350)	(17,683)	(166,683)
Profit after taxation	6,512,892	576,699	158,235	(239,460)	85,095	(189,118)	6,904,343
Non-controlling interests							(2,571,902)
Profit attributable to owners other Company							4,332,441

Segment income (including total insurance service results and net investment results) and segment profit/(loss) represent the income and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

3 SEGMENT INFORMATION *(Continued)*

(d) Segmental statement of financial position as at 31 December 2022

At 31 December 2022*(Restated)*	Life insurance $'000	PRC domestic property and casualty insurance $'000	Overseas property and casualty insurance $'000	Reinsurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
Statutory deposits	3,391,189	1,903,120	302,890	511,358	4,698	-	6,113,255
Fixed assets							
- Property and equipment	4,923,151	1,062,701	490,383	27,620	22,086,158	5,493,223	34,083,236
- Investment properties	4,831,350	527,175	3,115,269	227,060	20,157,177	(7,027,104)	21,830,927
- Right-of-use assets	2,047,027	569,918	21,889	107,163	5,224,508	(821,381)	7,149,124
Goodwill	-	-	-	-	50,736	668,517	719,253
Intangible assets	-	-	-	-	-	261,408	261,408
Interests in associates and joint ventures	39,170,696	2,658,003	-	-	2,855,774	(17,786,799)	26,897,674
Financial investments							
- At fair value through profit or loss	309,749,246	9,866,371	1,623,010	6,513,414	4,890,576	18,384,205	351,026,822
- At amortised cost	106,807,124	7,870,139	2,628,217	17,710,289	2,958,596	1,023,149	138,997,514
- Debt investments at fair value through other comprehensive income	481,691,069	3,313,951	2,160,284	11,454,379	360,463	-	498,980,146
- Equity investments at fair value through other comprehensive income	26,616,483	2,292,683	370,775	905,493	3,116,676	(182,475)	33,119,635
Insurance contract assets	666,449	770,707	135,760	85,365	-	(4,711)	1,653,570
Reinsurance contract assets	4,289,739	2,139,102	3,850,433	1,721,920	-	(1,283,351)	10,717,843
Finance lease receivables	-	-	-	-	44,616,648	-	44,616,648
Cash and bank deposits	85,546,408	6,334,393	1,814,418	5,900,929	4,387,683	6,632,989	110,616,820
Other segment assets	29,889,446	2,149,819	1,124,886	2,438,520	6,102,515	(6,898,997)	34,806,189
Segment assets	1,099,619,377	41,458,082	17,638,214	47,603,510	116,812,208	(1,541,327)	1,321,590,064
Insurance contract liabilities	980,046,327	23,073,316	8,257,228	31,400,052	-	(835,618)	1,041,941,305
Reiunsurance contract liabilities	22,872	372,734	113,101	75,946	-	(76,641)	508,012
Investment contract liabilities	1,746,189	-	97,551	3,593,323	-	-	5,437,063
Interest-bearing notes	17,081,718	3,373,832	-	-	6,942,835	-	27,398,385
Bank borrowings	-	-	-	-	62,705,171	(2,021,037)	60,684,134
Lease liabilities	1,872,003	507,873	22,691	112,164	157,733	(879,340)	1,793,124
Securities sold under repurchase agreements	11,398,009	635,895	249,179	2,024,896	858,672	12,008,657	27,175,308
Other segment liabilities	26,704,690	5,369,676	1,257,439	1,227,695	14,261,814	(1,966,017)	46,855,297
Segment liabilities	1,038,871,808	33,333,326	9,997,189	38,434,076	84,926,225	6,230,004	1,211,792,628
Non-controlling interests							(25,860,067)
Net assets attributable to the owners of the Company							83,937,369

Segment assets and segment liabilities represent the assets/liabilities recorded by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

3 SEGMENT INFORMATION *(Continued)*

Geographical distribution:

Approximately 92% (30 June 2022: 95%) of the Group's total income is derived from its operations in the PRC domestic (other than Hong Kong and Macau).

The Group's information about its non-current assets by geographical location of the assets are detailed below:

	At 30 June 2023			
	Hong Kong and Macau *$'000*	**PRC (other than Hong Kong and Macau)** *$'000*	**Rest of the world** *$'000*	**Total** *$'000*
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance and joint ventures)	**12,819,080**	**49,291,814**	**643,909**	**62,754,803**

	At 31 December 2022			
	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Rest of the world *$'000*	Total *$'000*
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance and joint ventures)	12,993,676	50,375,075	675,197	64,043,948

Information about major customers:

There were no customers for the six months ended 30 June 2023 and 2022 contributing over 10% of the total insurance revenue of the Group.

4 INSURANCE REVENUE

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business, property and casualty insurance business, and all classes of reinsurance business.

An analysis of insurance revenue by operating segment for the period ended 30 June 2023 and 30 June 2022 is included in the following tables.

	Six months ended 30 June 2023					
	Life insurance contracts	**PRC domestic property and casualty insurance**	**Overseas property and casualty insurance**	**Reinsurance contracts**	**Inter-segment elimination and adjustment**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Contracts not measured under the PAA						
Amounts relating to the changes in the liability for remaining coverage						
- Amount of contractual service margin recognised in profit or loss	**9,117,579**	**15,960**	**35,697**	**751,607**	**(39,157)**	**9,881,686**
- Risk adjustment for non-financial risk	**205,138**	**20,682**	**11,876**	**280,902**	**(29,423)**	**489,175**
- Insurance service expenses incurred during the period	**6,264,870**	**344,698**	**63,768**	**2,935,147**	**(327,432)**	**9,281,051**
- Experience adjustments for premium receipts other than those that relate to future service	**-**	**(2,972)**	**(2,083)**	**831,890**	**(36,310)**	**790,525**
Insurance acquisition cash flows recovery	**8,005,759**	**109,750**	**18,599**	**121,478**	**(4,032)**	**8,251,554**
	23,593,346	**488,118**	**127,857**	**4,921,024**	**(436,354)**	**28,693,991**
Insurance revenue from contracts measured under the PAA	**7,408,763**	**15,613,447**	**2,800,304**	**-**	**(387,675)**	**25,434,839**
Total insurance revenue	**31,002,109**	**16,101,565**	**2,928,161**	**4,921,024**	**(824,029)**	**54,128,830**

	Six months ended 30 June 2022					
	Life insurance contracts	PRC domestic property and casualty insurance	Overseas property and casualty insurance	Reinsurance contracts	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Contracts not measured under the PAA						
Amounts relating to the changes in the liability for remaining coverage						
- Amount of contractual service margin recognised in profit or loss	9,505,757	27,127	22,281	394,642	(56,684)	9,893,123
- Risk adjustment for non-financial risk	569,594	17,768	12,204	265,764	(16,086)	849,244
- Insurance service expenses incurred during the period	6,769,016	296,136	66,161	3,107,869	(179,617)	10,059,565
- Experience adjustments for premium receipts other than those that relate to future service	-	(2,201)	4,393	881,596	(32,916)	850,872
Insurance acquisition cash flows recovery	7,866,260	128,711	5,569	168,163	(8,133)	8,160,570
	24,710,627	467,541	110,608	4,818,034	(293,436)	29,813,374
Insurance revenue from contracts measured under the PAA	8,233,960	15,538,322	2,608,625	-	(58,929)	26,321,978
Total insurance revenue	32,944,587	16,005,863	2,719,233	4,818,034	(352,365)	56,135,352

