中國太平洋保險（集團）股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(Stock Code：02601)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Chairman's statement

Dear shareholders,

In 2023, in spite of a complex and challenging global political and economic landscape, subdued global economic growth, and domestic economic constraints such as lack of effective demand and weakened short term market expectations in the short term, China's economic development still demonstrated immense potential, great resilience and strong dynamism. Its long-term outlook remains positive. At the same time, the reform of China's financial regulatory system has been implemented, with a tightening of financial supervision. In the face of both challenges and opportunities, the insurance sector advanced with transformation to unlock its potential. In an uncertain market environment, we adhered to high-quality development, deepened transformation, and delivered a stable business performance, with improved market share, steady progress in value-creating capabilities and more breakthroughs in key areas, which consolidated the foundation of sustainable development.

In 2023, we forged ahead with reform in a coordinated way, with steady increase in comprehensive strength. We deepened transformation and enhanced our capabilities to serve national strategies. Group operating income amounted to RMB323.945 billion, of which, insurance revenue reached RMB266.167 billion, a growth of 6.6% year on year; Group OPAT[note1,2] reached RMB35.518 billion, remaining stable. As of the end of 2023, Group EV amounted to RMB529.493 billion, an increase of 1.9% from the end of 2022; Group AuM[note 2] stood at RMB2,922.308 billion, a growth of 10.1% from the end of the preceding year; Group number of customers totalled 179.869 million, an increase by 9.342 million from the end of 2022.

In the year, we continued to grow value, with improving momentum in KPIs for high-quality development. CPIC Life deepened the Changhang Transformation and reported robust NBV growth on the back of channel diversification. NBV for the year amounted to RMB10.962 billion, a growth of 19.1% year on year. The quality and mix of the agency force continued to improve, with steady improvement in core manpower productivity and income; we pushed for an organisational shift towards corporate headquarters focusing on empowerment and branch offices on independent business operation and accelerated the building of a customer-oriented, self-driven, value-creating organisation. CPIC P/C adhered to high-quality development, accelerated sustainable development strategy, and achieved all-around improvement in business management, with a 11.8% growth in insurance revenue, and an underwriting combined ratio of 97.7%. We delivered underwriting profitability in automobile, non-auto mobile and agricultural insurance business, further cementing the foundation of profitable, sustainable and high-quality development. In asset management, we optimised the ALM system across economic cycles, enhanced capabilities for investment research, compliance management and risk control, with resilient investment performance amid a volatile and weak capital market. Comprehensive investment yield for 2023 stood at 2.7%, a year-on-year growth of 0.4pt.

In the year, we addressed both symptoms and root-causes, with enhanced capacity for governance amid a complex environment. We continuously improved professional capability for risk management, pro-actively responded to emerging risks arising from new technologies, new models and new business areas; strengthened forward-looking early-warning, identification and control of risks, with enhanced capacity for risk management and top SARMRA rankings. We stepped up ESG capacity-building, released our first Climate Change Report to facilitate green development; continued to optimise the integrated model of corporate governance, diversify channels of investor communications, strictly implemented rules on information disclosure and improved our transparency. We were awarded top rating by SSE in information disclosure evaluation for the tenth consecutive year, included among the Best Cases of the Board of Directors of Publicly Listed Companies for 2023 by the Chinese Association of Listed Companies, and won top rankings in corporate governance evaluation by the insurance regulator. CPIC P/C and CPIC Life maintained top ratings in the business operation assessment by the Chinese Insurance Association for consecutive years.

In 2023, we boosted innovation via collaboration, with progress being made in insurtech via resource sharing and cooperation. With a vision of "industry leadership in digital and intelligent capabilities", we accelerated digital empowerment and innovation. We launched Digital Employees based on large-scaled modelling, which served as labour equivalents at our Internal Audit Centre. CPIC P/C deepened the use of RPA, and the "smart factory" can replace a monthly average manpower of 400 people, which helped to improve efficiency with integrated operation. CPIC Life launched Xin Shuang Lu (meaning "double recording") driven by light-weight remote visual interactive technology, which enabled "cloud-based virtual meetings" between sales personnel and customers, thus enhancing customer experience. We released our first Report on CPIC Individual Customers, which showcased the role big data played in driving customer resources management; inaugurated "Meeting Room at the Huangpu River", a platform to engage with our strategic customers, and built an open, collaborative ecosystem for win-win results. Through the Asian Games in Hangzhou, we deepened the marketing model of "insurance + sports + health + service", and the "CPIC Blue Team" PR programme won the Best Marketing Cases by the organising committee of the Hangzhou Asian Games.

There was a smooth succession of the Board and management at the end of 2023. 2024 is a critical year of transition for CPIC. Looking ahead, the global economy faces both risks and opportunities, and China strives to sustain its economic recovery amid downward pressures. It is our firm belief that, no matter how the environment changes, the long-term positive outlook for China's economy remains unchanged. The insurance market has great potential to continue its high-quality development. Our DNA of focus, prudence and innovation will continue. The new Board of Directors will continue to act with confidence, meet challenges head on. We will maintain the business philosophy of customer-orientation, demonstrate stronger energy and resilience, press ahead with transformation, seize emerging opportunities of development, and move firmly towards the vision of "a leading insurance financial group with global competitiveness".

We will make efforts to both "strengthen and to explore" centring on the 5 priorities. The Central Work Meeting on Financial Services floated the target of building China into a financial powerhouse, which instilled great vitality into the high-quality development of the insurance industry. The 5 priorities in financial services will create major opportunities for the industry. Accordingly, we will strengthen capabilities in techfin, improve full-cycle service of technological innovation, and contribute to China's vision of an independent technological powerhouse; promote inclusive finance, uphold the people-centred philosophy and deliver breakthroughs in China's key national strategies; expand retirement-related financial services, particularly pension fund management and supply of innovative products and services. At the same time, we will actively explore new areas and frontiers, especially green finance to serve China's green, low-carbon transitioning and the green upgrading of China's economy; boost the digital economy to advance digital transformation and empowerment of the core business of insurance, setting a good example for the industry.

We will focus on "quality and profitability" and further strengthen our core business segments. Life insurance business will adhere to its aim of value growth, continue to roll out the Changhang Transformation, promote channel diversification, accelerate the building of the "product+service" system to meet the diverse needs of customers, so as to enhance overall quality and profitability; put in place an organisational model with corporate headquarters focusing on empowerment and branch offices on independent business operation, and substantially strengthen our value-creating capabilities. P/C insurance business will continue to focus on quality first. While maintaining solid underwriting profitability of both auto and non-auto business, we will ensure stability of existing business and make efforts to foster new growth drivers, establish and improve an integrated disaster response system covering "prevention, reduction, relief and claims payment" and the risk reduction management system, so as to cement the foundation of high-quality development. As for asset management, we will follow the logic of the market, improve the sense of "the big picture", and strengthen capacity-building for professional investment expertise. Particularly a long-term view of value investing, a holistic view of insurance asset management, forward-looking approach towards investment in emerging areas, global awareness of asset management, a sense of balance between risk and reward, embrace market-based mechanisms such as incentive and constraint systems. We will optimise the unified internal credit-rating and credit risk management system, improve the long-term mechanism for risk handling, and continue to increase value contribution of investment.

We will stay "pragmatic and results-driven", committed to delivering more benefits in the implementation of the 3 key strategies. The strategy in health care strives to enhance empowerment of the core insurance business, pro-actively respond to customers' need for health protection and changes in their behaviours, proceed with ecosystem building for full life-cycle health services, promote our specialty service programmes such as CPIC Care Home and Yuanshen Rehabilitation, and continuously strengthen capacity for retirement and health services. The strategy in integrated regional development will depart from local development endowments, take firm steps in the roll-out of innovative mechanisms to increase their local impact, so that regional development can be fully aligned with national strategies, with more breakthroughs in enhancing key regional market competitiveness. The strategy in digital empowerment will focus on building a leading ecosystem in technological services, accelerate digitally-enabled CRM, consolidate digital integrated risk control, enhance operational efficiency and investment research, so as to achieve new breakthroughs in forming new productive forces.

We will advance intra-Group collaboration by innovative means of "integration and well-targeting measures". We will persist with the customer-oriented business philosophy, continue to upgrade CRM to achieve "access to integrated services by one customer via one interface", promote further alignment of customers' diverse needs and the system of business operation and services, so as to deliver better synergies. We will fully leverage our advantage as a composite insurer, step up coordination of assets and liabilities and explore a collaboration-driven, new business model of "insurance + health care & retirement + wealth management". We will continuously optimise the service value chain, effectively strengthen customer-oriented value-creating capabilities, and promote steady improvement in customer value contribution. We will also intensify efforts in consumer rights protection, and secure the standing of CPIC Service as a premier insurance service brand.

We will combine "precision and optimisation" to solidify the foundation of business management. We will improve the formulation of forward-looking strategic planning, enhance its execution throughout the organisation so that it can more effectively drive high-quality development and ensure the fulfilment of our overall strategic objectives. We will stimulate organic development, unleash potential, conduct precise management, optimise organisational structure in line with our strategic development needs, improve talent development, and ensure steady progress in high-quality development. We will continuously enhance integrated corporate governance, effectively engage with the society, shareholders, customers and employees to achieve a win-win outcome. We will continue to improve the integration of the compliance management and risk control system into business operations.

In the course of our development in the past 32 years, generations of CPIC employees and agents forged ahead with a pioneering spirit, worked diligently, overcame difficulties and bore witness to the rise of a thriving Chinese insurance market, a compelling story with a dedicated chapter for CPIC. Thanks to their hard work, CPIC has continued to grow over the years, maintained its market leadership, and advances with the market. We will carry forward the cause of CPIC, persist with a long-term view, fulfil the mission of our times through solid, hard work. We will make sustained efforts to ensure stable fundamentals, gather great stregth, and foster new growth engines. We will stay committed to our responsibilities to society and people, and strive for a higher level of quality development, making even greater contributions to the effort of building China into a financial powerhouse.

Notes:

1.Attributable to shareholders of the parent.

2.Figures for comparative periods were restated.

Review and analysis of operating results

Business overview

I. Key businesses

We provide, through our subsidiaries, a broad range of risk protection solutions, wealth management and asset management products and services. In particular, we provide life/health insurance products & services through CPIC Life, property and casualty insurance products & services through CPIC P/C and CPIC Anxin Agricultural, and specialised health insurance products & health management services through CPIC Health. We manage insurance funds, including third-party assets, through our investment arm, CPIC AMC; provide retirement financial solutions and other related asset management service via Changjiang Pension, carry out private equity fund management through CPIC Capital, and also engage in mutual fund management business through CPIC Fund. We also provide market-oriented technological empowerment service via CPIC Technology.

In 2023, China's insurance market realised a primary premium income of RMB5.12 trillion, up by 9.1% from 2022. Of this, premiums from life/health insurance companies amounted to RMB3.54 trillion, a growth of 10.2%, and that from property and casualty insurance companies RMB1.59 trillion, up by 6.7%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are China's 3rd largest insurers for life and property and casualty insurance, respectively.

II. Main items on consolidated financial statements with change of over 30% and reasons

Unit: RMB million

Balance sheet items	31 December 2023	31 December 2022 (Adjusted)[note]	Changes (%)	Main reason for the changes
Financial assets at fair value through profit or loss	-	26,560	(100.0)	Adoption of the new financial instruments standards
Securities purchased under agreements to resell	2,808	21,124	(86.7)	Timing difference
Interest receivables	-	19,656	(100.0)	
Available-for-sale financial assets	-	715,085	(100.0)	
Held-to-maturity financial assets	-	514,250	(100.0)	
Investments classified as loans and receivables	-	397,270	(100.0)	
Financial Investments: Financial assets at fair value through profit or loss	581,602	-	/	Adoption of the new financial instruments standards
Financial Investments: Financial assets at amortised cost	82,334	-	/	
Financial Investments: Debt investments at fair value through other comprehensive income	1,247,435	-	/	
Financial Investments: Equity investments at fair value through other comprehensive income	97,965	-	/	
Deferred income tax assets	7,076	19,661	(64.0)	Decrease in deductible temporary differences
Taxes payable	3,536	5,166	(31.6)	Timing difference
Interest payable	-	469	(100.0)	Adoption of the new financial instruments standards
Reinsurance contract liabilities	-	809	(100.0)	Change in insurance business
Deferred income tax liabilities	1,119	568	97.0	Increase in taxable temporary differences
Other comprehensive income	7,992	(11,581)	(169.0)	Change in fair value of financial investments at fair value through other comprehensive income
Retained profits	121,448	92,588	31.2	Profit for the period and adoption of the new financial instruments standards
Non-controlling interests	18,118	5,195	248.8	Issuing bonds

Income statement items	2023	2022 (Adjusted)[note]	Changes (%)	Main reason for the changes
Interest income	58,262	-	/	Adoption of the new financial instruments standards
Investment income	7,053	77,510	(90.9)	
Share of profits of associates and joint ventures	(386)	401	(196.3)	Decrease in the investment income
Losses arising from changes in fair value	(11,712)	(61)	19,100.0	Adoption of the new financial instruments standards and market fluctuation
Exchange gains	159	1,085	(85.3)	Fluctuation of exchange rate
Impairment losses on financial assets	(2,013)	-	/	Adoption of the new financial instruments standards
Asset impairment losses	-	(5,303)	(100.0)	
Other comprehensive income/(loss)	1,552	(25,353)	(106.1)	Change in fair value of financial investments at fair value through other comprehensive income due to capital market fluctuation

Note: The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

III. Core Competitiveness

As a leading comprehensive insurance group in China, we are committed to value growth, firmly pursue development via transformation, stay focused on the core business of insurance, and strive for continued progress in high-quality development. We have achieved steady growth of overall business results, steady improvement of market standings, enhanced control of major risks, sustained improvement of comprehensive strength, with increased contribution to China's social and economic development and people's well-being.

Focus

We stay focused on insurance. As a composite insurer with multiple business segments along the insurance value chain, we continuously enhance capabilities in professional insurance business operation so as to better contribute to China's real economy and people's pursuit of a better life. Our life/health insurance business, committed to improving people's well-being, deepens integration of insurance products and services. It puts customers' need first and strives to improve the supply of products and services centring on health protection, retirement provision and wealth management; contributes to China's multi-tiered social security system through retirement finance and elderly care; presses ahead with channel diversification, enhances professional capacity-building of the agency force, and improves capabilities for services across the entire life cycle of customers. The property and casualty insurance business is committed to serve the New Development Pattern and improve the risk reduction system. Automobile insurance business steps up customer resources management (CRM), optimises the mode of risk management of new energy vehicles; accelerates innovation in technology insurance, green insurance, improves insurance supply in rural areas and for agriculture to facilitate China's Rural Invigoration Initiative. As for investment, we adhere to prudent, long-term and responsible investing, explore opportunities in forward-looking, emerging industries in the context of China's key national strategies and development regions, strengthen co-ordination of assets and liabilities, and contribute to steady growth of the Company.

Prudence

We are committed to prudent business operation, upholding the philosophy of "increasing protection, reducing and mitigating risks and doing insurance for people". We continuously improve our corporate governance structure with legal entities shouldering the primary responsibility. We are proud of modernised corporate governance mechanisms featuring good coordination and checks and balances, with the management, the Board of Directors, the Board of Supervisors and the Shareholders' General Meeting each performing their duties, in accordance with rules and policies which clearly define their respective roles and responsibilities. That helps the Company to execute strategies and conduct business in an orderly manner. We adhere to the business philosophy of long-term, sustainable development, with a performance evaluation system balancing short term, and long term, development and risk management. We put in place a risk management system covering risk governance, risk strategies and management of major risk categories, continue to improve risk management rules and policies, enhance digitalisation in risk control, foster an enabling corporate culture integrating risk management and internal control, and continuously enhance capabilities for prudent business operation, compliance and risk management, so as to ensure sustainable and healthy development of the Company.

Innovation

We persist in customer orientation and forge ahead with transformation and innovation in a bid to foster new drivers for high-quality development. The health care strategy centres on the "Healthy China Initiative" and national retirement finance strategies, provides differentiated, personalised product/service solutions in response to changing customer needs and behaviours, and continuously enhances the supply of health services and elderly care; promotes specialty service programmes such as CPIC Home and CPIC Family Doctors via collaboration with partners to advance the core business of insurance. The strategy in integrated regional development departs from local development endowments, consolidates comprehensive advantages in the Yangtse River Delta Region, innovates cross-border business in the Greater Bay Area, promotes head-office economy in the Area of Beijing, Tianjin and Hebei, and leverages diversified deployment in circle of Chengdu and Chongqing; deepens the synergy of life and P/C insurance business, the coordination of assets and liabilities, and the integration of products and services. The digital empowerment strategy aims to facilitate high-quality development, expands the ecosystem of digital and intelligent services, establishes and improves Group-wise data governance system, promotes the development of hallmark applications such as Digital Employees, an application driven by large-scaled modelling; strengthens integrated digital and smart risk control, accelerates investment research capabilities for digital and intelligent decision-making, enhances digital and smart operational management, steps up empowerment by digital and smart CRM, advances digital finance, in a bid to accelerate the shift of growth drivers.

Responsibility

We leverage insurance as “a cushion of economic shocks” and “a social stabiliser”, uphold “insurance for people”, conduct inclusive finance, and stay committed to creating value for our employees, customers, shareholders and the society. We adhere to customer orientation, ensure the pivotal role of CPIC Service Officers in consumer rights protection, with increasing visibility of the brand of “Responsible, Smart and Caring” CPIC Service. We provide employees with access to an innovative learning platform, step up training and coaching of young talent, optimise organisational structure in a bid to enhance employees’ experience and their sense of fulfillment, belonging and satisfaction. We diligently perform our corporate social responsibilities, manage and mitigate risks, boost economic development and improve social governance, innovate in the supply of green insurance products and services, accelerate capacity-building in ESG investment, promote green finance in the insurance industry, in order to facilitate sustainable social and economic development of China. We continue to strengthen investor communication, improve transparency in information disclosure to improve investor recognition; maintain stable and prudent shareholder dividend levels so that shareholders can share in the growth of the Company.

Performance overview

We focused on the core business of insurance, stayed committed to value growth and long-termism, deepened the customer-oriented strategic transformation, and delivered positive momentum of overall business results and continued growth of comprehensive strength. CPIC Life strived to become a life insurer with the best customer experience, focused on long-termism, deepened the Changhang Transformation, enhanced customer-oriented, value-creating capabilities, and undertook to build a new organisational model with headquarters focusing on empowerment and branch offices on autonomous business operation; CPIC P/C persisted in value growth, carried out precise business operation and targeted management, accelerated implementation of the sustainable development strategy, with all-around improvement in business management, and strengthened momentum of profitable, sustainable high-quality development; asset management further optimised the ALM system across economic cycles, enhanced professional investment research capabilities, strengthened compliance management and internal control, and reported resilient investment results.

I. Performance highlights

During the reporting period, Group operating income amounted to RMB323.945 billion, of which, insurance revenue reached RMB266.167 billion, a growth of 6.6% year on year. Group net profit[note 1,2] reached RMB27.257 billion, down by 27.1% from 2022, with Group OPAT [notes 1,2,3] of RMB35.518 billion, down by 0.4%. Group EV amounted to RMB529.493 billion, an increase of 1.9% from the end of 2022. Of this, Group value of in-force business[note 4] amounted to RMB237.974 billion, up by 7.4%. Life insurance business delivered RMB10.962 billion in new business value (NBV), a growth of 19.1% year on year, with an NBV margin of 13.3%, up by 1.7pt. Property and casualty insurance business[note 5] recorded an underwriting combined ratio of 97.7%, up by 0.7pt from 2022. Comprehensive investment yield of Group investment assets went up by 0.4pt year on year to 2.7%. As of the end of the reporting period, Group total number of customers reached 180 million, an increase of 9.34 million.

CPIC Life reported solid NBV growth with channel diversification delivering initial success

- NBV reached RMB10.962 billion, up by 19.1% year on year, with an NBV margin of 13.3%, up by 1.7pt.
- Written premiums amounted to RMB252.817 billion, up by 3.2% year on year. Of this, new business premiums grew by 3.7%.

- OPAT[note 2] of life insurance reached RMB27.257 billion, a year-on-year growth of 0.4%; contract service margin amounted to RMB323.974 billion, down by 0.8% from the end of 2022.
- The agency channel deepened career-based restructuring, with considerable improvement in productivity and income of core manpower; bancassurance focused on value growth, with notable improvement in value contribution; business quality management was intensified, with continued optimisation of policy persistency.

Underwriting combined ratio of property and casualty business[note 5] stayed healthy, with rapid top-line growth

- Underwriting combined ratio was 97.7%, up by 0.7pt from the level of 2022. Of this, underwriting expense ratio stood at 28.5%, down by 0.3pt, and underwriting loss ratio 69.2%, up by 1.0pt.
- Primary premium income amounted to RMB190.614 billion, a year-on-year increase of 11.4%. Of this, non-auto business grew by 19.1% and accounted for 45.6% of total property and casualty insurance premiums, up by 2.9pt.
- Automobile insurance enhanced CRM capabilities, with improved customer retention; non-auto business maintained an overall stable business quality, with emerging business lines such as liability insurance, agricultural insurance and health insurance maintaining rapid growth.

Persisted in strategic asset allocation based on profiles of liabilities, with resilient investment performance

- The share of debt financial assets stood at 74.5%, up by 5.4pt from the beginning of 2023; that of equity financial assets 14.5%, down by 0.3pt from the year beginning, and of this, core equity[note 6] accounted for 10.7% of total investment assets, a decrease of 0.8pt from the year beginning.
- Comprehensive investment yield of Group investment assets reached 2.7%, up by 0.4pt year on year. Total investment yield[note 2] was 2.6%, down by 1.5pt, with net investment yield of 4.0%, down by 0.3pt.
- Group AuM[note 2] amounted to RMB2,922.308 billion, an increase of 10.1% from the end of 2022. Of this, third-party AuM amounted to RMB672.235 billion, a decrease of 3.7%.

Notes:

1. Attributable to shareholders of the parent.
2. Figures for comparative periods were restated.
3. OPAT is based on net profit on the financial statements, while excluding certain P/L items with short-term volatility and material one-off items which management does not consider to be part of the Company’s day-to-day business operation. Short-term investment volatility applies to business of CPIC P/C, CPIC Life and CPIC Health, etc., while excluding business based on VFA; it refers to the difference between actual investment income and long-term investment assumptions, while considering the impact of income tax. Material one-off items includes the difference between deductible amounts for

pre-tax profit of the current period and the average deductible amounts for pre-tax profit of the preceding years.
4. Based on the Group's share of CPIC Life's value of in-force business after solvency.
5. Consolidated data of CPIC P/C, CPIC Anxin Agricultural and CPIC HK.
6. Stocks and equity funds included.

II. Key performance indicators

Unit: RMB million

Indicators	As at 31 December 2023 /for the period between January and December in 2023	As at 31 December 2022 /for the period between January and December in 2022	Changes (%)
Key value indicators			
Group embedded value	529,493	519,621	1.9
Value of in-force businessnote 1	237,974	221,479	7.4
Group net assetsnote 2,3	249,586	196,477	27.0
NBV of CPIC Life	10,962	9,205	19.1
NBV margin of CPIC Life (%)	13.3	11.6	1.7pt
Underwriting combined ratio of CPIC P/C (%)	97.7	96.9	0.8pt
Comprehensive investment yield (%)	2.7	2.3	0.4pt
Key operating indicators			
Insurance revenue	266,167	249,745	6.6
CPIC Life	85,461	88,590	(3.5)
CPIC P/C	177,128	158,483	11.8
Group number of customers ('000)note 4	179,869	170,527	5.5
Average number of insurance policies per customer	2.32	2.29	1.3
Monthly average agent number ('000)	210	279	(24.7)
Surrender rate of CPIC Life (%)	1.8	1.8	-
Total investment yield (%)note 2	2.6	4.1	(1.5pt)
Net investment yield (%)	4.0	4.3	(0.3pt)
Third-party AuM	672,235	697,947	(3.7)
Key financial indicators			
Net profit attributable to shareholders of the parentnote 2	27,257	37,381	(27.1)
CPIC Lifenote 2	19,532	29,474	(33.7)
CPIC P/C note 2	6,575	8,187	(19.7)
Basic earnings per share (RMB)note 2,3	2.83	3.89	(27.1)
Net assets per share (RMB)note 2,3	25.94	20.42	27.0
Comprehensive solvency margin ratio (%)			
CPIC Group	257	256	1pt
CPIC Life	210	218	(8pt)
CPIC P/C	214	202	12pt

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

Life/health insurance business

CPIC Life delivered robust NBV growth, forged ahead with the Changhang Transformation, reported sustained, and balanced value growth on the back of channel diversification, upgraded the customer-oriented system of products and services, undertook to build a new organisational model with headquarters focusing on empowerment and branch offices on autonomous business operation, with strong momentum in business performance. CPIC Health rolled out the strategic transformation focusing on "new products, new channels and new technology", with enhanced professional capability for sustainable development.

I. CPIC Life

(I) Business analysis

In 2023, amid China's economic recovery, CPIC Life pursued high-quality development, continued with its goal of providing the best customer experience on the market, upheld long-termism, and deepened the Changhang Transformation. As a result, the subsidiary reported RMB252.817 billion in written premiums, an increase of 3.2% year on year. Of this, new business premiums grew by 3.7%, and renewed premiums by 3.0%. It reported OPAT[note] of RMB27.257 billion, a growth of 0.4%.

Overall, the first phase of Changhang Transformation has delivered positive results, manifest in the pick-up of business momentum. First, NBV grew rapidly, with steady improvement of NBV margin. The subsidiary reported RMB10.962 billion in NBV for 2023, a year-on-year growth of 19.1%, or 30.8% before adjusting economic assumptions and evaluation methods; NBV margin stood at 13.3%, up by 1.7pt. Second, the quality and mix of agency force continued to improve, with steady improvement in core manpower income and productivity. Third, we deepened the channel diversification strategy, with a sharp increase in value growth from value-oriented bancassurance and work-site marketing and steady increase in their value contribution. Fourth, business quality continued to improve, with marked improvement in policy persistency.

While consolidating the achievements in the first phase, the company initiated a staff-oriented organisational restructuring, seeking to build corporate headquarters focusing on empowerment and branch offices on independent business operation. At the same time, it embarked on the design of the second phase of the transformation to accelerate the paradigm shift, in a bid to fully establish the new business model. In 2024, the subsidiary will put in place a customer-based, value-oriented "closed-loop" operational system underpinned by channel diversification, all-around operational support, management of value-creation, and boost value-driven transformation to achieve more breakthroughs in high-quality development.

Note: Figures for comparative periods were restated.

1. Analysis by channels

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

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Written premiums	**252,817**	**244,879**	**3.2**
Agency channel	**195,478**	**189,775**	**3.0**
New policies	32,377	28,350	14.2
Regular premium business	26,175	19,792	32.3
Renewed policies	163,101	161,425	1.0
Bancassurance channel	**38,069**	**33,826**	**12.5**
New policies	33,291	32,140	3.6
Renewed policies	4,778	1,686	183.4
Group channel	**18,096**	**21,207**	**(14.7)**
New policies	17,208	20,469	(15.9)
Renewed policies	888	738	20.3
Other channels[note]	**1,174**	**71**	**1,553.5**

Note: Other channels include telemarketing & internet sales.

(1) Agency channel

Committed to providing personalised products and services and maximising value-creation for customers, CPIC Life pressed ahead with the restructuring of the agency force centring on “3 Directions and 5 Mosts”. To promote career-based development, it established 2 separate operational modes for agents, i.e., financial advisory and post-sale follow-up service to upgrade the integrated business model for the agency channel; fully leveraged the amended Basic Law to drive changes in 3 behaviours of agents; persisted in high-quality recruitment and coaching, launched an integrated training programme for new recruits covering recruitment, coaching and retention to drive growth of core manpower. To improve professionalism, the company rolled out an on-line and off-line integrated, differentiated CRM system based on customer segmentation, needs analysis and service matching; rolled out the value proposition of wealth management, retirement and health protection through the Xin Xun Ying (meaning training camps under the new model) training system, and enhanced agency force capabilities. As for digitalisation, it re-deployed around the Digital Blueprint based on the needs of employees, agents and customers to empower agency force management and development. In 2023, the channel realised RMB195.478 billion in written premiums, a year-on-year growth of 3.0%, and of this, regular-pay new business amounted to RMB26.175 billion, up by 32.3%.

The subsidiary firmly pursued the Changhang Transformation, focused on improving the capabilities of the agency force, and realised steady business growth during the reporting period. In the year, monthly average agent number reached 210,000, with a year-end headcount of 199,000; monthly average FYP per agent reached RMB12,837, up by 51.8%. Core manpower started to stabilise, with marked improvement in productivity and income. Monthly average FYP per core agent reached RMB43,503, up by 26.6% and monthly average FYC per core agent RMB6,051, up by 46.3%, all on a year-on-year basis.

For 12 months ended 31 December	**2023**	**2022**	**Changes (%)**
Monthly average agent number ('000)	210	279	(24.7)
Monthly average performing ratio of agents (%)	67.9	63.4	4.5pt
Monthly average FYP per core agent (RMB)	43,503	34,376	26.6
Monthly average FYC per core agent (RMB)	6,051	4,136	46.3

(2) Bancassurance channel

CPIC Life stayed committed to value growth, persisted in high-quality development of bancassurance, and strived to diversify customer segments to drive value growth. Based on customer needs, it innovated a product and service operational system underpinned by customer segmentation, and achieved diversification of customer segments and improvement of service. It focused on key business growth drivers and re-engineered the management and operational mode of the channel, with continued improvement of management effectiveness. It conducted behaviour management via digital platforms and achieved sustained enhancement of team professional capabilities. During the reporting period, it realised RMB38.069 billion in written premiums from the channel, up by 12.5% year on year, and of this, regular-pay new business premiums amounted to RMB9.024 billion, a growth of 170.2%. NBV from the channel grew by 115.6% from 2022.

(3) Group channel

CPIC Life vigorously supported China's national initiatives, persisted in quality value growth, stayed committed to providing integrated solutions to its corporate and institutional clients and related customers, and improving their satisfaction. To improve people's well-being, it offered affordable insurance solutions to communities such as the elderly, farmers, new urban residents, low-income groups, and disabled people, while vigorously pushing forward long-term care and customised urban commercial medical insurance. In terms of retirement provision, it developed a wide range of pension products, which can effectively meet the needs of its corporate clients for supplementary retirement provision and long-term funds withdrawals. As for health protection, it provided comprehensive employee benefit solutions for grass-root governments and all kinds of enterprises in key sectors. With regard to work-site marketing, it focused on key industries, invested in key branch offices, optimised project management so as to build a productive team. During the reporting period, the channel recorded RMB18.096 billion in written premiums. Of this, those from work-site marketing reached RMB1.19 billion, a year-on-year growth of 273.4%, with the business structure continues to improve.

2. Analysis by product types

CPIC Life is committed to serving its customer needs and striving to build a new ecosystem with deep integration of products and services. During the year, it focused on the Golden Triangle system of products and services based on the 3 core needs of health protection, wealth management and retirement, conducted customer segmentation, established a customer-driven model for supply and upgrading of products and services, so as to provide integrated solutions for the entire life cycle of customers.

In health protection, we upgraded the "Jinsheng Wuyou" product suite, which offered the flexibility of "base policy + a selection of riders" to satisfy customers' need for tailor-made products. At the same time, we launched "Wuyou Guanjia" service under CPIC Blue Passports exclusively for CI insurance and subject to further upgrading. In retirement and wealth inheritance, we upgraded "Chang Xiang Ban", a whole-life insurance product positioned to meet customers' diverse needs for risk protection, wealth inheritance, and long-term savings, covering over 510,000 customers. CPIC Home deepened its presence in all of the 3 categories, with 14 retirement communities in 12 cities, and a total of 15,800 beds under planning. As of the end of 2023, 8 communities opened for business, including those in Hangzhou, Chengdu, Nanjing, Xiamen, Dali, Chongming District of Shanghai, Putuo District of Shanghai, and Qingdao; launched Bai Sui Ju, a programme for integrated, intelligent home-based old-age nursing, covering 60 offices of 29 branches by the end of 2023. In terms of wealth management, based on customer insights, we provided trust service of insurance funds, with channel-specific customisation in a bid to enhance customer experience.

For the reporting period, traditional business generated RMB159.477 billion in written premiums, up by 33.3% year on year. Of this, long-term health insurance contributed RMB45.600 billion, down by 3.7%. Participating business delivered RMB59.245 billion in written premiums, down by 31.2%, due to decline of interest rates and lowering of pricing interest rates for insurance products.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Written premiums	**252,817**	**244,879**	**3.2**
Traditional	159,477	119,624	33.3
Long-term health	45,600	47,362	(3.7)
Participating	59,245	86,126	(31.2)
Universal	18,812	21,412	(12.1)
Tax-deferred pension	66	75	(12.0)
Short-term accident and health	15,217	17,642	(13.7)

Information of the top five products in 2023

Unit: RMB million

For 12 months ended 31 December

Ranking	Name	Type	Written Premium	Main channel
1	Chang Xiang Ban (shengshiban) whole life 長相伴（盛世版）終身壽險	Traditional	15,048	Agency channel
2	Jin You Ren Sheng whole life A (2014) 金佑人生終身壽險（分紅型）A 款（2014 版）	Participating	13,867	Agency channel
3	Bao Li Ying endowment 保利盈兩全保險	Traditional	11,449	Bancassurance
4	Chang Xiang Ban (anniversary celebration) whole life 長相伴（慶典版）終身壽險	Traditional	11,308	Agency channel
5	Xin Xiang Shi Cheng (anniversary celebration) endowment 鑫享事誠（慶典版）兩全保險	Traditional	10,848	Agency channel

3. Policy persistency ratio

We continued to strengthen business quality control, and as a result, the 13-month policy persistency ratio of individual customers improved by 7.7pt to 95.7%; while the 25-month policy persistency ratio rose by 10.6pt year on year to 84.0%.

For 12 months ended 31 December	2023	2022	Changes
Individual customers 13-month persistency ratio (%)[note 1]	95.7	88.0	7.7pt
Individual customers 25-month persistency ratio (%)[note 2]	84.0	73.4	10.6pt

Notes:

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

4. Top 10 regions for written premiums

Written premiums of CPIC Life mainly came from economically developed regions or populous areas.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Written premiums	**252,817**	**244,879**	**3.2**
Jiangsu	27,372	26,562	3.0
Zhejiang	24,081	20,735	16.1
Henan	21,314	23,257	(8.4)
Shandong	19,604	19,923	(1.6)
Guangdong	14,895	13,189	12.9
Shanghai	13,887	8,084	71.8
Hebei	13,583	13,585	-
Shanxi	10,289	10,161	1.3
Hubei	9,571	10,133	(5.5)
Beijing	9,432	7,566	24.7
Subtotal	164,028	153,195	7.1
Others	88,789	91,684	(3.2)

(II) Profit analysis

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance service performance and others	**25,886**	**25,806**	**0.3**
Insurance revenue	85,461	88,590	(3.5)
Insurance service expenses	(57,178)	(59,957)	(4.6)
Total investment income[note 2]	36,708	61,763	(40.6)
Finance underwriting gains/(losses) [note 3]	(41,153)	(56,587)	(27.3)
Investment performance	**(4,445)**	**5,176**	**(185.9)**
Pre-tax profit	**21,441**	**30,982**	**(30.8)**
Income tax	(1,909)	(1,508)	26.6
Net profit	**19,532**	**29,474**	**(33.7)**

Notes:

1. CPIC Life adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, it adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the company did not adjust comparative figures of the prior period which related to investment business.
2. Total investment income includes investment income, interest income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, impairment losses on financial assets, other asset impairment losses, and taxes and surcharges applicable to investment business, etc.
3. Finance underwriting gains/(losses) includes insurance finance expenses for insurance contracts issued and reinsurance finance income for reinsurance contracts held.

Insurance revenue for the reporting period was RMB85.461 billion, down by 3.5% from 2022, mainly because of decrease in premiums from short-term insurance; at the same time, the contract service margin (CSM) declined in 2022 due to capital market volatility, which led to decrease in amortised amounts of CSM in 2023.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance revenue	**85,461**	**88,590**	**(3.5)**
Long-term insurance	72,805	72,929	(0.2)
Short-term insurance	12,656	15,661	(19.2)

Insurance service expenses amounted to RMB57.178 billion, down by 4.6% year on year, mainly due to decrease in premiums from short-term insurance, which, in turn, resulted in lower claims payments.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance service expenses	**57,178**	**59,957**	**(4.6)**
Long-term insurance	45,000	44,815	0.4
Short-term insurance	12,178	15,142	(19.6)

Investment performance for the reporting period amounted to RMB-4.445 billion, down by 185.9%, mainly due to adoption of the new financial instruments standards and capital market volatility.

As a result, CPIC Life recorded a net profit of RMB19.532 billion for 2023, down by 33.7% year on year.

II. CPIC Health

In 2023, CPIC Health saw sustained improvement in various business metrics. Under the New Accounting Standards, it delivered RMB2.079 billion in insurance revenue and health management fee income, and net profit of RMB31 million, with enhanced professional capability for sustainable development.

The subsidiary accelerated strategic transformation centring on “new products, new channels and new technology”. It adhered to the philosophy of “products are service”, stepped up the development of on-line business and, deepened cooperation with care providers, drug companies and insurance, in a bid to provide customers with caring, professional health protection and related services. In particular, it targeted youth customers, upgraded Lan Yi Bao, an internet product brand, explored new modes of internet marketing, promoted customer resources management integrating the internet and customers, and put in place a closed loop for customer acquisition, retention and up-selling. It seized opportunities arising from the launch of tax-deferred health insurance and debuted a tax deferred medical insurance product for whole-life cancer protection under Lan Yi Bao. It deepened cooperation with China's premier care providers such as Ruijin Hospital and Huaxi Hospital, and launched a series of innovative managed care products covering protection gaps of substandard risks, the elderly and children. It also launched "Tuntun Huipei", an on-line claims handling brand, which provides both claims management and health care service, and enhances customer experience and satisfaction.

Property and casualty insurance

In the face of a complex social and economic environment, CPIC P/C[note] persisted in high-quality development, promoted sustainable development strategy, and achieved substantial improvements in business management capabilities. It established an integrated disaster response system covering prevention, reduction, relief and claims payment, and a risk reduction management system, ensuring timely responses to typhoons and other natural disasters, maintained decent underwriting profitability for both automobile and non-auto insurance business and reported rapid premium growth, with enhanced momentum of profitable and sustainable high-quality development.

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

I. CPIC P/C

(I) Business analysis

During the reporting period, CPIC P/C recorded primary premium income of RMB188.342 billion, up by 11.4% from 2022, and an insurance revenue of RMB177.128 billion, a growth of 11.8%, with an underwriting combined ratio of 97.7%, up by 0.8pt year on year. Of this, underwriting loss ratio stood at 69.1%, up by 1.1pt, as a result of the normalisation of economic activity and travel; underwriting expense ratio was 28.6%, down by 0.3pt.

1. Analysis by lines of business

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Primary premium income	**188,342**	**169,073**	**11.4**
Automobile insurance	103,514	97,992	5.6
Compulsory automobile insurance	27,298	26,153	4.4
Commercial automobile insurance	76,216	71,839	6.1
Non-automobile insurance	84,828	71,081	19.3
Liability insurance	19,657	14,956	31.4
Agricultural insurance	17,721	13,754	28.8
Health insurance	17,361	14,641	18.6
Commercial property insurance	6,813	6,335	7.5
Others	23,276	21,395	8.8

(1) Automobile insurance

CPIC P/C adhered to the strategy of “high-quality development and systematic business operation” for its automobile insurance business. While ensuring stable business fundamentals, it strived to enhance CRM and channel efficiency, and continued to improve targeted management. In 2023, it reported primary premium income of RMB103.514 billion from automobile business, a growth of 5.6% year on year, with an underwriting combined ratio of 97.6%, up by 1.1pt, and of this, underwriting loss ratio stood at 70.6%, up by 1.1pt and underwriting expense ratio 27.0%, staying flat versus that of the preceding year. The company explored new business model for NEVs, fully integrating into the vehicle industry ecosystem, and establishing a collaborative cooperation mechanism with car manufacturers. In 2023, premium income of NEV auto insurance increased by 54.7% year-on-year.

(2) Non-automobile insurance

CPIC P/C closely followed national initiatives and the needs of the real economy, focused on key areas and accelerated innovation, continued to enhance CRM capabilities, stepped up business quality control, and optimised the risk reduction system. During the reporting period, it posted RMB84.828 billion in primary non-auto insurance premiums, up by 19.3% year on year, with an underwriting combined ratio of 97.7%, the same as that of the preceding year. Of the major business lines, emerging businesses such as liability insurance, agricultural insurance, health insurance and engineering insurance maintained strong momentum of growth, with an overall stable business quality.

Liability insurance centred on the New Development Pattern, stepped up support for modernisation of state governance and the shift of government roles, fully leveraged its insurance expertise, and provided specialised, differentiated and customised insurance products in areas of work-place safety, environmental protection, technology innovation, cyber-security, life sciences and people's well-being. During the reporting period, the business line delivered RMB19.657 billion in primary premium income, up by 31.4% from 2022, with an underwriting combined ratio of 100.6%. Going forward, the company will continue to optimise business mix, promote the development of high-quality business and enhance regular control of key projects, so as to improve the business quality of the business line.