5 INTEREST REVENUE

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
Debt investments at amortised cost	**2,935,865**	3,540,871
Debt investments at fair value through other comprehensive income	**9,089,487**	8,351,271
Debt investments at fair value through profit or loss	**3,835,465**	4,138,565
Net interest expenses on securities sold/purchased under repurchase/resale agreements	**(136,580)**	(296,538)
Bank deposits and others	**1,912,412**	2,123,643
	17,636,649	17,857,812

6 OTHER INVESTMENT RETURN

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
Dividend income		
- Equity securities at fair value through profit or loss	**1,941,584**	2,315,348
- Investment funds	**775,378**	1,194,485
- Equity securities at fair value through other comprehensive income	**118,771**	680,766
	2,835,733	4,190,599
Net rental income receivable from investment properties	**397,237**	455,227
Net realised investment gains/(losses)		
- Debt investments at fair value through profit or loss		
Listed	**(165,917)**	(457,314)
Unlisted	**103,983**	39,559
- Equity securities at fair value through profit or loss		
Listed	**(953,030)**	(2,599,513)
Unlisted	**536**	144,681
- Investment funds		
Listed	**8,789**	(75,872)
Unlisted	**(97,605)**	1,101,294
- Debt investments at amortised cost		
Listed	**(139,121)**	(48,340)
Unlisted	**(43,753)**	32,368
- Debt investments at fair value through other comprehensive income		
Listed	**(243,732)**	175,864
Unlisted	**184,924**	362,557
- Loss on disposal of interest in associates	**-**	(73,358)
- Other net realised gains/(losses)	**113,298**	(189,823)
	(1,231,628)	(1,587,897)
Net unrealised investment gains/(losses)		
- Debt investments at fair value through profit or loss		
Listed	**723,582**	(3,378,497)
Unlisted	**2,126,948**	(466,998)
- Equity securities at fair value through profit or loss		
Listed	**334,301**	(1,807,973)
Unlisted	**42,517**	(110,802)
- Investment funds		
Listed	**(83,986)**	(114,114)
Unlisted	**447,907**	(2,509,805)
- Deficit on revaluation of investment properties	**(36,758)**	(116,442)
	3,554,511	(8,504,631)
	5,555,853	(5,446,702)

7 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
Impairment loss recognised:		
- At amortised cost	**(594,279)**	(1,199,902)
- Debt investment at fair value through other comprehensive income	**(137,463)**	(23,578)
	(731,742)	(1,223,480)

8 OTHER INCOME

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
Interests from finance lease receivables	**1,073,770**	1,221,011
Income from provision of pension administration services	**375,455**	547,811
Income from provision of asset management and securities broking services	**288,072**	315,773
Income from operating lease	**635,523**	555,540
Income from provision of advisory services	**157,852**	120,975
Income from provision of property management services	**66,314**	71,947
Income from provision of agency and insurance intermediary services	**116,793**	135,299
Income from sales of inventories	**42,452**	24,017
Government subsidies	**43,706**	96,538
Net exchange gains	**179,148**	368,314
Recognition of impairment losses on finance lease receivables and other assets	**(94,466)**	(140,458)
Others	**300,434**	273,226
	3,185,053	3,589,993

9 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
(a) Other finance costs:		
Interests on bank borrowings	**1,182,762**	910,260
Interests on interest-bearing notes	**497,336**	588,733
Interests on lease liabilities	**36,983**	48,359
	1,717,081	1,547,352
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	**7,931,369**	8,899,440
Contributions to defined contribution retirement plans	**897,435**	893,719
	8,828,804	9,793,159
(c) Other items:		
Auditor's remuneration		
- Audit and assurance services	**12,623**	9,359
- Non-audit services	**1,648**	2,707
Depreciation of property and equipment	**1,167,809**	1,188,904
Depreciation of right-of-use assets	**504,436**	558,215

10 INCOME TAX CHARGES

Taxation in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
Current tax		
Provision for the year	**1,845,109**	1,102,813
Under/(over)-provision in respect of prior years	**26,263**	(692,919)
	1,871,372	409,894
Deferred tax		
Origination and reversal of temporary differences	**(1,548,160)**	(243,211)
Income tax charges	**323,212**	166,683

The provision for Hong Kong Profits Tax represents the Group's estimated Hong Kong Profits Tax liability calculated at the standard tax rate of 16.5% (2022: 16.5%) on its assessable profits from direct life insurance, property and casualty insurance, reinsurance, asset management, property investment, insurance intermediary, securities dealing and broking businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (2022: 8.25%), one-half of the standard tax rate.

Taxation outside Hong Kong for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate for domestic companies in the PRC is 25% (2022: 25%).

At 30 June 2023, the Group did not recognise deferred tax assets in respect of tax losses of approximately $6,624,477,000 (31 December 2022: $6,554,412,000) and certain temporary differences of $527,201,000 (31 December 2022: $365,921,000). $1,092,726,000 (31 December 2022: $1,108,232,000) of the total tax losses can be carried forward up to five years after the year in which the loss was originated to offset future taxable profits, while the remaining tax losses and temporary differences do not expire under current tax legislation.

11 DIVIDENDS

(a) On 28 March 2023, the Board of the Company proposed a final cash dividend of $0.26 per share in respect of the year ended 31 December 2022 ($0.46 per share in respect of the year ended 31 December 2021). The final dividend amounting to $934,445,000 (2022: $1,653,249,000) has been recognised as a liability in these interim financial statements.

(b) No interim dividend in respect of the interim period was proposed, approved or paid during the interim period ended 30 June 2023 (30 June 2022: Nil).

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2023	2022
		(Restated)
	$'000	*$'000*
Profit attributable to owners of the Company	**5,220,365**	4,332,441
Distribution relating to perpetual subordinated capital securities	**(315,215)**	-
Profit used to determine basic earnings per share	**4,905,150**	4,332,441
Weighted average number of ordinary shares	**3,594,018,538**	3,594,018,538
Basic earnings per share *(HK$ per share)*	**1.365**	1.205

No diluted earnings per share has been presented for the period of 2023 and 2022 as the Group had no potential dilutive ordinary shares in issue during the periods.

13 STATUTORY DEPOSITS

(a) Certain subsidiaries of the Group have placed $4,776,126,000 (31 December 2022: $5,208,619,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

(b) A subsidiary of the Group has pledged a deposit of $126,571,000 (31 December 2022: $126,701,000) registered in favour of the Monetary Authority of Singapore pursuant to section 34D of the Singapore Insurance Act.

(c) A subsidiary of the Group has pledged a deposit of $3,384,000 (31 December 2022: $3,274,000) with banks as guarantee fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.

(d) A subsidiary of the Group has deposited a sum of $1,729,000 (31 December 2022: $1,709,000) in the name of Director of Accounting Service with a bank pursuant to section 77(2e) of the Hong Kong Trustee Ordinance.

(e) A subsidiary of the Group deposited a sum of $4,304,000 (31 December 2022: $2,990,000) with The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Securities and Futures Commission.

(f) Certain subsidiaries of the Group deposited a sum of $1,006,045,000 (31 December 2022: $685,656,000) registered in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

14 FIXED ASSETS

The carrying amount of land and buildings of $1,388,806,000 (30 June 2022: $151,604,000) has been transferred to investment properties at fair value of $1,407,768,000 during the Period (30 June 2022: $204,431,000) based on revaluation by an independent external property valuer. The valuation was made based on income approach.

The fair values of investment properties of the Group as at 30 June 2023 were measured by an external valuer. The valuation for completed investment properties was made based on income approach. A revaluation loss of $36,758,000 (30 June 2022: loss of $116,442,000) has been recognised in the condensed consolidated statement of profit or loss during the Period.