Agricultural insurance is committed to ensuring food security, promoting the development of modern agricultural sector, and supporting rural invigoration. It capitalised on its first-mover advantage in technology and product innovation, vigorously participated in the trials of full-cost indemnity insurance of the 3 staple food crops as well as soy beans, rubber and sugar canes, promoted business development of "agricultural insurance +", such as insurance + futures and insurance + credit, and continued to strengthen its product supply for "*sannong*", i.e., agriculture, rural areas and farmers. During the reporting period, the business line delivered RMB17.721 billion in primary premium income, up by 28.8% year on year, with an underwriting combined ratio of 98.8%, down by 0.4pt versus the level in 2022.

Health insurance seized opportunities of the Healthy China Initiative, furthered deployment in various business areas, innovated product supply, further tapped into niche market businesses such as long-term care, chronic illness insurance and Huiminbao, stepped up the development of mid- and high-end commercial health insurance, while strengthening business quality and claims cost control. During the reporting period, health insurance reported RMB17.361 billion in primary premium income, a growth of 18.6% year on year, with an underwriting combined ratio of 99.2%, down by 3.3pt, achieving a turnaround in underwriting profitability.

Commercial property insurance persisted in high-quality development, pro-actively supported the real economy, and promoted stable business development. In 2023, the company generated RMB6.813 billion in primary premium income from the business line, up by 7.5% year on year, with an underwriting combined ratio of 97.2%.

(3) Key financials of major business lines

Unit: RMB million

For 12 months ended 31 December 2023

Name of insurance	Primary premium income	Amounts Insured	Underwriting profit	Underwriting combined ratio (%)
Automobile insurance	103,514	96,284,297	2,410	97.6
Liability insurance	19,657	270,842,074	(109)	100.6
Agricultural insurance	17,721	583,512	194	98.8
Health insurance	17,361	224,966,072	72	99.2
Commercial property insurance	6,813	18,879,502	206	97.2

2. Top 10 regions for premium income

CPIC P/C derived RMB123.615 billion in primary premium income from the top 10 regional markets in 2023, up by 11.5% year on year and accounting for 65.6% of total premiums. The company optimised resources allocation to drive business development of regional markets and branch offices.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Primary premium income	**188,342**	**169,073**	**11.4**
Guangdong	24,508	21,611	13.4
Jiangsu	21,189	18,950	11.8
Zhejiang	18,585	16,901	10.0
Shanghai	14,122	11,995	17.7
Shandong	10,434	9,558	9.2
Sichuan	7,330	6,290	16.5
Beijing	6,899	6,466	6.7
Hebei	6,884	6,301	9.3
Hubei	6,850	6,614	3.6
Henan	6,814	6,134	11.1
Subtotal	123,615	110,820	11.5
Others	64,727	58,253	11.1

3.Premium income by channels

Below sets out the primary premium income by channels during the reporting period.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Primary premium income	**188,342**	**169,073**	**11.4**
Agency	110,840	104,530	6.0
Direct	51,892	44,971	15.4
Brokerage	25,610	19,572	30.9

(II) Profit analysis

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance revenue	177,128	158,483	11.8
Insurance service expenses	(170,240)	(151,229)	12.6
Net income/(losses) from reinsurance contracts held[note 1]	(235)	(103)	128.2
Underwriting finance losses and others[note 2]	(2,513)	(2,243)	12.0
Underwriting profit	**4,140**	**4,908**	**(15.6)**
Underwriting combined ratio(%)	97.7	96.9	0.8pt
Total investment income[note 3]	**4,780**	**6,411**	**(25.4)**
Net of other income and expenses	(899)	(863)	4.2
Pre-tax profit	**8,021**	**10,456**	**(23.3)**
Income tax	(1,446)	(2,269)	(36.3)
Net profit	**6,575**	**8,187**	**(19.7)**

Notes:

1. Net income/(losses) from reinsurance contracts held include allocation of reinsurance premiums, recoveries of insurance service expenses from reinsurers, reinsurance finance income for reinsurance contracts held, etc.
2. Underwriting finance losses and others include insurance finance income or expenses and changes in insurance premium reserves, etc.
3. Total investment income for 2023 includes investment income, interest income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, interest expense on capital replenishment bonds, taxes and surcharges applicable to investment business and impairment losses on financial assets, etc.; total investment income for 2022 includes investment income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, interest expense on capital replenishment bonds, taxes and surcharges applicable to investment business and other asset impairment losses.

Insurance revenue for the reporting period amounted to RMB177.128 billion, up by 11.8% year on year, mainly as a result of fast growth of overall business. Of this, insurance revenue of automobile insurance reached RMB101.929 billion, up by 6.2%, and that of non-auto insurance RMB75.199 billion, an increase of 20.4%.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance revenue	**177,128**	**158,483**	**11.8**
Automobile insurance	101,929	96,011	6.2
Non-automobile insurance	75,199	62,472	20.4

Insurance service expenses for the reporting period amounted to RMB170.240 billion, up by 12.6% from 2022, mainly due to increase in claims and expenses as a result of overall business growth. Of this, insurance service expenses of automobile insurance reached RMB98.351 billion, up by 7.4%, and that of non-auto insurance RMB71.889 billion, an increase of 20.6% year on year.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance service expenses	**170,240**	**151,229**	**12.6**
Automobile insurance	98,351	91,606	7.4
Non-automobile insurance	71,889	59,623	20.6

Net losses from reinsurance contracts held amounted to RMB235 million, an increase by RMB132 million compared with that of the preceding year, largely due to impact of scale and mix of business ceded, and loss ratios of related business.

Underwriting finance losses and others amounted to RMB2.513 billion, a growth of 12.0%, mainly because of rapid business development, which led to a rise in insurance contract liabilities and subsequently an increase in the time value of liabilities.

Total investment income for the period reached RMB4.780 billion, down by 25.4%, mainly as a result of the adoption of New Accounting Standards on financial instruments in 2023 and capital market volatility.

As a result, CPIC P/C reported a net profit of RMB6.575 billion for 2023, a decrease of 19.7% from 2022.

II. CPIC Anxin Agricultural

In 2023, CPIC Anxin Agricultural stayed focused on the core business of agricultural insurance, pursued product and technology innovations, and realised RMB2.485 billion in insurance revenue, up by 41.6% year on year; recorded RMB1.985 billion in primary premium income, up by 13.4% year on year. Of this, agricultural insurance reported a primary premium income of RMB1.329 billion, a growth of 13.3%, with an underwriting combined ratio of 97.9%, down by 1.6pt. Net profit amounted to RMB182 million, remained relatively stable as compared with the preceding year.

III. CPIC HK

We conduct overseas P/C business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2023, its total assets stood at RMB1.273 billion, with net assets of RMB311 million. Primary premium income for the reporting period amounted to RMB287 million, with an underwriting combined ratio of 98.8%, and a net loss of RMB143 million.

Asset management

We persisted in long-term, value, prudent and responsible investing, further optimised the insurance ALM system across economic cycles to ensure its sustainability, and enhanced professional investment expertise. Within the SAA framework, we conducted flexible Tactical Asset Allocation (TAA), continued to extend duration of fixed income assets based on stringent control of credit risk to mitigate the reinvestment risk; enhanced pro-active management of equity assets while fully considering the impact of the New Accounting Standards. The share-dividend core strategy delivered positive results in the past 10 years. As a result, we delivered resilient investment performance, with Group AuM on steadily increasing.

I. Group AuM

As at the end of December 2023, Group AuM totalled RMB2,922.308 billion, rising 10.1% from the end of 2022. Of this, Group in-house investment assets amounted to RMB2,250.073 billion, a growth of 15.0%, and third-party AuM RMB672.235 billion, a decrease of 3.7%, with a management fee income of RMB2.022 billion, down by 6.3% from 2022.

Unit: RMB million

	31 December 2023	31 December 2022	Changes (%)
Group AuM[note]	**2,922,308**	**2,654,405**	**10.1**
Group in-house investment assets[note]	2,250,073	1,956,458	15.0
Third-party AuM	672,235	697,947	(3.7)
CPIC AMC	225,154	272,412	(17.3)
Changjiang Pension	352,032	354,349	(0.7)
CPIC Fund	94,249	70,721	33.3
CPIC Capital	800	465	72.0

Note: Figures for comparative periods were restated due to adoption of New Accounting Standards.

II. Group in-house investment assets

In 2023, amid China's sustained economic recovery, the government issued a host of supportive policies to address issues in economic development, particularly weak consumer demand and difficulties facing the business community, in hope of better unlocking the potential of economic growth. In equity assets, with progress of China's high-quality development, sectors with better earnings prospects became more attractive investment targets. As for fixed income assets, adjustment of the monetary policy may help to capture opportunities in treasury bonds and new types of fixed income assets compatible with long-term insurance funds.

Based on our outlook for long-term macro-economic trends, we continued with our fine-tuned “dumb-bell shaped” asset allocation strategy, i.e., steadily increasing allocation into long-term T-bonds to extend the duration of fixed income assets, while moderately increasing investments in equity assets and alternative assets including private equity to enhance long-term returns. At the same time, to control credit risk, we continued to lower the share of investment in corporate debt securities. We conducted TAA with flexibility under the guidance of SAA, pro-actively responded to challenges of equity market volatility and secular decline of interest rates.

We are committed to value growth, continuously strengthening our capacity in professional investment management, optimised the standardised investment management system, and vigorously explored innovative investment instruments and strategies; improved capital allocation capabilities and strengthened capital constraints, enhanced the overall foundation of capital and investment management; further improved the early-warning and mitigation system of credit risk to enhance risk management; put in place infrastructure for ESG investment including information systems, vigorously explored ESG investment, incorporated ESG into the value chain of asset management, initiated carbon inventory assessment of investment assets, and promoted ESG philosophies and their impact.

In terms of investment concentration, our investments are concentrated in financial services, communications & transport and infrastructure, with resilience in the face of risks. Our equity investments spread across a wide range of instruments; as for fixed income assets, the debt issuers boasted strong overall strength, and in addition to government bonds, our counter-parties mainly included China State Railway Group Co., Ltd., and large firms such as major state-owned commercial banks.

(I) Group consolidated investment portfolios

Unit: RMB million

	31 December 2023	Share (%)	1 January 2023	Share (%)
Group investment assets (total)	**2,250,073**	**100.0**	**2,021,933**	**100.0**
By investment category				
Cash and cash equivalents	34,263	1.5	54,272	2.7
Term deposits	165,501	7.3	211,234	10.4
Debt category financial assets	1,676,100	74.5	1,396,316	69.1
—Debt securities	1,163,626	51.7	870,482	43.0
—Bond funds	10,393	0.5	11,577	0.6
—Preferred shares	47,724	2.1	47,915	2.4
—Debt investment plans[note 1]	296,154	13.2	271,375	13.4
—Wealth management products[note 2]	113,195	5.0	127,141	6.3
—Others	45,008	2.0	67,826	3.4
Equity category financial assets	325,234	14.5	299,942	14.8
—Stocks	188,455	8.4	182,072	9.0
—Equity funds	52,004	2.3	49,704	2.5
—Wealth management products[note 2]	19,652	0.9	16,743	0.8
—Others	65,123	2.9	51,423	2.5
Long-term equity investments	23,184	1.0	25,829	1.3
Investment properties	10,667	0.5	11,202	0.6
Other investments[note 3]	15,124	0.7	23,138	1.1
By accounting measurement				
Financial assets at amortised cost[note 4]	82,334	3.7	91,428	4.5
Financial assets at fair value through other comprehensive income[note 5]	1,345,400	59.8	1,204,410	59.6
Financial assets at fair value through profit or loss[note 6]	581,619	25.8	415,955	20.6
Long-term equity investments	23,184	1.0	25,829	1.3
Other investments[note 7]	217,536	9.7	284,311	14.0

Notes：

1. Debt investment plans mainly include infrastructure and real estate funding projects.
2. Wealth management products mainly include wealth management products issued by commercial banks, products by insurance asset management companies, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.
3. Other investments mainly include restricted statutory deposits and derivative financial assets, etc.
4. Financial assets at amortised cost include financial assets at amortised cost on consolidated financial statements.
5. Financial assets at fair value through other comprehensive income include debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income on consolidated financial statements.
6. Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss and derivative financial assets on consolidated financial statements.
7. Other investments mainly include cash at bank and on hand, securities purchased under agreements to resell, term deposits, restricted statutory deposits and investment properties, etc.
8. According to requirements of new financial instruments standards, the Company did not adjust comparative figures which related to investment business on 31 December 2022. Figures on 1 January 2023 are listed in order to increase comparability.

1. By investment category

As of the end of the reporting period, the share of bond securities investments was 51.7%, an increase of 8.7pt from the beginning of 2023. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored banks made up 35.9% of total investment assets. The duration on fixed income assets reached 9.4 years, extended by 1.1 years versus the beginning of 2023. Moreover, 99.1% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA or above. Of this, the share of AAA reached 96.5%. We are proud of our professional internal credit-rating team and sound credit risk management systems covering the entire bond securities investment process, namely, before, during and after the investment. We continued to improve the Group-wise integrated credit-rating management system, evaluated credit-ratings of both the debt and debt issuers and identified the credit risk based on our internal credit-rating systems, while considering other factors such as macroeconomic conditions, and external credit-ratings in order to make sound, well-informed investment decisions. At the same time, to pro-actively control the credit risk of the stock of bond holdings, we followed a uniform and standardised set of regulations and procedures to review risk status, based on both regular and ad hoc follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors resulting in good diversification; we set great store by credit risk management, strictly controlling exposure to the real estate sector, and carefully selecting investment targets to ensure that risks are manageable. Overall, debt issuers of our investments all had good financial strength, with credit risk under control.

The share of equity financial assets stood at 14.5%, down by 0.3pt from the beginning of 2023. Of this, stocks and equity funds accounted for 10.7% of total investment assets, down by 0.8pt. On the back of disciplined TAA processes, we continued to promote resource realignment for investment research and the building of investment research platforms, enhanced tracking and analysis of market conditions, fully considered the impact of New Accounting Standards, made effective use of accounting classification of assets, conducted pro-active, flexible management of equity assets, strengthened the core share-dividend strategy, and realised steady investment performance.

As of the end of the reporting period, non-public financing instruments (NPFIs) totalled RMB418.228 billion, accounting for 18.6% of total investment assets. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is inherently required of insurance companies, staying highly selective of debt issuers and projects. The underlying projects spread across sectors like infrastructure, communications & transport, real estate, and non-bank financial institutions, which were geographically concentrated in China's prosperous areas such as Beijing, Sichuan, Hubei, Shandong, and Jiangsu.

Overall, the credit risk of our NPFI holdings is stable. 97.2% of NPFIs had external credit-ratings, and of these, the share of AAA reached 97.6%, and that of AA+ and above 99.6%. 52.7% of NPFIs were exempt from debt issuer external credit-ratings, and the rest was secured with credit-enhancing measures such as guarantee or pledge of collateral, with the overall credit risk under control.

Mix and distribution of yields of non-public financing instruments

Sectors	Share of investments (%)	Nominal yield (%)	Average duration (year)	Average remaining duration (year)
Infrastructure	41.7	4.6	8.3	5.4
Communications & transport	16.8	4.5	9.1	5.8
Real estate	14.2	4.8	7.2	4.2
Non-bank financial institutions	12.4	4.9	5.1	1.4
Energy and manufacturing	5.1	4.6	6.8	4.2
Others	9.8	4.8	8.7	5.3
Total	**100.0**	**4.7**	**7.8**	**4.7**

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

2. By accounting methods

Under the New Accounting Standards, investment assets of the Company are mainly classified into 3 categories: financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and others. The share of financial assets at fair value through other comprehensive income increased by 0.2pt from the beginning of the year, while that of financial assets at fair value through profit or loss grew by 5.2pt from the year beginning, mainly due to increased bond securities investments in both categories; the proportion of financial assets at amortised cost fell by 0.8pt, largely because of reduced share of debt investment plans in the category; the share of long-term equity investments fell by 0.3pt from the beginning of the year, mainly due to slightly decreased share of assets under structured entities; the share of others dropped by 4.3pt, mainly as a result of decrease in term deposits in the category.

(II) Group consolidated investment income

For the reporting period, net investment income totalled RMB77.739 billion, up by 2.3% from 2022. This stemmed mainly from increased dividend income. Net investment yield reached 4.0%, down by 0.3pt compared with that of 2022.

Total investment income amounted to RMB52.237 billion, down by 28.3% year on year, mainly attributable to adoption of New Accounting Standards, securities trading losses and increase in losses from fair value change, with total investment yield of 2.6%, down by 1.5pt year on year.

Comprehensive investment yield rose by 0.4pt year on year to 2.7%, largely due to the increased impact from equity financial assets at fair value through other comprehensive income.

Unit: RMB million

For 12 months ended 31 December	2023	2022	Changes (%)
Interest income	58,262	61,780	(5.7)
Dividend income	18,750	13,510	38.8
Rental income from investment properties	727	703	3.4
Net investment income	**77,739**	**75,993**	**2.3**
(Losses)/gains from securities trading	(11,311)	1,819	(721.8)
Losses arising from changes in fair value	(11,712)	(61)	19,100.0
Impairment losses of investment assets	(2,093)	(5,300)	(60.5)
Other income[note 1]	(386)	401	(196.3)
Total investment income	**52,237**	**72,852**	**(28.3)**
Net investment yield (%)[note 2]	4.0	4.3	(0.3pt)
Total investment yield (%)[note 2]	2.6	4.1	(1.5pt)
Comprehensive investment yield (%)[note 2,3]	2.7	2.3	0.4pt

Notes：

1. Other income included share of profit/(loss) of associates and joint ventures, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets as the denominator in the calculation of net/total investment yield and comprehensive investment yield were computed based on the Modified Dietz method and did not consider the impact of the fair value change of debt investments at fair value through other comprehensive income.
3. The figure as the numerator in the calculation of comprehensive investment yield included total investment income, the change of equity investments at fair value through other comprehensive income at current period and amounts of transferring to retained profits at current period caused by the impact of equity investments at fair value through other comprehensive income, etc.
4. Certain comparative figures have been adjusted to conform to the presentation of the current period.

III. Third-party AuM

Group third-party AuM amounted to RMB672.235 billion, and of this, that of CPIC AMC totalled RMB225.154 billion, with a share of 33.5%; and that of Changjiang Pension RMB352.032 billion, accounting for 52.4%.

(I) CPIC AMC

In 2023, the risk-free interest rates, though already low, continued to drop, amid a volatile capital market and complex, fast-changing credit risk environment. CPIC AMC followed high-quality development, pro-actively enhanced its investment capabilities and managed various risks, and steadily promoted the development of third-party business. As of the end of the reporting period, its third-party AuM amounted to RMB225.154 billion, a decrease of 17.3% from the end of 2022.

During the reporting period, the company pre-emptively adjusted strategies, conducted alternative investment business in a prudent manner, raised the threshold of project access, so as to strictly control credit risk. It focused on green assets, adding 3 registered green products in the year, with a registered size of about RMB13 billion. It supported local SOEs in their effort to make better use of assets, launched an asset-backed scheme for underground commercial properties of Ningbo Subway. The subsidiary vigorously explored emerging businesses, and was one of the first batch of 5 insurance AMCs granted qualifications for ABS business and infrastructure REITs at Shanghai Stock Exchange and Shenzhen Stock Exchange. It also launched the “CPIC - Haitong Hengxin Asset-backed Plan for High-quality Development of Micro- and Small-sized Companies”, which has received the Letter of No Objection from the SSE for its upcoming sale on the exchange. As of the end of the reporting period, assets under outstanding alternative investments by CPIC AMC exceeded RMB170 billion, continued to be at the forefront of the industry.

As for portfolio asset management products, in 2023, CPIC AMC focused on customer needs and value growth, scaled back low-value businesses, while expanding core-strategy products focussing on pro-active management. Given its mature equity investment strategies, the company built a diversified product line-up for equity products. The Excellence Share-dividend Equity Investment Product delivered a positive yield of 7.56% amid market decline, with nearly RMB10 billion under management. To meet the asset allocation needs of banking and insurance customers, the company consolidated its corner-stone strategy, diversified the “fixed income + ” product line-up based on multiple niche strategies, continuously issued products based on amortised cost and bank deposits in line with changes in market conditions, marketed its OCI advantageous strategies and “fixed income +” strategy to third-party insurance companies, so as to meet requirements of the New Accounting Standards. As of the end of the reporting period, CPIC AMC reported RMB183.148 billion in third-party portfolio asset management products and AuM under dedicated accounts.

(II) Changjiang Pension

During the reporting period, Changjiang Pension stayed committed to serving China's national retirement strategies, particularly in retirement planning and savings, overcame difficulties, pursued progress while ensuring stable fundamentals, and strived to become a top-notch provider of specialised pension-related financial services with social prestige. As at 31 December 2023, its third-party assets under trustee management amounted to RMB410.993 billion, up by 17.5% from the end of 2022; third-party assets under investment management reached RMB352.032 billion, down by 0.7%, due to regulatory requirements to scale back on certain retirement business.

The subsidiary stays focused on retirement-related financial services, continued to expand the pension business. It stepped up marketing in key regions and towards key customers, successfully acquired and retained a large number of large- and medium-sized corporate clients for annuity business, and at the same time optimised its collective plans to better satisfy needs of small- and medium-sized companies. It maintained leading investment performance in corporate debt portfolios for basic social pension schemes, which in turn led to a steady increase in fund contribution, with pension funds under management exceeding RMB680 billion, a growth of 15% from the end of 2022. In light of capital market trends and characteristics of pension fund investment, the subsidiary strived to generate relative returns on top of absolute returns, improved the investment decision-making process, enhanced attribution analysis of investment performance, and deepened the ESG investment research system. In particular, efforts were made to steadily enhance core investment research capabilities via talent succession planning, deployment in infrastructure platforms, and the KPI system. Data released by the Ministry of Human Resources and Social Security for Q3 of 2023 indicated that, out of 22 managers, the company ranked 3rd for investment performance of fixed income portfolios under both single plans and collective plans of corporate annuity.

Customer resource management

We stayed focussed on our customer-centric business philosophies and deepened CPIC Service. With a vision of "offering integrated service to one customer via one interface", we strived to continuously enhance service capabilities, optimised the service ecosystem for the full life cycle of customers, built a differentiated, smart service system based on customer segments, strengthened consumer rights protection, fully leveraged our advantage as a composite insurance group and pushed for steady growth of customer value contribution.

I. Individual customers

We are customer-oriented, committed to provide convenient, efficient products/services to our customers, with improvement in the scope and penetration of customer service in recent years. As of the end of 2023, the number of individual customers of the Group amounted to 178 million, up by 5.6% from the end of 2022; the number of customers with 2 insurance policies and above stood at 39.55 million, up by 6.8% from the end of 2022. We diversified ecosystems for intra-Group collaboration to generate increased value per customer. In recent years, cross-selling across different business segments within the Group continued to progress, and as of the end of 2023, the number of individual customers holding insurance policies of multiple Group subsidiaries amounted to 11.26 million, up by 6.1% from the end of 2022. CPIC Life saw a 3.5% growth in the number of long-term life insurance customers with annualised premiums of RMB15,000 and above; as for CPIC P/C, 95.4% of policy holders of compulsory automobile insurance for private vehicles took out commercial insurance, a growth of 1.4pt from the end of 2022, and the number of customers with SA of RMB1 million and above on TPL of automobile insurance stood at 24.24 million, up by 6.0% from the end of 2022. The renewal rate of individual customers of automobile insurance reached 75.4%, up by 1.6pt from 2022.

	2023	**2022**	**Change (%)**
Average number of insurance policies per individual customer	2.32	2.29	1.3
Number of individual customers holding 2 insurance policies and above ('0000)	3,955	3,705	6.8
Number of individual customers holding insurance policies of multiple Group subsidiaries ('0000)	1,126	1,061	6.1
Number of customers with annualised long-term insurance premiums of RMB15,000 and above of CPIC Life ('0000)	260	251	3.5
Number of customers with SA of a million yuan and above on TPL of automobile insurance of CPIC P/C ('0000)	2,424	2,287	6.0

Note: Number of customers was based on insurance applicants.

We closely follow changes to customers and strive to enhance service capabilities accordingly. First, we continuously improved the ecosystem of health service covering full life cycles of customers. CPIC Blue Passports upgraded the full-process pro-active service, adding programmes such as Assistance from Remote Locations and Name Your Preferred Doctors for Appointments. CPIC Family Doctors upgraded the system of family doctors and launched Digital Medical Files. As of the end of 2023, the number of CPIC customers using our health service reached 7.14 million. CPIC Home has 14 retirement communities in 12 cities, with a total of over 15,800 beds under planning. As of the end of 2023, 7,596 beds for old-age nursing were in supply. Second, with the help of big data, we made efforts to improve capabilities for differentiated business operation and services specific to customer segments. Based on customer profiles, we innovated Jia An Xin 2.0 and Tai Jian Kang, tailor-made products specifically for middle-aged and elderly people, and our motor insurance customers; diversified on-line products offering under Lan Yi Bao, achieving a rapid growth in on-line customers, consisting mostly of young people. Third, we strived to enhance customer experience and service efficiency through “smart service”. CPIC P/C established an integrated disaster response and mitigation system, leveraged digitalisation to accelerate loss-adjustment and resource allocation, so as to improve transparency in information, timeliness in relief effort, and accuracy in claims payment. CPIC Life re-engineered the journey of insurance policy services, realised one-stop, once-and-for-all handling of customer complaints. All types of claims service have been covered under on-line scenarios, and the rate of once-and-for-all complaints handling improved by 10pt.

We promoted the branding of CPIC Service, and enhanced capacity-building of consumer rights protection. CPIC P/C and CPIC Life maintained industry leadership in regulatory evaluation for consumer rights protection and rankings of service quality index. We value customer feed-backs, enhanced tracking of Net Promoter Score ("NPS"), an instrument for customer experience evaluation, constantly diversified scenarios for NPS tracking, so as to collect customer feed-backs in a more timely and comprehensive way. That would provide real-time, useful input for optimisation of operational management and products & services.

II. Group customer

To fully leverage intra-Group collaboration and improve value contribution from corporate/institutional clients, we continuously enhanced the supply of integrated solutions centring on “One CPIC and One Interface”, fostered the “cluster” of strategic and key accounts, and strived to build an ecosystem of synergy-driven development featuring “strategic cooperation, openness and win-win outcomes”.

In 2023, we stayed fully aligned with China’s national priorities, deepened customer engagement, expanded the scope of strategic accounts centring on key national strategies such as the Healthy China Initiative, Rural Invigoration, and Green Development. As of the end of 2023, there were 1,009 strategic accounts included under the collaborative development mode of the Group, a net increase of 207; we newly entered into 32 strategic partnerships with provincial-level governments (including provinces, autonomous regions, provincial- and vice-provincial level municipalities), with a coverage ratio of 88.9%, up by 11.1pt from the preceding year.

We focused on value, heightened cooperation with our strategic accounts, striving for breakthroughs in new products, new models and new levers, deepened the joint operational mode across subsidiaries, with the share of strategic accounts in agreement with multiple subsidiaries reaching 61.4%, up by 10.2pt versus the level in 2022.

We innovated the service mode for strategic accounts, promoted customisation of solutions, expanded the width and depth of services, established the BBE service system, launched the "Pavilion for Snapshot of CPIC Service", which offered first-hand experience of our service for employees of our strategic accounts, accessible both off-line and on-line.

ESG

I. ESG management

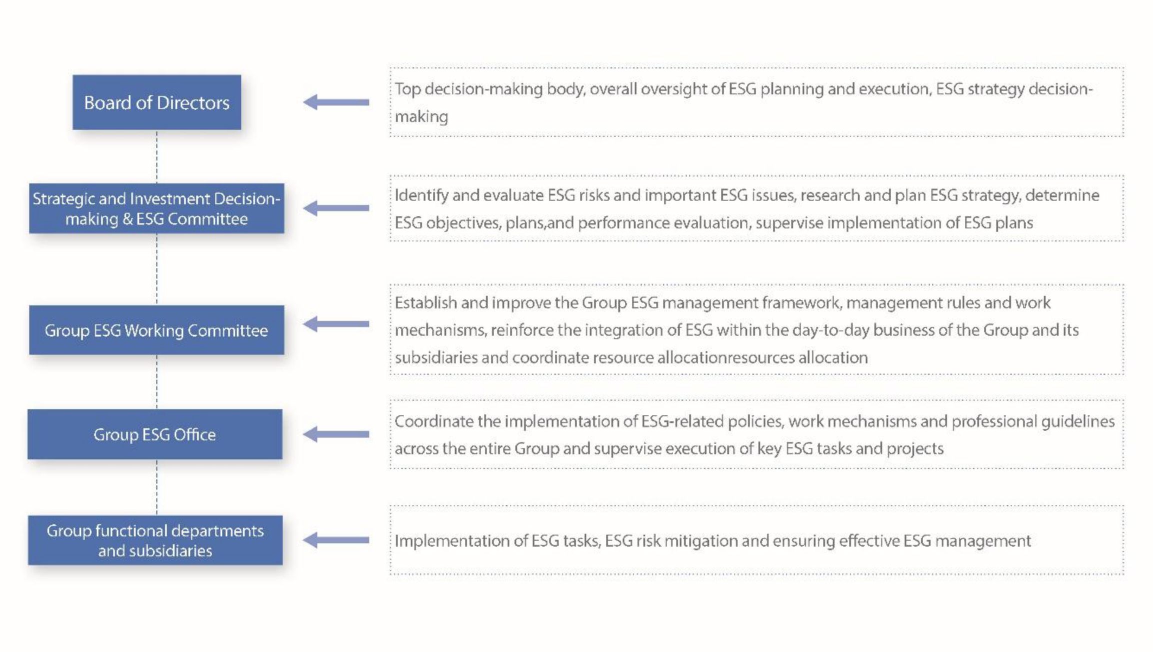
We attach great importance to ESG, formulated the ESG Programme (2023-2025) of China Pacific Insurance (Group) Co. Ltd., and accelerated ESG governance and capacity-building to boost high-quality development.

(I) ESG vision and objectives

Continuously improve ESG governance, promote the integration of ESG philosophies into corporate values and business practice; put in place an industry leading system of sustainable financial products and services, committed to continuously enhancing supply-side capabilities which help to improve the environment, people's well-being and social governance; establish a low-carbon, energy-saving operational model, gradually reduce our own energy consumption, effectively lower carbon emissions of investment portfolios; vigorously foster ESG culture, enhance ESG branding, and improve our capability to pursue sustainable development in an all-around manner.

(II) ESG governance

We put in place a complete ESG governance structure incorporating the decision-making body, the management and the execution, with clear defined roles and responsibilities. Meanwhile, we stepped up the formulation of work mechanisms, processes and regulations to ensure implementation of ESG programmes in an orderly manner.



II. ESG practice

In light of national initiatives and the development needs of real economy, guided by the UN sustainable development goals (SDGs), and giving full play to its professional advantages, the Company continued to roll out ESG actions. It joined into the UN PRI, UN PSI, UNGC and GIP for the "Belt and Road" Initiative, adopting international standards to jointly build a sustainable ecosystem for the industry.

(I) Environmental

Green insurance

In 2023, the Company continued to innovate in green insurance products and services in terms of climate risk mitigation, pollution control, clean energy, green transport, and carbon market development. Cumulative SA of catastrophe protection exceeded RMB895 billion, which is testament to our active role in catastrophe insurance. We continued to support environmental liability projects by providing cover against environment pollution risks with total SA exceeding RMB12.5 billion to more than 5,000 companies across the country; SA for clean energy projects surpassed RMB2.9 trillion. We also launched a series of innovative ecological carbon sink insurance products and carbon asset-related insurance, issued industry's first insurance policy of 27 products such as the carbon-asset impairment loss insurance and guarantee insurance for loans secured by carbon emission quotas.

Green investment

We made steady progress in green investment, formulated our Responsible Investment Policy and Management Rules for ESG Investment, developed the ESG rating system, and pushed for incorporation of ESG factors into the investment management process. We were involved in investments of green projects spanning clean transport, clean energy, circular economy and pollution control, etc., via channels of debt investment schemes and equity investment schemes. We set up a Green Carbon Fund with CICC, participated in the Low Carbon & Green Economy Fund by Baowu Group, to support the green upgrading of infrastructure and green industrial technologies. As of the end of 2023, cumulative green investments amounted to over RMB200 billion. Debt Investment Schemes, such as Lushan Water Pumping & Storage Debt Investment Scheme, Zhongyuan Yuzi Environmental Protection Debt Investment Scheme, and Wuhan Subway Infrastructure Debt Investment Scheme, all our investment projects, were granted the top-notch (G-1) green certification by professional rating agencies.

Green operation

We fully implemented green operation. In 2023, we completed a system-wide carbon accounting for the first time, defined the Group's unified carbon emissions accounting methodology, set up a visualized operation-side carbon footprint management platform and carbon management system; promoted paperless operation to reduce resource consumption via electronic insurance policies, invoices, etc.; advocated green travel and green office, with group-wide adoption of digital systems for office work, procurement and business travel; established the “Tan Xian Jia” platform to help employees practice green office and green travel, with over 39,000 cumulative users; implemented emission reduction initiatives, launched “Green, Low-carbon Demonstration Zones” on a trial basis, so as to lay the foundation for an orderly reduction in overall carbon emissions from business operation.

Conservation of biodiversity

The Company has always been committed to promoting biodiversity through green insurance and public welfare initiatives. We innovated ecosystem carbon sink insurance, rolled out China’s first grassland carbon sink remote index insurance, first wetland carbon sink ecological value insurance, and first single tree carbon sink insurance; underwrote public liability insurance against damage caused by wild Asian elephants for consecutive years, paying out a total of over RMB410 million in claims to more than 187,000 farming households; and underwrote China's first environmental relief liability insurance in Yunnan to offer dedicated protection for green peacocks' habitats. Since 2020, CPIC and its employees have donated more than RMB33 million to fund the completion of three phases of the Sanjiangyuan Ecological Park project, with over 130 hectares of land afforested and nearly 120,000 trees planted.

(II) Social

Supporting national initiatives

In 2023, the Company served as both an insurance provider and risk management service provider for the 19th Asian Games in Hangzhou. We provided a customised package of insurance solutions and general risk management services covering P/C, life and health insurance with SA totaling over RMB400 billion. We innovated carbon neutrality services for national-level exhibitions and provided "carbon neutrality + comprehensive insurance protection solutions" for domestic and international events such as China International Import Expo (CIIE), China Carbon Expo, and China International Fair for Trade in Services, setting an industry benchmark for green exhibitions. We also supported the "Belt and Road" Initiative, and provided cover against overseas business risk with total SA of over RMB2 trillion over the past 10 years, underwriting over 1,000 projects across nearly 120 countries and regions.

Inclusive insurance

The Company continued its innovation in inclusive insurance products to enhance their coverage and affordability to improve people's well-being. As of the end of 2023, CPIC Life participated in 44 on-going Huiminbao programmes in 77 cities of 15 provinces, serving over 20 million policyholders; successfully built Huhuibao, i.e., the programme in Shanghai into an industry benchmark, with over 6.25 million policyholders cumulatively; our long-term care insurance projects benefited over 50 million participants cumulatively; we continuously diversified financial services for new Shanghai residents and micro-business owners, helping more than 470,000 micro- and small business owners gain access to financing through the "bank + guarantee insurance" model. We launched a special plan under Huhuibao 2023 for certain specific communities, offering protection packages to over 40,000 sanitation workers in Shanghai.

Health care

We actively implemented the blueprint of health business, and improved our supply of health insurance products and health management services. Lan Yi Bao, a long-term medical insurance product, covered cumulatively more than 1.4 million customers; Jia An Xin, an innovative medical insurance product for sub-standard risks, provides health protection for not only healthy populations but also people with 5 chronic diseases. We also cooperated with Ruijin Hospital and set up online and offline care providers such as Guangci CPIC On-line Hospital and Guangci Memorial Hospital; CPIC Family Doctors launched digital medical records and corporate clinics, with more than 6 million users so far. With Yuanshen Rehabilitation, we set up the industry’s first consortium in rehabilitation care and explored the "insurance + rehabilitation" service model; we cultivated Qing Qing Cheng Zhang, a brand of youth health services, and officially opened the flagship pavilion in Shanghai, and established the "WCH-CPIC Joint Innovation Centre" with the Huaxi Hospital, leading in “insurance + health care” innovation in Southwest China.

Elderly care

In response to China’s national strategies to address population aging, we focused on the silver economy, and contributed to the country’s elderly care system, with 14 CPIC Home established in 12 cities, and 8 of them, such as the one in Shanghai, Chengdu, Dali and Hangzhou, are already in operation. Investments were made for a total of 15,800 beds. We also explored home-based nursing for the elderly under the brand Bai Sui Ju, including house remodelling adapted for old-age, daily medical service and long-term care, so as to meet diverse needs of the elderly people.

Consumer rights protection

The Company fully implemented regulatory requirements and improved its consumer rights protection system. We continued to deepen the 4-tiered CPIC Service Officers system and strengthened capacity building for consumer protection in new circumstances; established the first batch of CPIC "Consumer Rights Protection Demonstration Zones" to enhance our visibility and reputation in the region; developed the "CPIC Digital Middle Platform for Consumer Rights Protection" to enhance the effectiveness of technology-enabled full-process consumer rights protection. CPIC P/C and CPIC Life maintained industry leadership in regulatory assessment of consumer rights protection and insurance service quality index.

Employee rights and development

We are committed to harmonious and stable labour relations, continuously improved the remuneration management system, offered competitive compensation and have established an enterprise annuity system. We strived to ensure employees' entitled leaves and holidays, organised sports games, health checks, workplace physical exercises, and psychological counselling, among other initiatives, for employees on a regular basis, and provided health management services for employees and their families. We continued to improve the multi-levelled talent cultivation system, held executive training sessions to strengthen our management team. We also rolled out various learning and talent development programmes to improve the Company's succession planning, such as the "Young Talent Training Camp", "Director Trainees", Management Trainees, and "Baige Qianfan". In 2023, our online learning platform "CPIC Learning" made the list of "Exemplary Learning Platforms of Chinese Companies". It offered more than 14,000 online courses, organised more than 12,000 live streaming session, with over 100,000 daily active users.

Rural invigoration

In 2023, we continued to strengthen the long-term mechanism for rural invigoration with our own characteristics. Continued efforts were made in shantytown renovation and infrastructure building to improve the rural living environment, with outstanding bond investment for such purposes exceeding RMB10 billion. We have put in place a grass-root service network underpinned by over 3,800 CPIC rural service stations and over 15,000 insurance assistants. We cumulatively sent 270 employees to work in rural villages. In 2023, we provided agricultural insurance protection to over 23 million farming households with SA exceeding RMB780 billion, with nearly RMB14.4 billion in claims pay-out. CPIC P/C provided cover for China's 3 staple food crops with SA of nearly RMB80 billion, playing an important part in ensuring China's food security. We were active in conducting local specialty insurance covering specialty farm produce and crops in rural areas, and explored new models for safeguarding farmers' income.

Charity

We established a philanthropy platform to encourage participation of charitable activities by employees, customers, and other stakeholders. CPIC Blue, a charitable foundation, focused on “the elderly people and children”, particularly those with cognitive disorders and autism. We helped create an accurate eye-movement early-screening model, the first of its kind in China, and set up neighbourhood brain health service stations to offer early testing, diagnostic assessment, public education and volunteer services. Nearly 100,000 people have benefited from the early screening service so far. We launched a painting and calligraphy training programme to help autistic children improve self-confidence and integrate with society; carried out educational volunteer activities in Sanjiangyuan of Qinghai, set up a volleyball base for children, and arranged live broadcasts of the Asian Games at local primary schools funded by Project Hope. In 2023, the Company's charitable donations totaled RMB64.88 million.

(III) Governance

Corporate governance

As per relevant laws and regulations and regulatory requirements, we put in place a governance system consisting of shareholders’ general meeting (SGM), the board of directors, the board of supervisors and senior management, with co-operation, co-ordination and checks and balances between the top authority, the decision-making body, the body responsible for oversight and that of execution. We rolled out implementation of regulations concerning “procedures for major issues, major personnel appointments and major investments” and "preliminary review by CPC committees" at the grass-root level. We continued to optimise our board structure to carter for diversified shareholdings by state-owned shareholders, institutional investors and the public; improved board diversity and professionalism, with the share of external directors reaching 86% and that of female directors 29%, which helped with board decision-making and the protection of minority shareholder interests. We put in place an integrated risk management system. The Group's solvency ratios have consistently stayed above the regulatory minimum levels, and our insurance subsidiaries continued to lead the industry in integrated risk rating. We fully complied with information disclosure rules, and continued to improve the quality of information disclosure, with an A rating in information disclosure evaluation by the SSE for ten consecutive years.

Anti-corruption

In compliance with directives of the central government on anti-corruption work in SOEs, we enforced internal rules such as Interim Provisions on Anti-fraud Work and Measures for Accountability for Employee Misconduct, and further enhanced the procedures for whistle-blowing, investigation, handling, reporting and accountability for malpractice or violations of the law. We released the 3-year Action Plan (2023-2025) for Clean Culture and Negative List of Employee Conduct to improve working style, integrity of employees and party members. We carried out anti-corruption and integrity advocacy campaigns and training sessions, and all employees signed the Integrity Commitment Statements (2023 edition).

ESG risk management

In light of ESG risk management requirements, the Company continued to leverage risk appetites to enhance its risk management capability. We incorporated climate risk into our assessment model and independently developed an intelligent risk control platform "Risk Radar" to strengthen the monitoring, early warning and response to key risks, and to prevent concentrated claims pay-outs due to catastrophes. We conducted active research on climate risk and regional green insurance development, and maintained close communication with governmental and regulatory bodies, research institutes and enterprises in different industries to create an industry-research co-operation mechanism.

Data security

We take data security very seriously, established the Steering Committee for Cyber-security and IT to coordinate data security management efforts; drafted and revised a series of policies, including Provisional Regulations on Data Security and Rules on Information Security Management of Application Systems; established a data indicator monitoring system, designed and implemented the "DiTP Digital Security Operation Project", and strengthened the management of cyber-security, data security and smart operation; organised training on prevention of social engineering attacks, development of security certificates, and information security skills for specialists; and formulated emergency response plans for data security and carried out regular drills. In 2023, we received no administrative penalty due to any breach of rules on customer information security.

Supply chain management

The Company continued to improve its procurement and supplier management mechanism and implemented Provisions on Supplier Management, adding ESG requirements to supplier selection, process management, assessment and evaluation. It signed Anti-Commercial Bribery Agreements with its suppliers, strictly prohibiting bribery and corruption in the course of cooperation. The Company is committed to increasing the share of energy-saving and environmentally-friendly products in purchase, and put forward clear requirements on supplier ISO 14001 (environmental management system) certification and product energy consumption levels.

For further details, please refer to the 2023 Sustainable Development Report of China Pacific Insurance (Group) Co., Ltd. to be disclosed on the websites of the SSE (www.sse.com.cn), the HKEX (www.hkexnews.hk), the LSE (www.londonstockexchange.com) and the Company (www.cpic.com.cn).

Analysis of specific items

I. Consolidated income statement

Unit: RMB million

For 12 months ended 31 December	2023	2022 (Adjusted)note	Main reasons for the changes
CPIC Life	19,532	29,474	Decrease in investment income
CPIC P/C	6,575	8,187	Decrease in investment income
CPIC Group and eliminations, etc.	1,150	(280)	Increase in net profit of consolidated structured entities of the Group
Net profit attributable to shareholders of the parent	27,257	37,381	Decrease in investment income

Note: The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

II. Liquidity analysis

(I) Cash flow statement

Unit: RMB million

For 12 months ended 31 December	2023	2022(Adjusted)note	Changes (%)
Net cash flows from operating activities	137,863	148,664	(7.3)
Net cash flows used in investing activities	(161,357)	(169,736)	(4.9)
Net cash flows from financing activities	3,294	28,481	(88.4)
Effects of exchange rate changes on cash and cash equivalents	131	773	(83.1)
Net (decrease)/increase in cash and cash equivalents	(20,069)	8,182	(345.3)

Note: The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business

Net cash flows from operating activities decreased by 7.3% for the year ended 31 December 2023, amounted to RMB 137.863 billion, mainly attributable to rise in cash paid for claims under insurance contracts issued.

Net cash flows used in investing activities decreased by 4.9% for the year ended 31 December 2023, amounted to RMB 161.357 billion, mainly attributable to increase in cash received from disposal of investments.

Net cash flows from financing activities decreased by 88.4% for the year ended 31 December 2023, amounted to RMB 3.294 billion, mainly attributable to securities sold under agreements to repurchase which was net increase during the year ended 31 December 2022 and net decrease during the same period of 2023.

(II) Gearing ratio

	31 December 2023	31 December 2022(Adjusted)note 2	Changes
Gearing ratio (%)note 1	89.4	90.5	(1.1pt)

Notes:
1. Gearing ratio = (total liabilities + non-controlling interests)/total assets.
2. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

(III) Liquidity analysis

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

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

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

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

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

III. Items concerning fair value accounting

The financial instruments measured at fair value are detailed in notes XV and XVI of financial statements.

IV. Structured entities controlled by the Group

The structured entities controlled by the Group are detailed in note VI-2 to the financial statements.

V. Significant changes of key financial indicators and reasons for such changes

Unit: RMB million

	31 December 2023/ 2023	31 December 2022(Adjusted)[note]/ 2022(Adjusted)[note]	Changes (%)	Main reasons
Total assets	2,343,962	2,071,336	13.2	Business expansion
Total liabilities	2,076,258	1,869,664	11.0	Business expansion
Total equity	267,704	201,672	32.7	Profit for the period, change in fair value of financial investments at fair value through other comprehensive income and adoption of the new financial instruments standards
Operating profit	32,060	42,540	(24.6)	Decrease in investment income
Net profit attributable to shareholders of the parent	27,257	37,381	(27.1)	Decrease in investment income

Note: The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, the Company adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust comparative figures of the prior period which related to investment business.

VI. Solvency

As per regulatory requirements, we calculate and disclose our core capital, actual capital, minimum required capital and solvency margin ratios. As at 31 December 2023, the solvency margin ratios of the Group, CPIC Life, CPIC P/C, CPIC Health, and CPIC Anxin Agricultural were all above regulatory minimum levels.

Unit: RMB million

	31 December 2023	31 December 2022	Reasons for change
CPIC Group			
Core capital	303,908	332,414	Change in interest rate, capital market fluctuation, profit for the period and bond issuance by subsidiaries
Actual capital	456,938	479,073	Change in interest rate, capital market fluctuation, profit for the period and bond issuance by subsidiaries
Minimum required capital	178,017	187,333	Growth of insurance business, changes to asset allocation and optimisation in new regulation
Core solvency margin ratio (%)	171	177	
Comprehensive solvency margin ratio (%)	257	256	

CPIC Life			
Core capital	173,981	207,848	Change in interest rate, capital market fluctuation, profit for the period and issuance of bond
Actual capital	312,005	344,222	Change in interest rate, capital market fluctuation, profit for the period and issuance of bond
Minimum required capital	148,723	157,802	Growth of insurance business, changes to asset allocation and optimisation in new regulation
Core solvency margin ratio (%)	117	132	
Comprehensive solvency margin ratio (%)	210	218	
CPIC P/C			
Core capital	47,415	45,266	Capital market fluctuation and profit for the period
Actual capital	61,775	55,154	Capital market fluctuation, profit for the period and issuance of bond
Minimum required capital	28,898	27,246	Growth of insurance business, changes to asset allocation and optimisation in new regulation
Core solvency margin ratio (%)	164	166	
Comprehensive solvency margin ratio (%)	214	202	
CPIC Health			
Core capital	3,134	3,089	Change in interest rate, capital market fluctuation, and profit for the period
Actual capital	3,488	3,225	Change in interest rate, capital market fluctuation, and profit for the period
Minimum required capital	1,352	1,216	Growth of insurance business, changes to asset allocation and optimisation in new regulation
Core solvency margin ratio (%)	232	254	
Comprehensive solvency margin ratio (%)	258	265	
CPIC Anxin Agricultural			
Core capital	2,836	2,759	Capital market fluctuation and profit for the period
Actual capital	3,128	3,020	Capital market fluctuation and profit for the period
Minimum required capital	831	818	Growth of insurance business, changes to asset allocation and optimisation in new regulation
Core solvency margin ratio (%)	341	337	
Comprehensive solvency margin ratio (%)	376	369	

Note: New regulation refers to the "Notice on Optimising the Regulatory Standards for the Solvency of Insurance Companies" (Jingui [2023] No.5) issued by the NAFR in September 2023.

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

VII. Insurance contract liabilities

Insurance contract liabilities of the Company consist of liability for remaining coverage (LRC) and liability for incurred claims (LIC). LRC comprises “excluding loss component” and “loss component”.

As at 31 December 2023, the remaining balance of LRC amounted to RMB1,777.394 billion, representing an increase of 13.3% from the end of 2022. The remaining balance of LIC amounted to RMB95.226 billion, down by 0.6% from the end of 2022. The rise in insurance contract liabilities was mainly caused by business growth and accumulation of insurance liabilities.

Unit: RMB million

	31 December 2022	Change during the period	31 December 2023
Total insurance contract liabilities	**1,664,848**	**207,772**	**1,872,620**
Liabilities for remaining coverage	1,569,080	208,314	1,777,394
Excluding loss component	1,554,969	206,431	1,761,400
Loss component	14,111	1,883	15,994
Liabilities for incurred claims	95,768	(542)	95,226
Total insurance contract liabilities	**1,664,848**	**207,772**	**1,872,620**
Component not measured by PAA	1,546,326	200,783	1,747,109
Component measured by PAA	118,522	6,989	125,511

VIII. Reinsurance business

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

IX. Main subsidiaries & associates and equity participation

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

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding note 2	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,948	98.5%	213,360	54,909	6,575
China Pacific Life Insurance Co., Ltd.	Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life/health insurance; agency and business relationships with domestic and overseas insurers and organisations, loss adjustment, claims and other business entrusted from overseas insurance organisations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as approved; other business as approved by CBIRC.	8,628	98.3%	2,014,824	129,447	19,532

Changjiang Pension Insurance Co., Ltd.	Outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; asset management of capital denominated in RMB or foreign currencies; advisory business pertaining to asset management; other business as approved by NAFR; other business as approved by as allowed by other departments of the State Council.	3,000	61.1%	6,416	4,060	207
Pacific Asset Management Co., Ltd.	Asset management of capital and insurance funds; outsourcing of fund management; advisory services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	5,298	4,538	657
Pacific Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related advisory and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	3,600	99.7%	9,124	3,329	31
Pacific Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short-term health insurance and	1,080	66.8%	5,632	2,987	182

	accident insurance; property insurance relating to rural areas and farmers; reinsurance of the above said insurance; insurance agency business.					
CPIC Fund Management Co., Ltd.	Fund management business; the launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	902	702	102

Notes:

1. Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to "Review and analysis of operating results" of this report, and "Scope of consolidation" and "Long-term equity investments" in Notes of the Financial Report.
2. Figures for Group shareholding include direct and indirect shareholdings.

X. Top five customers

During the reporting period, the top 5 customers accounted for approximately 0.6% of the Company's income, and none of them constituted Related Parties of the Company.

Given its business nature, the Company does not have any supplier that is directly related to its business.

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

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

Outlook

I. Market environment and business plan

In 2024, the spite of a complex and challenging environment, favourable factors for China's economy continue to outweigh adverse conditions, with economic recovery on track and long-term outlook remaining positive. The coordination of macro-economic policy and industrial policy would help the Chinese economy to achieve improved quality with reasonable growth. In the medium and long term, rising per capita income and bolstered consumer confidence will improve insurance demand; major initiatives in reform, development and innovation such as industrial upgrade, digital economy, green development, rural invigoration, inclusive finance, and the silver economy will sustain long-term insurance industry development; insurance funds can also benefit from investment opportunities arising from China's key national projects and initiatives, particularly the building of the modern industrial system and regional integrated development. The vision of building China into a financial powerhouse requires coordinated development in technology, green transitioning, inclusive finance, elderly-care provision and digital finance, in addition to an increased tightening of financial regulation, underpinned by the supervision of institutions, behaviours, functionality, look-through, and continuous supervision. This will help with long-term, healthy development of China's insurance market.

Going forward, we will stay committed to the vision of "being the best in customer experience, business quality and risk control capabilities", and "leadership in healthy and steady development of the insurance industry". The Company will press ahead with high-quality development, pursue progress while ensuring stable business fundamentals, continue to strengthen the core insurance business and further strengthen our competitive edge; press ahead with the 3 key strategies in health care & elderly care management, business development in key regions and technology empowerment in a bid to foster strategic comparative advantage; ensure the prevention of major risks and enhance resilience in development.

II. Major risks and mitigating measures

In 2024, the global political environment remains difficult, with ongoing in geo-political conflicts, polarisation of economic development and technological advancement, and rising uncertainty. On the domestic front, China's economy faces multiple challenges such as weak effective demand, faltering growth drivers and uncertainty around market expectations. As for the insurance industry, high-quality development needs to be boosted. In particular, for life insurance, management of business value has become even more important in the context of secular interest rate decline and constraint from capital; on the side of P/C insurance, business quality control will be under pressure, given the impact of extreme weather events and development of emerging business; insurance asset management will be doubly impacted, i.e., increased pressure in risk management of invested assets and challenge in reinvestment, given exacerbated financial market volatility, deterioration of credit risk, secular decline of interest rates, and the lack of assets acceptable in both yields and credit-worthiness. At the same time, the use of new technologies and business innovations calls for enhanced capabilities in identification, management of emerging risks.

In the face of such risks, we will stay prudent in our risk appetite, better understand both opportunities and challenges of the new stage of development, and carefully handle risks and uncertainties in our business operation, in a bid to facilitate high-quality development of the Company and better serve China's national strategies and the real economy. To this end, first, we will enhance study and analysis of trends of various risks, ensure their early warning and early-stage identification, anticipate and mitigate major risks, and improve forward-looking, pro-active risk management; second, continue to promote integration of risk management and business operation, ensure the prevention of major risks, enhance the reach and "teeth" of risk management via transmission of Risk Upper Limits and KPIs; third, upgrade the Enterprise Risk Management (ERM) system in compliance with regulatory requirements, put in place long-term mechanisms so as to substantially improve the soundness and effectiveness of the risk management system.

Change in accounting policies

The Ministry of Finance of the People's Republic of China promulgated and revised Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting and Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (collectively hereinafter referred to as the "new financial instruments standards") and Accounting Standard for Business Enterprises No. 25 - Insurance Contracts (hereinafter referred to as the "new insurance standard") in 2017 and 2020 sequentially. The Company adopted the new insurance standard and the new financial instruments standards from 1 January 2023 according to requirements. For detail information, please refer to Note IV of the Financial Report.

Embedded value

Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2023, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2023 at a risk discount rate of 9%.

Unit: RMB million

Valuation Date	31 December 2023	31 December 2022
Group Adjusted Net Worth	**291,519**	**298,142**
Adjusted Net Worth of CPIC Life	**159,919**	**172,865**
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	247,499	241,471
Cost of Required Capital Held for CPIC Life	(5,391)	(16,144)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	242,108	225,326
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	**237,974**	**221,479**
Group Embedded Value	**529,493**	**519,621**
CPIC Life Embedded Value	**402,027**	**398,191**

Valuation Date	31 December 2023	31 December 2023 (Unadjusted)	31 December 2022
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	12,672	14,691	11,380
Cost of Required Capital Held	(1,710)	(2,652)	(2,175)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**10,962**	**12,039**	**9,205**

Notes:
1: Figures may not be additive due to rounding.
2: Results in column "31 December 2022" are those reported in the 2022 annual report.
3. "Unadjusted" refers to results before adjusting economic assumptions and evaluation methods by the end of 2023.

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

New Business Volumes and Value of One Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of one year's sales of CPIC Life after cost of required capital held at a risk discount rate of 9% for year 2023.

Unit: RMB million

	First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Required Capital Held	
	2023	2022	2023	2022
Total	**82,402**	**79,136**	**10,962**	**9,205**
Of which: Agency channel	30,750	26,458	9,069	8,338
Bancassurance channel	33,291	32,140	1,854	860

Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2022 to 31 December 2023.

Unit: RMB million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2022**	**398,191**	
2	Expected Return on Embedded Value	32,744	Expected returns on the 2022 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2023
3	Value of One Year's Sales	10,962	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2023
4	Investment Experience Variance	(21,787)	Reflects the difference between actual and assumed investment return in 2023
5	Operating Experience Variance	2,850	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(22,049)	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	2,275	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	4,689	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(5,953)	Shareholder dividends distributed to shareholders of CPIC Life

10	Others	104	
11	**Embedded Value of the life business at 31 December 2023**	**402,027**	
12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2022**	**132,221**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	15,443	
14	Shareholder dividends	(9,813)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	708	Reflects the change in value of assets not valued on a market value basis
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2023**	**138,559**	
17	Minority interests relating to equity and market value adjustments	(11,093)	Minority interests on Embedded Value as at 31 December 2023
18	**Group Embedded Value as at 31 December 2023**	**529,493**	
19	**Embedded Value as at 31 December 2023 per share (RMB)**	**55.04**	

Note: Figures may not be additive due to rounding.

Compliance of the Corporate Governance Code

During the reporting period, the Company has complied with all the code provisions set out in Part 2 of Corporate Governance Code and substantially all of the recommended best practices in Part 2 of the Corporate Governance Code except for the deviation from code provision C.1.6. Pursuant to code provision C.1.6, generally, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. John Robert DACEY, the independent non-executive Director, did not attend the fisrt extrodinary general meeting of 2023 of the Company due to other business arrangements. However, there were sufficient Directors, including executive Directors, independent non-executive Directors and non-executive Directors, present to enable the Board to develop a balanced understanding of the views of the shareholders.

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

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

Proposed final dividend

On 28 March 2024, the Board recommended annual cash dividend of RMB1.02 per share (tax included), amounting to RMB9,812,748,284.10 in aggregate. The proposed profit distribution is subject to the approval of shareholders at the 2023 annual general meeting of the Company ("AGM"). If approved, it is expected that the payment of the final dividend will be made on or about 12 July 2024 to the shareholders.

Withholding of dividend income tax

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (PRC) and its implementation rules enacted in 2008, the Company is required to withhold and pay 10% of corporate income tax when it distributes the final dividend to H Share shareholders eligible for the proposed final dividend.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC and its implementation rules and confirmed by the relevant tax authorities in the PRC after consulting with them by the Company, the Company will withhold and pay individual income tax at the tax rate of 10% when it distributes the final dividend to H Share shareholders eligible for the proposed final dividend. However, if it is otherwise stated in the tax regulations and relevant tax treaties, the Company will withhold and pay individual income tax in accordance with the required tax rate and procedures set out in the relevant regulations and treaties. If the applicable dividend tax rate is less than 10%, the individual H Share shareholders are entitled to apply for refund of the over-deducted amount on their own or appoint an agent to act on their behalf according to the tax treaty entered into between their countries of domicile and the PRC and the regulations of the relevant PRC tax authorities.

The Company will withhold and pay the enterprise income tax as well as the individual income tax as required by law. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes over the withholding and payment mechanism or arrangements.

Withholding of Income Tax for Holders of H Shares via the Hong Kong Stock Connect

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81 號)) promulgated on 17 November 2014:

● In respect of the dividends received by mainland individual investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by Mainland securities investment funds that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;

● In respect of the dividends received by mainland corporate investors that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the mainland corporate investors shall file the tax returns on their own.

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Interconnected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127 號)) implemented on 5 December 2016:

● In respect of the dividends received by mainland individual investors who invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by mainland securities investment funds that invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;

● In respect of the dividends received by mainland corporate investors that invest in the H shares of the Company via the Shenzhen-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the mainland corporate investors shall file the tax returns on their own.

Withholding of Income Tax for Holders of A Shares via the Shanghai Stock Connect

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on SSE (the "Shanghai Stock Connect"), the dividends received by them will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited as the nominee account holding such A shares. Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81 號)), the Company will withhold income tax at the rate of 10% on behalf of those investors and will undertake the reporting procedures on the tax withholding and payment with the tax authorities, and the after-tax cash dividend will be RMB0.918 per share. For investors of Shanghai Stock Connect who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

All investors should read this announcement carefully. Shareholders are recommended to consult their tax advisors on the PRC, Hong Kong and other tax effects regarding their holding and disposing of H shares of the Company.

The eligibility for attending the AGM and eligibility for proposed final dividend and closure of H share register of members

The Company will announce further details in relation to the eligibility for attending the AGM, the eligibility for the proposed final dividend and the closure of register of member for H Shares after the arrangement of AGM is finalised.

The Company will announce details on A Share shareholders' qualification for attending the annual general meeting and the payment of the final dividend for the year 2023 to A Share shareholders on SSE.

Review of accounts

The audit committee of the Company has reviewed the principal accounting policies of the Company and the audited financial statements for the year ended 31 December 2023 in the presence of internal and external auditors.

Publication of results on the websites of SEHK and the Company

The annual report of the Company for the year ended 31 December 2023 will be published on the websites of SEHK (www.hkexnews.hk) and the Company (www.cpic.com.cn) in due course.

DEFINITIONS

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

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC P/C"	China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC AMC"	Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Fund"	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Anxin Agricultural"	Pacific Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Health"	Pacific Health Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Capital"	CPIC Capital Company Limited, a subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Technology"	Pacific Insurance Technology Co., Ltd., a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"C-ROSS II"	China Risk Oriented Solvency System Phase II
"CBIRC"	Former China Banking and Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
''NAFR"	National Administration of Financial Regulation
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"LSE"	London Stock Exchange
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"New Accounting Standards"	The Accounting Standard for Business Enterprises Nos. 22, 23, 24, 37 and 25 promulgated and revised by the Ministry of Finance of the People's Republic of China in 2017 and 2020 sequentially
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“ESG”	Environmental, Social and Governance
“RMB”	Renminbi
“pt”	Percentage point

By Order of the Board
China Pacific Insurance (Group) Co., Ltd.
FU Fan
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Executive Directors of the Company are Mr. FU Fan and Mr. ZHAO Yonggang; the Non-executive Directors are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LU Qiaoling and Mr. John Robert DACEY; and the Independent Non-executive Directors are Ms. LIU Xiaodan, Ms. LAM Tyng Yih, Elizabeth, Ms. LO Yuen Man, Elaine, Mr. CHIN Hung I David and Mr. JIANG Xuping.

** Note: The appointment qualification of Mr. ZHAO Yonggang is subject to the approval by the National Administration of Financial Regulation.*

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

Auditor's Report

Ernst & Young Hua Ming (2024) Shen Zi No. 70015004_B01
China Pacific Insurance (Group) Co., Ltd.

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

(I) Opinion

We have audited the accompanying financial statements of China Pacific Insurance (Group) Co., Ltd. (hereinafter "CPIC"), which comprise the consolidated and company balance sheets as at 31 December 2023, the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CPIC as at 31 December 2023, and the consolidated and company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("CASs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of CPIC in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

(III) Key audit matters (continued)

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
As at 31 December 2023, the carrying amount of CPIC's insurance contract liabilities was RMB 1,872.6 billion, representing 90% of the total liabilities. We identified the valuation of insurance contract liabilities as a key audit matter, as it requires significant estimations and judgements. The valuation of insurance contract liabilities involves significant judgements and estimates over the level of aggregation of insurance contracts, the appropriateness of the measurement approach, the determination of coverage units and the uncertain future cash flows.	With the support of our internal experts, we performed relevant audit procedures, which mainly included the following: • Reviewed CPIC's accounting policies in relation to the valuation of insurance contract liabilities, including tests of significant insurance risk, the level of aggregation, recognition and valuation of insurance contracts, and transition, etc. • Understood, evaluated and tested the management's design and operating effectiveness of relevant internal controls over the valuation of insurance contract liabilities, including the internal controls over determination and approval of key assumptions, data collection and analysis, the IT systems, IT general controls, data transmission between systems and computation, etc. in relation to the valuation of insurance contract liabilities. • Tested the completeness and accuracy of the underlying data used in the valuation of insurance contract liabilities.

(III) Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of insurance contract liabilities (continued)	
The valuation of insurance contract liabilities also involves the application of complex actuarial models, and a high degree of judgement and estimation is used by management in determining assumptions as well. Key assumptions used in measuring insurance contract liabilities include mortality, morbidity, surrender rates, discount rates, expenses assumptions, loss ratios, policy dividends assumptions and risk adjustment for non-financial risk, etc. Relevant disclosures are included in Note III 21, Note III 31, Note VII 29 and Note XIII 1 of the consolidated financial statements.	• Evaluated key assumptions used in the valuation of insurance contract liabilities by comparison with CPIC's historical data and applicable industry experiences and considering the reasonableness of the relevant management's judgements. • Assessed the appropriateness of the valuation approaches of insurance contract liabilities, reviewed by performing procedures such as independent recalculation of insurance contract liabilities of selected major typical insurance products or groups of insurance contracts. • Evaluated the overall reasonableness of the insurance contract liabilities by analysing the movements of insurance contract liabilities during the reporting period and assessing the impact of key changes.

(III) Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of level 3 investments measured at fair value	
As at 31 December 2023, the carrying amount of CPIC's level 3 investments measured at fair value was RMB 591.9 billion, representing 25% of the total assets. We identified the valuation of level 3 investments measured at fair value as a key audit matter, as they were measured based on valuation models and inputs and assumptions that are not directly observable. The valuation involved significant management judgement and the inherent risk in relation to the valuation of level 3 investments measured at fair value was considered significant. Relevant disclosures are included in Note III 29, Note III 31 and Note XVI to the consolidated financial statements.	We performed relevant audit procedures which mainly included the following: • Understood, evaluated and tested the key controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuation inputs provided by data vendors. • The audit procedures related to the measurement of level 3 investments measured at fair value: − Assessed valuation model methodologies against industry practice and valuation guidelines; − Compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields; − Performed independent check of the valuation results of selected illiquid investments by using inputs from external sources that were not directly observable.

(IV) Other information

The management of CPIC is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon.

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

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

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

(V) Responsibilities of the management and those charged with governance for the financial statements

The management of CPIC is responsible for the preparation and fair presentation of the financial statements in accordance with CASs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing CPIC’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate CPIC or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CPIC’s financial reporting process.

(VI) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CPIC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CPIC to cease to continue as a going concern.
(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CPIC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

(VI) Auditor's responsibilities for the audit of the financial statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Guo Hangxiang
(Engagement partner)

Chinese Certified Public Accountant: Wang Ziqing

Beijing,
The People's Republic of China

28 March 2024

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note VII	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Cash at bank and on hand	1	31,455	33,134	32,545
Financial assets at fair value through profit or loss	2	-	26,560	12,353
Derivative financial assets	3	17	197	259
Securities purchased under agreements to resell	4	2,808	21,124	13,432
Interest receivables	5	-	19,656	18,597
Term deposits	6	165,501	204,517	196,519
Available-for-sale financial assets	7	-	715,085	645,381
Held-to-maturity financial assets	8	-	514,250	396,428
Investments classified as loans and receivables	9	-	397,270	406,276
Financial investments:		2,009,336	-	-
Financial assets at fair value through profit or loss	10	581,602	-	-
Financial assets at amortised cost	11	82,334	-	-
Debt investments at fair value through other comprehensive income	12	1,247,435	-	-
Equity investments at fair value through other comprehensive income	13	97,965	-	-
Insurance contract assets	29	335	305	245
Reinsurance contract assets	30	39,754	33,205	31,983
Long-term equity investments	14	23,184	25,829	26,984
Restricted statutory deposits	15	7,105	7,290	7,428
Investment properties	16	10,667	11,202	7,514
Fixed assets	17	18,925	17,465	17,504
Construction in progress	18	2,459	2,291	1,714
Right-of-use assets	19	3,365	3,030	3,475
Intangible assets	20	7,117	6,666	5,509
Goodwill	21	1,357	1,372	1,372
Deferred income tax assets	22	7,076	19,661	11,379
Other assets	23	13,501	11,227	12,108
TOTAL ASSETS		2,343,962	2,071,336	1,849,005

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

CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

LIABILITIES AND EQUITY	Note VII	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Derivative financial liabilities	3	21	8	1
Securities sold under agreements to repurchase	25	115,819	119,665	73,441
Premium received in advance		17,026	17,891	19,219
Employee benefits payable	26	9,247	8,635	7,386
Taxes payable	27	3,536	5,166	4,138
Interest payable		-	469	517
Bonds payable	28	10,285	9,999	9,995
Insurance contract liabilities	29	1,872,620	1,664,848	1,486,435
Reinsurance contract liabilities	30	-	809	744
Commission and brokerage payable		5,861	4,639	3,695
Insurance premium reserves		251	316	207
Lease liabilities		3,095	2,718	3,105
Deferred income tax liabilities	22	1,119	568	1,553
Other liabilities	31	37,378	33,933	39,806
Total liabilities		2,076,258	1,869,664	1,650,242
Issued capital	32	9,620	9,620	9,620
Capital reserves	33	79,950	79,665	79,662
Other comprehensive income		7,992	(11,581)	13,304
Surplus reserves	34	5,114	5,114	5,114
General reserves	35	25,462	21,071	16,852
Retained profits	36	121,448	92,588	69,046
Equity attributable to shareholders of the parent		249,586	196,477	193,598
Non-controlling interests	37	18,118	5,195	5,165
Total equity		267,704	201,672	198,763
TOTAL LIABILITIES AND EQUITY		2,343,962	2,071,336	1,849,005

The financial statements are signed by the persons below:

FU Fan	ZHANG Yuanhan	XU Zhen
Legal representative	Principal in charge of accounting	Head of accounting department

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2023	2022
			(Restated)
Operating income		323,945	332,140
Insurance revenue	38	266,167	249,745
Interest income	39	58,262	-
Investment income	40	7,053	77,510
Including: Share of (losses)/profits of associates and joint ventures		(386)	401
Other income		251	183
Losses arising from changes in fair value	41	(11,712)	(61)
Exchange gains		159	1,085
Other operating income	42	3,742	3,654
Gains on disposal of assets	43	23	24
Operating expenses		(291,885)	(289,600)
Insurance service expenses		(231,023)	(213,988)
Allocation of reinsurance premiums		(15,838)	(15,427)
Less: Recoveries of insurance service expenses from reinsurers		14,399	12,609
Insurance finance expenses for insurance contracts issued	44	(46,741)	(58,074)
Less: Reinsurance finance income for reinsurance contracts held	44	1,174	1,108
Changes in insurance premium reserves		35	(109)
Interest expenses	45	(2,628)	(2,752)
Commission and brokerage expenses		(7)	-
Taxes and surcharges	46	(445)	(424)
Operating and administrative expenses	47	(7,397)	(6,204)
Impairment losses on financial assets	48	(2,013)	-
Impairment losses on other assets		(253)	-
Asset impairment losses	49	-	(5,303)
Other operating expenses	50	(1,148)	(1,036)
Operating profit		32,060	42,540
Add: Non-operating income	51	136	147
Less: Non-operating expenses	52	(195)	(204)
Profit before tax		32,001	42,483
Less: Income tax	53	(4,090)	(4,261)
Net Profit		27,911	38,222
Classified by continuity of operations:			
Net profit from continuing operations		27,911	38,222
Net profit from discontinued operations		-	-
Classified by ownership of the equity:			
Attributable to shareholders of the parent		27,257	37,381
Non-controlling interests		654	841

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2023	2022 (Restated)
Other comprehensive income/(loss)	54		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:		400	-
Changes in the fair value of equity investments at fair value through other comprehensive income		1,089	-
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss		(689)	-
Other comprehensive income/(loss) that will be reclassified to profit or loss:		1,152	(25,353)
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method		(54)	(47)
Changes in the fair value of debt instruments at fair value through other comprehensive income		36,592	-
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income		925	-
Exchange differences on translation of foreign operations		15	46
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss		(36,321)	(1,344)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss		(5)	-
Changes of fair value of available-for-sale financial assets		-	(32,052)
Income tax impact relating to available-for-sale financial assets		-	8,044
Other comprehensive income/(loss)		1,552	(25,353)
Total comprehensive income		29,463	12,869
Attributable to shareholders of the parent		28,785	12,496
Attributable to non-controlling interests		678	373
Earnings per share	55		
Basic earnings per share (RMB per share)		2.83	3.89
Diluted earnings per share (RMB per share)		2.83	3.89

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

	2023								
	Attributable to shareholders of the parent								
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at the end of the previous year	9,620	79,665	6,368	5,114	22,474	105,205	228,446	5,682	234,128
Add:Changes in accounting policies (Note IV)	-	-	102	-	218	1,563	1,883	28	1,911
Balance at the beginning of year	9,620	79,665	6,470	5,114	22,692	106,768	230,329	5,710	236,039
Movements in the current year	-	285	1,522	-	2,770	14,680	19,257	12,408	31,665
Net profit	-	-	-	-	-	27,257	27,257	654	27,911
Other comprehensive income/(loss) (Note VII 54)	-	-	1,528	-	-	-	1,528	24	1,552
Total comprehensive income	-	-	1,528	-	-	27,257	28,785	678	29,463
Other equity changes caused by equity method accounting	-	285	-	-	-	-	285	6	291
Capital invested and reduced by holders	-	-	-	-	-	-	-	11,998	11,998
Capital invested by holders of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	11,998	11,998
Profit distribution	-	-	-	-	2,770	(12,583)	(9,813)	(274)	(10,087)
Appropriations to general reserves	-	-	-	-	2,770	(2,770)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,813)	(9,813)	(274)	(10,087)
Transfer of other comprehensive income to retained profits	-	-	(6)	-	-	6	-	-	-
Balance at the end of year	9,620	79,950	7,992	5,114	25,462	121,448	249,586	18,118	267,704

As at 31 December 2023, the balance of retained profits of the Group included RMB 3,055 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

	2022 (Restated)								
	Attributable to shareholders of the parent								
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at the end of the previous year	9,620	79,662	19,655	5,114	19,521	93,169	226,741	5,664	232,405
Add:Changes in accounting policies	-	-	(6,351)	-	(2,669)	(24,123)	(33,143)	(499)	(33,642)
Balance at the beginning of year	9,620	79,662	13,304	5,114	16,852	69,046	193,598	5,165	198,763
Movements in the current year	-	3	(24,885)	-	4,219	23,542	2,879	30	2,909
Net profit	-	-	-	-	-	37,381	37,381	841	38,222
Other comprehensive income/(loss) (Note VII 54)	-	-	(24,885)	-	-	-	(24,885)	(468)	(25,353)
Total comprehensive income	-	-	(24,885)	-	-	37,381	12,496	373	12,869
Impact of capital injection to subsidiaries, etc.	-	(5)	-	-	-	-	(5)	48	43
Other equity changes caused by equity method accounting	-	8	-	-	-	-	8	-	8
Profit distribution	-	-	-	-	4,219	(13,839)	(9,620)	(391)	(10,011)
Appropriations to general reserves	-	-	-	-	4,219	(4,219)	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(9,620)	(9,620)	(391)	(10,011)
Balance at the end of year	9,620	79,665	(11,581)	5,114	21,071	92,588	196,477	5,195	201,672

As at 31 December 2022, the balance of retained profits of the Group included RMB 4,168 million of the surplus reserves appropriated by the subsidiaries during the year and attributable to the parent.

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2023	2022 (Restated)
Cash flows from operating activities			
Cash received from premium of insurance contracts issued		452,282	416,072
Net cash received from reinsurance contracts issued		485	4,797
Net decrease in policy loans		1,778	753
Refund of taxes and surcharges		21	124
Cash received relating to other operating activities		6,848	8,867
Sub-total of cash inflows		461,414	430,613
Cash paid for claims under insurance contracts issued		(180,230)	(153,331)
Net cash paid under reinsurance contracts held		(6,542)	(2,928)
Cash paid for commission and brokerage expenses		(33,701)	(27,566)
Cash paid to and on behalf of employees		(26,623)	(25,507)
Payments of taxes and surcharges		(11,756)	(11,560)
Cash paid relating to other operating activities	56	(64,699)	(61,057)
Sub-total of cash outflows		(323,551)	(281,949)
Net cash flows from operating activities	58	137,863	148,664
Cash flows from investing activities			
Cash received from disposal of investments		557,301	489,390
Cash received from returns on investments and interest income		73,860	74,860
Net cash received from disposal of subsidiaries and other business entities		2,559	2,424
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		181	109
Sub-total of cash inflows		633,901	566,783
Cash paid to acquire investments		(788,828)	(725,655)
Net cash paid to acquire subsidiaries and other business entities		(1,269)	(1,690)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,988)	(9,097)
Cash paid relating to other investing activities		(1,173)	(77)
Sub-total of cash outflows		(795,258)	(736,519)
Net cash flows used in investing activities		(161,357)	(169,736)

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

CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

	Note VII	2023	2022 (Restated)
Cash flows from financing activities			
Cash received from capital contributions		11,998	43
Cash received from bonds issued		9,998	-
Increase in securities sold under agreements to repurchase, net		-	46,316
Cash received relating to other financing activities	56	10,649	12,518
Sub-total of cash inflows		32,645	58,877
Cash repayments of borrowings		(10,782)	(12,875)
Cash payments for distribution of dividends, profits or interest expenses		(12,444)	(15,835)
Decrease in securities sold under agreements to repurchase, net		(4,145)	-
Cash paid relating to other financing activities	56	(1,980)	(1,686)
Sub-total of cash outflows		(29,351)	(30,396)
Net cash flows from financing activities		3,294	28,481
Effects of exchange rate changes on cash and cash equivalents		131	773
Net (decrease)/increase in cash and cash equivalents	58	(20,069)	8,182
Add: Cash and cash equivalents at the beginning of year	57,58	53,809	45,627
Cash and cash equivalents at the end of year	57,58	33,740	53,809

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

ASSETS	Note IX	31 December 2023	31 December 2022
Cash at bank and on hand	1	6,286	6,610
Financial assets at fair value through profit or loss	2	-	2
Interest receivables		-	562
Term deposits	3	5,457	8,999
Available-for-sale financial assets	4	-	37,692
Investments classified as loans and receivables	5	-	15,543
Financial Investments:		55,550	-
Financial assets at fair value through profit or loss	6	17,255	-
Financial assets at amortised cost	7	12,644	-
Debt investments at fair value through other comprehensive income	8	23,140	-
Equity investments at fair value through other comprehensive income	9	2,511	-
Long-term equity investments	10	71,250	69,900
Investment properties	11	3,123	3,274
Fixed assets		1,035	924
Construction in progress		3	3
Right-of-use assets		371	364
Intangible assets		237	233
Deferred income tax assets		64	-
Other assets	12	470	564
Total assets		143,846	144,670
LIABILITIES AND EQUITY			
Securities sold under agreements to repurchase	13	2,026	3,919
Employee benefits payable		244	282
Taxes payable		103	34
Interest payable		-	2
Lease liabilities		416	404
Deferred income tax liabilities		-	59
Other liabilities	14	778	886
Total liabilities		3,567	5,586
Issued capital		9,620	9,620
Capital reserves	15	79,312	79,312
Other comprehensive income		423	546
Surplus reserves		4,810	4,810
Retained profits		46,114	44,796
Total equity		140,279	139,084
TOTAL LIABILITIES AND EQUITY		143,846	144,670

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2023	2022
Operating income		13,028	15,662
Interest income		2,027	-
Investment income	16	10,605	14,141
Including: Share of losses of associates and joint ventures		(26)	-
Other income		4	5
Losses arising from changes in fair value		(434)	-
Exchange gains		130	738
Other operating income		696	778
Operating expenses		(1,856)	(2,185)
Interest expenses		(27)	(29)
Taxes and surcharges		(80)	(79)
Operating and administrative expenses		(1,594)	(1,858)
Impairment losses on financial assets		60	-
Asset impairment losses		-	(57)
Other operating expenses		(215)	(162)
Operating profit		11,172	13,477
Add: Non-operating income		20	10
Less: Non-operating expenses		(51)	(34)
Profit before tax		11,141	13,453
Less: Income tax		(161)	(433)
Net profit		10,980	13,020
Classified by continuity of operations:			
Net profit from continuing operations		10,980	13,020
Net profit from discontinued operations		-	-
Other comprehensive income/(loss)	17		
Other comprehensive income/(loss) that will not be reclassified to profit or loss:		(54)	-
Changes in the fair value of equity investments at fair value through other comprehensive income		(54)	-
Other comprehensive income/(loss) that will be reclassified to profit or loss:		97	(808)
Changes in the fair value of debt instruments at fair value through other comprehensive income		145	-
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income		(48)	-
Changes of fair value of available-for-sale financial assets		-	(1,077)
Income tax impact relating to available-for-sale financial assets		-	269
Other comprehensive income/(loss)		43	(808)
Total comprehensive income		11,023	12,212

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

	2023					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the end of the previous year	9,620	79,312	546	4,810	44,796	139,084
Add: Changes in accounting policies	-	-	(157)	-	142	(15)
Balance at the beginning of year	9,620	79,312	389	4,810	44,938	139,069
Movements in the current year	-	-	34	-	1,176	1,210
Net profit	-	-	-	-	10,980	10,980
Other comprehensive income/(loss) (Note IX 17)	-	-	43	-	-	43
Total comprehensive income	-	-	43	-	10,980	11,023
Profit distribution	-	-	-	-	(9,813)	(9,813)
Profit distribution to shareholders	-	-	-	-	(9,813)	(9,813)
Transfer of other comprehensive income to retained profits	-	-	(9)	-	9	-
Balance at the end of year	9,620	79,312	423	4,810	46,114	140,279

	2022					
	Issued capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained profits	Total equity
Balance at the beginning of year	9,620	79,312	1,354	4,810	41,396	136,492
Movements in the current year	-	-	(808)	-	3,400	2,592
Net profit	-	-	-	-	13,020	13,020
Other comprehensive income/(loss) (Note IX 17)	-	-	(808)	-	-	(808)
Total comprehensive income	-	-	(808)	-	13,020	12,212
Profit distribution	-	-	-	-	(9,620)	(9,620)
Profit distribution to shareholders	-	-	-	-	(9,620)	(9,620)
Balance at the end of year	9,620	79,312	546	4,810	44,796	139,084

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

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

	Note IX	2023	2022
Cash flows from operating activities			
Cash received relating to other operating activities		1,006	1,430
Sub-total of cash inflows		1,006	1,430
Cash paid to and on behalf of employees		(703)	(902)
Payments of taxes and surcharges		(319)	(576)
Cash paid relating to other operating activities		(971)	(518)
Sub-total of cash outflows		(1,993)	(1,996)
Net cash flows used in operating activities	18	(987)	(566)
Cash flows from investing activities			
Cash received from disposal of investments		28,147	22,899
Cash received from returns on investments and interest income		12,629	13,963
Net cash received from disposal of subsidiaries and other business entities		-	171
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		24	14
Sub-total of cash inflows		40,800	37,047
Cash paid to acquire investments		(26,587)	(24,954)
Net cash paid to acquire subsidiaries and other business entities		(1,377)	(3,459)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(482)	(328)
Sub-total of cash outflows		(28,446)	(28,741)
Net cash flows from investing activities		12,354	8,306
Cash flows from financing activities			
Increase in securities sold under agreements to repurchase, net		-	2,799
Sub-total of cash inflows		-	2,799
Cash payments for distribution of dividends, profits or interest expenses		(9,826)	(9,647)
Decrease in securities sold under agreements to repurchase, net		(1,894)	-
Cash paid relating to other financing activities		(70)	(59)
Sub-total of cash outflows		(11,790)	(9,706)
Net cash flows used in financing activities		(11,790)	(6,907)
Effects of exchange rate changes on cash and cash equivalents		99	506
Net (decrease)/increase in cash and cash equivalents	18	(324)	1,339
Add: Cash and cash equivalents at the beginning of year	18	6,610	5,271
Cash and cash equivalents at the end of year	18	6,286	6,610

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

I. GENERAL INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was restructured from China Pacific Insurance Co., Ltd. in October 2001 pursuant to the approval of the State Council of the People's Republic of China (the PRC) and Circular [2001] No. 239 issued by the former China Insurance Regulatory Commission (the "CIRC"). After the restructuring, the Company obtained a business licence (No. 1000001001110) on 24 October 2001 newly issued by the former State Administration for Industry and Commerce of the PRC, and had an original issued capital of RMB 2,006.39 million, with its registered address and headquarters in Shanghai. The Company increased its issued capital to RMB 6,700 million through issuance of new shares to its then existing shareholders and new shareholders in 2002 and from February to April 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares on the Shanghai Stock Exchange to increase its issued capital to RMB 7,700 million. On 25 December 2007, the Company's A shares were listed and traded on the Shanghai Stock Exchange.