As at 30 June 2023, land and buildings of $23,074,000 (31 December 2022: $9,463,000) and investment properties of $36,623,000 (31 December 2022: $49,989,000) located in Macau had been pledged in favour of Autoridade Monetária de Macau ("AMCM") to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 30 June 2023, operating lease assets of $3,676,196,000 (31 December 2022: $4,048,259,000) have been pledged to financial institutions as collateral in connection with banking facilities arrangements.

No subsidiaries of the Group pledged land and buildings located in Hong Kong to secure general banking facilities granted to the Group as at both 30 June 2023 and 31 December 2022.

15 FINANCIAL INVESTMENTS

	At 30 June 2023	At 31 December 2022 *(Restated)*
	$'000	*$'000*
At fair value through profit or loss		
Debt investments		
- Listed	**40,140,589**	41,059,220
- Unlisted	**194,910,049**	134,318,569
Equity securities		
- Listed	**117,938,302**	109,078,461
- Unlisted	**10,802,568**	10,279,514
Investment funds		
- Listed	**5,499,314**	4,321,070
- Unlisted	**76,568,480**	51,969,988
	445,859,302	351,026,822
At amortised cost		
- Listed		
- Unlisted	**81,590,146**	79,796,894
	50,894,488	59,200,620
	132,484,634	138,997,514
Debt investments at fair value through other comprehensive income		
- Listed	**96,013,359**	86,898,696
- Unlisted	**424,204,500**	412,081,450
	520,217,859	498,980,146
Equity investments at fair value through other comprehensive income		
- Listed	**23,771,810**	30,167,527
- Unlisted	**2,843,813**	2,952,108
	26,615,623	33,119,635

15 FINANCIAL INVESTMENTS *(Continued)*

As at 30 June 2023, financial instruments with total carrying amounts of $8,761,134,000 (31 December 2022: $7,358,523,000) have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 30 June 2023, financial instruments with total carrying amounts of $9,779,000 (31 December 2022: $9,975,000) have been set asides as guarantee fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.

16 SECURITIES PURCHASED UNDER RESALE AGREEMENTS/SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Group entered into transactions in which it transferred financial assets directly to third parties. As the Group has not transferred the significant risks and rewards relating to these securities, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as securities sold under repurchase agreements. The following were the Group's securities that were transferred to the third parties with terms to repurchase these securities at the agreed dates and prices. These securities are either measured at amortised cost or carried at fair value respectively in the Group's condensed consolidated statement of financial position.

	At 30 June 2023			
	Amortised cost	**FVPL**	**FVOCI**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Carrying amount of transferred/pledged assets	**21,855,088**	**11,562,172**	**48,514,654**	**81,931,914**
Carrying amount of associated liabilities - securities sold under repurchase agreements	**(8,226,723)**	**(10,688,379)**	**(21,829,177)**	**(40,744,279)**
Net position	**13,628,365**	**873,793**	**26,685,477**	**41,187,635**

	At 31 December 2022 *(Restated)*			
	Amortised cost	FVPL	FVOCI	Total
	$'000	*$'000*	*$'000*	*$'000*
Carrying amount of transferred/pledged assets	16,995,339	18,173,794	31,126,833	66,295,966
Carrying amount of associated liabilities - securities sold under repurchase agreements	(7,967,332)	(15,296,788)	(3,911,188)	(27,175,308)
Net position	9,028,007	2,877,006	27,215,645	39,120,658

16 SECURITIES PURCHASED UNDER RESALE AGREEMENTS/SECURITIES SOLD UNDER REPURCHASE AGREEMENTS *(Continued)*

Conversely, the Group also enters into short-term investment arrangements secured by the securities purchased. The securities purchased are not recognised on the condensed consolidated statement of financial position.

All of the securities purchased under resale agreements and securities sold under repurchase agreements are denominated in RMB. The carrying amount of the securities purchased under resale agreements and securities sold under repurchase agreements approximate to their fair values. Most of the securities under resale agreements and securities sold under repurchase agreements will be settled within 29 days (31 December 2022: 28 days) from the end of the reporting period.

17 FINANCE LEASE RECEIVABLES

	At 30 June 2023 *$'000*	At 31 December 2022 *$'000*
Finance lease receivables	**54,415,339**	51,828,391
Less: unearned finance income	**(4,569,294)**	(4,699,911)
	49,846,045	47,128,480
Less: ECL allowance	**(3,126,524)**	-
Provision for impairment losses under HKAS 39	**-**	(2,511,832)
	46,719,521	44,616,648

As at 30 June 2023, finance lease receivables included the amounts of $5,289,704,000 (31 December 2022: $4,506,128,000) that were pledged to financial institutions as collateral in connection with banking facilities arrangements.

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	At 30 June 2023 *$'000*	At 31 December 2022 *$'000*
Less than 1 year	**18,008,425**	16,794,436
1 to 2 years	**13,139,061**	12,203,921
2 to 3 years	**10,267,145**	9,244,807
3 to 4 years	**5,052,956**	5,532,157
4 to 5 years	**3,904,720**	3,803,147
More than 5 years	**4,043,032**	4,249,923
Total undiscounted finance lease receivables	**54,415,339**	51,828,391

18 OTHER ASSETS

	At 30 June 2023	At 31 December 2022 *(Restated)*
	$'000	*$'000*
Value-added tax prepaid	**1,062,647**	1,228,706
Pension management fees receivable	**342,537**	532,980
Guarantee deposits paid	**582,486**	720,591
Receivables from payment service providers	**900,550**	494,488
Tax recoverables	**29,178**	37,219
Deposits for the purchase of property	**69,597**	58,687
Securities settlement fund	**2,277,821**	2,770,889
Prepayments	**724,536**	1,295,676
Inventories *(note (i))*	**149,910**	171,607
Rental and utility deposits	**209,438**	207,331
Receivables from operating lease *(note (ii))*	**188,141**	181,820
Tax certificate paid to Hong Kong Inland Revenue Department	**193,169**	181,696
Others	**4,310,993**	3,709,920
	11,041,003	11,591,610
Less: ECL allowance	**(996,045)**	-
Provision for impairment losses under HKAS 39	**-**	(954,297)
	10,044,958	10,637,313

Notes:

(i) The Group's inventories comprise raw materials, product in progress, other supplemental materials and lands purchased that have been set to be used to build properties for sale by a subsidiary.

(ii) As at 30 June 2023, the receivables from operating lease of the Group included an amount of Nil (31 December 2022: $2,526,000) that were pledged to financial institutions as collateral in connection with banking facilities arrangements.

19 CASH AND CASH EQUIVALENTS

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**18,734,309**	3,848,446
Cash at bank and on hand	**38,002,235**	38,623,983
	56,736,544	42,472,429

20 INSURANCE CONTRACT LIABILITIES

Analysis by remaining coverage and incurred claims of insurance contracts:

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Insurance contract liabilities		
Liabilities for remaining coverage		
- Excluding loss component	**1,061,132,925**	997,554,471
- Loss component	**9,641,030**	9,637,619
Liabilities for incurred claims	**41,223,462**	34,749,215
	1,111,997,417	1,041,941,305

Analysis by measurement component of insurance contracts:

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Insurance contract liabilities		
Insurance contracts not measured under PAA		
- Estimates of present value of future cash flows	**827,491,849**	755,097,195
- Risk adjustment for nonfinancial risk	**30,176,412**	29,829,479
- Contractual service margin	**217,810,230**	221,286,969
	1,075,478,491	1,006,213,643
Insurance contracts measured under PAA	**36,518,926**	35,727,662
	1,111,997,417	1,041,941,305

21 BANK BORROWINGS

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Unsecured		
Bank loans *(note (i))*	**16,409,942**	16,411,078
Bank loans for finance lease receivables *(note (ii))*	**37,472,464**	33,773,777
	53,882,406	50,184,855
Secured		
Bank loan *(note (iii))*	**4,600,000**	4,600,000
Bank loans for finance lease receivables *(note (iv))*	**5,840,737**	5,899,279
	64,323,143	60,684,134

The bank borrowings are repayable as follows:

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Within 1 year	**34,930,890**	30,284,407
After 1 year but within 5 years	**27,943,568**	28,938,642
After 5 years	**1,448,685**	1,461,085
	64,323,143	60,684,134

The amounts presented in the above table are based on scheduled repayment dates set out in the loan agreements.