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

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB 9,062 million, and the Company received the approval from the former CIRC in December 2012 for the change of its registered capital. The Company obtained the business licence (registration No. 100000000011107) on 5 February 2013. The Company renewed its business licence on 15 December 2015, and its unified social credit code is No. 91310000132211707B.

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

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

Major subsidiaries included in the consolidation scope in the current year are detailed in Note VI.

II. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs"), and in accordance with the disclosure requirements set out in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission (the "CSRC"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2023, and their financial performance, cash flows and other information for the year then ended.

Financial information in the financial statements of the Company and the Group for the year ended 31 December 2023 are prepared in accordance with the following significant accounting policies and accounting estimates as determined under the Accounting Standards for Business Enterprises.

The Group determines its accounting policies and accounting estimates that best reflect its operating characteristics, mainly in relation to the recognition and measurement of financial instruments (Note III 17), the recognition and measurement of insurance contracts (Note III 21), and recognition of revenue (Note III 24).

Details of the Group's critical judgements used in determining significant accounting policies are set forth in Note III 31.

1. Accounting year

The Group adopts the calendar year as its accounting year, i.e., from 1 January to 31 December.

2. Reporting currency

The Company, its subsidiaries, joint ventures and associates in Mainland China selected RMB as their reporting currency. The subsidiaries of the Company incorporated in other countries or regions outside Mainland China selected their reporting currencies based on the primary economic environment where they operate and convert their presentation currencies into RMB for the preparation of the Group's financial statements.

The presentation currency of the Group is RMB. All amounts are expressed in RMB million unless otherwise specified.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3. Basis of accounting and measurement bases

The financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for certain financial instruments and insurance contracts. If assets are impaired, provisions for asset impairments are accrued in accordance with relevant requirements.

When the Company's subsidiaries China Pacific Property Insurance Co., Ltd. ("CPIC Property") and China Pacific Life Insurance Co., Ltd. ("CPIC Life") were established, the assets and liabilities invested into these subsidiaries by the Company and those they acquired from the Company were recorded at amounts determined by the state-owned asset administration authority. For the purpose of the consolidated financial statements, the Group has adjusted with the valuation amounts of these assets to their historical costs.

4. Determination and selection of materiality

The Group determines the materiality of financial information in terms of the nature and amount in accordance with the specific environment in which it operates. When determining the materiality from the nature of the transaction, the Group mainly considers whether the transaction operates daily or significantly affects the Group's financial position, operating results, and cash flows, etc. When determining the materiality of the amount of the transaction, the Group considers the proportion of the amount of the transaction to total assets, total liabilities, total owners' equity, total operating income, total operating expense, net profit, total comprehensive income, or the proportion of the amount of items listed separately in the statement.

5. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations include those involving enterprises under common control and those involving enterprises not under common control.

<u>Business combinations involving enterprises under common control</u>

Business combinations are classified as business combinations involving enterprises under common control when the enterprises involved are ultimately controlled by the same party or parties both prior and subsequent to the combination and the control is not temporary. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The "combination date" refers to the date on which the acquirer actually obtains control over the acquiree.

Assets and liabilities that are obtained by the acquirer in a business combination are measured at their carrying amounts at the combination date as recorded by the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is applied to the capital reserves to adjust the share premium or applied to retained earnings if the capital reserves is not sufficient to absorb the difference.

Direct costs incurred by the acquirer for the purpose of the business combination are expensed as incurred in the current period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Business combinations (continued)

Business combinations involving enterprises not under common control

Business combinations involving enterprises not under common control is a business combination in which all combining enterprises are not ultimately controlled by the same party or the same parties both prior and subsequent to the business combination. In a business combination involving enterprises not under common control, the enterprise which obtains control over the other enterprise on the acquisition date is the acquirer, and the other enterprise is the acquiree. The "acquisition date" refers to the date on which the acquirer obtains effective control over the acquiree.

For a business combination involving enterprises not under common control, the cost of combination refers to the assets paid, liabilities incurred or assumed and the fair value of the equity securities issued by the acquirer to acquire the control over the acquiree at the acquisition date. The expenses of audit, legal services, valuation consulting and other administration fees incurred by acquirer for the purpose of business combination are charged to current profit or loss as incurred. The fee and commission expenses of equity securities or debt securities issued as the consideration for business combination are included in the initial recognition of the equity or debt securities.

Where business combinations are accomplished through multiple transactions in phases, they are accounted for differently in the separate financial statements and the consolidated financial statements:

(1) For the purpose of the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree before the acquisition date and the additional investment cost incurred on the acquisition date; where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be transferred to investment income for the current period upon disposal of such investment;

(2) For the purpose of the consolidated financial statements, the equity interest in the acquiree held before the date of acquisition should be remeasured at fair value at the acquisition date, with the difference between the fair value and its carrying amount included in the investment income for the current period. Where the equity interest in the acquiree before the acquisition date involves other comprehensive income components, the relevant other comprehensive income components shall be recycled to current investment income arising on the acquisition date.

The acquirer shall consider the contingent consideration as agreed in the combination agreement as part of the consideration for the business combination and include it at its fair value on the acquisition date in the combination cost of the business combination. If, within 12 months of the acquisition date, there is any new or further evidence in connection with a condition existing on the acquisition date that requires adjustments to the contingent consideration, the adjustments shall be recognised, and the amount included in the consolidated goodwill shall be adjusted accordingly. With respect to changes and adjustments to the contingent consideration under other circumstances, if the contingent consideration is recognised as an asset or a liability, the subsequent changes in fair value are recorded in profit or loss for the current period or other comprehensive income; if the contingent consideration is classified as equity, it is not required to be subsequently measured at fair value, and its subsequent settlement is recorded in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at their fair values at the acquisition date. Identifiable assets and liabilities acquired by the acquirer on the acquisition date shall be classified and designated in light of the contract terms, business policies, M&A policies and other related factors existing on the acquisition date, mainly including the classification of acquiree's financial assets and financial liabilities, designation of a hedging relationship, and the separation of embedded derivatives, among others. However, where the combination involves a lease contract or an insurance contract and the contract terms are modified at the acquisition date, the contract shall be reclassified in light of the modified terms and other factors.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Business combinations (continued)

Business combinations involving enterprises not under common control (continued)

The difference by which the combination cost exceeds the fair value of the net identifiable assets acquired from the acquiree is recognised as goodwill. If the combination cost is lower than the fair value of the net identifiable assets acquired from the acquiree, the acquirer shall first review the fair value of the individual identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the measurement of the combination cost, and if the reviewed combination cost is still lower than the fair value of the net identifiable assets acquired from the acquiree, the difference is recorded in profit or loss for the current period.

In a business combination, the deductible temporary differences acquired by the acquirer are not recognised as deferred income tax assets if they do not meet the recognition criteria on the acquisition date. If, within 12 months after the acquisition date, there is new or further information to indicate the existence of relevant circumstances at the acquisition date that the economic benefits is expected to be realised by the deductible temporary differences of the acquiree on the acquisition date, the relevant deferred income tax assets shall be recognised with goodwill being reduced by the same amount; and if goodwill is lower than the recognised amount, the difference shall be recognised in profit or loss in the current period. In all other circumstances, the deferred income tax assets related to business combination are recognised in profit or loss in the current period.

6. Consolidated financial statements

The scope of consolidated financial statements is determined based on control and the consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including structured entities) over which the Company has control. Structured entities are entities where voting rights or other similar rights are not used as factors to determine the controlling party, such as when voting rights only relate to administrative tasks while related operation activities are arranged according to contractual agreements.

Structured entities include trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by financial institutions. Trust products, equity investment plans and project asset-backed plans are managed by related or unrelated trust companies or asset managers, and the funds raised are invested in loans to or equity interests in other companies. Wealth management products issued by financial institutions are managed by related or unrelated asset managers, and the funds raised are invested in agreement deposits, funds, stocks, and bonds, among others. Debt investment plans are managed by related or unrelated asset managers and are mainly invested in infrastructure projects and real estate fund backed projects. To finance their operations, the relevant trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by institutions enter into product contracts with and grant product holders the right to receive profits, as agreed, from the trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by financial institutions. The Group has entered into product contracts for all its trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by financial institutions.

All trust products, debt investment plans, equity investment plans, project asset-backed plans, and wealth management products issued by institutions are not consolidated structured entities if they are not under the control of the Group.

For the purpose of preparing consolidated financial statements, the subsidiaries adopt the same accounting period and accounting policies as the Company.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated financial statements (continued)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The subsidiaries' shareholders' equity, net profit or loss of the period, and the portion in their comprehensive income not attributable to the Company are presented separately as non-controlling interests, net profit attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests in the consolidated financial statements under equity, net profits and total comprehensive income respectively. However, a liability is recognised to reflect the corresponding shares of net assets in the consolidated entity when non-controlling interests arise from the structured entities they have invested in. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses on internal transactions resulting from the sale of assets by a subsidiary to the Company are allocated and offset between net profit attributable to shareholders of the parent and the net profit or loss attributable to non-controlling interests in accordance with the allocation ratio between the parent and the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are allocated and offset between the net profit attributable to shareholders of the parent and net profit or loss attributable to non-controlling interests in accordance with the allocation ratio between the parent and the selling subsidiary.

If the accounting treatments of a transaction are inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustments regarding the transaction will be made from the perspective of the Group.

For a subsidiary acquired through a business combination involving an enterprise not under common control, the financial performance and cash flows of the acquiree are included in the scope of the consolidated financial statements from the day the Group obtains control over the subsidiary until the Group ceases to control the subsidiary. In preparing the consolidated financial statements, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition dates.

For a subsidiary acquired through a business combination involving an enterprise under common control, the financial performance and cash flows of the acquiree are included in the scope of the consolidated financial statements from the beginning of the period in which the combination takes place. In preparing the comparative consolidated financial statements, the related items on the financial statements of prior periods are adjusted as if the reporting entity formed after combination had existed since the ultimate controlling party started to exert control.

When changes in relevant facts and circumstances cause changes to one or more of the control elements, the Group reassesses whether it still controls the investee.

In the consolidated financial statements, when the amount of loss in the current period attributable to the non-controlling interests of a subsidiary exceeds their share of equity in the subsidiary at the beginning of the period, the excess shall be still allocated against the non-controlling interests.

Purchases of equity interests by the Group from the non-controlling interests of a subsidiary are accounted for using the following methods:

(1) Long-term equity investments arising from the purchases of non-controlling interests by the parent from the subsidiary are accounted for in accordance with the accounting policies applicable to long-term equity investments.

(2) For the purpose of the consolidated financial statements, the difference between the long-term equity investments newly acquired from the non-controlling interests and the parent's share, as per additional shareholding, of the net assets of the subsidiary calculated on an ongoing basis from the acquisition date (or combination date) is applied to adjust the shareholders' equity (capital reserves), and if the capital reserves is lower than the difference, the remaining balance is applied against retained earnings.

Subsidiaries included in the consolidation scope are detailed in Note VI.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated financial statements (continued)

If control over a subsidiary is lost due to partial disposal of equity investment or other reasons, relevant accounting treatments are applied differently in the separate financial statements and consolidated financial statements:

(1) In the separate financial statements, the remaining equity is recognised as long-term equity investments or other related financial assets at the carrying amount; if, after partial disposal of equity investment, the remaining equity interest enables the Group to exercise joint control or significant influence over the original subsidiary, the equity investment is accounted for using the equity method in accordance with the relevant requirements for change of the accounting method from the cost method;

(2) In the consolidated financial statements, the remaining equity is remeasured at the fair value at the date when the control is lost; the difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the portion of net assets calculated continuously from the acquisition date of the original subsidiaries based on the original shareholding proportion is recognised as investment income for the current period in which the control is lost; and other comprehensive income related to the original subsidiaries' equity investment is transferred into investment income for the period in which the control is lost.

7. Cash equivalents

Cash equivalents comprise short-term, highly liquid investments, which are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and have a short maturity of generally within three months from the date of purchase.

8. Foreign currency transactions

Foreign currency transactions are converted into the reporting currency.

Foreign currency transactions are translated into the reporting currency on initial recognition using the spot exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are translated into the reporting currency using the spot exchange rates on the balance sheet date, which creates exchange differences. Exchange differences are included in profit or loss for the current period or recorded in other comprehensive income, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated using the spot exchange rates prevailing at the dates of the transactions, without changing their amounts in the reporting currency. Non-monetary items denominated in foreign currencies at fair value are translated using the spot exchange rates at the dates on which their fair values are determined, and the exchange differences arising therefrom are included into profit or loss for the current period or other comprehensive income.

For foreign operations, the Group translates its functional currency into RMB for the purpose of the financial statements: assets and liabilities on the balance sheet are translated using the spot exchange rates at the balance sheet date; the equity items, excluding "retained profits", are translated using the spot exchange rates at the dates the transactions take place; and the income and expense items on the income statement are translated using the average exchange rates on the transaction dates. Exchange differences arising from translation of foreign currency financial statements as described above are recognised as other comprehensive income. In accounting for the disposal of a foreign operation, the exchange difference arising from the translation of foreign currency financial statements in connection with the foreign operation is recognised in the profit or loss for the period in which the disposal takes place, and in the case of partial disposals, the exchange difference is calculated proportionately.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Foreign currency transactions (continued)

Foreign currency cash flows and cash flows of overseas operations are translated using the average exchange rates of the period when the cash flows occur. The effect of exchange rate changes on cash is separately presented as a reconciling item on the cash flow statement.

9. Securities purchased under agreements to resell and securities sold under agreements to repurchase

Securities purchased under agreements to resell refer to funds duly lent to finance repurchase transactions, and are recorded at the actual cost of the securities purchased, with income from securities purchased under agreements to resell accrued using the effective interest method over the period from the acquisition date to the maturity date and recognised in profit or loss for the current period. The Group does not take physical possession of securities purchased under agreements to resell. In case of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

Securities sold under agreements to repurchase refer to funds duly borrowed to enter into repurchase transactions, and are recorded at the actual amount received from the sale of the securities, with an expense for securities sold under agreements to repurchase accrued using the effective interest method over the period from the selling date to the maturity date and recognised in profit or loss for the current period. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be presented on the balance sheet.

10. Long-term equity investments

Long-term equity investments include equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Long-term equity investments are measured at initial investment cost on acquisition.

Long-term equity investments with which the Company is able to exercise control over the investee shall be accounted using the cost method in the individual financial statement. Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

When the Company directly or indirectly holds half or less of the voting rights or similar rights of the investee, the Group comprehensively considers all relevant facts and circumstances to judge whether the investor has power over the investee, including:

(1) Contractual arrangements with other holders of voting rights of the investee;
(2) The power of other contractual arrangements; and
(3) Voting rights and potential voting rights of the Group.

For long-term equity investments accounted for using the cost method, long-term equity investments are measured at initial investment cost, and cash dividends or profits distribution declared by the investee are recognised as investment income for the current period. The Group recognises the cash dividends or profits distributed to the investee in accordance with the above provisions and considers whether the long-term equity investments are impaired.

Considering whether the long-term equity investments are impaired, the Group shall pay attention to whether the carrying amount of the long-term equity investment is higher than the share of the carrying amount of the net assets (including relevant goodwill) of the investee and other situations.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Long-term equity investments (continued)

Long-term equity investments are accounted under the equity method as the investee over which the Group has joint control or significant influence. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In determining whether to exercise joint control or significant influence over the investee, based on the voting shares of the investee hold directly or indirectly by the Group, the Group takes into account of the impact of assuming that conversion of the current executable potential voting rights held by the Group and other parties to equity in the investee.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group’s share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group’s share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, after the Company has acquired a long-term equity investment, it will recognise its share of the investee’s net profits or losses as investment income or losses and adjust the carrying amount of the long-term investment accordingly. The Group recognises its share of the investee’s net profits or losses after making appropriate adjustments to the investee’s net profits or losses based on the fair value of the investee’s identifiable assets at the acquisition date, using the Group’s accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions are recognised in full). The carrying amount of the long-term equity investment is reduced by the Group’s share of the profit distribution or cash dividends declared by the investees. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group’s net investment in investees are reduced to zero. However, the Group’s obligations for additional losses are not included. The changes of the equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in equity with a corresponding adjustment to the carrying amounts of the long-term equity investment and are transferred to profit or loss for the current period on pro rata basis when disposing of this investment.

For disposed long-term equity investment, the difference between its carrying amount and the actual proceeds received is recognised in profit or loss for the current period. For disposal of long-term equity investment accounted for using the equity method, the portion previously included in other comprehensive income is accounted for on pro rata basis using the same basis as that used by the investee for disposal of relevant assets or liabilities.

(All amounts expressed in RMB million unless otherwise specified)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Investment properties

An investment property is real estate property held with the intention of earning a return on the investment either through rental income or capital appreciation, or both.

Investment properties are initially measured at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured. Otherwise, the expenditures are recognised in profit or loss for the current period in which they are incurred.

Investment properties are subsequently measured using the cost model. Investment properties are depreciated using the straight-line method. The useful lives, the estimated net residual values and the annual depreciation rates of investment properties are as follows:

Category	Useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30-50 years	3%	1.94% to 3.23%

The useful lives, estimated net residual values and depreciation methods of investment properties are reviewed and adjusted as appropriate at least at each year-end.

The transfer from/to investment properties are recognised only when there is conclusive evidence that the use of the investment properties has changed.

12. Fixed assets

Fixed assets are tangible assets that are held for rendering of services, leasing or operational management, and have useful lives of more than one accounting year.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when meeting the criteria for recognition; or are included in the profit or loss for the current period.

Fixed assets are initially measured at cost. The cost of purchasing fixed assets comprises the purchase price, related taxes, and any directly attributable expenditure before the assets are ready for their intended use.

Fixed assets are depreciated using the straight-line method. The useful lives, the estimated net residual values and the annual depreciation rates of fixed assets are as follows:

Category	Useful lives	Estimated net residual values	Annual depreciation rates
Buildings	24-70 years	0%-3%	1.39% to 4.04%
Transportation equipment	3-12 years	0%-10%	8.08% to 32.33%
Other equipment	3-12 years	0%-10%	8.33% to 33.33%

The useful lives, estimated net residual values and depreciation methods of fixed assets are reviewed and adjusted as appropriate at least at each year-end.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Construction in progress

The cost of construction in progress is determined based on actual project expenditure, including all necessary construction expenditures incurred during the construction period, borrowing costs to be capitalised before the project becomes ready for its intended use, and other related expenses.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

14. Intangible assets

Intangible assets of the Group are initially measured at cost.

The useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life. License is regarded as an intangible asset with indefinite useful life as there is no foreseeable limit on the period of time over which it is expected to generate economic benefits for the Group.

The useful lives of major intangible assets are as follows:

Category	Useful lives
Land use rights	30-50 years
Software use rights	1-10 years
License	Uncertain

The land use rights acquired by the Group are generally accounted for as intangible assets. If the costs paid for the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the costs are recognised as fixed assets.

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful period. The useful lives and amortisation method of the intangible assets with finite useful lives are reviewed by the Group at least at each financial year-end and adjusted as appropriate. Intangible assets with an indefinite useful life are not amortised and need to be tested annually for impairment.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Intangible assets (continued)

The internal research and development expenses are classified as research phase expense and development phase expense. Expenditure on research phase is recognised in profit or loss in the period in which it is incurred. Development phase expense can be capitalised only when an entity can demonstrate all of the following:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or for sale;
(b) Its intention to complete the intangible asset and use or sell it;
(c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or for the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
(e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The development phase expenses that do not meet above conditions are recognised in profit or loss when incurred.

15. Long-term deferred expenses

Long-term deferred expenses are amortised by straight lines, with the amortisation period as follows:

Category	Amortisation period
Lease Improvement	Contracted lease term or 5 years (whichever is shorter)

16. Debt assets

Debt assets refer to the physical possession of a borrower, a guarantor or a third party that compensate the Group in the exercise of creditor's rights or security interests.

Debt assets are accounted for at the fair value at the time of acquisition. The difference between the carrying amount of the restructured debts and the fair value of the acquired debt assets is offset against the provision for impairment of the restructured debts with the net change recognised in profit or loss for the current period. The debt assets are not depreciated or amortised. The recoverable amount of debt assets is assessed at the balance sheet date, tested for impairment, and adjusted as appropriate. The recoverable amount of a debt asset is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Financial instruments (applicable from 1 January 2023)

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised, when:

(1) the contractual rights to receive the cash flows from the financial assets have expired; or
(2) the financial assets have been transferred and (a) the Group transfers substantially all the risks and rewards of ownership of the financial assets, or (b) the Group neither transfers nor retains substantially all the risks and rewards of the assets, but the Group has not retained control of the financial assets.

A financial liability is derecognised when the contractual obligation under the financial liability is fulfilled, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a replacement or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference is recognised in profit or loss for the current period.

All purchases or sales of financial assets in regular ways are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets under contracts whose terms require delivery within the time frame generally established by regulation or convention in the marketplace concerned. Trade date is the date that the Group committed to purchasing or selling the financial assets.

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: financial assets at fair value through profit or loss, financial assets at amortised cost, and financial assets at fair value through other comprehensive income. When, and only when the Group changes its business model for managing financial assets, all affected related financial assets could be reclassified.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Financial instruments (applicable from 1 January 2023) (continued)

Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortised cost
Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: the financial assets are held for collection of contractual cash flows; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are not designated as measured at fair value through profit or loss. Interest income is recognised using the effective interest rate method, and any gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Debt investments at fair value through other comprehensive income
Financial assets are classified as financial assets at fair value through other comprehensive income if both of the following conditions are met: the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that such financial assets are not designated as at fair value through profit or loss. Interest income is recognised using the effective interest rate method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition of these financial assets, the accumulated gains or losses previously included in other comprehensive income are transferred and recognised in profit or loss.

Equity investments at fair value through other comprehensive income
The Group can elect to irrevocably designate its equity investments which are not held for trading as equity investments at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognised in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is required. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained profits.

Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria for amortised cost and financial assets at fair value through other comprehensive income are measured at financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

At initial recognition, the Group designates certain financial assets at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches. Once made such designation cannot be revoked. Other financial assets also cannot be re-designated as financial assets at fair value through profit or loss after initial recognition.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Financial instruments (applicable from 1 January 2023) (continued)

Classification and measurement of financial liabilities

The Group's financial liabilities are, at initial recognition, classified at fair value through profit or loss, or amortised cost. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and for financial liabilities measured at amortised cost, transaction costs are included in the initial recognition amounts.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments attributable to financial liabilities) and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value, and the changes in fair value of such financial liabilities are recognised in profit or loss. Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value and gains or losses are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income. If recognition of gains or losses arising from the Group's own credit risk to other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Group shall include the entire fair value changes (including the amount arising from the changes in the Group's own credit risk) of such financial liabilities in profit or loss.

Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Based on the expected credit losses ("ECLs"), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost, and debt investments at fair value through other comprehensive income.

For accounts receivable and contract assets that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Financial instruments (applicable from 1 January 2023) (continued)

Impairment of financial assets (continued)

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the gross carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the gross carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortised cost and the effective interest rate. If the credit risk of financial assets is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition. A purchased or originated credit-impaired financial asset is an asset that is credit-impaired at initial recognition. For such assets, the Group recognises the cumulative changes in lifetime ECLs since the initial recognition of the asset.

Information regarding the Group's criteria for determining a significant change in credit risk, the definition of credit-impaired assets, and parameters of the measurement of ECLs, is disclosed in Note XIII 3.

The Group shall measure ECLs of financial assets in a way that reflects: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

When the Group has no reasonable expectation of recovering entire or a portion of the contractual cash flows on a financial asset, the Group directly writes down the gross carrying amount of the financial asset.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gains or losses arising from changes in fair value of derivatives are recognised directly in profit or loss for the current period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Financial instruments (applicable from 1 January 2023) (continued)

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the amount guaranteed. The amount guaranteed is the maximum amount of consideration that the Group could be required to repay.

18. Financial instruments (only applicable for 2022)

Financial instruments are contracts which become one enterprise’s financial assets, and at the same time become other undertaking’s financial liabilities or equity instruments.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised, when:

(1) the contractual rights to receive the cash flows from the financial assets have expired;
(2) the financial asset has been transferred and (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (b) the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

If the Group has transferred the right to collect the cash flow of the financial assets or signed a “pass-through” arrangement, but has neither transferred or retained the majority of risks and returns of the asset, nor transferred the control of the asset, the asset will be recognised to the extent the Group is involved in the asset. In the above circumstances, the Group recognises the relevant liabilities accordingly. The assets and liabilities are measured based on the rights and obligations retained by the Group.

If the Group continues to be involved by providing a guarantee for the transferred assets, it is measured by the original book value or the cap of the consideration amount that might be repayable by the Group, whichever is less.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Financial instruments (only applicable for 2022) (continued)

Recognition and derecognition of financial instruments (continued)

A financial liability is derecognised when the contractual obligation under the financial liability is fulfilled, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference is recognised in profit or loss for the current period.

All purchases or sales of financial assets in regular ways are recognised and derecognised using trade date accounting. Purchases or sales of financial assets in regular ways refer to receipt or delivery of financial assets within the period generally established by regulation or convention in the marketplace in accordance with contractual terms. Trade date is the date that the Group is committed to purchasing or selling the financial assets.

Classification and measurement of financial assets

The Group classifies its financial assets into four categories at initial recognition: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. The financial assets are measured at fair value at initial recognition. In case of financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets, transaction costs are included in their initially recognised amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at initial recognition. Financial assets held for trading refer to financial assets satisfying one of the following conditions: the financial assets are acquired with the intention to sell in the near future; they belong to a part of identifiable financial instruments group under the centralised management, and there is objective evidence that the Group has recently managed the financial instruments group using short-term profit method; they belong to derivative instruments, excluding the derivative instruments that are designated with effective hedging, and those belong to financial guarantee contract, as well as the derivative instruments that are linked to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured, and has to be settled by delivery of such equity instruments. These financial assets are subsequently measured using fair value, and all realised (such as dividends or interest income, etc.) and unrealised profits or losses are recorded in profit or loss for the current period.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition, impairment or amortisation recognised in profit or loss.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Financial instruments (only applicable for 2022) (continued)

Classification and measurement of financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly include various types of receivables, policy loans, term deposits, refundable capital deposits, securities purchased under agreements to resell, and investments classified as loans and receivables, etc. These financial assets are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition, impairment or amortisation recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. This type of financial assets is subsequently measured at fair value. The discount or premium on available-for-sale investments in debt instruments is amortised using the effective interest method and included in interest income. Gains or losses arising from change in fair value of available-for-sale financial assets are recognised as other comprehensive income, except for impairment losses and foreign exchange differences arising from translation of monetary financial assets. When such financial assets are derecognised or impaired, the cumulative gains or losses previously recognised in other comprehensive income are recycled into profit or loss for the current period. Interests on available-for-sale debt investments calculated using the effective interest method during the period in which such investments are held, and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised in profit or loss for the current period as investment income.

Classification and measurement of financial liabilities

The Group's financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. In the case of financial liabilities at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated at fair value through profit or loss. Financial liabilities held for trading refer to financial liabilities satisfying one of the following conditions: the financial liabilities are assumed with the intention to repurchase in the near future; they belong to a part of identifiable financial instruments group under the centralised management, and there is objective evidence that the Group has recently managed the financial instruments group using short-term profit method; they belong to derivative instruments, excluding the derivative instruments that are designated with effective hedging, and those belong to financial guarantee contract, as well as the derivative instruments that are linked to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured and has to be settled by delivery of such equity instruments. These financial liabilities are subsequently measured at fair value, and all realised and unrealised profit or loss are recorded in profit or loss for the current period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Financial instruments (only applicable for 2022) (continued)

Classification and measurement of financial liabilities (continued)

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Charges, transaction costs and premiums or discounts that are paid or collected by parties to the financial liability contracts and attributable to effective interest rate are considered when determining effective interest rate. Transaction costs refer to incremental expenses that are directly attributable to the purchase, issuance, or disposal of financial instruments, that is, expenses that would otherwise not occur.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date when a derivative contract is entered into and are subsequently measured at their fair value. Gains or losses arising from changes in fair value that do not meet the hedge accounting requirements are recognised directly in profit or loss. The derivative financial instrument with a positive fair value is recognised as an asset, otherwise, it is recognised as a liability. However, derivative financial instruments are measured at cost if they are linked to and should be settled through the delivery of equity instruments, of which quoted price is not available in an active market and fair value cannot be reliably measured.

Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets and will affect estimated future cash flows of financial assets, and whose impact can be reliably measured.

The objective evidences used to determine whether impairment exists are as follows:

- significant financial difficulty of the issuer or debtor;
- a breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, grants to the debtor a concession;
- the debtor is likely to go bankrupt or face other financial restructuring;
- the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- it cannot be identified or confirmed if the cash flow of an asset in a group of financial assets has decreased. However, after the overall assessment based on the data on the market, the estimated future cash flow of the group of the financial assets, subsequent to its initial recognition, has decreased and can be measured, for example, the debtor's ability to pay gradually deteriorates, or the unemployment rate of the country or region where the debtor locates at increases, the price of the collateral in its region drops rapidly and the industry is depressed, etc.;
- the equity instrument investors may not be able to recover investment cost due to material adverse changes in technological, market, economic or legal environment where the equity instrument issuer operates;
- significant or prolonged decline in fair value of equity investment; and

- other objective evidences indicating financial assets are impaired.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Financial instruments (only applicable for 2022) (continued)

Impairment of financial assets (continued)

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets has been incurred, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The amount of reduction is recognised in profit or loss for the current period. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate (i.e., the prevailing effective interest rate calculated at initial recognition or prescribed in the contract in case of floating rate) and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for objective evidence of impairment. For a financial asset that is not individually significant, the Group assesses the asset individually or collectively for objective evidence of impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequent to the recognition of impairment loss of financial assets measured at amortised cost, there is objective evidence that the value of the financial asset is recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of reversal is recognised in profit or loss. However, the carrying amount of the financial asset after reversal shall not exceed what the amortised cost would have been had the impairment not been recognised at the date when the impairment was reversed.

Available-for-sale financial assets

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss arising from the decrease in fair value and previously recognised in other comprehensive income is reclassified to profit or loss and is measured at the initiation acquisition cost (net of any principal repayment and amortisation, the current fair value, and any impairment loss on that financial asset previously recognised in profit or loss). The Group uses the weighted average method to calculate the initial investment cost of available-for-sale equity investments.

A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group usually considers a significant decline to be one in which the fair value is below the weighted average cost by more than 50% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Financial instruments (only applicable for 2022) (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

For available-for-sale debt instrument on which the impairment loss has been recognised, if, in a subsequent accounting period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss for the current period. Impairment losses of available-for-sale equity investment are not reversed through profit or loss. Increases in their fair value subsequent to impairment losses are recognised directly in other comprehensive income.

Transfer of financial assets

The financial assets are derecognised when the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the financial assets are not derecognised when the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, the Group will account for the following situations in different ways: (i) if the Group does not retain the control over the financial asset, the financial asset is derecognised and related assets and liabilities occurred hereby are recognised; or (ii) if the Group retains the control over the financial asset, related financial assets and liabilities are recognised to the extent of the Group's continuing involvement in the transferred financial asset.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

19. Asset impairment

The Group determines the impairment of assets (except for deferred income tax assets, financial assets, insurance contract assets, and reinsurance contract assets which have been described in their respective accounting policies) in the following methods:

The Group assesses at each balance sheet date whether there is objective evidence that assets are impaired. Where there is objective evidence, the Group estimates the recoverable amount and tests for impairment. For goodwill acquired from business combination and intangible assets with indefinite useful life not ready for intended use, no matter there is objective evidence of impairment or not, impairment should be tested at each year-end.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Asset impairment (continued)

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of an asset group is based on whether the main cash flow generated by the asset group is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group decreases the carrying amount to recoverable amount. The decreased amounts are recognised in profit or loss and corresponding provisions are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognises relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

20. Insurance security fund

The Group draws insurance security funds in accordance with the Administrative Measures for Insurance security funds.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts

21.1 Definition of insurance contracts

An insurance contract is a contract under which the issuer of the contract accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified insured event adversely affects the policyholder. An insured event is an uncertain future event covered by an insurance contract that creates insurance risk. An insurance risk is a risk, other than financial risk, transferred from the policyholder to the issuer of a contract.

The accounting policies of insurance contract apply to the following contracts of the Group:

- Insurance contracts, including reinsurance contracts, the Group issues;
- Reinsurance contracts the Group holds;
- Insurance contracts the Group acquired in a transfer of insurance contracts or in a business combination involving enterprises not under common control;
- Investment contracts with discretionary participation features the Group issues.

A reinsurance contract is an insurance contract under which the reinsurer (the issuer) agrees to compensate the cedant for claims incurred by the cedant arising from underlying insurance contracts.

An investment contract with discretionary participation features is a financial instrument that provides a particular investor with the contractual right to receive guaranteed and additional amounts. The additional amounts are subject to the returns on a specified pool of items at the discretion of the issuer, and are expected to be a significant portion of the total contractual benefits.

The Group accounts for the investment contract with discretionary participation features issued by the Group applying the accounting treatments for insurance contracts, except for the modifications listed in “Recognition and measurement of investment contracts with discretionary participation features”.

An insurance contract is an insurance contract with direct participation features if all the following conditions are met at the inception of the contract:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- An amount equal to a substantial share of the fair value returns on the underlying items is expected to be paid to the policyholder; and
- A substantial proportion of any change in the amounts to be paid to the policyholder is expected to vary with the change in fair value of the underlying items.

21.2 Identification, combination and separation of insurance contracts

Identification of insurance contracts

The Group assesses whether the insurance risk of a contract is significant, i.e., performs a test on significant insurance risk, to determine whether the contract is an insurance contract. A contract is an insurance contract only if it transfers significant insurance risk. A contract that meets the definition of an insurance contract at its inception will not be reassessed subsequently.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.2 Identification, combination and separation of insurance contracts (continued)

Identification of insurance contracts (continued)

When the Group performs tests on significant insurance risk, it determines that a contract transfers significant insurance risk if the following conditions are met:

(a) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to pay significant additional amounts, even if the insured event is extremely unlikely, or even if the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts payable if an insured event occurs that exceed those that would be payable if no insured event had occurred (including claims handling and assessment costs). Absence of discernible effect on the economics indicates lack of commercial substance;

(b) At least in one scenario that has commercial substance, an insured event specified by the contract could cause the issuer to incur a loss on a present value basis. A loss is determined to be incurred due to the insured event if such event causes the future cash outflows to exceed inflows, on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

Combination of insurance contracts

The Group treats a series of insurance contracts with the same counterparty or related counterparties which may achieve an overall commercial effect, as a single contract in order to report the substance of such contracts.

Separating components from insurance contracts

An insurance contract may contain one or more components, the Group separates the following components:

- Embedded derivatives meeting the separation conditions under CAS No. 22 - Recognition and Measurement of Financial Instruments;
- Distinct investment components, but the investment components that meet the definition of investment contracts with discretionary participation features are still accounted for applying the accounting policies for insurance contracts;
- Promises to transfer distinct goods or services other than insurance contract services.

Investment component is the amount that an insurance contract requires to repay to policyholders regardless of whether an insured event occurs.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.2 Identification, combination and separation of insurance contracts (continued)

Separating components from insurance contracts (continued)

An investment component is distinct if both the following conditions are met:

(a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if one of the following conditions are met:

  (i) it is unable to measure a component separately, i.e., it is unable to measure one component without considering the other. If the value of one component varies according to the value of the other, the two components are highly interrelated;
  (ii) the policyholder is unable to benefit from a component separately, and can only benefit when both components are present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated.

(b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

Generally, for relevant contracts, the Group determines the non-distinct investment components based on cash surrender values and similar contractual terms.

Insurance contract services are the services provided by an entity comprising the coverage for insured events, the investment-return service to the policyholder of the insurance contracts without direct participation features, and the investment-related service as management of underlying items on behalf of the policyholder of the insurance contracts with direct participation features. When an entity separates distinct goods or services other than insurance contract services, it shall not consider activities that an entity must undertake to fulfil a contract unless the entity transfers a good or service other than insurance contract services to the policyholder as those activities occur. A good or service other than an insurance contract service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. A good or insurance service other than an insurance contract service is not distinct if both the following conditions are met: the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract and the entity provides a significant service in integrating the good or service with the insurance components.

The Group allocates contractual cash flows based on separation of insurance contracts. After separating cash flows related to separated embedded derivatives and distinct investment components, contractual cash flows are allocated between insurance components (including embedded derivatives that are not separated, promises to transfer goods or services other than insurance contract services that are not distinct) and promises to transfer distinct goods or services other than insurance contract services.

21.3 Grouping of insurance contracts

The Group identifies portfolios of insurance contracts as contracts subject to similar risks and are managed together. The Group further divides portfolios of insurance contracts into groups of insurance contracts and uses groups of insurance contracts as units of account. A group of insurance contracts consists of one or more insurance contracts issued within a period of no longer than one year and with similar levels of profitability. The Group determines the group of contracts to which contracts belong by considering each individual contract. However, if reasonable and supportable information clearly indicates that a set of contracts will all be in the same group, the Group assesses the grouping of contracts based on such set of contracts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.3 Grouping of insurance contracts (continued)

The Group divides a portfolio of insurance contracts into a minimum of the following groups, without contracts issued more than one year apart being in the same group:

- of contracts that are onerous at initial recognition;
- of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently;
- of the remaining contracts in the portfolio.

21.4 Recognition of insurance contracts

The Group recognises an insurance contract it issues from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder becomes due, or the date when the Group receives the first payment if there is no contractual due date;
- when it becomes onerous.

When the contracts in the portfolio meet one of the above conditions, the Group assesses the group to which the contracts belong and will not reassess subsequently. Coverage period is the period during which an entity provides insurance contract services to the policyholder.

The Group recognises an asset for the insurance acquisition cash flows (paid or payable before the recognition of the relevant groups of contracts) that are allocated to the groups in a systematic and rational way. Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of contracts (issued or expected to be issued) that are directly attributable to a portfolio of contracts. The Group derecognises an asset for insurance acquisition cash flows relating to the contract when the contract in a portfolio is included in the group of contracts to which it belongs. At each balance sheet date, the Group assesses the recoverable amount of the asset for insurance acquisition cash flows if facts and circumstances indicate the asset may be impaired. If the recoverable amount of the asset for insurance acquisition cash flow is lower than its carrying value, the Group recognises an allowance for asset impairment and an impairment loss in the profit or loss of the period. If the impairment conditions in prior periods no longer exist, the allowance for asset impairment will be reversed and the reversal will be recognised in the profit or loss of the period.

21.5 Measurement of insurance contracts

21.5.1 General model

<u>Measurement on initial recognition</u>

The Group uses a group of insurance contracts as the unit of account and measures insurance contract liabilities on the initial recognition of a group of insurance contracts at the total of fulfilment cash flows and contractual service margin. The contractual service margin represents the unearned profit the entity will recognise as it provides insurance contract services in the future. The fulfilment cash flows comprise the following:

- estimates of future cash flows that relate directly to fulfil insurance contracts;
- an adjustment to reflect the time value of money and the financial risks; and
- a risk adjustment for non-financial risk.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.1 General model (continued)

Measurement on initial recognition (continued)

Risk adjustment for non-financial risk is the compensation an entity requires for bearing the uncertainty about the amount and timing of the future cash flows that arises from non-financial risk as the entity fulfils insurance contracts. Estimates of fulfilment cash flows does not take into account the non-performance risk of the entity.

The Group may estimate the future cash flows at a higher level of aggregation than groups or portfolios of contracts and then allocate the resulting fulfilment cash flows to individual groups of contracts in a systematic and rational way. The estimates of future cash flows shall be as follows: the estimates of future cash flows should be unbiased probability-weighted mean; the estimates of any relevant market variables should be consistent with observable market prices for those variables; the estimates of future cash flows should be based on currently available information and reflect conditions and assumptions at the measurement date; the estimates of future cash flows should be estimated separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

The Group takes into account all the future cash flows within the boundary of each contract in a group of insurance contracts when estimating future cash flows. Cash flows are within the boundary of an insurance contract if they arise from the rights that enable the entity to compel the policyholder to pay the premiums or from the substantive obligations under which the entity is required to provide the policyholder with insurance contract services. The entity has no substantive obligation to provide insurance contract services to the policyholder when:

- the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The Group adjusts the fulfilment cash flows with appropriate discount rates to reflect the time value of money and the financial risks related to those cash flows to the extent that the financial risks are not included in the estimates of cash flows. An appropriate discount rate shall meet all of the following requirements: reflects the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts; be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Group considers and estimates risk adjustments for non-financial risk separately when estimating fulfilment cash flows to reflect the impact of non-financial risks on fulfilment cash flows.

On initial recognition of a group of insurance contracts, the Group measures the total of:

- the fulfilment cash flows;
- the cash flows related to asset for insurance acquisition cash flows, and any other asset or liability derecognised at that date;
- cash flows arising from the contracts in the group at that date.

If the total represents a net cash inflow, the Group recognises that as a contractual service margin; if it represents a net cash outflow, the Group recognises that as a loss in profit or loss of the period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.1 General model (continued)

Subsequent measurement

The insurance contract liability is subsequently measured by the Group at each balance sheet date at the total of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage includes the fulfilment cash flows related to unexpired coverage period allocated to the group at the balance sheet date and the contractual service margin of the group at that date. The liability for incurred claims includes the fulfilment cash flows related to claims and other related expenses incurred allocated to the group at the balance sheet date.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the balance sheet date is determined as the carrying amount at the start of the period as adjusted for the following:

(a) the effect of contracts added to the group of contracts in the period on the contractual service margin;
(b) interest accreted in the period on the carrying amount of contractual service margin, using the weighted average interest rate (applicable to cash flows that do not vary based on the returns on any underlying items) determined when contracts are recognised in that group of contracts;
(c) the changes in fulfilment cash flows relating to future service, except to the extent that the increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss or the decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
(d) the effect of currency exchange differences in the period on the contractual service margin; and
(e) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortising the carrying amount of the contractual service margin as adjusted for (a) to (d) above.

The Group specifies, at inception of the relevant contracts, the basis on which it determines cash flow commitments, e.g. based on a fixed interest rate or on returns that vary based on specified asset returns, in order to disaggregate the changes in discretionary cash flows between those arising from changes in assumptions that relate to financial risk and those arising from discretion. Those arising from discretion are treated as changes in fulfilment cash flows relating to future services which adjust the contractual service margin, while contractual service margin will not be adjusted for those arising from changes in assumptions that relate to financial risk.

The Group recognises the reduction in the liability for remaining coverage because of services provided in the period as insurance revenue; The Group recognises the increase in the liability for incurred claims because of claims and other related expenses incurred in the period and related subsequent changes in fulfilment cash flows as insurance service expense. Any investment components in the insurance contracts are excluded when recognising insurance revenue and insurance service expense.

The Group amortises the insurance acquisition cash flows related to groups of contracts in a systematic way on the basis of the passage of time, and recognises the amount as insurance service expense in each period during the coverage period and as insurance revenue at the same time to reflect the recovery of portions of the premiums that relate to such cash flows.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.1 General model (continued)

Subsequent measurement (continued)

The Group accounts for the changes in the liability for remaining coverage and the liability for incurred claims arising from the effect of the time value of money and the effect of financial risk as insurance finance income or expenses.

Considering the related assets it holds and how it accounts for those assets, the Group makes the following accounting policy choices to portfolios of insurance contracts between:

- including insurance finance income or expenses for the period in profit or loss; or
- disaggregating insurance finance income or expenses for the period between those included in profit or loss and those included in other comprehensive income. Over the remaining duration of the group of contracts, the amount included in the profit or loss of each period is determined using a systematic and rational allocation method, and the difference between this amount and the total insurance finance income or expenses for the period is included in other comprehensive income.

Insurance finance income or expenses included in the profit or loss, is the insurance finance income or expenses that is included in the profit or loss of the current and subsequent periods. Insurance finance income or expenses included in the profit or loss comprises insurance finance expenses included in the profit or loss from the insurance contracts issued by the Group and reinsurance finance income included in the profit or loss from the reinsurance contracts held. The Group determines the amount of insurance finance income or expenses included in the profit or loss as follows:

- for groups of insurance contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders, the Group applies the discount rates determined at the date of initial recognition of a group of contracts, applicable to cash flows that do not vary based on the returns on any underlying items, to determine the amount of the insurance finance income or expenses included in profit or loss;
- for groups of insurance contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to policyholders, the Group applies the effective yield approach or projected crediting rate approach based on the characteristics of the contracts, to determine the amount of the insurance finance income or expenses included in profit or loss.

The Group changes the treatment results of accounting estimates made in interim financial statements in its subsequent interim and annual financial statements within the same annual period.

When measuring a group of contracts that generate cash flows in a foreign currency, the Group treats the insurance contract liability as a monetary item, and applies CAS No. 19 - Foreign currency translation. At each balance sheet date, exchange differences on a group of contracts that generate cash flows in a foreign currency shall be included in profit or loss. For portfolios of insurance contracts that disaggregate insurance finance income or expenses between profit or loss and other comprehensive income, the exchange differences related to the amounts recognised in other comprehensive income are included in other comprehensive income.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.2 Special measurement approach ("variable fee approach") for groups of insurance contracts with direct participation features

The Group assesses whether an insurance contract is an insurance contract with direct participation features at inception of the contract and does not reassess afterwards. The special measurement approach for insurance contracts with direct participation features is not applicable to reinsurance contracts issued and reinsurance contracts held.

The Group estimates the fulfilment cash flows of the groups of insurance contracts with direct participation features at the difference between the fair value of the underlying items and the variable fee. The variable fee reflects the consideration received by the Group for providing investment-related services by managing the underlying items on behalf of the policyholder, and is equal to the Group's share of the fair value of the underlying items less the fulfilment cash flows that do not vary based on the return on the underlying items.

For insurance contracts with direct participation features, the carrying amount of the contractual service margin of a group of contracts at each balance sheet date equals the carrying amount at the start of the reporting period adjusted for:

(a) the effect of contracts added to the group in the period on the contractual service margin；
(b) the change in the amount of the Group's share of the fair value of the underlying items, except to the extent that:

- if the Group mitigates the effect of financial risk using derivatives or reinsurance contracts held, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the amount of the Group's share of the underlying items as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
- the decrease in the amount of the Group's share of the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss;
- the increase in the amount of the Group's share of the fair value of the underlying items reverses the loss component of the liability for remaining coverage.

(c) the changes in fulfilment cash flows relating to future service and do not vary based on the returns on underlying items, except to the extent that:

- if the Group mitigates the effect of financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss, when specified conditions are met, the Group may choose to recognise the related changes in the effect of the time value of money and financial risk on the fulfilment cash flows as insurance finance income or expenses included in profit or loss. However, if the Group chooses to disaggregate insurance finance income or expenses of such reinsurance contracts held between profit or loss and other comprehensive income, the insurance finance income or expenses mentioned above should also be disaggregated accordingly;
- such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss;
- such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.

(d) the currency exchange differences in the period arising on the contractual service margin;

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.2 Special measurement approach ("variable fee approach") for groups of insurance contracts with direct participation features (continued)

(e) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortising the carrying amount of the contractual service margin as adjusted for (a) to (d) above.

For insurance contracts with direct participation features for which the Group holds the underlying items, when the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income, the Group recognises insurance finance income or expenses included in profit or loss at an amount that exactly match the income or expenses included in profit or loss for the underlying items, except for the accounting treatment of the insurance finance income or expenses mentioned in (b) and (c) above.

21.5.3 Special measurement approach for onerous groups of contracts

If a group of insurance contracts is onerous at initial recognition, or if onerous contracts in a portfolio of contracts are added to a group of onerous contracts, the Group recognises a loss as part of insurance service expenses in the period and increases the carrying amount of the liability for remaining coverage by the amount of such loss component. At initial recognition, the carrying amount of the insurance contract liability for the onerous group of contracts is equal to its fulfilment cash flows.

When one of the following conditions causes a group of insurance contracts to become onerous on subsequent measurement, the Group recognises a loss as part of insurance service expenses in the period and increases the liability for remaining coverage by the amount of such loss component:

- changes relating to future service in the fulfilment cash flows arising from changes in estimates of future cash flows or the risk adjustment for non-financial risk exceed the carrying amount of the contractual service margin; or
- for a group of insurance contracts with direct participation features, the decreases in the amount of the Group's share of the fair value of the underlying items exceed the carrying amount of the contractual service margin.

After the Group has recognised a loss on an onerous group of contracts, the Group allocates the following changes in the carrying amount of liability for remaining coverage on a systematic and rational basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component:

(a) the present value of future cash flows released because of incurred insurance service expenses;
(b) changes in the risk adjustment for non-financial risk recognised in profit or loss because of the release from risk;
(c) insurance finance income or expenses.

Any amounts allocated to the loss component shall not be recognised as insurance revenue.

After the Group has recognised a loss on an onerous group of insurance contracts, the Group also:

- for increases relating to future service in fulfilment cash flows arising from changes in estimates of future cash flows or the risk adjustment for non-financial risk, and decreases in the amount of the Group's share of the fair value of the underlying items for a group of insurance contracts with direct participation features, recognises a loss as part of insurance service expenses in the period and increases the liability for remaining coverage by the amount of such loss component;

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.3 Special measurement approach for onerous groups of contracts (continued)

- for decreases relating to future service in fulfilment cash flows arising from changes in estimates of future cash flows or the risk adjustment for non-financial risk, and increases in the amount of the Group's share of the fair value of the underlying items for a group of insurance contracts with direct participation features, decreases the loss component of the liability for remaining coverage and reduces the insurance service expenses in the period; the Group adjusts the contractual service margin for any excess of the decrease over the amount of the loss component.

21.5.4 Simplified approach (“premium allocation approach”) for measurement of groups of insurance contracts

The Group may simplify the measurement of a group of insurance contracts using the premium allocation approach (“PAA”) if one of the following conditions is met:

- the Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying general model as mentioned above. This condition is not met if the fulfilment cash flows are expected to vary significantly during the period before a claim is incurred;
- the coverage period of each contract in the group is one year or less.

For contracts issued to which the Group applies the premium allocation approach, the Group assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

If insurance contracts in the group have a significant financing component, the Group shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates as determined on initial recognition.

Using the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received, minus any insurance acquisition cash flows at that date, and minus (or plus) any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other related asset or liability. At each balance sheet date, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows in the period, plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as insurance service expenses and any adjustment to a financing component in the period, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims in the period. If at any time during the coverage period, facts and circumstances indicate that a group of contracts are onerous, to the extent that the fulfilment cash flows exceed the carrying amount of the liability for remaining coverage determined in the way as mentioned above, the Group recognises a loss as insurance service expenses in the period and increases the carrying amount of the liability for remaining coverage.

The Group measures the liability for incurred claims at the fulfilment cash flows relating to incurred claims and other related expenses. The Group takes into account the time value of money and the effect of financial risk when measuring the related fulfilment cash flows.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.5 Measurement of insurance contracts (continued)

21.5.4 Simplified approach ("premium allocation approach") for measurement of groups of insurance contracts (continued)

The Group recognises the insurance revenue in the period at the amount of premiums received and expected to be received (with any investment component excluded and any significant financing component adjusted) allocated to the period. the Group allocates such adjusted premium received and expected to be received on the basis of the passage of time during the coverage period; if the expected pattern of release of risk of the insurance contracts during the coverage period differs significantly from the passage of time, then the allocation will be on the basis of the expected timing of incurred insurance service expenses.

21.6 Recognition and measurement of investment contracts with discretionary participation features

The Group accounts for the investment contract with discretionary participation features issued by the Group applying the accounting treatments for insurance contracts, except for the special modifications listed below:

- the date of initial recognition is the date the Group becomes a party to the contract;
- cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash. The Group has no substantive obligation to deliver cash if the Group has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks;
- the Group recognises the contractual service margin in profit or loss of the current and future periods over the duration of the group of contracts in a systematic and rational way that reflects the transfer of investment services.

21.7 Recognition and measurement of groups of reinsurance contracts held

21.7.1 Recognition of groups of reinsurance contracts held

The above accounting treatment for insurance contracts applies to the recognition and measurement of groups of reinsurance contracts held, except as the modifications as specifically set out in this section (i.e., "Recognition and measurement of groups of reinsurance contracts held"), however, the approaches for measuring groups of onerous contracts do not apply to groups of reinsurance contracts held.

The Group recognises a group of reinsurance contracts held from the earlier of the beginning of the coverage period of the group of reinsurance contracts held or the date the Group recognises an onerous group of underlying insurance contracts. However, the Group recognises a group of reinsurance contracts held that provide proportionate coverage from the earlier of the following: the later of the beginning of the coverage period of the group of reinsurance contracts held or the date that any underlying insurance contract is initially recognised; or the date the Group recognises an onerous group of underlying insurance contracts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.7 Recognition and measurement of groups of reinsurance contracts held (continued)

21.7.2 Measurement of groups of reinsurance contracts held

On initial recognition of a group of reinsurance contracts held, the Group measures the asset for reinsurance contracts held at the total of the fulfilment cash flows and the contractual service margin. The contractual service margin for a group of reinsurance contracts held represents the net cost or net gain from the insurance contract services to be provided to the Group by the reinsurer.

When the Group measures the estimates of the present value of the future cash flows for the group of reinsurance contracts held, it uses the assumptions that are consistent with those used in the estimates of the present value of the future cash flows for the group of underlying insurance contracts, and takes into account the effect of any risk of non-performance by the issuer of the reinsurance contract.

The Group determines the risk adjustment for non-financial risk based on the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

On initial recognition of a group of reinsurance contracts held, the Group calculates the total of:

- the fulfilment cash flows;
- the cash flows related to asset or liability derecognised at that date;
- any cash flows arising at that date;
- the loss-recovery component of the asset for remaining coverage of reinsurance contracts held.

The Group recognises the net cost or net gain represented by the above total as a contractual service margin. If the net cost relates to events that occurred before the purchase of the reinsurance contracts, the Group recognises such a cost immediately in profit or loss as an expense.

The assets for reinsurance contracts held is subsequently measured by the Group at each balance sheet date at the total of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage includes the fulfilment cash flows related to unexpired coverage period allocated to the group of reinsurance contracts held at the balance sheet date and the contractual service margin of the group at that date. The asset for incurred claims includes the fulfilment cash flows related to recovery of claims and other related expenses incurred allocated to the group of reinsurance contracts held at the balance sheet date.

If the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised, when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, the Group recognises a loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held by multiplying (a) the loss recognised on the underlying insurance contracts; and (b) the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group recognises the amount calculated above as an adjustment to contractual service margin and simultaneously as recoveries of insurance service expenses from reinsurers in profit or loss of the period.

When the Group measures the groups of reinsurance contracts held, it adjusts the loss-recovery component to reflect changes in the loss components of the onerous underlying insurance contracts, with the carrying amount of the loss-recovery component not exceeding the portion of the carrying amount of the loss components of the onerous underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.7 Recognition and measurement of groups of reinsurance contracts held (continued)

21.7.2 Measurement of groups of reinsurance contracts held (continued)

The Group measures the contractual service margin at each balance sheet date for a group of reinsurance contracts held as the carrying amount determined at the start of the reporting period, adjusted for:

(a) the effect of contracts added to the group of contracts in the period on the contractual service margin;
(b) interest accreted in the period on the contractual service margin, using the weighted average interest rates (applicable to cash flows that do not vary based on returns on any underlying items) determined when the contracts in the group of contracts are recognised;
(c) the loss-recovery component of the asset for remaining coverage recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, and reversals of a loss-recovery component of the asset for remaining coverage to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
(d) the changes in the fulfilment cash flows relating to future service, other than the change resulting from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin for the group of underlying insurance contracts, or the change resulting from recognition or reversal of losses from onerous groups of underlying contracts measured applying the premium allocation approach;
(e) the effect of any currency exchange differences in the period arising on the contractual service margin;
(f) the amortisation of the contractual service margin in the period. The Group rationally determines the coverage units of the group of reinsurance contracts held in each period of the coverage period based on the pattern of receipt of insurance contract services, and recognises profit or loss accordingly over the current and future periods by amortising the carrying amount of the contractual service margin as adjusted for (a) to (e) above.

Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not relate to future service and shall not adjust the contractual service margin.

The Group recognises the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Group recognises the increase in the asset for incurred claims because of claims and other related expenses incurred in the period that are expected to be reimbursed and any subsequent related changes in fulfilment cash flows as recoveries of insurance service expenses from reinsurers.

The Group treats amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts as the reduction to the allocation of reinsurance premiums paid. Allocation of reinsurance premiums paid and recoveries of insurance service expenses from reinsurer recognised in profit or loss excludes any investment components of the reinsurance contracts held.

The Group may use the premium allocation approach to simplify the measurement of a group of reinsurance contracts held, if one of the following conditions is met:

- the Group reasonably expects the measurement result of the group of reinsurance contracts held applying premium allocation approach would not differ materially from the measurement result without applying the premium allocation approach. This condition is not met if significant variability in the fulfilment cash flows is expected during the period before a claim is incurred;
- the coverage period of each contract in the group of reinsurance contracts held is one year or less.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Insurance contracts (continued)

21.8 Modification and derecognition

If the modification of terms of an insurance contract meets one of the following conditions, the Group derecognises the original contract and recognises the modified contract as a new contract.

- if the modified terms had been included at contract inception, one of the following situations occurs:
  (i) the modified contract would have been excluded from the scope of Accounting Standard for Business Enterprises on insurance contracts;
  (ii) the Group would have separated different components from the host insurance contract, resulting in a different insurance contract to which the Accounting Standard for Business Enterprises on insurance contracts would have applied;
  (iii) the modified contract would have had a substantially different contract boundary;
  (iv) the modified contract would have been included in a different group of contracts.
- the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa;
- the Group applied the premium allocation approach to the original contract, but the modified contract no longer meets the eligibility criteria for the premium allocation approach.

If a contract modification meets none of the conditions above, the Group treats changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

The Group derecognises an insurance contract when the obligation specified in the insurance contract is discharged or cancelled or expires. The Group derecognises an insurance contract by applying the following:

- the fulfilment cash flows of the group to which the insurance contract belongs are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised;
- the contractual service margin of the group of contracts is adjusted;
- the number of coverage units for current and future periods of the group of contracts is adjusted.

When the Group modifies the original contract and recognises the new contract, the Group adjusts the contractual service margin of the group from which the original contract has been derecognised for the difference between the change in the fulfilment cash flows of the group of insurance contracts resulting from the derecognition of the original contract, and the premium charged had it entered into a contract with equivalent terms as the new contract at the date of modification, less any additional premium charged for the modification of the contract. The Group measures the group to which the new contract belongs assuming that the Group receives the net premium mentioned above at the date of the modification.

When the Group derecognises an insurance contract because it transfers the contract, the Group adjusts the contractual service margin of the group from which the contract has been derecognised for the difference between the change in the fulfilment cash flows of the group of insurance contracts resulting from the derecognition of the contract and the premium charged by the transferee.

When the Group derecognises an insurance contract (other than insurance contracts with direct participation features for which the Group holds the underlying items) because of modification or transfer, it reclassifies the balance of the other comprehensive income recognised for the contract in prior periods to profit or loss in that period.

21.9 Presentation

If the carrying amount of a portfolio of insurance contracts issued by the Group is a credit (debit) balance, it is presented as an insurance contract liability (asset); If the carrying amount of a portfolio of reinsurance contracts held is a debit (credit) balance, it is presented as a reinsurance contract asset (liability). The carrying amount of the assets for insurance acquisition cash flows at each balance sheet date is included in the carrying amount of the related portfolios of insurance contracts.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Provisions

The obligations pertinent to contingencies are recognised as provisions when the following conditions are satisfied concurrently:

(1) it is a present obligation of the Group;
(2) it is probable that an outflow of economic benefits will be required to settle the obligation;
(3) the amount of the obligation can be measured reliably.

When the discounting effect is material, the amount of a provision is the present value at the balance sheet date of the future cash flow expected to be required to settle the obligation. The increase in the discounted present value arising from the passage of time is included in interest expenses.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. The Group reviews the carrying amount of the provisions at the end of the reporting period. If there is substantial evidence that the carrying amount cannot actually reflect the current best estimate, the Group will adjust the carrying amount in accordance with the current best estimate.

23. Dividend distribution

The loss compensation and dividend distribution approved by the shareholders' meeting are recognised in the current period of approval.

24. Revenue

Insurance revenue

For insurance contracts issued by the Group, the Group uses the groups of contracts as measurement units and recognises insurance revenue in the periods when insurance contract services are provided.

Interest income

Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others. Effective interest rate is applied to discounts the estimated future cash flows through the expected life of the financial asset to the net carrying amount of the financial assets.

Management fee income

Management fee income is calculated in accordance with the calculation method specified in the contracts on an accrual basis. Management fees are recognised at agreed contractual basis rates if revenue recognition principles and fee accrual criteria are met.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Leases

A contract is, or contains, a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration.

As the lessee, the Group shall recognise right-of-use assets and lease liabilities at the commencement date. The only exceptions are short-term leases and leases of low-value assets. Right-of-use assets are the assets that represent the Group's rights to use an underlying asset for the lease term. The commencement date is the date on which a lessor makes an underlying asset available for use by the Group.

The right-of-use assets of the Group are initially measured at cost. The cost of right-of-use asset shall comprise:

(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

The Group measures the lease liabilities at the present value of the lease payments that are not paid at the commencement date. Lease payments includes fixed payments and the payments for terminating the lease with an option to terminate the lease, etc. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group use the incremental borrowing rate. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and is recognised in profit or loss.

Payments related to short-term leases and low-value asset leases are recognised in related asset costs or profit or loss on a straight-line basis over each lease term. Short-term lease is the lease that, at the commencement date, has a lease term of 12 months or less. Lease of low-value asset is the lease for which the individual underlying asset is of low value when it is new.

As the lessor, the income from operating lease is recognised as rental income on a straight-line basis over each lease period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Government grants

Government grants are recognised when the grants can be received, and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods regulated in government documents are recognised as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition, are recognised, as government grants related to assets, whereas the rest as government grants related to income.

Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted costs against related costs, expenses or losses in the period of recognising the related expenses or costs; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs directly in the current period. Government grants related to assets are either deducted against the carrying amount of the assets or recorded as deferred income. Government grants related to assets and recorded as deferred income are recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants measured at their nominal amounts are directly recognised in profit or loss for the current period. Where the related assets are sold, transferred, scraped or destroyed before the end of their useful lives, the undistributed deferred revenue shall be transferred to profit or loss for the period in which the assets are disposed of. Government grants comprising of both assets-related portion and income-related portion are accounted separately, and those difficult to distinguish are classified as income-related as a whole.

Government grants related to daily activities of the Group are included in other income or deducted against related costs or expenses in accordance with business nature. Government grants not related to daily activities of the Group are included in non-operating income or expenses.

27. Income tax

Income tax comprises current and deferred income tax. Except to the extent that the tax arises from a transaction or event which is recognised directly in equity, all the income tax should be expensed or credited to profit or loss as appropriate.

The Group measures the current income tax liabilities or assets formed in the current period and previous periods according to the income tax amount which is required to pay or return expectedly under the regulations of tax law. It is based on tax rates applicable in the countries or regions where the Group operates at the balance sheet date, taking into consideration interpretations and practices prevailing in the countries or regions in which the Group operates.

The Group measures deferred income tax using the statement of balance sheet liability method according to the temporary difference between the carrying amount of an asset or liability at the end of the reporting period and its tax base, and the temporary difference between the carrying amount of an item not recognised as an asset or liability at the end of the reporting period and its tax base.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(1) When the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss and the initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.

(2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax credits and any deductible losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and deductible losses can be utilised, except:

(1) When the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or deductible loss and the initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.

(2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Group measures the deferred income tax assets and deferred income tax liabilities according to tax laws and regulations and based on applicable tax rate occurred in the period when the assets are repossessed or the liabilities are liquidated expectedly, which reflects the influence of the income tax on expectedly repossessed assets or liquidated liabilities at the balance sheet date.

At the balance sheet date, the Group reviews the carrying amount of the deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. At the balance sheet date, the Group reassesses the unrecognised deferred income tax assets and recognises deferred income tax assets within the limit that the amount of income tax payable is sufficient to reverse all of or part of deferred income tax assets.

If the Group has the legal right to settle current income tax assets and current income tax liabilities through net amount, and the deferred income tax is relevant to the same taxpayer and the same tax collection and administration department, the net amount, obtained after the deferred income tax assets and the deferred income tax liabilities are offset, is presented.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

According to relevant Chinese laws and regulations, all employees of the Group within the territory of China must participate in employee social security plans, including pension schemes, medical insurance, housing fund and other welfare benefits, organised and administered by the governmental authorities. For Hong Kong employees of the Group, the Group participates in the Mandatory Provident Fund Scheme in accordance with the contribution ratio required by corresponding regulations.

The Group's obligation to the above social securities is to pay social pooling insurance fees to social insurance authorities in accordance with the prescribed percentage of total wages. The contribution shall be managed and paid to retired employees through labour and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the social security plans. Forfeited contributions by those employees are not used to reduce the existing level of contributions.

The Group’s employees in some regions of China have also participated in the employer-sponsored enterprise annuity plan (the “Annuity Plan”). The Group shall contribute to the Annuity Fund in accordance with agreed base and percentage. Forfeited contributions by those employees who quit the Annuity Plan prior to the full vesting of their contributions are not used to reduce the existing level of contributions but are transferred to the public account of the Annuity Plan to be allocated to the members of the Annuity Plan after fulfilling the approval procedures by the Group.

In addition, the Group is not liable for any significant legal obligation or constructive obligation to further pay employee retirement benefits. Above expenses are recognised in profit or loss as incurred. The above retirement benefit plan falls into the defined contribution plan.

The Group pays various benefit expenses for employees who accept voluntary retirement before the normal retirement date stipulated by the state as approved by the Group from the month after the early retirement through the normal retirement date stipulated by the state, including the retirement pensions, and various insurance coordination fees to local social insurance authorities, etc. For early retirement benefits qualified for recognition, the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised by the Group as liabilities and charged to profit or loss for the current period.

The Group also operates deferred bonus plans for senior management and some of the key employees, which are accrued during the periods when employees provide services and are recognised as liabilities. The bonus is awarded based on the Group's annual performance appraisal indicators for the employees and the enterprises, and the payment is deferred.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Fair value measurement

Fair value is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on the measurement date. The Group measures relevant assets or liabilities at fair value. It is assumed that the sale of the assets or the transfer of liabilities is carried out in the principal market for the assets or liabilities. In case of no principal market, the Group assumes that the transaction is carried out in the most advantageous market for the assets or liabilities. The principal market (or the most advantageous market) is the trade market that the Group can enter on the measurement date. The Group adopts the assumptions that market participants use to maximise their economic benefits when pricing the assets or liabilities.

To measure non-financial assets at fair value, consider the ability of market participants to generate economic benefits by using the asset for optimal purpose, or to sell the asset to other market participants who are able to use it for optimal purpose.

The Group adopts the valuation technique that is applicable in the current circumstances and contains sufficient available data and other information supports, chooses inputs with features of assets or liabilities that are consistent with those market participants consider in related transactions of assets or liabilities, and should give priority to relevant observable inputs. Unobservable inputs are adopted only when relevant observable inputs are not available or feasible.

30. Contingent liabilities

Contingent liabilities are obligations arising from past events that may require the Group to assume. The Group does not recognise such obligations as they arise from events that cannot be fully controlled by the Group, or the outflow of economic benefits resulted from such obligations cannot be reliably measured. They are recognised as contingent liabilities when the above events that cannot be fully controlled by the Group occur or the outflow of economic benefits of such obligations can be reliably measured.

31. Summary of significant accounting judgements and accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, the uncertainty of these assumptions and estimates may result in outcomes that may require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Estimates and judgements are continually evaluated by the Group based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances.

<u>Significant judgements</u>

In the process of applying the Group's accounting policies, the management has made the following judgements, which have significant effect on the amounts recognised in the financial statements:

(1) Business models (applicable from 1 January 2023)

The classification of financial assets at initial recognition should be based on the Group's business model for managing the financial assets. When determining the business model, what the Group considers include how the performance of financial assets are evaluated and reported to the key management, the risks affecting the performance of financial assets and the way in which those risks are managed and how the relevant managers of the business are compensated, etc.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Significant judgements (continued)

(2) Contractual cash flow characteristics (applicable from 1 January 2023)

The classification of financial assets at initial recognition should be based on the financial asset's contractual cash flow characteristics, and the judgements on whether the contractual cash flows are consistent with a basic lending arrangement, which are solely payments of principal and interest on the outstanding principal. For example, when assessing the modification of the time value of money in the contractual cash flows, the judgement is needed to determine whether there is any significant difference from the benchmark cash flows, etc.

(3) Provision for impairment of available-for-sale equity financial instruments (only applicable for 2022)

The Group determines that provision for impairment of available-for-sale equity financial instruments should be made when there is a significant or prolonged decline in the fair value. The determination of what is significant or prolonged requires judgement by the management. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the severity of the decline in fair value and the financial position of the investees, etc.

(4) Determination of control over structured entities

When determining whether the Group controls the structured entities in which it acts as an asset manager, the Group considers all relevant facts and circumstances in assessing whether it is acting as an agent or as a principal to make decisions. If the Group is acting as a principal, it controls the structured entities. In assessing whether the Group is acting as a principal, the Group considers factors such as scope of the asset manager's decision-making authority in structured entities; substantial rights held by other parties, remuneration to which it is entitled and exposure to variability of returns by holding interest in the structured entities. Once the factors change because of the changes of relevant facts and circumstances, the Group will reassess.

(5) Level of aggregation and recognition of insurance contracts

For insurance contracts issued to which the premium allocation approach is not applied, judgement is needed in assessing whether contracts that are onerous at initial recognition or have no significant possibility of becoming onerous subsequently, including the consideration of:

- the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- information used to make estimates of the profitability of the products.

(6) Appropriateness of measurement methods for insurance contracts

The Group assesses at inception of the insurance contracts whether they meet the conditions for applying premium allocation approach or variable fee approach. When making such assessments, management's judgement is needed based on a combined consideration of the contractual characteristics and relevant facts and circumstances.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Significant judgements (continued)

(7) Determination of the coverage units

The Group allocates the contractual service margin to each coverage unit provided in the current period and expected to be provided in the future and recognises the allocated amounts to profit or loss in the current or future periods. The Group determines the number of coverage units in a group of contracts in each period during the coverage period based on the pattern of the provision of insurance contract services properly, i.e., considering the amount or quantity of the benefits provided under each contract and expected coverage period.

The Group estimates the amount or quantity of benefits provided by insurance contracts based on the pattern of the provision of insurance coverage service, investment-return service and investment-related service (if applicable) and the consideration of characteristics of the terms and claims of insurance contracts. For contracts providing multiple services, the Group estimates the relative weighting of the services based on the factors related to each service (including the maximum claim amount, investment components, etc).

The Group estimates the expected coverage period based on the terms of insurance contracts and the mortality and morbidity, surrender rates etc. as mentioned in the section ‘Measurement of fulfilment cash flows of insurance contracts’.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are detailed below:

(1) Measurement of fulfilment cash flows of insurance contracts

As at the balance sheet date, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the fulfilment cash flows within the boundary of each insurance contract. The estimates of the fulfilment cash flows are determined by the possible outcomes and associated possibilities calculated under all circumstances, considering all reasonable and supportable information available at the balance sheet date without undue cost or effort, with consideration of certain non-financial risk.

The main assumptions used in measuring fulfilment cash flows include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expenses, policy dividend assumptions and risk adjustment for non-financial risk etc.

(a) Discount rates

For cash flows of insurance contracts that do not vary based on the returns on underlying items, the discount rates are determined by a bottom-up approach, on the basis of considering the impact of the time value of money, the discounted rates assumption is determined by adding comprehensive premiums to the underlying interest rate curve. The comprehensive premiums include taxation impacts, the liquidity, and other relevant factors. The discounted rates assumption adopted as at 31 December 2023 was 2.67% to 4.80% (31 December 2022: 2.48% to 4.80%).

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Estimation uncertainty (continued)

(1) Measurement of fulfilment cash flows of insurance contracts(continued)

(a) Discount rates (continued)

For cash flows of insurance contracts that vary based on the returns on underlying items, the discount rates are determined based on expected rate of returns of the corresponding investment portfolio.

The assumption of discount rates is affected by uncertain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors. The Group determines discount rate assumption based on the information available at the balance sheet date.

(b) Mortality and morbidity

Mortality assumption is determined based on the Group’s historical mortality experiences as well as current and expected future development trends, etc. The Group presents its mortality assumptions using appropriate percentages of China Life Insurance Mortality Table (2010-2013).

Morbidity assumption is determined based on the industry’s morbidity or the Group’s products pricing assumption, analysis of historical morbidity experiences and expectations of current and future developments.

The uncertainty of mortality and morbidity are affected by factors, such as national lifestyle changes in the future, future development of medical technologies, continuing advancements in social conditions and other factors. The Group determines mortality and morbidity assumption based on all reasonable and supportable information available at the balance sheet date.

(c) Loss ratios

The Group determines reasonable estimates as loss ratio assumptions based on analysis of its historical claim experience and future development trends.

(d) Surrender rates

Surrender rate assumption is determined based on the Group’s product types, the historical experiences, and estimates on current and future expectations. The surrender rate assumption varies by interest rates, product types and sale channels. The uncertainty of surrender rate is affected by factors, such as future macro-economy and market competition. The Group determines surrender rate assumption based on all reasonable and supportable information available at the balance sheet date.

(e) Expenses

Expense assumption is determined based on the analysis of expense and future expectation, including insurance acquisition cash flows, policy administration and maintenance costs, claim expenses, etc.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Summary of significant accounting judgements and accounting estimates (continued)

Estimation uncertainty (continued)

(1) Measurement of fulfilment cash flows of insurance contracts(continued)

(e) Expenses (continued)

The uncertainty of expenses is affected by factors, such as inflation, and market competition. The Group determines expense assumption based on all reasonable and supportable information available at the balance sheet date.

(f) Policy dividend

Policy dividend assumption is determined based on expected rate of returns of participating accounts, the Group’s dividend policy, reasonable expectations of policyholders, etc.

The uncertainty of policy dividend is affected by the above factors. The Group determines policy dividend assumption based on all reasonable and supportable information available at the balance sheet date.

(g) Risk adjustment for non-financial risk

The Group applies techniques such as confidence level technique to determine the risk adjustment for non-financial risk. As at 31 December 2023, the confidence level for insurance contracts and reinsurance contracts that the Group issued and measured is 75% (the confidence level as at 31 December 2022: 75%).

(2) Fair values of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as reference to prices used in the most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same, a discounted cash flow analysis and option pricing models. For reference to other financial instruments, the instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are the best estimations made based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

(3) Impairment of financial instruments (applicable from 1 January 2023)

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES

New financial instruments standards

In 2017, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting, Accounting Standard for Business Enterprises No. 37 - Financial Instruments Disclosure (collectively hereinafter referred to as the “new financial instruments standards”). The Group has adopted the “new financial instruments standards” since 1 January 2023.

In accordance with the new financial instruments standards, the Group chose not to restate the comparative information, and the Group recognised the adjustments to carrying amounts of financial assets and financial liabilities at the date of initial application in the opening balance of retained earnings or other comprehensive income of the period. The disclosures of related comparative information remain unchanged from the disclosure made in prior years.

The implementation of the new financial instruments standards has also resulted in changes in the recognition, classification and measurement of the Group's financial assets and financial liabilities, and in the accounting policies for the impairment of financial assets.

Details of accounting policies that the Group applied in the current periods under the new financial instruments standards are disclosed in Note III.17.

The following table summarises the impact of the implementation of new financial instruments standards on the Group’s financial statement on 1 January 2023:

	31 December 2022	Impacted Amount	1 January 2023
ASSETS	2,071,336	34,410	2,105,746
Including: Cash at bank and on hand	33,134	4	33,138
Financial assets at fair value through profit or loss	26,560	(26,560)	-
Securities purchased under agreements to resell	21,124	10	21,134
Interest receivables	19,656	(19,656)	-
Term deposits	204,517	6,717	211,234
Available-for-sale financial assets	715,085	(715,085)	-
Held-to-maturity financial assets	514,250	(514,250)	-
Investments classified as loans and receivables	397,270	(397,270)	-
Financial investments:	-	1,711,596	1,711,596
Financial assets at fair value through profit or loss	-	415,758	415,758
Financial assets at amortised cost	-	91,428	91,428
Debt investments at fair value through other comprehensive income	-	1,119,324	1,119,324
Equity investments at fair value through other comprehensive income	-	85,086	85,086
Restricted statutory deposits	7,290	313	7,603
Deferred income tax assets	19,661	(11,298)	8,363
Other assets	11,227	(111)	11,116

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following table summarises the impact of the implementation of new financial instruments standards on the Group's financial statement on 1 January 2023 (continued):

	31 December 2022	Impacted Amount	1 January 2023
LIABILITIES	1,869,664	43	1,869,707
Including: Securities sold under agreements to repurchase	119,665	166	119,831
Interest payable	469	(469)	-
Bonds payable	9,999	303	10,302
Deferred income tax liabilities	568	(63)	505
Other liabilities	38,572	106	38,678
EQUITY	201,672	34,367	236,039
Including: Other comprehensive income	(11,581)	18,051	6,470
General reserves	21,071	1,621	22,692
Retained profits	92,588	14,180	106,768
Non-controlling interests	5,195	515	5,710

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023:

	Under the original financial instrument standards 31 December 2022				Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount	Reclassification	Remeasurement	Measurement categories	Carrying amount
Cash at bank and on hand	Amortised costs	33,134	4	-	Amortised costs	33,138
Securities purchased under agreements to resell	Amortised costs	21,124	10	-	Amortised costs	21,134
Restricted statutory deposits	Amortised costs	7,290	315	(2)	Amortised costs	7,603
Term deposits	Amortised costs	204,517	6,148	569	Amortised costs/Fair value through other comprehensive income	211,234
Including: Term deposits at fair value through other comprehensive income		Not applicable	163,523	592	Fair value through other comprehensive income	164,115
Term deposits at amortised cost		204,517	(157,375)	(23)	Amortised costs	47,119

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023 (continued):

	Under the original financial instrument standards 31 December 2022				Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount	Reclassification	Remeasurement	Measurement categories	Carrying amount
Financial assets at fair value through profit or loss		Not applicable	415,696	62	Fair value through profit or loss	415,758
Transfer from: Financial assets at fair value through profit or loss			26,560	-		
Transfer from: Available-for-sale financial assets			383,895	-		
Transfer from: Held-to-maturity financial assets			1,225	(15)		
Transfer from: Investments classified as loans and receivables			3,096	77		
Transfer from: Interest receivables			920	-		

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023 (continued):

	Under the original financial instrument standards 31 December 2022				Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount	Reclassification	Remeasurement	Measurement categories	Carrying amount
Financial assets at amortised cost		Not applicable	91,788	(360)	Amortised costs	91,428
Transfer from: Available-for-sale financial assets			14,591	(207)		
Transfer from: Held-to-maturity financial assets			16,148	-		
Transfer from: Investments classified as loans and receivables			60,260	(153)		
Transfer from: Interest receivables			789	-		
Debt investments at fair value through other comprehensive income		Not applicable	1,073,774	45,550	Fair value through other comprehensive income	1,119,324
Transfer from: Available-for-sale financial assets			231,513	-		
Transfer from: Held-to-maturity financial assets			496,877	42,960		
Transfer from: Investments classified as loans and receivables			333,914	2,590		
Transfer from: Interest receivables			11,470	-		

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023 (continued):

	Under the original financial instrument standards 31 December 2022				Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount	Reclassification	Remeasurement	Measurement categories	Carrying amount
Equity investments at fair value through other comprehensive income		Not applicable	85,086	-	Fair value through other comprehensive income	85,086
Transfer from: Available-for-sale financial assets			85,086	-		
Financial assets at fair value through profit or loss	Fair value through profit or loss	26,560	(26,560)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(26,560)	-		
Available-for-sale financial assets	Fair value through other comprehensive income	715,085	(715,085)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(383,895)	-		
Transfer to: Financial assets at amortised cost			(14,591)	-		
Transfer to: Debt investments at fair value through other comprehensive income			(231,513)	-		
Transfer to: Equity investments at fair value through other comprehensive income			(85,086)	-		

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adopting to the new financial instruments standards on 1 January 2023 (continued):

	Under the original financial instrument standards 31 December 2022				Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount	Reclassification	Remeasurement	Measurement categories	Carrying amount
Held-to-maturity financial assets	Amortised costs	514,250	(514,250)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(1,225)	-		
Transfer to: Financial assets at amortised cost			(16,148)	-		
Transfer to: Debt investments at fair value through other comprehensive income			(496,877)	-		
Investments classified as loans and receivables	Amortised costs	397,270	(397,270)	-		Not applicable
Transfer to: Financial assets at fair value through profit or loss			(3,096)	-		
Transfer to: Financial assets at amortised cost			(60,260)	-		
Transfer to: Debt investments at fair value through other comprehensive income			(333,914)	-		

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The following tables summarise the impact of reclassification and remeasurement on the carrying amount of the Group's main financial assets and liabilities on the day of adapting to the new financial instruments standards on 1 January 2023 (continued):

	Under the original financial instrument standards 31 December 2022				Under the new financial instrument standards 1 January 2023	
	Measurement categories	Carrying amount	Reclassification	Remeasurement	Measurement categories	Carrying amount
Interest receivables	Amortised costs	19,656	(19,656)			Not applicable
Securities sold under agreements to repurchase	Amortised costs	119,665	166		Amortised costs	119,831
Bonds payable	Amortised costs	9,999	303		Amortised costs	10,302
Interest payable	Amortised costs	469	(469)			Not applicable

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New financial instruments standards (continued)

The table below summarises the effects on provision for impairment of financial assets on account of reclassification and remeasurement on the day of adopting to new financial instruments standards:

	31 December 2022	1 January 2023
Available-for-sale financial assets	10,221	-
Held-to-maturity financial assets	45	-
Investments classified as loans and receivables	1,221	-
Financial assets at amortised cost	-	818
Debt investments at fair value through other comprehensive income	-	2,684
Other financial assets	219	443
Total	11,706	3,945

The following table reconciles the impairment provisions measured by incurred loss model as at 31 December 2022 to which measured by ECLs under the new financial instruments standards as at 1 January 2023:

	Impairment provisions 31 December 2022	Reclassification	Remeasurement	Impairment provisions 1 January 2023
Financial assets at amortised cost	Not applicable	659	159	818
Transfer from: Available-for-sale financial assets		-	6	
Transfer from: Held-to-maturity financial assets		45	-	
Transfer from: Investments classified as loans and receivables		614	153	
Debt investments at fair value through other comprehensive income	Not applicable	2,172	512	2,684
Transfer from: Available-for-sale financial assets		1,608	65	
Transfer from: Held-to-maturity financial assets		-	8	
Transfer from: Investments classified as loans and receivables		564	439	

(All amounts expressed in RMB million unless otherwise specified)

IV. CHANGE IN ACCOUNTING POLICIES (continued)

New insurance standard

In 2020, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 25 - Insurance Contracts (hereinafter referred to as the "new insurance standard"). The Group has adopted the new insurance standard from 1 January 2023, and comparatives information were restated according to requirements of the new insurance standard. The implementation of the new insurance standard resulted in significant changes in the recognition of insurance revenue and insurance service expenses, the measurement of insurance contract liabilities, the presentation in the financial statements, etc. Details of accounting policies related to insurance contracts that the Group applied in accordance with the new insurance standard are disclosed in Note III.21.