Notes:

(i) As at 30 June 2023, the bank loans are unsecured and carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.64% to HIBOR plus 1.10% (31 December 2022: HIBOR plus 0.64% to HIBOR plus 1.10%) per annum, with effective interest rates ranging from 2.28% to 6.13% (31 December 2022: 4.85% to 6.07%) per annum.

21 BANK BORROWINGS *(Continued)*

Notes: (Continued)

(ii) As at 30 June 2023, the bank loans for finance lease receivables are unsecured and carry interest at interest rates ranging from 2.26% to 6.69% (31 December 2022: interest rates ranging from 2.30% to 4.82%) per annum.

(iii) As at 30 June 2023, the bank loans are secured by the shares of certain subsidiaries and pledged and restricted bank deposits and carry interest at HIBOR plus 1.03% (31 December 2022: HIBOR plus 1.03%), with effective interest rates at 5.96% (31 December 2022: 5.38%) per annum.

(iv) As at 30 June 2023, the bank loans for finance lease receivables are secured by operating lease assets, finance lease receivables and operating lease receivables and carry interest based on the benchmark interest rate issued by the People's Bank of China, with effective interest rates ranging from 2.47% to 7.01% (31 December 2022: 2.47% to 6.08%) per annum.

22 SHARE CAPITAL

	At 30 June 2023		At 31 December 2022	
	No. of shares	***$'000***	No. of shares	*$'000*
Ordinary Shares, issued and fully paid:				
At the beginning of the period/year	**3,594,018,538**	**40,771,408**	3,594,018,538	40,771,408
At the end of the period/year	**3,594,018,538**	**40,771,408**	3,594,018,538	40,771,408

All of the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

23 RESERVES

	Attributable to owners of the company										
	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Fair value reserve $'000	Insurance finance reserve $'000	Revaluation reserve $'000	Retained profits $'000	Ordinary shareholders sub-total $'000	Perpetual subordinated capital securities $'000	Non-controlling interests $'000	Total $'000
Balance at 31 December 2022 *(Restated)*	(5,618,303)	(6,842,218)	(4,839,609)	14,857,635	(36,410,708)	1,479,780	80,539,383	43,165,960	-	25,860,068	69,026,028
Adjustment on initial application of HKFRS 9	-	-	-	153,953	-	-	(751,456)	(597,503)	-	(356,338)	(953,841)
Balance at 1 January 2023	(5,618,303)	(6,842,218)	(4,839,609)	15,011,588	(36,410,708)	1,479,780	79,787,927	42,568,457	-	25,503,730	68,072,187
Profit for the period	-	-	-	-	-	-	5,220,365	5,220,365	-	2,300,876	7,521,241
Other comprehensive income for the period:											
Revaluation gain arising from reclassification of own-use properties to investment properties, net of deferred tax	-	-	-	-	-	9,075	-	9,075	-	3,009	12,084
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	(2,448,672)	-	-	-	-	(2,448,672)	-	(797,996)	(3,246,668)
Changes in the the fair value of equity investments at FVOCI, net of deferred tax	-	-	-	1,268,232	-	-	-	1,268,232	-	373,915	1,642,147
Changes in the the fair value of debt investments at FVOCI, net of deferred tax	-	-	-	6,961,574	-	-	-	6,961,574	-	2,224,942	9,186,516
Finance (expense)/income from insurance contracts issued, net of deferred tax	-	-	-	-	(11,095,710)	-	-	(11,095,710)	-	(3,491,421)	(14,587,131)
Finance income/(expense) from reinsurance contracts held, net of deferred tax	-	-	-	-	24,863	-	-	24,863	-	5,075	29,938
Total comprehensive income	-	-	(2,448,672)	8,229,806	(11,070,847)	9,075	5,220,365	(60,273)	-	618,400	558,127
Dividend declared to shareholders	-	-	-	-	-	-	(934,445)	(934,445)	-	-	(934,445)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(239,339)	(239,339)
Issurance of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	15,674,799	-	15,674,799
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	(315,215)	(315,215)	315,215	-	-
Capital injections made to a subsidiary	-	-	-	-	-	-	-	-	-	11,700	11,700
Disposal of equity investments at FVOCI	-	-	-	(102,469)	-	-	102,469	-	-	-	-
Balance at 30 June 2023	(5,618,303)	(6,842,218)	(7,288,281)	23,138,925	(47,481,555)	1,488,855	83,861,101	41,258,524	15,990,014	25,894,491	83,143,029

23 RESERVES *(Continued)*

	Attributable to owners of the company									
	Capital reserve *$'000*	Merger reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Insurance finance reserve *$'000*	Revaluation reserve *$'000*	Retained profits *$'000*	Ordinary shareholders sub-total *$'000*	Non-controlling interests *$'000*	Total *$'000*
Balance at 31 December 2021, as previously reported	(5,615,659)	(6,842,218)	2,045,498	(188,263)	-	1,416,584	56,479,482	47,295,424	25,389,128	72,684,552
Adjustment on initial application of HKFRS 17	-	-	-	-	(32,758,363)	-	20,773,041	(11,985,322)	(3,818,751)	(15,804,073)
Adjustment on application of classification overlay	-	-	-	16,316,054	-	-	443,023	16,759,077	5,547,486	22,306,563
Balance at 1 January 2022 *(Restated)*	(5,615,659)	(6,842,218)	2,045,498	16,127,791	(32,758,363)	1,416,584	77,695,546	52,069,179	27,117,863	79,187,042
Profit for the period	-	-	-	-	-	-	4,332,441	4,332,441	2,571,902	6,904,343
Other comprehensive income for the period:										
Revaluation gain arising from reclassification of own-use properties to investment properties, net of deferred tax	-	-	-	-	-	36,129	-	36,129	7,140	43,269
Exchange differences on translation of the financial statements of subsidiaries ventures which are not foreign operations, associates and joint ventures	-	-	(3,650,018)	-	-	-	-	(3,650,018)	(1,069,257)	(4,719,275)
Changes in the the fair value of equity investments at FVOCI, net of deferred tax	-	-	-	104,467	-	-	-	104,467	89,789	194,256
Changes in the the fair value of debt investments at FVOCI, net of deferred tax	-	-	-	(646,024)	-	-	-	(646,024)	9,544	(636,480)
Finance (expense)/income from insurance contracts issued, net of deferred tax	-	-	-	-	669,247	-	-	669,247	(387,923)	281,324
Finance income/(expense) from reinsurance contracts held, net of deferred tax	-	-	-	-	(102,193)	-	-	(102,193)	(4,254)	(106,447)
Total comprehensive income	-	-	(3,650,018)	(541,557)	567,054	36,129	4,332,441	744,049	1,216,941	1,960,990
Dividend declared to shareholders	-	-	-	-	-	-	(1,653,249)	(1,653,249)	-	(1,653,249)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(1,215,473)	(1,215,473)
Acquisition of additional interest in a subsidiary	(2,762)	-	-	-	-	-	-	(2,762)	2,762	-
Disposal of equity investments at FVOCI	-	-	-	(114,429)	-	-	114,429	-	-	-
Balance at 30 June 2022 *(Restated)*	(5,618,421)	(6,842,218)	(1,604,520)	15,471,805	(32,191,309)	1,452,713	80,489,167	51,157,217	27,122,093	78,279,310