According to the requirements of the new insurance standard, the Group adopts the retrospective approach for the differences in accounting treatments of insurance contracts that are required by the new insurance standard and those that were applied before the date of initial application, except that for groups of contracts to which the full retrospective approach is impracticable on the transition date, the Group adopts the modified retrospective approach or the fair value approach for transition treatment.

In accordance with the new insurance standard, the Group is not required to disclose the amount of the retrospective adjustment for each financial statement line item affected for the current period and each prior period presented. Therefore, the Group has only summarised the impact of the adoption of the new insurance standard on key financial indicators for the comparative period, as disclosed below:

	Before changes in accounting policies 31 December 2022	Effect of changes in accounting policies	After changes in accounting policies 31 December 2022
Total assets	2,176,299	(104,963)	2,071,336
Total liabilities	1,942,171	(72,507)	1,869,664
Equity attributable to shareholders of the parent	228,446	(31,969)	196,477

V. TAXES

The main types of taxes and tax rates applicable to the Group in China are set out below:

Corporate income tax	-	25% on its taxable income under current tax laws and relevant regulations
Value-added tax ("VAT")	-	The taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) determined under current tax laws and relevant regulations, applicable tax rates: 3%, 5%, 6%, 9% or 13%
City maintenance and construction tax	-	1%, 5% or 7% of the VAT actually paid
Educational supplementary tax	-	3% of the VAT actually paid
Local educational supplementary tax	-	2% of the VAT actually paid

The main types of taxes and tax rates of payable by the Group with regard to its overseas businesses are paid in accordance with relevant regulations of local tax laws.

The taxes to be paid by the Group will be verified by relevant tax authorities.

VI. SCOPE OF CONSOLIDATION

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	19,948,088	19,948,088	98.50	-	98.50	(1)
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Joint stock limited company	Life and health insurance	Shanghai	The PRC	8,628,200	8,628,200	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited liability company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd. ("CPIC H.K.")	Limited liability company	Property and casualty insurance	Hong Kong	Hong Kong	HK$ 250,000 thousand	HK$ 250,000 thousand	100.00	-	100.00	
Shanghai Pacific Insurance Real Estate Management Co., Ltd. ("CPIC Real Estate")	Limited liability company	Real estate management	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Joint stock limited company	Pension fund and insurance asset management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited liability company	Investment management	Hong Kong	Hong Kong	HK$ 200,000 thousand	HK$ 200,000 thousand	12.25	87.46	100.00	
City Island Developments Limited ("City Island")	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 1,000	-	98.29	100.00	
Great Winwick Limited*	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	
Newscott Investments Limited *	Limited liability company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$ 50,000	US$ 100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited liability company	Investment holding	Hong Kong	Hong Kong	HK$ 10,000	HK$ 1	-	98.29	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Shanghai Xin Hui Property Development Co., Ltd. * ("Xin Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US$ 15,600 thousand	US$ 15,600 thousand	-	98.29	100.00	
Shanghai He Hui Property Development Co., Ltd. * ("He Hui Property")	Limited liability company	Real estate	Shanghai	Shanghai	US$ 46,330 thousand	US$ 46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited liability company	Consulting services, etc.	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited liability company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited liability company	Senior living property investment and management, etc.	Shanghai	Shanghai	5,000,000	5,000,000	-	98.29	100.00	
Pacific Health Insurance Co., Ltd. ("CPIC Health")	Joint stock limited company	Health insurance	Shanghai	The PRC	3,600,000	3,600,000	85.05	14.69	100.00	
Pacific Anxin Agricultural Insurance Co., Ltd. ("PAAIC")	Joint stock limited company	Property and casualty insurance	Shanghai	The PRC	1,080,000	1,080,000	-	66.76	67.78	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited liability company	Medical consulting services, etc.	Shanghai	Shanghai	1,000,000	1,000,000	-	98.29	100.00	
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited liability company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited liability company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
CPIC Senior Living Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited liability company	Senior living property investment and construction, etc.	Chengdu	Chengdu	1,000,000	987,000	-	98.29	100.00	
CPIC Senior Living Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited liability company	Senior living property investment and construction, etc.	Hangzhou	Hangzhou	1,200,000	1,006,000	-	98.29	100.00	(2)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
CPIC Senior Living Development (Xiamen) Co., Ltd. ("Xiamen Project Company")	Limited liability company	Senior living property investment and construction, etc.	Xiamen	Xiamen	900,000	900,000	-	98.29	100.00	
Pacific Care Home (Chengdu) Senior Living Service Co., Ltd. ("Pacific Care Home at Chengdu")	Limited liability company	Seniors care and health consultation, etc.	Chengdu	Chengdu	60,000	43,000	-	98.29	100.00	
CPIC Senior Living Development (Nanjing) Co., Ltd. ("Nanjing Project Company")	Limited liability company	Senior living property investment and construction, etc.	Nanjing	Nanjing	702,000	348,556	-	98.29	100.00	(3)
Pacific Care Home (Dali) Co., Ltd. ("Pacific Care Home at Dali")	Limited liability company	"Migrant-style" senior living, etc.	Dali	Dali	608,000	608,000	-	74.70	76.00	(4)
CPIC (Shanghai) Senior Care Development Co., Ltd. ("Shanghai (Putuo) Project Company")	Limited liability company	Senior living property investment and construction, etc.	Shanghai	Shanghai	250,000	250,000	-	98.29	100.00	
Pacific Care Home (Hangzhou) Senior Living Service Co., Ltd. ("Pacific Care Home at Hangzhou")	Limited liability company	Seniors care and health consultation, etc.	Hangzhou	Hangzhou	60,000	30,200	-	98.29	100.00	(5)
CPIC Senior Living Development (Wuhan) Co., Ltd. ("Wuhan Project Company")	Limited liability company	Senior living property investment and construction, etc.	Wuhan	Wuhan	980,000	980,000	-	98.29	100.00	(6)
CPIC Capital Company Limited. ("CPIC Capital")	Limited liability company	Private equity investment fund management services	Shanghai	Shanghai	100,000	100,000	-	99.67	100.00	
Shanghai Chongming Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Chongming)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	1,253,000	1,070,000	-	98.29	100.00	(7)

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Shanghai (Putuo) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Putuo)")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Shanghai	Shanghai	30,000	19,000	-	98.29	100.00	(8)
Beijing Borui Heming Insurance Agency Co., Ltd. ("Borui Heming")	Limited liability company	Insurance agency	Beijing	The PRC	52,000	52,000	-	98.29	100.00	
China Pacific Life Insurance (H.K.) Company Limited ("CPIC Life (H.K.)")	Limited liability company	Life and health insurance	Hong Kong	Hong Kong	HK$ 1,000,000 thousand	HK$ 1,000,000 thousand	-	98.29	100.00	
CPIC Senior Living Development (Qingdao) Co., Ltd. ("Qingdao Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Qingdao	Qingdao	227,000	193,000	-	98.29	100.00	(9)
Pacific Care Home (Xiamen) Senior Living Service Co., Ltd ("Pacific Care Home at Xiamen")	Limited liability company	Seniors care and health consultation, etc.	Xiamen	Xiamen	40,000	20,000	-	98.29	100.00	(10)
CPIC Senior Living Development (Zhengzhou) Co., Ltd. ("Zhengzhou Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Zhengzhou	Zhengzhou	650,000	368,500	-	98.29	100.00	(11)
CPIC Senior Living Development (Beijing) Co., Ltd. ("Beijing Project Company")	Limited liability company	Elderly service, real estate development and operation, etc.	Beijing	Beijing	800,000	757,000	-	98.29	100.00	(12)
Pacific Insurance Technology Co., Ltd. ("CPIC Technology")	Limited liability company	Technical services, cloud computing services, big data services	Shanghai	Shanghai	700,000	700,000	100.00	-	100.00	
Xinbaoyu (Guangzhou) Co., Ltd ("Xinbaoyu")	Limited liability company	Business service, property management, and lease of non-residential real estate	Guangzhou	Guangzhou	3,650,000	3,649,990	-	98.46	100.00	
Pacific Insurance Technology Services (Wuhan) Co., Ltd. ("CPIC Technology Wuhan")	Limited liability company	Technical services, technical consulting services	Wuhan	Wuhan	100,000	100,000	-	100.00	100.00	

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise specified)	Issued capital /Paid-up capital (RMB thousand, unless otherwise specified)	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)	Note
							Direct	Indirect		
Pacific Health Management (Sanya) Co., Ltd ("Sanya Project Company")	Limited liability company	Elderly service, real estate development and operation, etc	Sanya	Sanya	490,000	313,880	-	98.29	100.00	(13)
Pacific Care Home (Nanjing) Senior Living Service Co., Ltd ("Pacific Care Home at Nanjing")	Limited liability company	Elderly services, health consulting services, etc.	Nanjing	Nanjing	30,000	7,000	-	98.29	100.00	(14)
Shanghai (Jing'an) Pacific Care Home Senior Living Service Co., Ltd. ("Pacific Care Home at Shanghai (Jing'an)")	Limited liability company	"Migrant-style" senior living, etc.	Shanghai	Shanghai	426,367	426,367	-	98.29	100.00	(15)
Pacific Care Home (Wuhan) Senior Living Service Co., Ltd ("Pacific Care Home at Wuhan")	Limited liability company	Seniors care, nursing service and health consultation, etc.	Wuhan	Wuhan	30,000	2,500	-	98.29	100.00	(16)
Xiamen Yuanshen Rehabilitation Hospital Co., Ltd. ("Yuanshen Hospital")	Limited liability company	Medical service, hospital management, etc.	Xiamen	Xiamen	160,000	-	-	98.29	100.00	(17)

* Subsidiaries of City Island

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

(1) CPIC Property

According to the "Proposal on the conversion of any provident fund into share capital and related party transactions of China Pacific Property Insurance Co., Ltd." approved by the shareholders' general meeting of CPIC Property, CPIC Property transferred 478,087,650 shares to all shareholders with discretionary surplus reserve, with a total amount of RMB 1.2 billion. The matter was approved by the former China Banking and Insurance Regulatory Commission on 27 February 2023, and the total share capital after the change is RMB 19.948 billion.

(2) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 1,200 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to RMB 1,006 million.

(3) Nanjing Project Company

Nanjing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 702 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to approximately RMB 349 million.

(4) Pacific Care Home at Dali

Pacific Care Home at Dali, a subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 608 million. As of 31 December 2023, CPIC Senior Living Investment has paid up all the investment.

(5) Pacific Care Home at Hangzhou

Pacific Care Home at Hangzhou, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 60 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to approximately RMB 30 million.

(6) Wuhan Project Company

Wuhan Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 980 million. As of 31 December 2023, CPIC Life has paid up all the investment.

(7) Pacific Care Home at Shanghai (Chongming)

Pacific Care Home at Shanghai (Chongming) (originally named as Shanghai Fankun Real Estate Development Co., Ltd.), a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 1.253 billion. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 1,070 million.

(8) Pacific Care Home at Shanghai (Putuo)

Pacific Care Home at Shanghai (Putuo), a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 19 million.

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

(9) Qingdao Project Company

Qingdao Project Company, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 227 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 193 million.

(10) Pacific Care Home at Xiamen

Pacific Care Home at Xiamen, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 40 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 20 million.

(11) Zhengzhou Project Company

Zhengzhou Project Company, a wholly-owned subsidiary invested by CPIC Life, with registered capital of RMB 650 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to approximately RMB 369 million.

(12) Beijing Project Company

Beijing Project Company, a wholly-owned subsidiary funded by CPIC Life, with registered capital of RMB 800 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to RMB 757 million.

(13) Sanya Project Company

Sanya Service Company, a wholly-owned subsidiary invested by CPIC Life, with registered capital of RMB 490 million. As of 31 December 2023, the paid-up investment amount of CPIC Life had increased to approximately RMB 314 million.

(14) Pacific Care Home at Nanjing

Pacific Care Home at Nanjing, a wholly-owned subsidiary funded by CPIC Senior Living Investment, with registered capital of RMB 30 million. As of 31 December 2023, the paid-up investment amount of CPIC Senior Living Investment had increased to RMB 7 million.

(15) Pacific Care Home at Shanghai (Jing'an)

In February 2023, CPIC Senior Living Investment entered into a property rights transaction contract with Shanghai Yuanmao Real Estate Co., Ltd. ("Yuanmao Real Estate"), acquiring 100% equity interest in Pacific Care Home at Shanghai (Jing'an) from Yuanmao Real Estate. As of 31 December 2023, the registered capital and paid-in capital of Pacific Care Home at Shanghai (Jing'an) are both approximately RMB 426 million, the unified social credit code is 91310106133028680F.

(16) Pacific Care Home at Wuhan

Pacific Care Home at Wuhan, a wholly-owned subsidiary funded by CPIC Senior Living Investment, obtained the business license for the legal entity with unified social credit code 91420105MACL34TR0N in June 2023, with registered capital of RMB 30 million. As of 31 December 2023, CPIC Senior Living Investment has paid up the investment amount of approximately RMB 3 million.

VI. SCOPE OF CONSOLIDATION (continued)

1. Particulars of the Company's incorporated subsidiaries as of 31 December 2023 are as follows (continued):

(17) Yuanshen Hospital

CPIC Yuanshen Rehabilitation Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("Yuanshen Fund") and Shanghai Yanfu Enterprise Management Consulting Partnership (Limited Partnership) ("Shanghai Yanfu"), which are the two consolidated structured entities of the Group, found the Yuanshen Hospital in together, holding the percentage of equity with 99.94% and 0.06% respectively. Yuanshen obtained the business license for the legal entity with unified social credit code 91350200MAD474TX82 in November 2023, with the registered capital of RMB 0.16 billion. As of December 2023, Yuanshen Fund and Shanghai Yanfu have not paid up the investment.

VI. SCOPE OF CONSOLIDATION (continued)

2. As of 31 December 2023, material consolidated structured entities material to the Group are as follows:

Name	Collective holding by the Group (%)	Product scale (units in RMB thousand)	Nature of business
China Pacific Changhang Equity Investment Fund (Wuhan) Partnership (Limited Partnership) ("China Pacific Changhang")	99.98	8,501,505	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the Asset Management Association of China ("AMAC")) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).
CPIC Zengyu Annually Open Pure Debt Type Launching Securities Investment Fund	79.26	8,426,809	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengfu Annually Open Pure Debt Type Launching Securities Investment Fund	100.00	7,683,713	Investing in financial instruments with high liquidity including national bonds, government bonds, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, notice deposits and term deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-Shanxi Coking Coal Debt Investment Plan	69.93	7,150,000	Investing in Shanxi Li-Liu Mining Area Pangpangta Coal Mine Project operated by Shanxi Coking Coal Group Co., Ltd. through a debt investment plan.
CPIC Health Industry Private Investment Fund (Shanghai) Partnership (Limited Partnership) ("CPIC Health Fund")	90.90	4,951,000	Investing in equity investments, investment management and asset management activities with private funds (yet subject to related regulations of the AMAC) (except for projects subject to approval according to law, independently carry out business activities that are not prohibited or restricted by laws and regulations with business license).

CPIC Asset Management, CPIC Funds, CPIC Capital etc. are the asset managers of these consolidated structured entities included in the scope of the Group.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash at bank and on hand

		31 December 2023		
	Currency	Original currency	Exchange rate	RMB
Cash	RMB	2	1.00000	2
	Sub-total			2
Bank deposits	RMB	24,825	1.00000	24,825
	USD	754	7.08270	5,340
	HKD	208	0.90622	188
	Others			2
	Sub-total			30,355
Other cash balances	RMB	1,098	1.00000	1,098
	Sub-total			1,098
Total				31,455

		31 December 2022		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	23,353	1.00000	23,353
	USD	1,174	6.96460	8,175
	HKD	846	0.89327	756
	Others			1
	Sub-total			32,285
Other cash balances	RMB	849	1.00000	849
	Sub-total			849
Total				33,134

As of 31 December 2023, the Group’s cash at bank and on hand deposited overseas amounted equivalent to RMB 884 million (31 December 2022: amounted equivalent to RMB 2,157 million). Under PRC’s foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

As of 31 December 2023, RMB 808 million in the Group's other cash balances are recorded as minimum settlement deposits (31 December 2022: RMB 825 million).

As of 31 December 2023, RMB 549 million are term deposits with original maturity of no more than three months (31 December 2022: RMB 659 million).

As of 31 December 2023, RMB 520 million in the Group's cash at bank and on hand balance are restricted for special-purpose use (31 December 2022: RMB 449 million).

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Cash at bank and on hand (continued)

Bank deposits comprise current deposits and short-term time deposits. Current deposits earn interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash at bank and on hand approximate their fair values.

2. Financial assets at fair value through profit or loss (only applicable for 2022)

	31 December 2022
Listed	3,460
Unlisted	23,100
Total	26,560
Equity investments	
- Stocks	9
- Funds and insurance asset management products	3,725
- Wealth management products	6,502
- Other equity investments	9,813
Debt investments	
- Government bonds	32(
- Finance bonds	3,134
- Corporate bonds	3,018
- Wealth management products	3
- Debt investment plans	30
Total	26,560

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss as at 31 December 2022 amounted to RMB 21,571 million. The rest are trading assets, with no material limitation in realisation.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Derivative financial instruments

The contract notional amount and fair value of derivative financial instruments held by the Group are as follows. The contract notional amount of derivative financial instruments is only the basis for comparing the fair value of assets or liabilities recognised in the balance sheet. It does not reflect the future cash flow nor present fair value, therefore cannot reflect the risk faced by the Group.

	31 December 2023		
	Nominal amount	Assets	Liabilities
Treasury bond futures	41	-	-
Stock index futures	7	-	-
Foreign exchange forward contracts	4,475	17	21
Sub-total	4,523	17	21

	31 December 2022		
	Nominal amount	Assets	Liabilities
Foreign exchange forward contracts	3,612	197	8

4. Securities purchased under agreements to resell

	31 December 2023	31 December 2022
Securities - bonds		
Inter-bank market	2,019	17,909
Stock exchange	789	3,215
Sub-total	2,808	21,124
Less: Impairment provisions	-	-
Total	2,808	21,124

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Interest receivables (only applicable for 2022)

	31 December 2022
Interest receivables from debt investments	13,221
Interest receivables from deposits	6,482
Interest receivables from securities purchased under agreements to resell	10
Sub-total	19,713
Less: Provision for bad debts	(57)
Net value	19,656

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

6. Term deposits

Term to maturity	31 December 2023	31 December 2022
At amortised cost		
Within 3 months (inclusive)	4,664	30,034
3 months to 1 year (inclusive)	2,703	47,181
1 to 2 years (inclusive)	7,759	47,749
2 to 3 years (inclusive)	7,856	23,388
3 to 4 years (inclusive)	8,509	27,005
4 to 5 years (inclusive)	2,723	29,160
Less: Impairment provisions	(20)	-
Fair value through other comprehensive income		
Within 3 months (inclusive)	38,205	-
3 months to 1 year (inclusive)	5,845	-
1 to 2 years (inclusive)	16,585	-
2 to 3 years (inclusive)	28,607	-
3 to 4 years (inclusive)	21,464	-
4 to 5 years (inclusive)	20,101	-
Over 5 years	500	-
Including:		
- Amortised cost	130,521	-
- Accumulated changes in fair value	786	-
Total	165,501	204,517

As at 31 December 2023, the impairment provision recognised for term deposits at fair value through other comprehensive income was RMB 56 million.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Available-for-sale financial assets (only applicable for 2022)

Available-for-sale financial assets are summarised by category as follows:

	31 December 2022
Listed	267,226
Unlisted	447,859
Total	715,085
Equity investments	
- Stocks	182,173
- Funds and insurance asset management products	83,160
- Other equity investments	138,541
- Wealth management products	757
- Preferred shares	12,335
Debt investments	
- Government bonds	108,345
- Finance bonds	56,845
- Corporate bonds	129,536
- Debt investment plans	700
- Wealth management products	2,693
Total	715,085

Related information of available-for-sale financial assets is analysed as follows:

	31 December 2022
Debt investments	
Fair value	298,119
Including: Amortised cost	287,635
Accumulated amount recognised in other comprehensive income	12,755
Total impairment provisions	(2,271)
Equity investments	
Fair value	416,966
Including: Cost	423,209
Accumulated amount recognised in other comprehensive income	1,707
Total impairment provisions	(7,950)
Total	
Fair value	715,085
Including: Amortised cost/Cost	710,844
Accumulated amount recognised in other comprehensive income	14,462
Total impairment provisions	(10,221)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Held-to-maturity financial assets (only applicable for 2022)

	31 December 2022
Listed	14,895
Unlisted	499,400
Sub-total	514,295
Less: Impairment provisions	(45)
Net value	514,250
Debt investments	
- Government bonds	417,053
- Finance bonds	41,289
- Corporate bonds	55,891
- Wealth management products	62
Sub-total	514,295
Less: Impairment provisions	(45)
Net value	514,250

As at the balance sheet date, the Group's intention and ability to hold these assets were evaluated by itself and proved unchanged.

9. Investments classified as loans and receivables (only applicable for 2022)

	31 December 2022
Debt investments	
Finance bonds	500
Debt investment plans	241,072
Wealth management products	120,580
Preferred shares	32,000
Loans	4,339
Sub-total	398,491
Less: Impairment provisions	(1,221)
Net value	397,270

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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial assets at fair value through profit or loss (only applicable for 2023)

	31 December 2023
Listed	198,622
Unlisted	382,980
Total	581,602
Bonds	199,951
Government bonds	2,889
Finance bonds	169,449
Corporate bonds	27,613
Stocks	161,345
Funds	65,817
Unlisted equity shares investments	62,919
Debt investment plans	44,676
Investment in wealth management products	38,720
Others	8,174
Total	581,602

As at 31 December 2023, there was no financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss had no material limitation in realisation.

11. Financial assets at amortised cost (only applicable for 2023)

	31 December 2023
Listed	3,902
Unlisted	79,809
Sub-total	83,711
Less: Impairment provisions	(1,377)
Net value	82,334
Bonds	25,688
Government bonds	15,944
Corporate bonds	9,744
Debt investment plans	42,846
Investment trust	11,000
Others	4,177
Sub-total	83,711
Less: Impairment provisions	(1,377)
Net value	82,334

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(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Debt investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Listed	60,381
Unlisted	1,187,054
Total	1,247,435
Bonds	937,989
Government bonds	741,151
Finance bonds	64,922
Corporate bonds	131,916
Debt investment plans	186,881
Investment trust	80,073
Preferred shares	33,020
Others	9,472
Total	1,247,435
Including:	
Amortised cost	1,143,108
Accumulated changes in fair value	104,327

As at 31 December 2023, the impairment provision for the Group's debt investment at fair value through other comprehensive income was RMB 3.929 billion.

13. Equity investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Stocks	27,110
Preferred shares	12,597
Perpetual bonds	28,477
Others	29,781
Total	97,965
Including:	
Cost	95,710
Accumulated changes in fair value	2,255

The equity instruments at fair value through other comprehensive income, designated by the Group, are non-trading equity investments with the primary objective of being held for a long time or obtaining dividends during the holding period.

For the year ended 31 December 2023, the Group disposed equity investments at fair value through other comprehensive income of RMB 9.563 billion because of the optimisation of asset allocation and asset and liability management. Due to the sale of the above equity investments, RMB 5 million transferred from other comprehensive income to retained profits.

For the year ended 31 December 2023, the Group has received dividends of RMB 4.769 billion from the above equity investments. Relevant disclosures are included in Note VII.40.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments

	31 December 2023								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method:									
Joint venture									
Shanghai Ruiyongjing Real Estate Development Co., Ltd. (“Ruiyongjing Real Estate”)	9,835	9,812	-	(27)	-	-	-	9,785	-
Others	52	64	(20)	3	-	-	-	47	-
Sub-total	9,887	9,876	(20)	(24)	-	-	-	9,832	-
Associate									
Taijiashan Health Industry Equity Investment Fund (Shanghai) LLP. (“Taijiashan”) (Note 1)	2,662	2,870	162	(12)	-	-	(2)	3,018	-
Yangtze River Delta Synergy Industry Investment Fund (“Yangtze River Delta Fund”)	1,882	2,674	(88)	157	-	-	(59)	2,684	-
Shanghai Hi-Tech Park United Development Co., Ltd. (“Hi-Tech”)	1,856	1,873	-	37	-	-	(37)	1,873	-
Shanghai Sci-Tech Innovation Centre Capital II LLP (“Sci-Tech Innovation II”) (Note 2)	1,197	959	297	72	-	-	(17)	1,311	-
Shanghai Lingang GLP International Logistics Development Co., Ltd. (“Lingang GLP”)	1,057	1,053	-	40	-	-	(40)	1,053	-
Shanghai Biomedical Industry Equity Investment Fund LLP. (Shanghai Biomedical)	940	964	-	2	-	-	(1)	965	-

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

	31 December 2023								
	Investment cost	Opening balance	Increase/ (Decrease) in current year	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income/(loss)	Share of other changes in equity	Dividend distribution	Ending balance	Impairment provision ending balance
Equity method (continued):									
Associate (continued)									
Jiaxing Yishang Equity Investment LLP (“Jiaxing Yishang ”)	901	941	-	(2)	-	-	-	939	-
Ningbo Zhilin Investment Management LLP. (“Ningbo Zhilin”) (Note 3)	-	2,623	(2,416)	102	-	-	(309)	-	-
Others	3,279	2,270	180	(758)	(73)	390	(1)	2,008	(499)
Sub-total	13,774	16,227	(1,865)	(362)	(73)	390	(466)	13,851	(499)
Total	23,661	26,103	(1,885)	(386)	(73)	390	(466)	23,683	(499)

Note 1: In 2023, CPIC Life made an additional capital contribution of approximately RMB 0.162 billion to Taijiashan, and its ownership interest changed to 99.01%.

Note 2: In 2023, CPIC Life made an additional capital contribution of approximately RMB 0.297 billion to Sci-Tech Innovation II, and its ownership interest remained as 25.00%

Note 3: In July 2023, CPIC Life has recovered its investment of Ningbo Zhilin of approximately RMB 2.416 billion.

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

As at 31 December 2023, details of joint ventures of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal represent -ative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Ruiyongjing Real Estate (Note 1)	Limited liability company	Shanghai	Ge Qing	Real estate	14,050,000	14,050,000	91310000MA1FL5MU6G	-	68.80	57.14

As at 31 December 2023, details of associates of the Group are as follows:

Name	Type of enterprise	Place of registration/ Major business location	Legal represent -ative	Nature of business	Registered capital (RMB thousand unless otherwise)	Paid-up capital (RMB thousand unless otherwise)	Unified social credit code	Percentage of equity attributable to the Company (%)		Percentage of voting rights attributable to the Company (%)
								Direct	Indirect	
Taijiashan (Note 2)	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	2,688,887	91310000MA1FL7MH5H	-	97.32	Not applicable
Yangtze River Delta Fund	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	6,257,459	91310000MA1FL62E0U	-	27.28	Not applicable
Hi-Tech	Limited liability company	Shanghai	Xue Han	Business services	453,250	453,250	913100006072011086	-	19.65	9.09
Sci-Tech Innovation II	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	4,800,800	91310000MA1FL7X9X1	-	24.57	Not applicable
Lingang GLP.	Limited liability company	Shanghai	Zhao Mingqi	Real estate	US$ 119,990 thousand	US$ 119,990 thousand	913100007709009105	-	19.65	12.50
Shanghai Biomedical	Limited liability partnership	Shanghai	Not applicable	Equity investment	Not applicable	7,730,036	91310000MA1FL7HY2Y	-	12.00	Not applicable
Jiaxing Yishang (Note 3)	Limited liability partnership	Jiaxing	Not applicable	Equity investment	Not applicable	950,501	91330402MA2BCWUX4C	-	93.18	Not applicable

Note 1: CPIC Life holds over 50% of the ownership interest of Ruiyongjing Real Estate. Since CPIC Group cannot unilaterally dominate the relevant activities of Ruiyongjing Real Estate according to the Articles of Association of Ruiyongjing Real Estate, Ruiyongjing Real Estate is accounted under equity method as a joint venture.

Note 2: CPIC Life holds over 50% shares of Taijiashan. Since CPIC Group cannot unilaterally dominate the relevant activities of Taijiashan according to the partnership agreement of Taijiashan, Taijiashan is accounted under equity method as an associate.

Note 3: CPIC Life holds over 50% shares of Jiaxing Yishang. Since CPIC Group cannot unilaterally dominate the relevant activities of Jiaxing Yishang according to the partnership agreement of Jiaxing Yishang, Jiaxing Yishang is accounted under equity method as an associate.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

Summarised financial information for major joint ventures:

	31 December 2023			31 December 2022		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Ruiyongjing Real Estate	19,698	5,727	13,971	18,532	4,514	14,018

Summarised financial information for other joint ventures:

	31 December 2023			31 December 2022		
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
Others	2,224	1,895	329	2,358	1,944	414

Net (loss)/profit of joint ventures:

	2023	2022
Net (loss)/profit of joint ventures	(18)	(12)

For unrecognised commitments in relation to the investments in joint ventures, please refer to Note XII.

Summarised financial information for major associates:

	31 December 2023 / 2023			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue for the current year	Net profit for the current year
Taijiashan	3,001	1	(19)	(80)
Yangtze River Delta Fund	9,849	175	516	442
Ningbo Zhilin	Not applicable	Not applicable	93	90

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

Summarised financial information for other associates:

	2023	2022
Net loss	(2,474)	(3,449)
Other comprehensive income/(loss)	(718)	(467)
Total comprehensive loss	(3,192)	(3,916)
Total comprehensive loss attributable to the Group	(682)	(302)
Total carrying amount of the Group's investment as at the year end	7,650	7,786

As at 31 December 2023, the Group's long-term equity investments had impairment of RMB 499 million. (As at 31 December 2022: RMB 274 million).

The Group performs impairment tests on long-term equity investments that has objective evidence of impairment. When evaluating impairment of long-term equity investments, the recoverable amount is determined mainly at fair value less estimated costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset.

Fair value is primarily based on the fair value of shares issued in the public market and is determined using appropriate valuation techniques. The present value of future cash flow is based on business budget approved by management and adjusted discount rates using the discounted cash flow method. Cash flows beyond the business budget period have been extrapolated using a stable growth rate and terminal value.

15. Restricted statutory deposits

	31 December 2023	31 December 2022
CPIC Property	3,989	3,894
CPIC Life	1,726	1,726
CPIC Health	720	840
PAAIC	320	230
Changjiang Pension	-	600
Sub-total	6,755	7,290
Add: Interest receivables	352	Not applicable
Less: Impairment provisions	(2)	Not applicable
Total	7,105	7,290

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, CPIC Health and PAAIC should place 20% of its issued capital as restricted statutory deposits, respectively.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Investment properties

	Buildings
Cost	
1 January 2022	10,543
Additions	3,074
Transfer from fixed assets, net	1,130
Disposal	(1)
31 December 2022	14,746
Transfer to fixed assets, net	(79)
Transfer from intangible assets, net	34
Disposal	(14)
31 December 2023	14,687
Accumulated depreciation	
1 January 2022	(3,029)
Charge for the year	(502)
Transfer from fixed assets, net	(13)
31 December 2022	(3,544)
Charge for the year	(476)
Transfer to fixed assets, net	2
Transfer from intangible assets, net	(7)
Disposal	5
31 December 2023	(4,020)
Carrying amount	
31 December 2023	10,667
31 December 2022	11,202

The fair values of investment properties of the Group as at 31 December 2023 amounted to RMB 15,783 million (31 December 2022: RMB 16,100 million), which were estimated by the Group based on the independent appraisers' valuations.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Fixed assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2022	21,032	1,112	5,813	27,957
Procurement	1,003	53	571	1,627
Transfer from construction in progress	865	-	-	865
Transfer to investment properties, net	(1,130)	-	-	(1,130)
Decrease	(16)	(47)	(402)	(465)
31 December 2022	21,754	1,118	5,982	28,854
Procurement	25	68	510	603
Transfer from construction in progress	2,150	-	3	2,153
Transfer from investment properties, net	79	-	-	79
Acquisition of subsidiaries	22	-	-	22
Decrease	(15)	(83)	(332)	(430)
31 December 2023	24,015	1,103	6,163	31,281
Accumulated depreciation				
1 January 2022	(5,363)	(880)	(4,201)	(10,444)
Depreciation charge	(657)	(76)	(648)	(1,381)
Transfer to investment properties, net	13	-	-	13
Decrease	2	45	385	432
31 December 2022	(6,005)	(911)	(4,464)	(11,380)
Depreciation charge	(706)	(66)	(609)	(1,381)
Transfer from investment properties, net	(2)	-	-	(2)
Decrease	9	81	326	416
31 December 2023	(6,704)	(896)	(4,747)	(12,347)
Provision for impairment loss				
1 January 2022, 31 December 2022, and 31 December 2023	(9)	-	-	(9)
Carrying amount				
31 December 2023	17,302	207	1,416	18,925
31 December 2022	15,740	207	1,518	17,465

As at 31 December 2023, the Group's motor vehicles and other equipment with a cost of approximately RMB 4,174 million (31 December 2022: RMB 3,666 million) are fully depreciated but still in use.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Construction in progress

The Group's construction in progress mainly comprises office building construction projects, and the movements are detailed as follows:

	31 December 2023								
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	2,889	762	1,089	(885)	-	(1)	-	965	64%
Fujian	1,639	717	240	(957)	-	-	-	-	58%
Hubei	1,620	272	511	-	-	-	-	783	48%
Jiangsu	394	234	20	(254)	-	-	-	-	64%
Liaoning	175	158	6	(1)	-	-	-	163	94%
Yunnan	831	59	49	-	-	-	-	108	13%
Henan	1,060	17	206	-	-	-	-	223	21%
Guizhou	35	13	-	-	-	-	-	13	37%
Hainan	888	-	87	-	-	-	-	87	10%
Beijing	1,330	4	85	-	-	-	-	89	7%
Others	2,108	55	117	(56)	(88)	-	-	28	8%
		2,291	2,410	(2,153)	(88)	(1		2,459	

	31 December 2022								
Item	Budget	Opening balance	Increase in current year	Transfer to fixed assets in current year	Transfer to intangible assets in current year	Transfer to long-term prepaid expenses in current year	Disposal	Ending balance	% of project investment in budget
Shanghai	1,863	466	317	(21)	-	-	-	762	42%
Fujian	1,639	268	449	-	-	-	-	717	44%
Hubei	1,620	69	203	-	-	-	-	272	17%
Jiangsu	414	99	150	(1)	-	-	(14)	234	60%
Liaoning	175	157	1	-	-	-	-	158	90%
Yunnan	831	12	47	-	-	-	-	59	7%
Henan	1,060	-	17	-	-	-	-	17	2%
Guizhou	35	13	-	-	-	-	-	13	37%
Beijing	1,330	-	4	-	-	-	-	4	0%
Zhejiang	2,010	567	193	(759)	-	-	-	1	38%
Others	2,895	63	115	(84)	(37)	(3)	-	54	6%
		1,714	1,496	(865)	(37)	(3)	(14)	2,291	

The capital sources of the Group's construction in progress are all self-owned funds, and there are no capitalised interest expenses in the balance of construction in progress.

There was no such case as the recoverable amount was lower than the carrying amount of the construction in progress at the end of the year, thus no provision for impairment of construction in progress was required.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Right-of-use assets

	Buildings	Motor vehicles	Other equipment	Total
Cost				
1 January 2022	6,343	4	20	6,367
Increase	1,568	4	4	1,576
Decrease	(1,611)	(3)	(6)	(1,620)
31 December 2022	6,300	5	18	6,323
Increase	2,540	5	10	2,555
Decrease	(1,329)	(4)	(1)	(1,334)
31 December 2023	7,511	6	27	7,544
Accumulated depreciation				
1 January 2022	(2,882)	(4)	(6)	(2,892)
Depreciation charge	(1,365)	(3)	(3)	(1,371)
Decrease	965	3	2	970
31 December 2022	(3,282)	(4)	(7)	(3,293)
Depreciation charge	(1,322)	(3)	(3)	(1,328)
Decrease	439	2	1	442
31 December 2023	(4,165)	(5)	(9)	(4,179)
Carrying amount				
31 December 2023	3,346	1	18	3,365
31 December 2022	3,018	1	11	3,030

There was no such case as the recoverable amount was lower than the carrying amount of the right-of-use assets at the end of the year, thus no provision for impairment of right-of-use assets was required.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Intangible assets

	Land use rights	Software use rights	License	Total
Cost				
1 January 2022	2,127	8,298	646	11,071
Increase	968	1,132	-	2,100
Transfers from construction in progress	-	37	-	37
31 December 2022	3,095	9,467	646	13,208
Increase	133	1,182	-	1,315
Acquisition of subsidiaries	286	-	-	286
Transfers from construction in progress	-	88	-	88
Transfer to investment properties, net	(34)	-	-	(34)
Disposal	-	(5)	-	(5)
31 December 2023	3,480	10,732	646	14,858
Accumulated Amortisation				
1 January 2022	(97)	(5,465)	-	(5,562)
Amortisation	(70)	(910)	-	(980)
31 December 2022	(167)	(6,375)	-	(6,542)
Amortisation	(83)	(1,113)	-	(1,196)
Transfer to investment properties, net	7	-	-	7
Disposal	-	5	-	5
31 December 2023	(243)	(7,483)	-	(7,726)
Provision for impairment loss				
1 January 2022 and 31 December 2022	-	-	-	-
Provision for impairment	-	(15)	-	(15)
31 December 2023	-	(15)	-	(15)
Carrying amount				
31 December 2023	3,237	3,234	646	7,117
31 December 2022	2,928	3,092	646	6,666

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Goodwill

	31 December 2023			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	15	-	-	15
Sub-total	1,372	-	-	1,372
Less: Provision for impairment	-	(15)	-	(15)
Net value	1,372	(15)	-	1,357

	31 December 2022			
	Opening balance	Increase	Decrease	Ending balance
Changjiang Pension	149	-	-	149
City Island	813	-	-	813
CPIC Funds	395	-	-	395
Borui Heming	15	-	-	15
Sub-total	1,372	-	-	1,372
Less: Provision for impairment	-	-	-	-
Net value	1,372	-	-	1,372

Provision for impairment of goodwill

	Opening balance	Increase	Decrease	Ending balance
		Provision	Disposal	
Borui Heming	-	(15)	-	(15)

The Group performs impairment test to goodwill annually. The recoverable amounts for asset groups and combinations of asset groups containing goodwill are determined by means of fair value net of expected disposal costs and at the present value of projected future cash flows.

Fair value refers to the trading prices of similar assets in the market and is determined using appropriate valuation techniques. The present value of future cash flows is based on business plans approved by management and adjusted discount rates using the discounted cash flow method. Cash flows beyond the period have been extrapolated using a stable growth rate and terminal value. As at 31 December 2023, discount rates used by the Group range from 13% to 15%, and the growth rate is about 2%.

As at 31 December 2023, apart from Borui Heming, there was no indication that the recoverable amount of asset groups and combinations of asset groups is less than its carrying amount, thus no impairment loss is recognised.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Deferred income tax assets and liabilities

	31 December 2023		31 December 2022	
Deferred income tax assets	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Insurance contract liabilities /assets	22,300	89,200	17,507	70,028
Changes in fair value of financial instruments	184	736	52	208
Commission and brokerage expenses	790	3,160	522	2,088
Provision for asset impairment	611	2,444	3,093	12,372
Deductible losses	3,198	12,792	1,383	5,532
Lease liabilities	774	3,095	680	2,718
Others	2,215	8,860	1,831	7,324
Sub-total	30,072	120,287	25,068	100,270
Deferred income tax liabilities	Deferred income tax	Temporary differences	Deferred income tax	Temporary differences
Changes in fair value of financial instruments	(22,126)	(88,504)	(4,144)	(16,576)
Adjustment in fair value arising from acquisition of subsidiaries	(797)	(3,188)	(828)	(3,312)
Right-of-use assets	(841)	(3,365)	(758)	(3,030)
Others	(351)	(1,404)	(245)	(980)
Sub-total	(24,115)	(96,461)	(5,975)	(23,898)

Deferred income tax assets and liabilities of the Group set out as the net amount after offsetting:

	31 December 2023		31 December 2022	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	(22,996)	7,076	(5,407)	19,661
Deferred income tax liabilities	22,996	(1,119)	5,407	(568)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Deferred income tax assets and liabilities (continued)

Details of movements in deferred income tax assets and liabilities are as follows:

	Insurance contract liabilities /assets	Changes in fair value of financial instruments	Commission and brokerage expenses	Provision for asset impairment	Deductible losses	Adjustment in fair value arising from acquisition of subsidiaries	Others	Total
Balance of 31 December 2021	3,027	(6,841)	360	2,289	-	(858)	420	(1,603)
Changes in accounting policy of new insurance standard	16,476	(5,047)	-	-	-	-	-	11,429
Balance of 1 January 2022	19,503	(11,888)	360	2,289	-	(858)	420	9,826
Recognised in profit or loss	(2,431)	(248)	162	804	1,383	30	1,088	788
Recognised in equity	435	8,044	-	-	-	-	-	8,479
Balance of 31 December 2022	17,507	(4,092)	522	3,093	1,383	(828)	1,508	19,093
Changes in accounting policy of new financial instruments standards	-	(8,492)	-	(2,743)	-	-	-	(11,235)
Balance of 1 January 2023	17,507	(12,584)	522	350	1,383	(828)	1,508	7,858
Recognised in profit or loss	(7,543)	3,255	268	569	1,815	31	271	(1,334)
Recognised in equity	12,336	(12,613)	-	(308)	-	-	18	(567)
Balance of 31 December 2023	22,300	(21,942)	790	611	3,198	(797)	1,797	5,957

As at 31 December 2023, the deductible temporary differences and deductible losses not recognised as deferred income tax assets by the Group amounted to RMB 13.2 billion (31 December 2022: RMB 206 million).

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Other assets

		31 December 2023	31 December 2022
Other receivables	(1)	9,990	7,877
Improvements of right-of-use assets	(2)	1,052	982
Others		2,459	2,368
Total		13,501	11,227

(1) Other receivables

	31 December 2023	31 December 2022
Due from external undertakings	2,630	1,558
Receivable from securities sold but not settled	1,801	732
Due from related parties*	1,772	1,775
Deposits	289	209
Due from agents	175	134
Co-insurance receivables	60	65
Prepaid tax	20	-
Others	3,562	3,561
Sub-total	10,309	8,034
Less: Provision for bad debts	(319)	(157)
Net value	9,990	7,877

* As at 31 December 2023, the payments made by the Group on behalf of Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") for the purchase of land and related taxes and expenses amounted to approximately RMB 1,772 million (31 December 2022: RMB 1,775 million), which accounting for 17% (31 December 2022: 22%) of the total other receivables.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Other assets (continued)

(1) Other receivables (continued)

The category of other receivables is analysed below:

	31 December 2023			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Provisions for impairment considered on the grouping basis	10,309	100%	(319)	3%

	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Provision Percentage
Amounts that are not individually significant and provisions for impairment considered on the grouping basis	5,320	66%	(142)	3%
Amounts that are not individually significant but provisions for impairment considered on the individual basis	2,714	34%	(15)	1%
Total	8,034	100%	(157)	2%

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Other assets (continued)

(1) Other receivables (continued)

The aging of other receivables and related provisions for bad debts are analysed as follows:

Aging	31 December 2023			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	5,700	55%	(54)	5,646
3 months to 1 year (inclusive)	1,854	18%	(15)	1,839
1 to 3 years (inclusive)	887	9%	(117)	770
Over 3 years	1,868	18%	(133)	1,735
Total	10,309	100%	(319)	9,990

Aging	31 December 2022			
	Ending balance	% of total balance	Provision for bad debts	Net value
Within 3 months (inclusive)	3,257	41%	-	3,257
3 months to 1 year (inclusive)	2,033	25%	(4)	2,029
1 to 3 years (inclusive)	860	11%	(32)	828
Over 3 years	1,884	23%	(121)	1,763
Total	8,034	100%	(157)	7,877

The top five other receivables of the Group are as follows:

	31 December 2023	31 December 2022
Total amount of the top five other receivables	2,572	2,587
Total provision for bad debts	(2)	-
% of total other receivables	25%	32%

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Other assets (continued)

(2) Improvement of right-of-use assets

	Improvement of right-of-use assets
Cost	
At 1 January 2022	4,161
Additions	450
Transfer from construction in progress	3
At 31 December 2022	4,614
Additions	479
Transfer from construction in progress	1
At 31 December 2023	5,094
Accumulated amortisation	
At 1 January 2022	(3,237)
Amortisation charge	(395)
At 31 December 2022	(3,632)
Amortisation charge	(410)
At 31 December 2023	(4,042)
Carrying amount	
At 31 December 2023	1,052
At 31 December 2022	982

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Provision for impairment of assets

	31 December 2023				
	Opening balance	Charge for the year	Reversal	Derecognition	Ending balance
Impairment provision of term deposits	92	8	(24)	-	76
Impairment provision of restricted statutory deposits	2	-	-	-	2
Impairment provision of debt investments at fair value through other comprehensive income	2,684	1,773	(449)	(79)	3,929
Impairment provision of financial assets at amortised cost	818	618	(55)	(4)	1,377
Impairment provision of long-term equity investments	274	225	-	-	499
Impairment provision of other assets					
- Other receivables	287	74	(7)	(35)	319
- Debt assets	20	-	-	-	20
- Others	62	77	(4)	-	135
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of intangible assets	-	15	-	-	15
Provision for impairment of other long-term assets	25	-	-	-	25
Provision for impairment of goodwill	-	15	-	-	15
Total	4,273	2,805	(539)	(118)	6,421

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Provision for impairment of assets (continued)

	31 December 2022				
	Opening balance	Charge for the year	Reversal	Derecognition	Ending balance
Provision for bad debts	227	20	(17)	(16)	214
- Interest receivables	44	13	-	-	57
- Other receivables	183	7	(17)	(16)	157
Provision for impairment of available-for-sale financial assets	8,405	4,745	(487)	(2,442)	10,221
- Debt instruments	1,904	871	(487)	(17)	2,271
- Equity instruments	6,501	3,874	-	(2,425)	7,950
Provision for impairment of held-to-maturity financial assets	217	-	(173)	1	45
Provision for impairment of investments classified as loans and receivables	280	1,050	(109)	-	1,221
Provision for losses on loans	5	-	-	-	5
Provision for impairment of long-term equity investments	-	274	-	-	274
Provision for impairment of fixed assets	9	-	-	-	9
Provision for impairment of debt assets	20	-	-	-	20
Provision for impairment of other long-term assets	25	-	-	-	25
Total	9,188	6,089	(786)	(2,457)	12,034

25. Securities sold under agreements to repurchase

	31 December 2023	31 December 2022
Securities - bonds		
Inter-bank market	91,646	99,895
Stock exchange	24,173	19,770
Total	115,819	119,665

As at 31 December 2023, the Group's bonds with par value of approximately RMB 97,966 million (31 December 2022: approximately RMB 111,987 million) were pledged for the inter-bank securities sold under agreements to repurchase.

As at 31 December 2023, the Group's bonds with par value of approximately RMB 24,080 million (31 December 2022: approximately RMB 19,770 million) were pledged for the stock exchange securities sold under agreements to repurchase.

Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Employee benefits payable

	1 January 2023	Increase	Decrease	31 December 2023
Wages and salaries, bonus, allowances and subsidies	6,850	18,715	(18,776)	6,789
Staff welfare	12	930	(930)	12
Social security contributions	124	4,001	(4,018)	107
Housing funds	11	1,375	(1,372)	14
Labour union funds	54	367	(366)	55
Employee education funds	872	193	(100)	965
Deferred bonus to management	53	163	(43)	173
Early retirement benefits	659	923	(450)	1,132
Total	8,635	26,667	(26,055)	9,247

	1 January 2022	Increase	Decrease	31 December 2022
Wages and salaries, bonus, allowances and subsidies	5,789	19,212	(18,151)	6,850
Staff welfare	3	918	(909)	12
Social security contributions	78	3,816	(3,770)	124
Housing funds	9	1,314	(1,312)	11
Labour union funds	55	357	(358)	54
Employee education funds	737	192	(57)	872
Deferred bonus to management	53	-	-	53
Early retirement benefits	662	449	(452)	659
Total	7,386	26,258	(25,009)	8,635

The Group had no significant non-monetary benefits and compensation for termination of employment.

27. Taxes payable

	31 December 2023	31 December 2022
Corporate income tax	1,792	3,301
Unpaid VAT	533	652
Withholding individual income tax	163	153
Others	1,048	1,060
Total	3,536	5,166

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Bonds payable

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 5.10% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%. According to the "Announcement on the Execution of the Right of Redeeming the First Phase Capital Replenishment Bonds in 2018" issued by CPIC Property on 16 February 2023, CPIC Property fully redeemed these capital replenishment bonds on 23 March 2023.

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 5 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 4.99% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 5.99%. According to the "Announcement on the Execution of the Right of Redeeming the Second Phase Capital Replenishment Bonds in 2018" issued by CPIC Property on 20 June 2023, CPIC Property fully redeemed these capital replenishment bonds on 27 July 2023.

On 9 March 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 7 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 3.72% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.72%.

On 3 April 2023, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB 3 billion in the interbank market. CPIC Property has a conditional option to redeem the bond at the end of the fifth interest-bearing year. The capital replenishment bond pays interests at an initial coupon rate of 3.55% per annum. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 4.55%.

Issuer	31 December 2022	Changes in accounting policies	1 January 2023	Issuance	Amortisation of bond premium or discount	Interest accrued in the year	Interest payment/ reimbursement in the year	31 December 2023
CPIC Property	9,999	303	10,302	9,998	2	487	(10,504)	10,285

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets

	31 December 2023					
	Insurance contract assets (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract assets	Insurance contract liabilities (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract liabilities
Insurance contracts issued (including reinsurance contracts held）	335	-	335	1,872,620	-	1,872,620

	31 December 2022					
	Insurance contract assets (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract assets	Insurance contract liabilities (excluding assets for insurance acquisition cash flows)	Assets for insurance acquisition cash flows	Insurance contract liabilities
Insurance contracts issued (including reinsurance contracts held）	305	-	305	1,664,848	-	1,664,848

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows:

	2023								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	1,510,301	6,179	29,846	1,546,326	44,668	7,932	64,136	1,786	118,522
Insurance contract assets as at 1 January	-	-	-	-	(120)	-	(185)	-	(305)
Net liabilities of insurance contracts as at 1 January	1,510,301	6,179	29,846	1,546,326	44,548	7,932	63,951	1,786	118,217
Contracts under the fair value approach	(4,776)	-	-	(4,776)	-	-	-	-	-
Contracts under the modified retrospective approach	(65,730)	-	-	(65,730)	(18)	-	-	-	(18)
Other contracts	(12,460)	-	-	(12,460)	(183,183)	-	-	-	(183,183)
Insurance revenue	(82,966)	-	-	(82,966)	(183,201)	-	-	-	(183,201)
Incurred claims and other expenses	-	(1,570)	31,806	30,236	-	-	138,547	1,089	139,636
Amortisation of insurance acquisition cash flows	21,752	-	-	21,752	46,185	-	-	-	46,185
Losses on onerous contracts and reversals of those losses	-	3,550	-	3,550	-	194	-	-	194
Changes in liabilities for incurred claims	-	-	(1,444)	(1,444)	-	-	(8,122)	(964)	(9,086)
Insurance service expenses	21,752	1,980	30,362	54,094	46,185	194	130,425	125	176,929

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows (continued):

	2023								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance service result	(61,214)	1,980	30,362	(28,872)	(137,016)	194	130,425	125	(6,272)
Insurance finance expenses	92,832	120	792	93,744	1,022	-	1,321	-	2,343
Other changes recognised in other comprehensive income	-	-	-	-	(4)	-	4	1	1
Total changes of other comprehensive income	31,618	2,100	31,154	64,872	(135,998)	194	131,750	126	(3,928)
Investment components	(59,592)	-	59,592	-	(12,202)	-	12,202	-	-
Premium received	249,781	-	-	249,781	207,829	-	-	-	207,829
Insurance acquisition cash flows paid	(22,492)	-	-	(22,492)	(46,267)	-	-	-	(46,267)
Claims and other insurance service expenses paid	-	-	(91,203)	(91,203)	-	-	(139,817)	-	(139,817)
Other cash flows	761	-	-	761	(9,179)	-	-	-	(9,179)
Total cash flows	228,050	-	(91,203)	136,847	152,383	-	(139,817)	-	12,566
Other movements	(498)	-	(438)	(936)	(690)	-	(989)	-	(1,679)
Net liabilities of insurance contracts as at 31 December	1,709,879	8,279	28,951	1,747,109	48,041	8,126	67,097	1,912	125,176
Insurance contract assets as at 31 December	-	-	-	-	(3,480)	411	2,677	57	(335)
Insurance contract liabilities as at 31 December	1,709,879	8,279	28,951	1,747,109	51,521	7,715	64,420	1,855	125,511

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows (continued):

	2022								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	1,344,172	3,487	30,502	1,378,161	46,767	7,099	52,946	1,462	108,274
Insurance contract assets as at 1 January	-	-	-	-	(97)	-	(148)	-	(245)
Net liabilities of insurance contracts as at 1 January	1,344,172	3,487	30,502	1,378,161	46,670	7,099	52,798	1,462	108,029
Contracts under the fair value approach	(4,591)	-	-	(4,591)	-	-	-	-	-
Contracts under the modified retrospective approach	(72,614)	-	-	(72,614)	(644)	-	-	-	(644)
Other contracts	(4,105)	-	-	(4,105)	(167,791)	-	-	-	(167,791)
Insurance revenue	(81,310)	-	-	(81,310)	(168,435)	-	-	-	(168,435)
Incurred claims and other expenses	-	(1,429)	30,337	28,908	-	-	120,187	918	121,105
Amortisation of insurance acquisition cash flows	21,722	-	-	21,722	42,138	-	-	-	42,138
Losses on onerous contracts and reversals of those losses	-	4,076	-	4,076	-	833	-	-	833
Changes in liabilities for incurred claims	-	-	(2,154)	(2,154)	-	-	(2,039)	(601)	(2,640)
Insurance service expenses	21,722	2,647	28,183	52,552	42,138	833	118,148	317	161,436

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis of liabilities for remaining coverage and liabilities for incurred claims is as follows (continued):

	2022								
	Contracts not measured under the premium allocation approach				Contracts measured under the premium allocation approach				
	Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance service result	(59,588)	2,647	28,183	(28,758)	(126,297)	833	118,148	317	(6,999)
Insurance finance expenses	57,042	45	742	57,829	971	-	1,053	-	2,024
Other changes recognised in other comprehensive income	-	-	-	-	1	-	25	6	32
Total changes of other comprehensive income	(2,546)	2,692	28,925	29,071	(125,325)	833	119,226	323	(4,943)
Investment component	(55,284)	-	55,284	-	(8,697)	-	8,697	-	-
Premium received	242,610	-	-	242,610	184,281	-	-	-	184,281
Insurance acquisition cash flows paid	(17,754)	-	-	(17,754)	(42,931)	-	-	-	(42,931)
Claims and other insurance service expenses paid	-	-	(84,384)	(84,384)	-	-	(115,932)	-	(115,932)
Other cash flows	(400)	-	-	(400)	(8,755)	-	-	-	(8,755)
Total cash flows	224,456	-	(84,384)	140,072	132,595	-	(115,932)	-	16,663
Other movements	(497)	-	(481)	(978)	(695)	-	(838)	1	(1,532)
Net liabilities of insurance contracts as at 31 December	1,510,301	6,179	29,846	1,546,326	44,548	7,932	63,951	1,786	118,217
Insurance contract assets as at 31 December	-	-	-	-	(120)	-	(185)	-	(305)
Insurance contract liabilities as at 31 December	1,510,301	6,179	29,846	1,546,326	44,668	7,932	64,136	1,786	118,522

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	2023						
	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin				Total
			Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	
Insurance contract liabilities as at 1 January	1,198,000	20,664	12,304	305,352	10,006	327,662	1,546,326
Amortisation of contractual service margin	-	-	(1,447)	(23,719)	(1,036)	(26,202)	(26,202)
Changes in risk adjustment for non-financial risk	-	(1,132)	-	-	-	-	(1,132)
Experience adjustments	(3,644)	-	-	-	-	-	(3,644)
Changes that relate to current services	(3,644)	(1,132)	(1,447)	(23,719)	(1,036)	(26,202)	(30,978)
Contracts initially recognised in the year	(12,864)	2,643	-	-	12,550	12,550	2,329
Changes in estimates that adjust the contractual service margin	(2,052)	(3,522)	2,574	1,866	1,134	5,574	-
Changes in estimates that do not adjust the contractual service margin	1,272	(51)	-	-	-	-	1,221
Changes that relate to future services	(13,644)	(930)	2,574	1,866	13,684	18,124	3,550
Adjustments to liabilities for incurred claims	(1,302)	(142)	-	-	-	-	(1,444)
Changes that relate to past services	(1,302)	(142)	-	-	-	-	(1,444)
Insurance service result	(18,590)	(2,204)	1,127	(21,853)	12,648	(8,078)	(28,872)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2023						
			Contractual service margin				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Insurance finance expenses	86,659	943	474	5,019	649	6,142	93,744
Total changes of other comprehensive income	68,069	(1,261)	1,601	(16,834)	13,297	(1,936)	64,872
Premiums received	249,781	-	-	-	-	-	249,781
Insurance acquisition cash flows paid	(22,492)	-	-	-	-	-	(22,492)
Claims and other insurance service expenses paid	(91,203)	-	-	-	-	-	(91,203)
Other cash flows	761	-	-	-	-	-	761
Total cash flows	136,847	-	-	-	-	-	136,847
Other movements	(936)	-	-	-	-	-	(936)
Insurance contract liabilities as at 31 December	1,401,980	19,403	13,905	288,518	23,303	325,726	1,747,109

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2022						
			Contractual service margin				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Insurance contract liabilities as at 1 January	1,015,946	18,781	12,399	331,025	10	343,434	1,378,161
Amortisation of contractual service margin	-	-	(1,516)	(26,068)	(286)	(27,870)	(27,870)
Changes in risk adjustment for non-financial risk	-	(1,115)	-	-	-	-	(1,115)
Experience adjustments	(1,695)	-	-	-	-	-	(1,695)
Changes that relate to current services	(1,695)	(1,115)	(1,516)	(26,068)	(286)	(27,870)	(30,680)
Contracts initially recognised in the year	(10,189)	2,119	-	-	9,533	9,533	1,463
Changes in estimates that adjust the contractual service margin	3,879	(269)	938	(5,157)	609	(3,610)	-
Changes in estimates that do not adjust the contractual service margin	2,568	45	-	-	-	-	2,613
Changes that relate to future services	(3,742)	1,895	938	(5,157)	10,142	5,923	4,076
Adjustments to liabilities for incurred claims	(2,085)	(69)	-	-	-	-	(2,154)
Changes that relate to past services	(2,085)	(69)	-	-	-	-	(2,154)
Insurance service result	(7,522)	711	(578)	(31,225)	9,856	(21,947)	(28,758)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2022						
			Contractual service margin				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Insurance finance expenses	50,482	1,172	483	5,552	140	6,175	57,829
Total changes of other comprehensive income	42,960	1,883	(95)	(25,673)	9,996	(15,772)	29,071
Premiums received	242,610	-	-	-	-	-	242,610
Insurance acquisition cash flows paid	(17,754)	-	-	-	-	-	(17,754)
Claims and other insurance service expenses paid	(84,384)	-	-	-	-	-	(84,384)
Other cash flows	(400)	-	-	-	-	-	(400)
Total cash flows	140,072	-	-	-	-	-	140,072
Other movements	(978)	-	-	-	-	-	(978)
Insurance contract liabilities as at 31 December	1,198,000	20,664	12,304	305,352	10,006	327,662	1,546,326

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

As of 31 December 2023, the Group expects that 65% (31 December 2022: 67%) of the contractual service margin of insurance contracts that do not apply the premium allocation approach will be recognised in profit or loss within the next 10 years.

The impact on the balance sheet of the current period's initial recognition of insurance contracts that do not measure under the premium allocation approach is as follows:

	2023		
	Profitable contracts issued	Onerous contracts issued	Total
Estimates of present value of future cash outflows - insurance acquisition cash flows	18,094	5,257	23,351
Estimates of present value of future cash outflows - others	107,329	44,309	151,638
Subtotal of estimates of present value of future cash outflows	125,423	49,566	174,989
Estimates of present value of future cash inflows	(139,959)	(47,894)	(187,853)
Risk adjustment for non-financial risk	1,986	657	2,643
Contractual service margin	12,550	-	12,550
Impact of contracts initially recognised in the current year	-	2,329	2,329

	2022		
	Profitable contracts issued	Onerous contracts issued	Total
Estimates of present value of future cash outflows - insurance acquisition cash flows	14,249	3,470	17,719
Estimates of present value of future cash outflows- others	89,117	38,719	127,836
Subtotal of estimates of present value of future cash outflows	103,366	42,189	145,555
Estimates of present value of future cash inflows	(114,589)	(41,155)	(155,744)
Risk adjustment for non-financial risk	1,690	429	2,119
Contractual service margin	9,533	-	9,533
Impact of contracts initially recognised in the current year	-	1,463	1,463

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Insurance contract liabilities/assets (continued)

The following table describes the composition of the assets or liabilities and their fair values of the underlying items corresponding to insurance contracts with direct participation in profit-sharing features:

	31 December 2023	31 December 2022
Available-for-sale financial assets	-	374,925
Held-to-maturity financial assets	-	163,379
Investments classified as loans and receivables	-	257,813
Financial assets at fair value through profit or loss	286,162	-
Debt investments at fair value through other comprehensive income	574,582	-
Equity investments at fair value through other comprehensive income	63,107	-
Others	104,316	173,599
	1,028,167	969,716

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows:

	2023								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage				Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Assets for incurred claims	Total	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	10,547	201	318	11,066	1,445	1,017	19,369	308	22,139
Reinsurance contract liabilities as at 1 January	-	-	-	-	(322)	-	(487)	-	(809)
Net assets of reinsurance contracts as at 1 January	10,547	201	318	11,066	1,123	1,017	18,882	308	21,330
Allocation of reinsurance premiums	(621)	-	-	(621)	(15,217)	-	-	-	(15,217)
Amounts recoverable for claims and other related expenses incurred during the year	-	(30)	226	196	-	-	15,580	226	15,806
Recognition and reversals of loss-recovery component	-	240	-	240	-	184	-	-	184
Changes in fulfillment cash flows related to reinsurance contracts assets for incurred claims	-	-	(9)	(9)	-	-	(1,821)	(169)	(1,990)
Effect of changes in non-performance of reinsurers	-	-	-	-	-	-	(28)	-	(28)
Recoveries of insurance service expenses from reinsurers	-	210	217	427	-	184	13,731	57	13,972
Reinsurance service results	(621)	210	217	(194)	(15,217)	184	13,731	57	(1,245)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows (continued):

	2023								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage				Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Liabilities for incurred claims	Total	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance finance income for reinsurance contracts held	679	8	1	688	169	-	312	-	481
Other changes recognised in other comprehensive income	-	-	-	-	(3)	-	(3)	-	(6)
Total changes in other comprehensive income	58	218	218	494	(15,051)	184	14,040	57	(770)
Investment components	(211)	-	211	-	(5,080)	-	5,080	-	-
Reinsurance premiums paid	665	-	-	665	20,092	-	-	-	20,092
Amounts received from recoveries of claims and other related expenses incurred	-	-	(130)	(130)	-	-	(14,399)	-	(14,399)
Other cash flows	(24)	-	-	(24)	1,430	-	-	-	1,430
Total cash flows	641	-	(130)	511	21,522	-	(14,399)	-	7,123
Reinsurance contract assets as at 31 December	11,035	419	617	12,071	2,514	1,201	23,603	365	27,683

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows (continued):

	2022								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage				Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Liabilities for incurred claims	Total	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	10,440	100	348	10,888	3,136	872	16,816	271	21,095
Reinsurance contract liabilities as at 1 January	-	-	-	-	(339)	-	(405)	-	(744)
Net assets of reinsurance contracts as at 1 January	10,440	100	348	10,888	2,797	872	16,411	271	20,351
Allocation of reinsurance premiums	(681)	-	-	(681)	(14,746)	-	-	-	(14,746)
Amounts recoverable for claims and other related expenses incurred during the year	-	(14)	19	5	-	-	14,076	73	14,149
Recognition and reversals of loss-recovery component	-	112	-	112	-	145	-	-	145
Changes in fulfillment cash flows related to reinsurance contracts assets for incurred claims	-	-	34	34	-	-	(1,784)	(39)	(1,823)
Effect of changes in non-performance of reinsurers	-	-	-	-	-	-	(13)	-	(13)
Recoveries of insurance service expenses from reinsurers	-	98	53	151	-	145	12,279	34	12,458
Reinsurance service results	(681)	98	53	(530)	(14,746)	145	12,279	34	(2,288)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis of reinsurance contract assets for remaining coverage and reinsurance contract assets for incurred claims is as follows (continued):

	2022								
	Contracts not measured under the premium allocation method				Contracts measured under the premium allocation method				
	Assets for remaining coverage				Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Liabilities for incurred claims	Total	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance finance income for reinsurance contracts held	653	3	-	656	228	-	224	-	452
Other changes recognised in other comprehensive income	-	-	-	-	(7)	-	1	3	(3)
Total changes in other comprehensive income	(28)	101	53	126	(14,525)	145	12,504	37	(1,839)
Investment components	(199)	-	199	-	(3,773)	-	3,773	-	-
Reinsurance premiums paid	396	-	-	396	17,345	-	-	-	17,345
Amounts received from recoveries of claims and other related expenses incurred	-	-	(282)	(282)	-	-	(13,806)	-	(13,806)
Other cash flows	(62)	-	-	(62)	(721)	-	-	-	(721)
Total cash flows	334	-	(282)	52	16,624	-	(13,806)	-	2,818
Net assets of reinsurance contracts at 31 December	10,547	201	318	11,066	1,123	1,017	18,882	308	21,330
Reinsurance contract assets at 31 December	10,547	201	318	11,066	1,445	1,017	19,369	308	22,139
Reinsurance contract liabilities at 31 December	-	-	-	-	(322)	-	(487)	-	(809)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows:

	2023						
			Contractual service margins				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Reinsurance contract assets as at 1 January	8,138	213	2,630	-	85	2,715	11,066
Amortisation of contractual service margin	-	-	(186)	-	(8)	(194)	(194)
Changes in risk adjustment for non-financial risk	-	(4)	-	-	-	-	(4)
Experience adjustments	(227)	-	-	-	-	-	(227)
Changes that relate to current services	(227)	(4)	(186)	-	(8)	(194)	(425)
Reinsurance contracts initially recognised in the year	(25)	7	-	-	18	18	-
Changes in estimates that adjust the contractual service margin	255	(36)	(140)	-	(79)	(219)	-
Recognition and reversals of loss-recovery component	-	-	42	-	198	240	240
Changes that relate to future services	230	(29)	(98)	-	137	39	240
Adjustments to reinsurance amortisation of assets for incurred claims	(7)	(2)	-	-	-	-	(9)
Changes related to past services	(7)	(2)	-	-	-	-	(9)
Insurance service result	(4)	(35)	(284)	-	129	(155)	(194)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2023						
			Contractual service margins				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Reinsurance finance income for reinsurance contracts held	589	10	85	-	4	89	688
Total changes of other comprehensive income	585	(25)	(199)	-	133	(66)	494
Reinsurance premiums paid	665	-	-	-	-	-	665
Amounts received from recoveries of claims and other related expenses incurred	(130)	-	-	-	-	-	(130)
Other cash flows	(24)	-	-	-	-	-	(24)
Total cash flows	511	-	-	-	-	-	511
Reinsurance contract assets at 31 December	9,234	188	2,431	-	218	2,649	12,071

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2022						
			Contractual service margins				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Reinsurance contract assets as at 1 January	8,461	202	2,225	-	-	2,225	10,888
Amortisation of contractual service margin	-	-	(204)	-	(22)	(226)	(226)
Changes in risk adjustment for non-financial risk	-	(3)	-	-	-	-	(3)
Experience adjustments	(447)	-	-	-	-	-	(447)
Changes that relate to current services	(447)	(3)	(204)	-	(22)	(226)	(676)
Reinsurance contracts initially recognised in the year	(108)	19	-	-	89	89	-
Changes in estimates that adjust the contractual service margin	(425)	(17)	454	-	(12)	442	-
Recognition and reversals of loss-recovery component	-	-	84	-	28	112	112
Changes that relate to future services	(533)	2	538	-	105	643	112
Adjustments to reinsurance amortisation of assets for incurred claims	35	(1)	-	-	-	-	34
Changes related to past services	35	(1)	-	-	-	-	34
Insurance service result	(945)	(2)	334	-	83	417	(530)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

The analysis by measurement component of contracts not measured under the premium allocation approach is as follows (continued):

	2022						
			Contractual service margins				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts	Subtotal	Total
Reinsurance finance income for reinsurance contracts held	570	13	71	-	2	73	656
Total changes of other comprehensive income	(375)	11	405	-	85	490	126
Reinsurance premiums paid	396	-	-	-	-	-	396
Amounts received from recoveries of claims and other related expenses incurred	(282)	-	-	-	-	-	(282)
Other cash flows	(62)	-	-	-	-	-	(62)
Total cash flows	52	-	-	-	-	-	52
Reinsurance contract assets at 31 December	8,138	213	2,630	-	85	2,715	11,066

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Reinsurance contract liabilities/assets (continued)

As of 31 December 2023, the Group expects that 63% (31 December 2022: 70%) of the contractual service margin of reinsurance contracts that do not apply the premium allocation approach will be recognised in profit or loss within the next 10 years.

The impact of reinsurance contracts that do not initially recognised under the premium allocation approach on the balance sheet is as follows:

	2023	2022
Estimates of present value of future cash inflows	353	541
Estimates of present value of future cash outflows	(378)	(649)
Risk adjustment for non-financial risk	7	19
Contractual service margin	18	89
Impact of contracts initially recognised during the year	-	-

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Other liabilities

		31 December 2023	31 December 2022
Other payables	(1)	30,512	26,990
Accrued expenses		2,100	2,315
Insurance security fund		372	544
Dividends payable		4	4
Others		4,390	4,080
Total		37,378	33,933

(1) Other payables

	31 December 2023	31 December 2022
Payables to third-party investors of consolidated structured entities	13,845	20,854
Payables related to asset-backed securities	8,308	-
Payables to be claimed by customers	1,885	1,635
Co-insurance payable	1,229	489
Payables for purchases	1,210	1,491
Payables for construction and purchasing office building	940	1,153
Deposits	801	533
Payables for securities purchased but not settled	289	206
Compulsory automobile insurance rescue fund	287	273
Reimbursement payables	97	60
Others	1,621	296
Total	30,512	26,990

The account balance does not include any amount attributable to shareholders holding 5% or more of the voting rights of the Company.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Issued capital

Shares of the Company as well as the percentages of shareholding are shown below.

	1 January 2023		Increase of number of shares		31 December 2023	
	Number of shares	Percentage of shareholding	Newly issued	Others	Number of shares	Percentage of shareholding
I. Shares with trading restrictions						
Shares held by domestic non-state owned legal persons	-	0%	-	-	-	0%
Sub-total	-	0%	-	-	-	0%
II. Shares without trading restrictions						
Ordinary shares denominated in RMB	6,844	71%	-	-	6,844	71%
Foreign shares listed overseas	2,776	29%	-	-	2,776	29%
Sub-total	9,620	100%	-	-	9,620	100%
III. Total	9,620	100%	-	-	9,620	100%

As at 31 December 2023, the number of shares which the Company issued and fully paid at RMB 1 per share was 9,620 million. As at 31 December 2022, the number of shares which the Company issued and fully paid at RMB 1 per share was 9,620 million.

33. Capital reserves

	31 December 2023	31 December 2022
Capital premium	79,008	79,008
Impact of capital injection to subsidiaries, etc.	2,105	2,105
Impact of equity transactions with non-controlling interests	(131)	(131)
Impact of other changes in the equity of investees accounted for using the equity method	351	66
Redistribution of cumulative changes in fair value of available-for-sale financial assets when purchasing equity from non-controlling interests	(1,413)	(1,413)
Impact of phased business combinations	28	28
Others	2	2
Total	79,950	79,665

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the shares mentioned above in the same subsidiary by the Company in April 2007. In addition, the Company issued GDRs and listed on the LSE in 2020 which also increased the capital reserves.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

34. Surplus reserves

	Statutory surplus reserve (the "SSR")
1 January 2022	5,114
Appropriations	-
31 December 2022 and 31 December 2023	5,114

35. General reserves

In accordance with relevant regulations, general risk provisions should be made to cover catastrophic risks or losses as incurred by companies engaged in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses. Companies undertaking insurance activities are required to set aside 10% of their net profit to general reserves, while companies undertaking asset management activities are required to set aside 10% of their management fee income to the risk reserves until the balance reaches 1% of the balance of products under management.

In accordance with relevant regulations, as part of the profit distribution and as presented in their annual financial statements, the Group's subsidiaries engaged in the above-mentioned businesses make appropriations to their general reserves on the basis of their annual net profit, year-end risk assets or management fee income from products under management where appropriate. Such general reserves cannot be used for dividends distribution or conversion to capital.

	General reserves
31 December 2021	19,521
Changes in accounting policy of new insurance standard	(2,669)
1 January 2022	16,852
Appropriations	4,219
31 December 2022	21,071
Changes in accounting policy of new financial instruments standards	1,621
1 January 2023	22,692
Appropriations	2,770
31 December 2023	25,462

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

36. Profit distribution and retained profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the amount determined under CASs, or determined under CASs if permissible by local rules where the Company is listed. According to the Articles of Association of the Company and applicable laws and regulations, the Company's profit distribution is made the following order:

(1) Making up for losses brought forward from prior years;
(2) Appropriating to SSR at 10% of the net profit;
(3) Making appropriation to the discretionary surplus reserve ("DSR") in accordance with the resolution of the general shareholders' meeting; and
(4) Paying dividends to shareholders.

The Company can cease the appropriation to SSR when SSR accumulates to more than 50% of the registered capital. The SSR may be used to make up for losses, if any, and, subject to the approval of the general shareholders' meeting, may also be converted into capital to make to fund an issue of new shares to shareholders on a proportionate basis. However, the conversion of SSR to capital should not bring the retained SSR to below 25% of the registered capital.

The balance of SSR reached 50% of the respective registered capital. The Company does not set aside SSR in 2023.

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company does not set aside DSR in 2023.

Pursuant to the resolution of the 2nd meeting of the 10th Board of Directors of the Company held on 28 March 2024, a final dividend of approximately RMB 9,813 million (equivalent to annual cash dividend of RMB 1.02 per share (including tax)) was proposed. The profit distribution plan is subject to the approval of the general shareholders' meeting.

Of the Group's retained profits in the consolidated financial statements, RMB 23,929 million as at 31 December 2023 (31 December 2022: RMB 20,666 million) represents the Company's share of its subsidiaries' surplus reserve fund.

According to the resolution of the 27th meeting of the 7th Board of Directors of CPIC Property on April 21 2023, CPIC Property proposed to appropriate RMB 2,522 million of DSR from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 18 May 2023.

37. Non-controlling interests

	31 December 2023	31 December 2022
CPIC Property	827	773
CPIC Life*	14,029	1,243
Changjiang Pension	1,536	1,523
CPIC Funds	589	554
PAAIC	998	964
Pacific Care Home at Dali	139	138
Total	18,118	5,195

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

37. Non-controlling interests (continued)

* On 5 December 2023, CPIC Life issued an undated capital bond with a total face value of RMB 12,000 million in the interbank market. The duration of the bond is aligned with the duration of CPIC Life considered as going concern. CPIC Life shall have the right to redeem the bond in whole or in part at face value five years after the date of issue on each interest payment date (including the fifth interest payment date after the date of issue). As of 31 December 2023, non-controlling interests of the Group included RMB 12,029 million of perpetual bonds issued by CPIC Life. The perpetual bonds are classified as an equity instrument and presented as non-controlling interests in the Group's consolidated financial statements.

38. Insurance revenue

	2023	2022
Insurance contracts not measured under the premium allocation approach		
Amounts relating to the changes in the liability for remaining coverage	61,214	59,588
Amortisation of contractual service margin	26,202	27,870
Changes in the risk adjustment for non-financial risk	1,274	1,175
Insurance service expenses expected to be incurred in the period	31,983	29,166
Experience adjustments for premium receipts relating to current and past services	1,755	1,377
Amortisation of insurance acquisition cash flows	21,752	21,722
Subtotal of insurance contracts not measured under the premium allocation approach	82,966	81,310
Insurance contracts measured under the premium allocation approach	183,201	168,435
Total of insurance revenue	266,167	249,745

39. Interest income (only applicable for 2023)

	2023
Interest income of debt investments at fair value through other comprehensive income	45,764
Interest income of term deposits	7,480
Interest income of financial assets at amortised cost	4,069
Interest income of restricted statutory deposits	277
Interest income of securities purchased under agreements to resell	224
Others	448
Total	58,262

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Investment income

	2023
Realised gains/(losses)	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	(12,078)
Debt investments at fair value through other comprehensive income	712
Net gains on disposal of derivatives	55
Gains during the holding period	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	13,981
Dividend income from equity investments at fair value through other comprehensive income that terminated	351
Dividend income from equity investments at fair value through other comprehensive income that still hold	4,418
Share of losses of associates and joint ventures	(386)
Total	7,053

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Investment income (continued)

	2022
Net gains on disposal of stock investments	1,093
Net gains on disposal of fund investments	269
Net gains on disposal of bond investments	476
Interest on securities purchased under agreements to resell	173
Interest income from debt investments	51,648
Interest income from other fixed-interest investments	9,959
Fund dividend income	2,570
Stock dividend income	4,707
Income from other equity investments	6,253
Share of profits of associates and joint ventures	401
Others	(39)
Total	77,510

As at the balance sheet date, there was no significant restriction on the repatriation of the Group's investment income.