24 PERPETUAL SUBORDINATED CAPITAL SECURITIES

The Company entered into an agreement on 9 March 2023 to issue perpetual subordinated capital securities in an aggregate principal amount of USD2,000,000,000 (approximately $15.700 billion), callable in 2028. According to the terms and conditions of the securities, the securities confer a right on the holders to receive distributions from the issue date. The rate of distribution shall be (i) 6.40% per annum in respect of the period from and including the issue date to but excluding 9 March 2028, (ii) applicable 5 year United States Treasury securities rate plus 2.072% per annum in respect of the period from and including 9 March 2028. The Company may redeem in whole, but not in part, the securities at their principal amount together with any distributions accrued on or after 9 March 2028. The reset date of the securities is falling every five calendar years after 9 March 2028. The Company may elect to defer any distributions, and is not subject to any restriction as to the number of times distribution can be deferred, if any distribution has been deferred, the Company and its subsidiaries shall be subject to certain restrictions from making dividends or distributions.

The distribution relating to perpetual subordinated capital securities amounted to $315,215,000 were accrued during the Period.

25 MATURITY PROFILE

The following table details the Group's contractual maturity for some of its financial assets and financial liabilities.

	Repayable on demand *$'000*	Less than 3 months *$'000*	3 to 12 months *$'000*	1 to 5 years *$'000*	Over 5 years *$'000*	Total *$'000*
At 30 June 2023						
Assets						
Deposits at banks and other financial institutions (including statutory deposits)	2,070,241	21,951,332	4,154,409	45,480,845	-	73,656,827
Debt investments						
-At fair value through profit or loss	172,996	5,770,182	15,245,359	60,772,188	153,089,913	235,050,638
-At amortised cost	7,541	7,950,090	12,386,535	45,344,434	66,796,034	132,484,634
-At fair value through other comprehensive income	162,587	3,225,433	7,881,648	69,733,893	439,214,298	520,217,859
Securities purchased under resale agreements	-	10,055,427	-	-	-	10,055,427
Amounts due from group companies	2,116,026	-	-	-	-	2,116,026
Finance lease receivables	268,234	203,632	2,702,933	33,527,595	10,017,127	46,719,521
Pledged and restricted bank deposits	1,027,706	470,432	257,686	-	-	1,755,824
	5,825,331	49,626,528	42,628,570	254,858,955	669,117,372	1,022,056,756
Liabilities						
Investment contract liabilities	3,461,845	2,975	85,294	264,545	1,504,518	5,319,177
Interest-bearing notes	-	-	4,790,644	-	23,396,964	28,187,608
Bank borrowings	-	16,141,734	18,789,156	27,943,568	1,448,685	64,323,143
Lease liabilities	8,770	165,419	401,026	1,032,026	35,110	1,642,351
Securities sold under repurchase agreements	-	40,737,846	6,433	-	-	40,744,279
Amounts due to group companies	17,134	-	-	-	-	17,134
	3,487,749	57,047,974	24,072,553	29,240,139	26,385,277	140,233,692

25 MATURITY PROFILE *(Continued)*

	Repayable on demand *$'000*	Less than 3 months *$'000*	3 to 12 months *$'000*	1 to 5 years *$'000*	Over 5 years *$'000*	Total *$'000*
At 31 December 2022 *(Restated)*						
Assets						
Deposits at banks and other financial institutions (including statutory deposits)	1,013,444	20,143,483	16,255,932	39,173,311	-	76,586,170
Debt investments						
-At fair value through profit or loss	425,600	6,833,368	16,886,989	60,991,178	90,240,654	175,377,789
-At amortised cost	111,535	9,515,030	13,684,311	48,086,269	67,600,369	138,997,514
-At fair value through other comprehensive income	-	8,711,165	10,992,633	60,694,092	418,582,256	498,980,146
Securities purchased under resale agreements	-	14,259,130	-	-	-	14,259,130
Amounts due from group companies	2,059,864	-	-	-	-	2,059,864
Finance lease receivables	24,916	602,224	2,333,801	30,104,026	11,551,681	44,616,648
Pledged and restricted bank deposits	813,045	339,070	367,807	-	-	1,519,922
	4,448,404	60,403,470	60,521,473	239,048,876	587,974,960	952,397,183
Liabilities						
Investment contract liabilities	3,690,874	5,079	17,777	170,894	1,552,439	5,437,063
Interest-bearing notes	-	-	354,169	4,477,929	22,566,287	27,398,385
Bank borrowings	-	6,117,970	24,166,437	28,938,642	1,461,085	60,684,134
Lease liabilities	-	232,265	598,697	928,302	33,860	1,793,124
Securities sold under repurchase agreements	-	25,991,950	1,183,358	-	-	27,175,308
Amounts due to group companies	19,005	-	-	-	-	19,005
	3,709,879	32,347,264	26,320,438	34,515,767	25,613,671	122,507,019

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value of Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets and financial liabilities classified as Level 1 with standard terms and conditions and traded on active liquid markets are determined with reference to recent transaction price or quoted market bid prices and ask prices respectively;

- The fair value of derivative instruments are estimated using discounted cash flow analysis and the applicable yield curve for the duration of the non-applicable derivative;

- The fair value of unlisted investment funds and unlisted debt investments included in financial assets at fair value through profit or loss and at FVOCI classified as Level 2 are established by reference to the prices quoted by respective fund administrators or by using valuation techniques including discounted cash flow method. The main parameters used include bond prices, interest rates, foreign exchange rates, prepayment rates, counter party credit spreads and others; and

- The Level 3 financial assets, primarily comprises unlisted equity securities. Fair values are generally determined using valuation techniques, including discounted cash flows technique and markets comparison methods. Unobservable inputs include discount rates, comparable company valuation multiples, liquidity spreads. The valuation requires management to make certain assumptions about unobservable inputs to the models.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Fair value of Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Fair value measurements and valuation process

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, categorised into Levels 1 to 3 based on the type of inputs.

	At 30 June 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Financial investments				
- At FVPL	**236,288,833**	**140,818,815**	**68,751,654**	**445,859,302**
- Debt investment at FVOCI	**40,873,813**	**477,595,784**	**1,748,262**	**520,217,859**
- Equity investment at FVOCI	**17,846,910**	**5,936,513**	**2,832,200**	**26,615,623**
	295,009,556	**624,351,112**	**73,332,116**	**992,692,784**

	At 31 December 2022 *(Restated)*			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial investments				
- At FVPL	205,451,062	78,662,822	66,912,938	351,026,822
- Debt investment at FVOCI	41,100,287	456,077,514	1,802,345	498,980,146
- Equity investment at FVOCI	25,117,361	4,950,094	3,052,180	33,119,635
	271,668,710	539,690,430	71,767,463	883,126,603

26 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Fair value of Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial investments at FVPL *$'000*	**Debt investments at FVOCI** *$'000*	**Equity investments at FVOCI** *$'000*	**Total** *$'000*
At 1 January 2023 *(Restated)*	**66,912,938**	**1,802,345**	**3,052,180**	**71,767,463**
Purchases	**8,299,777**	**-**	**1,944**	**8,301,721**
Gain or losses recognised in:				
- profit or loss	**(996,607)**	**-**	**-**	**(996,607)**
- other comprehensive income	**-**	**2,108**	**(218,479)**	**(216,371)**
Disposals and others	**(3,269,074)**	**-**	**-**	**(3,269,074)**
Transfer out of Level 3	**(183,104)**	**-**	**-**	**(183,104)**
Exchange difference	**(2,012,276)**	**(56,191)**	**(3,445)**	**(2,071,912)**
At 30 June 2023	**68,751,654**	**1,748,262**	**2,832,200**	**73,332,116**

	Financial investments at FVPL *$'000*	Debt investments at FVOCI *$'000*	Equity investments at FVOCI *$'000*	Total *$'000*
At 1 January 2022 *(Restated)*	93,248,106	1,989,488	3,284,073	98,521,667
Purchases	9,938,138	-	38,883	9,977,021
Gain or losses recognised in:				
- profit or loss	(2,594,730)	-	-	(2,594,730)
- other comprehensive income	-	(20,049)	(259,258)	(279,307)
Disposals and others	(26,534,981)	-	-	(26,534,981)
Transfer into Level 3	1,223,099	-	-	1,223,099
Transfer out of Level 3	(663,959)	-	-	(663,959)
Exchange difference	(7,702,735)	(167,094)	(11,518)	(7,881,347)
At 31 December 2022 *(Restated)*	66,912,938	1,802,345	3,052,180	71,767,463

The transfer to Level 3 fair value measurements were because of the changes of inputs in fair value measurements.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
At 30 June 2023					
Financial investments at amortised cost	**132,484,634**	**122,306,673**	**66,885,333**	**15,896,580**	**39,524,760**
Interest-bearing notes	**28,187,608**	**28,333,446**	**-**	**28,333,446**	**-**

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2022 *(Restated)*					
Financial investments at amortised cost	138,997,514	126,500,413	64,390,477	14,647,930	47,462,006
Interest-bearing notes	27,398,385	27,061,368	-	27,061,368	-

For listed debt investments measured at amortised cost classified as Level 1, fair value is based on unadjusted quoted prices for identical assets traded in active market.

For unlisted debt investments measured at amortised cost classified as Level 2, fair value is determined by generally accepted pricing models including discounted cash flow technique by using observable market inputs such as market interest yield.

27 COMMITMENTS

(a) Capital commitments as at 30 June 2023 were as follows:

	At 30 June 2023 **$'000**	At 31 December 2022 *$'000*
Contracted for but not provided		
- property and equipment	**1,679,689**	1,714,215
- investments	**4,158,246**	4,560,466
Authorised but not contracted for		
- property and equipment	**54,608**	48,637
	5,892,543	6,323,318

(b) Operating lease commitments: The Group as lessor

The Group leases out operating lease assets and investment properties under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every 2 to 5 years to reflect market rental. None of the leases includes contingent rentals.

The gross carrying amounts of the operating lease assets and investment properties of the Group held for use in operating leases were $33,358,295,000 (31 December 2022: $31,463,923,000).

As at 30 June 2023, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2023 **$'000**	At 31 December 2022 *$'000*
Within 1 year	**1,714,942**	2,012,304
After 1 year but within 2 years	**1,100,386**	1,414,231
After 2 year but within 3 years	**786,621**	877,708
After 3 year but within 4 years	**662,502**	652,465
After 4 year but within 5 years	**500,502**	596,304
After 5 years	**760,666**	919,124
	5,525,619	6,472,136

28 MATERIAL RELATED PARTY TRANSACTIONS

The Group has not entered significant recurring and non-recurring transactions with related parties during the Period.

Business transactions between state-owned enterprises controlled by the PRC (collectively "State-Owned Entities") are within the scope of related party transaction. During the Period, the Group had transactions with State-Owned Entities including but not limited to the sales of insurance policies and banking related services. These transactions are conducted in the ordinary course of the Group's insurance business on terms similar to those that would have been entered into with non-State-Owned Entities. The Group has also established its pricing strategy and approval processes for its major insurance products. Such pricing strategy and approval processes do not depend on whether the customers are State-Owned Entities or not. Having due regard to the substance of the relationships, the Directors believe that none of these transactions are related party transactions that require separate disclosure.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

Life insurance business

The Group operates its life insurance business in the PRC, Hong Kong, Macau and Singapore's life insurance market, offering a wide range of insurance products covering different types of individual and group life insurance, health insurance, accident insurance and annuity. With regard to the control of quality of the insurance policies underwritten, the Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

Property and casualty insurance business

The Group is engaged in the underwriting of property and casualty insurance business in the PRC, Hong Kong, Macau, UK, Singapore and Indonesia. The Group focuses its property and casualty insurance business by offering a wide range of insurance products covering different types of property insurance (including compulsory motor insurance), liability insurance, credit insurance, guarantee insurance, short-term accident and health insurance and the related reinsurance business. The Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

Reinsurance business

The Group's reinsurance portfolio is made up of a mix of business spreading across different geographic regions with emphasis towards Asian countries, covering property damage, life, marine cargo and hull and miscellaneous non-marine classes. Whilst diversifying its underwriting portfolio, the Group does not actively seek acceptance of any liability reinsurance business from customers operating outside the Asia Pacific region. In the Asia Pacific region, where these are core-markets of the Group, liability reinsurance businesses are written on a limited scale in order to provide customers in the region with comprehensive reinsurance services.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Underwriting strategy *(Continued)*

Reinsurance business (Continued)

For life reinsurance business strategy, current portfolio of life business is mainly made up of saving business with emphasis on Hong Kong market. Besides maintaining current business scale, in order to diversify and balance the underwriting portfolio, the Group starts to emphasise on the development of protection business and financial reinsurance business. The Group's strategy is to develop business with prudent attitude, gain more sophisticated market experience instead of seeking fast business expansion.

(b) Reinsurance strategy

The Group purchases reinsurance protection from other reinsurers in the normal course of business in order to limit the potential for losses arising from unexpected and concentrated exposures. In assessing the credit worthiness of reinsurers, the Group takes into account, among other factors, ratings and evaluation performed by recognised credit rating agencies, their claims-paying and underwriting track record, as well as the Group's past experience with them.

(c) Asset and liability matching

The objective of the Group's asset and liability management is to match the Group's assets with liabilities on the basis of duration. The Group actively manages its assets using an approach that balances quality, diversification, asset and liability matching, liquidity and investment return. The goal of the investment process is to maximise investment returns at a tolerable risk level, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

However, in respect of life insurance business, under the current regulatory and market environment in the PRC, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its life insurance liabilities. When the regulatory and market environment permits, the Group intends to gradually lengthen the duration of its assets. The Group monitors the duration gap between the assets and liabilities closely and prepares cash flow projection from assets and liabilities on a regular basis. Currently, the Group reduces the level of the asset-liability mismatch by:

- actively seeking to acquire longer dated fixed rate debt investments with an acceptable level of yield;

- upon the maturity dates of fixed rate debt investments, rolling over the proceeds to longer dated fixed rate debt investments;

- disposing of some of the shorter dated fixed rate debt investments, particularly those with lower yields, and rolling over the proceeds to longer dated fixed rate debt investments; and

- investing in equities for the long-term and in property holding company.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk

Transactions in financial instruments and insurance assets/liabilities may result in the Group assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

There is no significant change in the Group's exposures to risk and how they arise, nor the Group's objectives, policies and processes for managing each of these risks.

(i) Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Market risk principally arises from the Group's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, but these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Group's business and asset-liability matching processes means that it is exposed to market risk on net assets representing shareholders' equity. Interest rate risk also arise from guarantees in the Group's insurance and investment contracts to the extent that they are not economically hedged or borne by contract holders.

Interest rate risk

Interest rate risk is risk to the earnings or market value of a fixed-rate financial instrument due to uncertain future market interest rates. Some of the contracts issued by the Group contain interest rate guarantees.

The Group monitors this exposure through periodic reviews of its financial instruments and closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio are modelled and reviewed periodically.

The Group is exposed to fair value interest rate risk in relation to the debt investments measured at FVPL and FVOCI.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(i) Market risk (Continued)

Equity price risk

The Group has a portfolio of marketable equity securities, which are carried at fair value and is exposed to price risk. As the financial risks of unit-linked contracts are fully undertaken by the policyholders, the assets related to unit-linked products are not included in the analysis of equity price risk below. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

The Group manages the equity price risk by investing in a diverse portfolio of high quality and liquid securities.

The Group's investment in equity securities and investment funds was carried at a fair value of $237,424.29 million (31 December 2022: $208,768.67 million), representing approximately 21% (31 December 2022: approximately 20%) of total investments held by the Group.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(i) Market risk (Continued)

Foreign exchange risk

The Group is exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currencies of Group entities.

In respect of the life insurance and property and casualty insurance business in the PRC, premiums are received in RMB and the insurance regulation in the PRC requires insurers to hold RMB assets. Therefore, the foreign exchange risk in respect of RMB for the Group's PRC operations is not significant in the condensed consolidated statement of profit or loss.

In respect of the property and casualty insurance business in Hong Kong, the majority of the premiums are received in HKD and USD. The exchange rate between HKD and USD is currently pegged. The currency position of assets and liabilities is monitored by the Group periodically.

In respect of the property and casualty insurance business in Macau, UK, Singapore and Indonesia and reinsurance business, the foreign exchange risks in such various currencies are not significant in the condensed consolidated statement of profit or loss.

(ii) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the obligors to make full payment of principal or interest when due.

The Group is exposed to credit risks primarily associated with statutory deposits, securities measured at amortised cost and FVOCI, securities purchased under resale agreement, finance lease receivables, other assets, pledged and restricted bank deposits and deposits at banks.

The Group internally grades financial assets based on the credit quality, risk characteristics and the Group's internal credit control policy.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(ii) Credit risk (Continued)

The risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities invested by life insurance and property and casualty insurance business in the PRC, the Investment Procedures Manual, which is managed by an investment committee, includes the minimum acceptable credit rating of the issuers as required by the NAFR. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately.

The Group does not have any significant concentration of counterparty credit risk arising from the investments in debt securities since the investment portfolio is well diversified.

The credit risk associated with insurance and reinsurance contract assets will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and/or maturity term of no more than one year as at 30 June 2023. The Directors of the Company consider the Group's exposure of the credit risk in respect of insurance and other debtors are insignificant.

The credit risk associated with reinsurance companies is managed by regular evaluation of the credit quality of the relevant reinsurers. The Group's policy is to generally use reinsurers with investment grade (i.e. BBB or higher) credit ratings. In addition, majority of the reinsurers' share of insurance contract provisions are held under a net settlement arrangement against the corresponding insurance creditor balances with the same reinsurer.

To reduce the credit risk associated with the investments in debt securities, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities invested by life insurance and property and casualty insurance business in the PRC, the Investment Procedures Manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the NAFR. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately. In respect of the debt securities invested by property and casualty insurance business in Hong Kong, more than 96% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 90% of the debt securities are with ratings of investment grade.

As at 30 June 2023, debt securities held by the Group mainly comprised of domestic bonds. Majority of the domestic securities were the investment grade bonds with BBB ratings or above.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(ii) Credit risk (Continued)

Judgement of significant increase in credit risk

In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers individual financial asset or financial assets with similar credit risk characteristics to determine ECL staging by comparing the credit risk of the financial asset at reporting date with the credit risk at initial recognition. Various reasonable supporting information are used to judge if there is significant increase in credit risk, including forward-looking information, when determining the ECL staging for financial assets.

The Group set quantitative and qualitative criteria to identify whether the financial asset has significant increase in credit risk since initial recognition. Major factors being considered is the probability of default upon initial recognition of financial asset and whether there has been ongoing increase in probability of default throughout each reporting period. The Group assess significant increase in credit risk as at each reporting date based on available reasonable and supportive forward-looking information such as but not limited to:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the issuer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the issuer
- Significant increase in credit risk on other financial instruments issued by the same issuer
- Significant changes in the value of the collateral supporting the financial asset or the quality or third party guarantees or credit enhancements

In the judgement of whether the financial instruments have significant increase of credit risks after initial recognition, the Group considers the 30 days past due as one of criteria of significant increase of credit risks, in accordance with the standard.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(ii) Credit risk (Continued)

Judgement of credit-impaired assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost, debt investments at FVOCI and lease receivables are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Internal credit rating is default grade；or

- The lender gives the borrower concessions for economic or contractual reasons due to the debtor financial difficulties, where such concessions are normally reluctant to be made by the borrower; or

- Significant financial difficulty of the issuer or counterparty; or

- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- Disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(ii) Credit risk (Continued)

Judgement of credit-impaired assets (Continued)

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

The financial asset is considered credit-impaired when the counterparty fails to make contractual payments within 90 days of when they fall due.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including hanging market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value plus eligible transaction costs in accordance with the accounting policies set out in Note 2(b). The new asset is allocated to Stage 1 (assuming that it is not credit-impaired at the date of modification).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its internal credit rating as at the reporting date based on the modified terms; with

- the internal credit rating based on data on initial recognition and the original contractual terms.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(ii) Credit risk (Continued)

Inputs, assumptions and techniques used for estimating impairment

The parameters and assumptions involved in ECL model are described below.

For financial assets with or without significant increase in credit risk, lifetime or 12 months expected credit losses are provided respectively. ECL is the result of discounting the product of Exposure at Default ("EAD"), Probability at Default ("PD") and Loss Given Default ("LGD").

EAD: EAD is based on the amounts of the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime.

PD: PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation, depending on whether the financial asset has significant increase in credit risk since initial recognition or is assessed to be credit-impaired as described above. PD for each internal credit rating is determined by the Group's Credit Rating Center and is reviewed annually.

LGD: LGD represents the Group's expectation of the extent of loss on default exposure. LGD varies type of financial asset, type of counterparty, seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at EAD. LGD is calculated on a 12 months or lifetime basis. The Group determines LGD taking into consideration publications by Basel Committee on Banking Supervision and Moody's, adjusted based on the financial condition of the borrower and the Group's experience studies.

The Group makes adjustment to the probability of default taking into consideration historical default rates and adjusts for forward-looking macroeconomic data. There were no significant changes to estimation techniques or assumptions made during the year.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. External information including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates when incorporating the forward-looking information.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(iii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its life insurance contracts, property and casualty insurance contracts and reinsurance contracts. There is, therefore, a risk that cash will not be available to settle liabilities when due.

The Group manages this risk by formulating policies and general strategies of liquidity management to ensure that the Group can meet its financial obligations in normal circumstances and that an adequate stock of high-quality liquid assets is maintained in order to contain the possibility of a liquidity crisis.

Apart from liquidity management and regulatory compliance, the Group always strives to maintain a comfortable liquidity cushion as a safety net for coping with unexpected large funding requirements and to maintain a contingency plan to be enacted should there be a company specific crisis.

29 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Reserve adequacy

The Group exercises great care and effort in setting up the reserves for its reinsurance and property and casualty insurance business. The reserves are estimated by the Group, using actuarial methods such as loss development methods and/or the Bornhuetter-Ferguson methods. The adequacy of reserves is regularly reviewed.

The computation of the Group's reserves for its life insurance business is in accordance with accounting principles generally accepted in Hong Kong. The determination of annual reserves to be made is based on realistic assumptions on mortality and morbidity rates, returns on investment, persistency rates and policy maintenance expenses after reasonable and prudent adjustments for adverse deviation to ensure adequacy of reserves on a going concern basis.

In assessing the liability adequacy for its life insurance business, the process employed to determine the assumptions that have the greatest effect on the measurement is described below:

- The qualified professional actuaries of the Group are responsible for setting the assumptions.

- The assumptions are set based on best estimates in accordance with actual operating performance of the business.

- Certain assumptions are topped up with additional margin based on professional actuarial estimates to derive a risk margin in the liability of insurance contracts.

- Scenario testing in respect of applying different assumptions is performed.

- The qualified professional actuaries of the Group make recommendations to the board and management of the relevant subsidiaries in regards to the results of the scenario testing.

- The board and management of the relevant subsidiaries are responsible for making final decisions in the determination of the assumptions.

Changes to Information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 28 March 2023 (being the date of approval of the Company's 2022 Annual Report) and 24 August 2023 (being the date of approval of the Company's 2023 Interim Report) are set out below:

Mrs. LAW FAN Chiu Fun Fanny has retired as an independent non-executive director of CLP Holdings Limited with effect from May 2023.

Mr. XIAO Xing has resigned as an executive director and deputy general manager of the Company with effect from July 2023.

Mr. YANG Changgui has resigned as a non-executive director of the Company with effect from August 2023.

After making specific enquiries by the Company and confirmed by the Directors, other than the above disclosures, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2023, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise which had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

During the Period, no Directors nor any of their spouses or children under the age of eighteen years has any interests in or has been granted any rights to subscribe for equity or debt securities of the Company nor was there been any exercise of any such rights by any of them.

At no time during the Period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As of 30 June 2023, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position/ short position	Percentage of issued share capital
TPG	Interest of controlled corporation	2,201,515,256 *(Note 1)*	Long position	61.25
TPG (HK)	1,889,811,144 Shares as beneficial owner and 311,704,112 Shares *(Note 2)* as interest of controlled corporation	2,201,515,256	Long position	61.25

Notes:

(1) TPG's interests in the Company is held by TPG (HK), Easiwell, Golden Win and Manhold, all of which are wholly-owned subsidiaries of TPG.

(2) 168,098,887 Shares are held by Easiwell, 77,303,275 Shares are held by Golden Win and 66,301,950 Shares are held by Manhold.

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2023.

Corporate Governance

During the Period, the Company was in compliance with the CG Code provisions, with the following exceptions:

The non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, the Company confirmed that during the Period, all Directors have complied with the required standards as set out in the Model Code.

The interim results for the Period has been reviewed by the audit committee of the Company and independent auditor of the Company, PricewaterhouseCoopers.

Corporate Information

DIRECTORS

Executive directors

WANG Sidong *Chairman*
YIN Zhaojun *Vice Chairman & General Manager*
LI Kedong *Deputy General Manager*

Non-executive directors

GUO Zhaoxu
HU Xingguo
ZHANG Cui

Independent non-executive directors

ZHU Dajian
WU Ting Yuk Anthony
XIE Zhichun
LAW FAN Chiu Fun Fanny

AUDIT COMMITTEE

WU Ting Yuk Anthony *Chairman*
HU Xingguo
ZHANG Cui
ZHU Dajian
XIE Zhichun
LAW FAN Chiu Fun Fanny

REMUNERATION COMMITTEE

ZHU Dajian *Chairman*
WANG Sidong
YIN Zhaojun
WU Ting Yuk Anthony
XIE Zhichun
LAW FAN Chiu Fun Fanny

NOMINATION COMMITTEE

WANG Sidong *Chairman*
LI Kedong
ZHU Dajian
WU Ting Yuk Anthony
LAW FAN Chiu Fun Fanny

CORPORATE GOVERNANCE COMMITTEE

WANG Sidong *Chairman*
YIN Zhaojun
LI Kedong

RISK MANAGEMENT COMMITTEE

XIE Zhichun *Chairman*
YIN Zhaojun
GUO Zhaoxu
ZHANG Cui

COMPANY SECRETARY

ZHANG Ruohan

AUTHORISED REPRESENTATIVES

WANG Sidong
ZHANG Ruohan

REGISTERED OFFICE

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REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17/F, Hopewell Centre,
183 Queen's Road East,
Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
(Certified Public Accountants and Registered Public Interest Entity Auditors)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Agricultural Bank of China Limited Hong Kong Branch

WEBSITE

www.ctih.cntaiping.com
www.cntaiping.com

STOCK MARKET LISTING

The Main Board of The Stock Exchange of Hong Kong Limited
(Stock Code: HK 00966)

Definitions

In the announcement, the following expressions shall have the following meanings unless the context requires otherwise:

"Board"	the board of Directors
"CG Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"CTPI (HK)"	China Taiping Insurance (HK) Company Limited
"Directors"	The directors of the Company, including the independent non-executive directors
"Easiwell"	Easiwell Limited
"Golden Win"	Taiping Golden Win Investment Limited
"HIBOR"	Hong Kong Interbank Offer Rate
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Indonesia"	Republic of Indonesia
"Last Period" or "1H 2022"	The six months ended 30 June 2022
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Luxembourg"	Grand Duchy of Luxembourg
"Macau"	Macau Special Administrative Region of the PRC
"Manhold"	Manhold Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NAFR"	National Administration of Financial Regulation
"SFO"	Securities and Futures Ordinance
"Share(s)"	Share(s) in the capital of the Company
"Singapore"	Republic of Singapore
"the Company" or "CTIH"	China Taiping Insurance Holdings Company Limited
"the Group"	CTIH and its subsidiaries
"the Period" or "1H 2023"	The six months ended 30 June 2023
"the PRC"	The People's Republic of China
"the Stock Exchange"	The Stock Exchange of Hong Kong Limited

"TP Fund"	Taiping Fund Management Company Limited
"TPA (HK)"	Taiping Assets Management (HK) Company Limited
"TPAM"	Taiping Asset Management Company Limited
"TPCA"	Taiping Capital Insurance Asset Management Company Limited
"TPFH"	Taiping Financial Holdings Company Limited
"TPG"	China Taiping Insurance Group Ltd.
"TPG (HK)"	China Taiping Insurance Group (HK) Company Limited
"TPI"	Taiping General Insurance Company Limited
"TPIH (HK)"	Taiping Investment Holdings (HK) Company Limited
"TPL"	Taiping Life Insurance Company Limited
"TPL (HK)"	China Taiping Life Insurance (Hong Kong) Company Limited
"TPL (Macau)"	China Taiping Life Insurance (Macau) Company Limited
"TPP"	Taiping Pension Company Limited
"TPRB"	Taiping Reinsurance Brokers Limited
"TPRe"	Taiping Reinsurance Company Limited
"TPRe (China)"	Taiping Reinsurance (China) Company Limited
"TP Indonesia"	PT China Taiping Insurance Indonesia
"TP Macau"	China Taiping Insurance (Macau) Company Limited
"TP Singapore"	China Taiping Insurance (Singapore) PTE. Ltd.
"TP UK"	China Taiping Insurance (UK) Company Limited
"UK"	the United Kingdom of Great Britain and Northern Ireland
"US"	United States of America
"RMB"	Renminbi
"HKD" or "HK$"	Hong Kong dollars
"USD"	United States dollars

By Order of the Board of
China Taiping Insurance Holdings Company Limited
ZHANG Ruohan
Company Secretary

Hong Kong, 24 August 2023

As at the date of this announcement, the Board comprises 10 directors, of which Mr. WANG Sidong, Mr. YIN Zhaojun, and Mr. LI Kedong are executive directors, Mr. GUO Zhaoxu, Mr. HU Xingguo and Ms. ZHANG Cui are non-executive directors, and Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny are independent non-executive directors.