(1) Interest and dividend income

	2022
Financial assets at fair value through profit or loss	
- Fixed maturity investments	55
- Funds	35
- Other equity investments	525
Sub-total	615
Held-to-maturity financial assets	
- Fixed maturity investments	19,684
Loans and receivables	
- Fixed maturity investments	30,379
Available-for-sale financial assets	
- Fixed maturity investments	11,662
- Funds	2,535
- Stocks	4,709
- Other equity investments	5,706
Sub-total	24,612
Total	75,290

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

40. Investment income (continued)

(2) Realised gains

	2022
Financial assets at fair value through profit or loss	
- Fixed maturity investments	86
- Funds	3
- Stocks	3
- Other equity investments	8
- Derivative instruments	(41)
Sub-total	59
Available-for-sale financial assets	
- Fixed maturity investments	390
- Funds	266
- Stocks	1,090
- Other equity investments	14
Sub-total	1,760
Total	1,819

41. Losses arising from changes in fair value

	2023	2022
Bond investments	(3,591)	178
Fund investments	2,143	(21)
Derivatives	193	69
Stock investments	13,940	3
Others	(973)	(168)
Total	11,712	61

42. Other operating income

	2023	2022
Income from asset management fee	2,022	2,187
Rental income from investment properties	727	703
Others	993	764
Total	3,742	3,654

43. Gains on disposal of assets

	2023	2022
Gains on disposal of fixed assets	23	24

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

44. Total investment results of insurance business segment and net insurance finance result

	2023	2022
Investment return		
Interest income	56,071	-
Investment income	7,048	76,840
Losses arising from changes in fair value	(12,898)	(119)
Impairment losses on financial assets	(2,007)	-
Impairment losses on other assets	(225)	-
Asset impairment losses	-	(5,694)
Total amounts recognised in the profit or	47,989	71,027
Total amounts recognised in other comprehensive income	51,795	(32,873)
Total investment return	99,784	38,154
Insurance finance income/(expenses) from insurance contracts issued		
Changes in fair value of underlying items of insurance contracts with direct participation features	(40,179)	(13,594)
Interest accreted on insurance contracts and effect of changes in interest rates and other financial assumptions	(55,912)	(46,225)
Net foreign exchange gains/(losses)	4	(34)
Total insurance finance income/(expenses) from insurance contracts issued	(96,087)	(59,853)
Represented by:		
Amounts recognised in profit or loss	(46,741)	(58,074)
Amounts recognised in other comprehensive income/(loss)	(49,346)	(1,779)
Reinsurance finance income/(expenses) from reinsurance contracts held	1,169	1,108
Represented by:		
Amounts recognised in profit or loss	1,174	1,108
Amounts recognised in other comprehensive income/(loss)	(5)	-
Investment results	4,866	(20,591)
Represented by:		
Amounts recognised in profit or loss	2,422	14,061
Amounts recognised in other comprehensive income/(loss)	2,444	(34,652)

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

45. Interest expenses

	2023	2022
Securities sold under agreements to repurchase	1,851	1,941
Debt	496	508
Interest expenses on lease liabilities	93	101
Others	188	202
Total	2,628	2,752

46. Taxes and surcharges

	2023	2022
City maintenance and construction tax	386	380
Educational surcharge	283	280
Others	514	461
Less: Insurance acquisition cash flows incurred in the year	(690)	(636)
Other insurance fulfilment cash flows incurred in the year	(48)	(61)
Total	445	424

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

47. Operating and administrative expenses

The Group's operating and administrative fee details by items are as follows:

	2023	2022
Payroll and welfare benefits	23,950	23,589
Advertising expenses (including business publicity expenses)	6,777	5,951
Professional service fees	5,151	3,900
Outsourcing service fees	2,727	2,235
General office expenses	2,566	2,528
Insurance security funds withdrawal	2,159	1,335
Prevention expenses	1,644	1,755
Depreciation of right-of-use assets	1,299	1,337
Depreciation of fixed assets	1,265	1,343
Amortisation of intangible assets	1,142	940
Property management fees	806	808
Labour costs	645	720
Consulting fees	538	629
Amortisation of other long-term assets	449	423
Entrusted management fees	261	392
Travel expenses	199	106
Compulsory automobile rescue fund	158	123
Transportation expenses	85	87
Rent for short-term and low-value asset leases	77	84
Audit fee	35	25
Others	3,392	4,464
Subtotal	55,325	52,774
Less: Insurance acquisition cash flows incurred in the year	(36,227)	(35,481)
Other insurance fulfilment cash flows incurred in the year	(11,701)	(11,089)
Total	7,397	6,204

48. Impairment losses on financial assets (only applicable for 2023)

	2023
Impairment loss of debt investments at fair value through other comprehensive income	1,324
Impairment loss of financial assets at amortised cost	563
Impairment loss of term deposits	(16)
Impairment loss of others	142
Total	2,013

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

49. Asset impairment losses (only applicable for 2022)

	2022
Provision for available-for-sale financial assets impairment, net	4,258
Provision for held-to-maturity financial assets impairment, net	(173)
Provision for investments classified as loans and receivables impairment, net	941
Provision for bad debts, net	3
Provision for long-term equity investments impairment	274
Total	5,303

50. Other operating expenses

	2023	2022
Interest expenses for policyholders' investment contract liabilities	55	46
Depreciation of investment properties	473	448
Others	620	542
Total	1,148	1,036

51. Non-operating income

	2023	2022
Custody fees of entrusted operation	62	55
Government subsidies unrelated to ordinary activities	6	13
Others	68	79
Total	136	147

52. Non-operating expenses

	2023	2022
Charitable donations and commercial sponsorship	73	55
Government fines & confiscations and liquidated damages	37	32
Overdue tax payment and fines	4	5
Others	81	112
Total	195	204

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

53. Income tax

	2023	2022
Current income tax	2,756	5,049
Deferred income tax	1,334	(788)
Total	4,090	(4,261)

The relationship between income tax expenses and total profit is shown below:

	2023	2022
Total profit	32,001	42,483
Taxes calculated at the statutory tax rate of 25%	8,000	10,621
Income tax adjustment for prior years	(241)	(208)
Non-taxable income	(7,369)	(6,779)
Non-deductible expenses	450	334
Others	3,250	293
Income tax calculated at applicable tax rates	4,090	(4,261)

The income tax of the Group is provided at applicable tax rate in accordance with the estimated taxable income obtained in Mainland China. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54. Other comprehensive income/(loss)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement					
	1 January 2023	Attributable to the Company - net of tax	31 December 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to the non-controlling interests - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(122)	385	263	533	-	(6)	(133)	385	9
Changes in the fair value of equity investments at fair value through other comprehensive income	593	1,060	1,653	1,452	-	(5)	(363)	1,060	24
Insurance finance income/(expenses) for insurance contracts issued that will not be reclassified to profit or loss	(715)	(675)	(1,390)	(919)	-	(1)	230	(675)	(15)
Other comprehensive income/(loss) that will be reclassified to profit or loss	6,592	1,137	7,729	846	740	-	(434)	1,137	15
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	(47)	(53)	(100)	(72)	-	-	18	(53)	(1)
Changes in the fair value of debt instruments at fair value through other comprehensive income	42,188	35,972	78,160	49,445	(603)	-	(12,250)	35,972	620
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	2,136	909	3,045	1,316	(83)	-	(308)	909	16
Exchange differences on translation of foreign operations	45	15	60	15	-	-	-	15	-
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(37,730)	(35,701)	(73,431)	(49,853)	1,426	-	12,106	(35,701)	(620)
Insurance finance income/(expenses) for reinsurance contracts held that will be reclassified to profit or loss	-	(5)	(5)	(5)	-	-	-	(5)	-
Total	6,470	1,522	7,992	1,379	740	(6)	(567)	1,522	24

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

54. Other comprehensive income/(loss) (continued)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement					
	1 January 2022	Attributable to the Company - net of tax	31 December 2022	Amount incurred before income tax	Less: Transferred from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company - net of tax	Attributable to Non-controlling interests - net of tax
Other comprehensive income/(loss) that will be reclassified to profit or loss									
Share of other comprehensive income/(loss) that will be reclassified to profit or loss of investees accounted for using the equity method	-	(47)	(47)	(47)	-	-	-	(47)	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	34,182	(23,551)	10,631	(63,153)	26,843	4,258	8,044	(23,551)	(457)
Exchange differences on translation of foreign operations	(52)	44	(8)	46	-	-	-	44	2
Insurance finance income/(expenses) for insurance contracts issued that will be reclassified to profit or loss	(20,826)	(1,331)	(22,157)	69	832	(2,680)	435	(1,331)	(13)
Total	13,304	(24,885)	(11,581)	(63,085)	27,675	1,578	8,479	(24,885)	(468)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

55. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated by dividing the net profit of the current period attributable to the shareholders of the parent by the weighted average number of ordinary shares issued by the parent.

	2023	2022
Consolidated net profit for the year attributable to shareholders of the parent	27,257	37,381
Weighted average number of ordinary shares in issue (million shares)	9,620	9,620
Basic earnings per share (RMB Yuan)	2.83	3.89

(2) Diluted earnings per share

The Company had no dilutive potential ordinary shares in 2023 and 2022.

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

56. Notes to items in consolidated statement of cash flow

(1) Significant payments related to other operating activities are listed below:

	2023	2022
Surrenders	23,122	21,434
Advertising expenses (including business publicity expenses)	6,777	5,951
Professional service fees	5,151	3,900
General office expenses	2,566	2,528
Outsourcing service fees	2,727	2,235
Prevention expenses	1,644	1,755
Consulting fees	573	654
Property management fees	806	808
Labour costs	645	720
Entrusted management fees	261	392

(2) Significant receipts related to other financing activities are listed below:

	2023	2022
Cash received related to non-controlling interests of consolidated structured entities, net	1,649	11,672
Cash proceeds from the issue of asset-backed securities	9,000	713

(3) Significant payments related to other financing activities are listed below:

	2023	2022
Cash paid for principal elements of lease payments	1,980	1,686

57. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash:		
Cash at bank and on hand	2	-
Cash at bank readily available for payments	29,833	31,836
Other cash balances readily available for payments	1,097	849
Cash equivalents:		
Investments with an initial term within 3 months	2,808	21,124
Total	33,740	53,809

(All amounts expressed in RMB million unless otherwise specified)

VII. NOTES TO THE FINANCIAL STATEMENTS (continued)

58. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2023	2022
Net profit	27,911	38,222
Add: Impairment losses on financial assets	2,013	-
Impairment losses on other assets	253	-
Asset impairment losses	-	5,303
Depreciation of fixed assets and investment properties	1,857	1,883
Depreciation of right-of-use assets	1,328	1,371
Amortisation of intangible assets	1,196	980
Amortisation of other long-term assets	454	428
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(23)	(24)
Investment income	(7,053)	(77,510)
Interest income	(58,262)	-
Losses arising from changes in fair value	11,712	61
Interest expenses	2,628	2,752
Exchange gains	(159)	(1,085)
Deferred income tax	1,334	(788)
Changes in insurance contract liabilities/ assets, net	158,395	176,574
Changes in reinsurance contract liabilities/ assets, net	(7,363)	(1,157)
Increase in operating receivables	(1,432)	(798)
Increase in operating payables	3,074	2,452
Net cash flows from operating activities	137,863	148,664

(2) Net increase in cash and cash equivalents:

	2023	2022
Cash at the end of year	30,932	32,685
Less: Cash at the beginning of year	(32,685)	(32,195)
Cash equivalents at the end of year	2,808	21,124
Less: Cash equivalents at the beginning of year	(21,124)	(13,432)
Net (decrease)/ increase in cash and cash equivalents	(20,069)	8,182

(3) The changes in liabilities arising from financing activities are as follows:

	2023			
	Bonds payable	Securities sold under agreements to repurchase	Lease liabilities	Others
Balance at the beginning of year	10,302	119,831	2,718	134
Cash activities	(508)	(5,863)	(1,980)	8,113
Non-cash activities	491	1,851	2,357	197
Balance at the end of year	10,285	115,819	3,095	8,444

VIII. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organised into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life and health insurance segment (mainly including CPIC Life, CPIC Health and CPIC Life (H.K.)) offers a wide range of life and health insurance in RMB and foreign currencies;
- The property and casualty insurance segment (including CPIC Property, PAAIC and CPIC H.K.) provides a wide range of property and casualty insurance in RMB and foreign currencies;
- Other businesses segment mainly provides corporation management and asset management services, etc.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's assets are located in Mainland China.

In 2023, the scale premium of the top five external customers amounted to 0.46% (in 2022: 0.54%) of the Group's total scale premium.

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

	2023				
Items	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Insurance revenue	87,217	179,488	-	(538)	266,167
Interest income	50,297	5,422	2,556	(13)	58,262
Investment income	6,474	1,148	10,031	(10,600)	7,053
Including: Share of profits/(losses) of associates and joint ventures	9	19	(395)	(19)	(386)
Other income	24	84	143	-	251
Gains/(Losses) arising from changes in fair value	(12,277)	(481)	1,053	(7)	(11,712)
Exchange gains	22	7	130	-	159
Other operating income	1,425	247	8,716	(6,646)	3,742
Gains/(Losses) on disposal of assets	25	2	(4)	-	23
Operating income	133,207	185,917	22,625	(17,804)	323,945
Insurance service expenses	(59,194)	(172,454)	-	625	(231,023)
Allocation of reinsurance premiums	(1,814)	(14,520)	-	496	(15,838)
Less: Recoveries of insurance service expenses from reinsurers	1,160	13,680	-	(441)	14,399
Insurance finance expenses for insurance contracts issued	(41,922)	(2,622)	-	(2,197)	(46,741)
Less: Reinsurance finance income for reinsurance contracts held	670	529	-	(25)	1,174
Others	(10,717)	(2,607)	(7,134)	6,602	(13,856)
Operating expenses	(111,817)	(177,994)	(7,134)	5,060	(291,885)
Operating profit	21,390	7,923	15,491	(12,744)	32,060
Add: Non-operating income	13	102	21	-	136
Less: Non-operating expenses	(62)	(80)	(53)	-	(195)
Profit before tax	21,341	7,945	15,459	(12,744)	32,001
Less: Income tax	(1,896)	(1,446)	(747)	(1)	(4,090)
Net profit for the year	19,445	6,499	14,712	(12,745)	27,911

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

	2023				
Items	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Supplementary information:					
Capital expenditure	865	1,348	2,594	-	4,807
Depreciation and amortisation	2,144	1,598	1,049	-	4,791
Impairment losses on financial assets	1,247	772	(6)	-	2,013
As at 31 December 2023					
Long-term equity investments	105,822	230	2,732	(85,600)	23,184
Financial assets*	1,730,738	133,180	146,721	(1,286)	2,009,353
Insurance contract assets	-	335	-	-	335
Reinsurance contract assets	13,378	27,660	-	(1,284)	39,754
Term deposits	133,197	24,487	7,817	-	165,501
Others	38,972	32,097	39,535	(4,769)	105,835
Segment assets	2,022,107	217,989	196,805	(92,939)	2,343,962
Insurance contract liabilities	1,748,571	125,266	-	(1,217)	1,872,620
Bonds payable	-	10,285	-	-	10,285
Securities sold under agreements to repurchase	102,584	5,228	8,007	-	115,819
Others	38,475	20,768	24,619	(6,328)	77,534
Segment liabilities	1,889,630	161,547	32,626	(7,545)	2,076,258

*Financial assets include financial assets at fair value through profit or loss, derivative financial assets, financial assets at amortised cost, debt investments at fair value through other comprehensive income and equity investments at fair value through other comprehensive income.

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

	2022				
Items	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Insurance revenue	89,601	160,519	-	(375)	249,745
Investment income	70,612	8,093	10,883	(12,078)	77,510
Including: Share of profits/(losses) of associates and joint ventures	557	54	(189)	(21)	401
Other income	39	40	104	-	183
Gains/(Losses) arising from changes in fair value	(245)	(95)	279	-	(61)
Exchange gains	200	148	737	-	1,085
Other operating income	1,527	206	7,694	(5,773)	3,654
Gains on disposal of assets	2	2	20	-	24
Operating income	161,736	168,913	19,717	(18,226)	332,140
Insurance service expenses	(61,307)	(153,058)	-	377	(213,988)
Allocation of reinsurance premiums	(2,398)	(13,414)	-	385	(15,427)
Less: Recoveries of insurance service expenses from reinsurers	597	12,604	-	(592)	12,609
Insurance finance expenses for insurance contracts issued	(57,308)	(2,198)	-	1,432	(58,074)
Less: Reinsurance finance income for reinsurance contracts held	656	471	-	(19)	1,108
Others	(10,788)	(2,893)	(7,945)	5,798	(15,828)
Operating expenses	(130,548)	(158,488)	(7,945)	7,381	(289,600)
Operating profit	31,188	10,425	11,772	(10,845)	42,540
Add: Non-operating income	32	104	11	-	147
Less: Non-operating expenses	(84)	(80)	(40)	-	(204)
Profit before tax	31,136	10,449	11,743	(10,845)	42,483
Less: Income tax	(1,505)	(2,256)	(491)	(9)	(4,261)
Net profit for the year	29,631	8,193	11,252	(10,854)	38,222

(All amounts expressed in RMB million unless otherwise specified)

VIII. SEGMENT INFORMATION (continued)

	2022				
Items	Life and health insurance	Property and casualty insurance	Others	Eliminations	Total
Supplementary information:					
Capital expenditure	1,019	749	6,979	-	8,747
Depreciation and amortisation	2,348	1,570	711	-	4,629
Asset impairment losses	5,659	860	(1,216)	-	5,303
As at 31 December 2022					
Long-term equity investments	99,866	218	10,590	(84,845)	25,829
Financial assets*	1,396,703	118,074	139,221	(636)	1,653,362
Insurance contract assets	-	305	-	-	305
Reinsurance contract assets	12,988	21,346	-	(1,129)	33,205
Term deposits	159,875	33,963	10,679	-	204,517
Other	88,848	29,508	40,230	(4,468)	154,118
Segment assets	1,758,280	203,414	200,720	(91,078)	2,071,336
Insurance contract liabilities	1,550,569	115,432	-	(1,153)	1,664,848
Reinsurance contract liabilities	-	809	-	-	809
Bonds payable	-	9,999	-	-	9,999
Securities sold under agreements to repurchase	107,018	2,206	10,441	-	119,665
Other	27,491	22,097	30,123	(5,368)	74,343
Segment liabilities	1,685,078	150,543	40,564	(6,521)	1,869,664

*Financial assets include financial assets at fair value through profit or loss, derivative financial assets, held-to-maturity investments, available-for-sale financial assets and investments classified as loans and receivables.

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

		31 December 2023		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	2,042	1.00000	2,042
	USD	598	7.08270	4,235
	HKD	9	0.90622	8
	Sub-total			6,285
Other cash balances	RMB	1	1.00000	1
Total				6,286

		31 December 2022		
	Currency	Original currency	Exchange rate	RMB
Bank deposits	RMB	78	1.00000	78
	USD	924	6.96460	6,434
	HKD	102	0.89327	91
	Sub-total			6,603
Other cash balances	RMB	7	1.00000	7
Total				6,610

As of 31 December 2023, the Company's cash at bank and on hand deposited overseas amounted equivalent to RMB 2 million (31 December 2022: amounted equivalent to RMB 99 million).

2. Financial assets at fair value through profit or loss (only applicable for 2022)

	31 December 2022
Debt investments	
Corporate bonds	2
Total	2

Financial assets at fair value through profit or loss are all financial assets held for trading, and there is no significant restriction on the realisation of investments.

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Term deposits

Term to maturity	31 December 2023	31 December 2022
Within 1 year (inclusive)	1,558	4,699
1 to 2 years (inclusive)	2,877	1,500
2 to 3 years (inclusive)	507	2,800
3 to 4 years (inclusive)	-	-
4 to 5 years (inclusive)	519	-
Less: Impairment provisions	(4)	-
Total	5,457	8,999

4. Available-for-sale financial assets (only applicable for 2022)

Available-for-sale financial assets are summarised by category as follows:

	31 December 2022
Debt investments	
Government bonds	4,101
Finance bonds	7,169
Corporate bonds	11,645
Wealth management products	394
Equity investments	
Funds	10,108
Stocks	1,115
Investments in other equity instruments	3,160
Total	37,692

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Available-for-sale financial assets (only applicable for 2022) (continued)

Related information of available-for-sale financial assets is analysed as follows:

	31 December 2022
Debt investments	
Fair value	23,309
Including: Amortised cost	22,900
Accumulated amount recognised in other comprehensive income/(loss)	545
Total impairment provisions	(136)
Equity investments	
Fair value	14,383
Including: Cost	14,356
Accumulated amount recognised in other comprehensive income/(loss)	183
Total impairment provisions	(156)
Total	
Fair value	37,692
Including: Amortised cost/Cost	37,256
Accumulated amount recognised in other comprehensive income/(loss)	728
Total impairment provisions	(292)

5. Investments classified as loans and receivables (only applicable for 2022)

	31 December 2022
Debt investments	
Debt investment plans	10,875
Wealth management products	4,668
Total	15,543

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Financial assets at fair value through profit or loss (only applicable for 2023)

	31 December 2023
Listed	1,365
Unlisted	15,890
Total	17,255
Bonds	6,154
Government bonds	93
Finance bonds	6,059
Corporate bonds	2
Stocks	818
Funds	3,508
Investment in wealth management products	3,702
Unlisted equity shares investments	3,073
Total	17,255

7. Financial assets at amortised cost (only applicable for 2023)

	31 December 2023
Listed	-
Unlisted	12,655
Subtotal	12,655
Less: Impairment provisions	(11)
Net value	12,644
Debt investment plans	8,017
Investment trust	3,104
Others	1,534
Subtotal	12,655
Less: Impairment provisions	(11)
Net value	12,644

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Debt investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Listed	4,105
Unlisted	19,035
Total	23,140
Bonds	23,140
Government bonds	12,620
Finance bonds	1,731
Corporate bonds	8,789
Total	23,140
Including:	
Amortised cost	22,552
Accumulated changes in fair value	588

As at 31 December 2023, the impairment provision for the Company's debt investment at fair value through other comprehensive income is RMB 78 million.

9. Equity investments at fair value through other comprehensive income (only applicable for 2023)

	31 December 2023
Stocks	1,062
Perpetual bonds	322
Others	1,127
Total	2,511
Including:	
Cost	2,612
Accumulated changes in fair value	(101)

The equity instruments at fair value through other comprehensive income, designated by the Company, are the non-trading equity investments with the primary objective of being held for a long time or obtain dividends during the holding period.

For the year ended 31 December 2023, the Company disposed equity investments at fair value through other comprehensive income of RMB 109 million because of the optimisation of asset allocation and asset and liability management. Due to the sale of the above equity investments, RMB 9 million transferred from other comprehensive income to retained profits.

For the year ended 31 December 2023, the received dividends from the above equity investments are disclosed in Note IX.16.

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

10. Long-term equity investments

	31 December 2023	31 December 2022
Subsidiaries		
CPIC Property	20,424	20,424
CPIC Life	42,366	42,366
CPIC Asset Management	1,360	1,360
CPIC H.K.	240	240
CPIC Real Estate	115	115
CPIC Investment (H.K.)	21	21
CPIC Online Services	200	200
CPIC Health	3,081	3,081
CPIC Technology	700	700
Consolidated structured entities	2,310	1,093
Associate		
Shanghai Health & Elderly Care Co.,Ltd.	295	300
HTCP CAPITAL LPF	138	-
Total	71,250	69,900

The Company does not have any other items that substantially constitute net investment in subsidiaries.

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

11. Investment properties

	Buildings
Cost:	
1 January 2022	4,454
Transfer from fixed assets, net	532
31 December 2022	4,986
Transfer to fixed assets, net	(16)
Transfer from intangible assets, net	34
31 December 2023	5,004
Accumulated depreciation:	
1 January 2022	(1,462)
Provision	(154)
Transfer from fixed assets, net	(96)
31 December 2022	(1,712)
Provision	(169)
Transfer to fixed assets, net	7
Transfer from intangible assets, net	(7)
31 December 2023	(1,881)
Carrying amount:	
31 December 2023	3,123
31 December 2022	3,274

The fair values of investment properties of the Company as at 31 December 2023 amounted to RMB 6,582 million (31 December 2022: RMB 6,667 million), which were estimated by the Company based on the independent appraisers' valuations. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension, CPIC Senior Living Investment, CPIC Health, Pacific Insurance Agency and CPIC Technology, and charges rentals based on the areas occupied by the respective entities. These properties are categorised as fixed assets of the Group in the consolidated balance sheet.

12. Other assets

	31 December 2023	31 December 2022
Receivables from subsidiaries	273	268
Improvements of right-of-use assets	52	57
Dividends receivable	22	63
Others	123	176
Total	470	564

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

13. Securities sold under agreements to repurchase

	31 December 2023	31 December 2022
Securities - bonds		
Inter-bank market	2,026	2,919
Stock exchange	-	1,000
Total	2,026	3,919

As at 31 December 2023, the Company's bond investments of approximately RMB 2,110 million (31 December 2022: RMB 3,174 million) were pledged for inter-bank securities sold under agreements to repurchase.

As at 31 December 2023, the Company has no standardised bonds were pledged for securities sold at stock exchange under agreements to repurchase (As at 31 December 2022, the pledged amount is RMB 1,000 million).

14. Other liabilities

	31 December 2023	31 December 2022
Payables to subsidiaries	199	277
Payables for construction and purchasing office buildings	6	8
Others	573	601
Total	778	886

15. Capital reserves

	31 December 2023	31 December 2022
Capital premium	79,008	79,008
Asset evaluation appreciation	301	301
Others	3	3
Total	79,312	79,312

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

16. Investment income

	2023
Realised gains	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	23
Debt investments at fair value through other comprehensive income	40
Gains during the holding period	
Financial instruments held for trading and other financial instruments at fair value through profit or loss	215
Dividend income from derecognised equity investments at fair value through other comprehensive income	3
Dividend income from equity investments at fair value through other comprehensive income held	106
Dividend income from subsidiaries	10,244
Share of losses of associates and joint ventures	(26)
Total	10,605

	2022
Net gains on sales of stock investments	143
Net gains on sales of bond investments	16
Net gains on sales of fund investments	93
Interest income from securities purchased under agreements to resell	11
Interest income from debt investments	1,677
Interest income from other fixed-interest investments	399
Stock dividend income	40
Fund dividend income	187
Income from other equity investments	28
Dividend income from subsidiaries	11,547
Total	14,141

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

17. Other comprehensive income/(loss)

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2023	Attributable to the Company - net of tax	31 December 2023	Amount incurred before income tax	Less: Recognised in other comprehensive income/(loss) in previous period but transferred to profit or loss in current year	Less: Recognised in other comprehensive income in previous period but transferred to retained profits in current year	Less: Income tax expenses	Attributable to the Company - net of tax
Other comprehensive income/(loss) that will not be reclassified to profit or loss	(13)	(63)	(76)	(75)	-	(9)	21	(63)
Changes in the fair value of equity investments at fair value through other comprehensive income	(13)	(63)	(76)	(75)	-	(9)	21	(63)
Other comprehensive income/(loss) that will be reclassified to profit or loss	402	97	499	173	(43)	-	(33)	97
Changes in the fair value of debt instruments at fair value through other comprehensive income	295	145	440	237	(43)	-	(49)	145
Changes in provisions for credit risks of debt instruments at fair value through other comprehensive income	107	(48)	59	(64)	-	-	16	(48)
Total	389	34	423	98	(43)	(9)	(12)	34

	Other comprehensive income in balance sheet			Other comprehensive income/(loss) in income statement				
	1 January 2022	Attributable to the Company- net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer from other comprehensive income/(loss) in current year	Amount recognised in impairment loss of available-for-sale financial assets in current year	Less: Income tax expenses	Attributable to the Company- net of tax
Other comprehensive income/(loss) that will be reclassified to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	1,354	(808)	546	(875)	(259)	57	269	(808)

(All amounts expressed in RMB million unless otherwise specified)

IX. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

18. Supplementary information to the cash flow statements

(1) Reconciliation of net profit to cash flows from operating activities:

	2023	2022
Net profit	10,980	13,020
Add: Impairment losses on financial assets	(60)	-
Asset impairment losses	-	57
Depreciation of fixed assets and investment properties	325	304
Depreciation of right-of-use assets	80	70
Amortisation of intangible assets	86	105
Amortisation of other long-term assets	33	42
Investment income	(10,605)	(14,141)
Losses arising from changes in fair value	434	-
Interest income	(2,027)	-
Interest expenses	27	29
Exchange gains	(130)	(738)
Deferred income tax	(128)	(28)
Decrease in operating receivables	15	433
(Decrease)/Increase in operating payables	(17)	281
Net cash flows used in operating activities	(987)	(566)

(2) Net increase in cash and cash equivalents:

	2023	2022
Cash at the end of year	6,286	6,610
Less: Cash at the beginning of year	(6,610)	(5,261)
Cash equivalents at the end of year	-	-
Less: Cash equivalents at the beginning of year	-	(10)
Net (decrease)/increase in cash and cash equivalents	(324)	1,339

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Major related parties

During the reporting period, the Company's major related parties comprise:

(1) Subsidiaries of the Company;
(2) Investors who exert significant influence on the Company;
(3) Joint ventures and associates of the Company;
(4) Key management personnel of the Company and close family members of such individuals;
(5) Enterprise annuity fund established by the Group; and
(6) Legal entities or other organisations other than the Company and its holding subsidiaries, in which the Company's associated natural persons serve as directors and senior management personnel.

Except for being controlled by the state together with the Company, an enterprise that has no other related party relations with the Company is not a related party to the Company.

2. Related party relationships

(1) Related parties controlled by the Company

Related parties controlled by the Company are mainly subsidiaries of the Company. Their basic information and relationships with the Company are set out in Note VI.

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows:

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2023	Movements for the current year	31 December 2023	1 January 2023	Movements for the current year	31 December 2023
CPIC Property	19,470	478	19,948	98.50%	-	98.50%
CPIC Life	8,628	-	8,628	98.29%	-	98.29%
CPIC Asset Management	2,100	-	2,100	99.67%	-	99.67%
Changjiang Pension	3,000	-	3,000	61.10%	-	61.10%
CPIC H.K.	HKD 250 million	-	HKD 250 million	100.00%	-	100.00%
CPIC Real Estate	115	-	115	100.00%	-	100.00%
CPIC Investment (H.K.)	HKD 200 million	-	HKD 200 million	99.71%	-	99.71%
City Island	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Great Winwick (Hong Kong) Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Newscott Investments Limited	USD 50,000	-	USD 50,000	98.29%	-	98.29%
Newscott (Hong Kong) Investments Limited	HKD 10,000	-	HKD 10,000	98.29%	-	98.29%
Xin Hui Property	USD 15,600 thousand	-	USD 15,600 thousand	98.29%	-	98.29%
He Hui Property	USD 46,330 thousand	-	USD 46,330 thousand	98.29%	-	98.29%
CPIC Online Services	200	-	200	100.00%	-	100.00%
Tianjin Trophy	354	-	354	98.29%	-	98.29%
CPIC Senior Living Investment	5,000	-	5,000	98.29%	-	98.29%
CPIC Health	3,600	-	3,600	99.74%	-	99.74%
PAAIC	1,080	-	1,080	66.76%	-	66.76%
Pacific Medical & Healthcare	1,000	-	1,000	98.29%	-	98.29%
CPIC Funds	150	-	150	50.83%	-	50.83%
Pacific Insurance Agency	50	-	50	100.00%	-	100.00%
Chengdu Project Company	1,000	-	1,000	98.29%	-	98.29%
Hangzhou Project Company	1,200	-	1,200	98.29%	-	98.29%
Xiamen Project Company	900	-	900	98.29%	-	98.29%
Pacific Care Home at Chengdu	60	-	60	98.29%	-	98.29%

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(2) The movements of registered capital and the percentages of the equity or shares held by the Company are as follows (continued):

Name of investee	Registered capital			Shares or equity held by the Company		
	1 January 2023	Movements for the current year	31 December 2023	1 January 2023	Movements for the current year	31 December 2023
Nanjing Project Company	220	482	702	98.29%	-	98.29%
Pacific Care Home at Dali	608	-	608	74.70%	-	74.70%
Shanghai (Putuo) Project Company	250	-	250	98.29%	-	98.29%
Pacific Care Home at Hangzhou	60	-	60	98.29%	-	98.29%
Wuhan Project Company	980	-	980	98.29%	-	98.29%
CPIC Capital	100	-	100	99.67%	-	99.67%
Pacific Care Home at Shanghai (Chongming)	1,253	-	1,253	98.29%	-	98.29%
Pacific Care Home at Shanghai (Putuo)	30	-	30	98.29%	-	98.29%
Borui Heming	52	-	52	98.29%	-	98.29%
CPIC Life (H.K.)	HKD 1,000 million	-	HKD 1,000 million	98.29%	-	98.29%
Qingdao Project Company	227	-	227	98.29%	-	98.29%
Pacific Care Home at Xiamen	40	-	40	98.29%	-	98.29%
Zhengzhou Project Company	650	-	650	98.29%	-	98.29%
Beijing Project Company	800	-	800	98.29%	-	98.29%
CPIC Technology	700	-	700	100.00%	-	100.00%
Xinbaoyu	3,650	-	3,650	98.46%	-	98.46%
CPIC Technology Wuhan	100	-	100	100.00%	-	100.00%
Sanya Project Company	490	-	490	98.29%	-	98.29%
Pacific Care Home at Nanjing	30	-	30	98.29%	-	98.29%
Pacific Care Home at Shanghai (Jing'an)	-	426	426	-	98.29%	98.29%
Pacific Care Home at Wuhan	-	30	30	-	98.29%	98.29%
Yuanshen Hospital	-	160	160	-	98.29%	98.29%

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party relationships (continued)

(3) Other major related parties

Name of entity	Relationship with the Company
Hwabao Investments Co., Ltd.	Shareholder with over 5% voting rights of the Company
Shenergy (Group) Company Limited	Shareholder with over 5% voting rights of the Company
Shanghai State-Owned Assets Operation Co., Ltd.	Shareholder with over 5% voting rights of the Company
China Baowu Steel Group Corporation Limited	Parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Co., Ltd.	Parent company of shareholders holding over 5% voting rights of the Company
Baoshan Iron & Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Baowu Carbon Technology Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Baoxin Software Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Taiyuan Iron & Steel (Group) Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Ningbo Baoxin Stainless Steel Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai International Group Asset Management Co., Ltd.	Subsidiary of parent company of shareholders holding over 5% voting rights of the Company
Shanghai Gas Co., Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Shenergy Company Limited	Subsidiary of shareholders holding over 5% voting rights of the Company
Shanghai LNG Company Ltd.	Subsidiary of shareholders holding over 5% voting rights of the Company
Binjiang-Xiangrui	Joint venture of the Company
Ruiyongjing Real Estate	Joint venture of the Company
Shanghai Juche Information Technology Co., Ltd. ("Juche")	Associate of the Company
Zhongdao Automobile Rescue Industry Co., Ltd. ("Zhongdao")	Associate of the Company
Shanghai Shantai Healthcare and Technology Company Limited ("Shantai Healthcare")	Associate of the Company
The Company's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Property's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Life's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Asset Management's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Online Services' enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Health's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Senior Living Investment's enterprise annuity plan	Enterprise annuity fund established by the Group
PAAIC's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Real Estate's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Medical & Healthcare's enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Fund's enterprise annuity plan	Enterprise annuity fund established by the Group
Pacific Insurance Agency enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Technology enterprise annuity plan	Enterprise annuity fund established by the Group
CPIC Capital enterprise annuity plan	Enterprise annuity fund established by the Group
Hwabao WP Fund Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel in the past 12 months
Haitong Securities Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Orient Securities Company Limited ("Orient Securities")	Company of which the Group's related natural persons serve as directors or senior management personnel
Shanghai Haiyan Investment Management Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Swiss Reinsurance Company Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Hwabao Trust Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel
Baosteel Group Finance Co., Ltd.	Company of which the Group's related natural persons serve as directors or senior management personnel

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties

3.1 Major transactions between the Group and related parties

(1) Sale of insurance contracts

	2023	2022
Baoshan Iron & Steel Co., Ltd.	18	21
Shenergy Company Limited	9	-
Orient Securities	4	-
Shanghai LNG Company Ltd.	4	-
Shanghai Gas Co., Ltd.	3	2
Shanghai International Group Co., Ltd.	2	2
Taiyuan Iron & Steel (Group) Co., Ltd.	2	1
Shanghai Baoxin Software Co., Ltd.	2	1
China Baowu Steel Group Corporation Limited	1	5
Shanghai International Group Asset Management Co., Ltd.	1	2
Shanghai State-Owned Assets Operation Co., Ltd.	1	1
Baowu Carbon Technology Co., Ltd.	1	1
Haitong Securities Co., Ltd.	-	1
Ningbo Baoxin Stainless Steel Co., Ltd.	-	1
Total	48	38

Sale of insurance contracts to shareholders who individually own more than 5% of voting rights of the Company and the shareholders' parent company was RMB 4 million for the year ended 2023 (For the year ended 2022: RMB 8 million).

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business. The proportion of the scale premium of related parties to the total scale premium of the Group's was less than 1% for both year ended 2023 and 2022.

Note: The transaction amount for the period was calculated since the entity was identified as a related
party of the Group.

(2) Fund subscription and redemption transactions

	2023	2022
Hwabao WP Fund Management Co., Ltd.	151	366

(3) Transaction of asset management products

	2023	2022
Haitong Securities Co., Ltd.	1,000	-
Hwabao Trust Co., Ltd.	58	37
Baosteel Group Finance Co., Ltd.	-	1,030
Total	1,058	1,067

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(4) Transaction of selling and buying bonds

	2023	2022
Orient Securities	410	-

(5) Distribution of cash dividends

	2023	2022
Shenergy (Group) Company Limited	1,431	1,386
Hwabao Investments Co., Ltd.	1,310	1,284
Shanghai State-Owned Assets Operation Co., Ltd.	665	634
Shanghai Haiyan Investment Management Co., Ltd.	519	516
Total	3,925	3,820

Distribution of cash dividends to shareholders who individually own more than 5% of voting rights of the Company was RMB 3,406 million in 2023 (2022: RMB 3,304 million).

(6) Premiums ceded to reinsurers (transaction amount)

	2023	2022
Swiss Reinsurance Company Ltd [Note]	3,163	3,372

(7) Expense recoveries from reinsurers (recovered amount)

	2023	2022
Swiss Reinsurance Company Ltd [Note]	1,074	1,048

(8) Claim recoveries from reinsurers (recovered amount)

	2023	2022
Swiss Reinsurance Company Ltd [Note]	2,075	1,964

Note: The transaction amount is based on the period during which the entity was identified as a related party of the Group during the reporting period.

(9) Remuneration of key management

	2023	2022
Salary and other benefits	38	37

Note: For the remuneration of key management disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2022, excluding the amount disclosed above, is as follows: the remuneration of the relevant personnel was RMB 8.712 million (before tax) (including director's and supervisors' remuneration disclosed in Note XIX 1).

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.1 Major transactions between the Group and related parties (continued)

(10) The related transactions between the Group and the established enterprise annuity fund during the years are as follows:

	2023	2022
Contribution to the enterprise annuity plan	700	525

(11) The major related transactions between the Group and joint ventures during the years are as follows:

	2023	2022
Binjiang-Xiangrui		
Fees for leasing office buildings of Binjiang-Xiangrui	86	86
Ruiyongjing Real Estate		
Grant loans	601	885

(12) The major related transactions between the Group and associates during the years are as follows:

	2023	2022
Purchase service		
Juche	133	130
Zhongdao	161	127
Shantai Healthcare	106	143
Total	400	400

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties

(1) The major related transactions between the Company and subsidiaries during the years are as follows:

	2023	2022
Purchase of insurance contracts		
CPIC Property	7	10
Rental income from office building		
CPIC Property	96	99
CPIC Technology	36	28
CPIC Life	16	20
Changjiang Pension	9	9
CPIC Senior Living Investment	4	4
CPIC Health	1	1
Total	162	161
Shared service centre fee		
CPIC Property	70	131
CPIC Life	62	121
CPIC Health	5	6
CPIC Asset Management	5	8
CPIC Technology	5	21
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
CPIC Capital	1	1
Pacific Medical & Healthcare	1	-
Changjiang Pension	-	1
Total	151	291
IT/Collaboration service fee		
Changjiang Pension	-	6
CPIC Asset Management	-	5
Total	-	11
Equipment rental fee		
CPIC Technology	45	-
Asset management fee		
CPIC Asset Management	19	62
Technology service fee		
CPIC Technology	260	199
Commission fee		
CPIC Real Estate	12	12
Medical examination fee		
CPIC Health	2	4

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows (continued):

	2023	2022
Rental fee		
CPIC Property	5	3
CPIC Life	2	1
CPIC Real Estate	-	5
Total	7	9
Publicity expenses		
CPIC Technology	1	-
Consulting service fee		
CPIC Asset Management	2	-
Cash dividends received		
CPIC Life	5,852	6,869
CPIC Property	4,027	4,411
CPIC Asset Management	320	240
CPIC H.K.	45	-
Total	10,244	11,520
Capital injection to subsidiaries		
CPIC Life	-	2,458
Investment of setting up subsidiaries		
CPIC Technology	-	700
Fixed assets transfer		
CPIC Technology	-	9

The rent of the office building charged by the Company from CPIC Property, CPIC Technology, CPIC Life, Changjiang Pension, CPIC Senior Living Investment and CPIC Health is determined at the price negotiated by both parties. The shared service centre fee charged by the Company from CPIC Property, CPIC Life, CPIC Health, CPIC Asset Management, CPIC Technology, CPIC Senior Living Investment, CPIC Online Services, CPIC Capital, Pacific Medical & Healthcare and Changjiang Pension, is based on the cost of the service provider and distributed in the proportion mutually agreed by both parties. The IT service or collaboration service fees charged by the Company from Changjiang Pension and CPIC Asset Management is determined at the price negotiated by both parties. The equipment rental fees charged by the Company from CPIC Technology are determined at the price negotiated by both parties. The asset management fee charged by CPIC Asset Management to the Company is determined by considering the type of entrusted assets, the size of the entrusted assets and the actual operating costs. The technology service fee charged by CPIC Technology to the Company is determined at the price negotiated by both parties. The commission fee charged by CPIC Real Estate to the Company is determined at the price negotiated by both parties.

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Major transactions with related parties (continued)

3.2 Major transactions between the Company and related parties (continued)

(1) The major related transactions between the Company and subsidiaries during the years are as follows (continued):

The medical examination fee incurred between the Company and CPIC Health is determined at the price negotiated by both parties. The rent of the office building incurred among the Company, CPIC Property, CPIC Life and CPIC Real Estate is determined at the price negotiated by both parties. Publicity expenses charged by CPIC Technology to the Company are determined at the price negotiated by both parties. Consulting service fee charged by CPIC Asset Management to the Company is determined at the price negotiated by both parties.

(2) The major related transactions between the Company and other related parties of the Group during the years are as follows:

	2023	2022
Fees for leasing office buildings		
Binjiang-Xiangrui	43	42
Xinbaoyu	2	1
Total	45	43

4. Receivables from and payables to related parties

(1) Receivables and payables between the Company and its subsidiaries are as follows:

	31 December 2023	31 December 2022
Dividends receivable		
CPIC H.K.	-	45
Other receivables		
CPIC Property	136	149
CPIC Life	90	76
CPIC Technology	40	36
CPIC Health	3	2
CPIC Asset Management	2	4
CPIC Senior Living Investment	1	1
CPIC Online Services	1	1
Total	273	269
Other payables		
CPIC Technology	172	207
CPIC Asset Management	22	65
CPIC Real Estate	6	5
Total	200	277

(All amounts expressed in RMB million unless otherwise specified)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Receivables from and payables to related parties (continued)

(2) Receivables and payables between the Group and its joint ventures are as follows:

	31 December 2023	31 December 2022
Other receivables		
Binjiang-Xiangrui	1,772	1,775
Other payables		
Binjiang-Xiangrui	266	245
Debt investments at fair value through other comprehensive income		
Ruiyongjing Real Estate	5,312	-
Investments classified as loans and receivables		
Ruiyongjing Real Estate	-	4,339

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(3) Receivables and payables between the Group and other related parties are as follows:

	31 December 2023	31 December 2022
Swiss Reinsurance Company Ltd	1,186	1,163
Swiss Reinsurance Company Ltd	361	764

XI. CONTINGENCIES

In light of the nature of the insurance business, the Group makes estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and as claimant or respondent in arbitration proceedings. Legal proceedings mostly involve claims on the Group's insurance policies. Provisions have been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account legal advice, if any. No provision is made for contingencies and legal proceedings when the outcome cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the legal proceedings of the above natures, as at 31 December 2023, the Group was the defendant in certain pending litigations. Provisions were made for the possible losses based on estimates by the Group and the Group would only be contingently liable for any claim that is in excess of the provision made. No provision was made for contingencies and legal proceedings when the outcome cannot be reasonably estimated by the management or the probability of loss is extremely low.

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS

1. Major projects with capital commitments

		31 December 2023	31 December 2022
Capital commitments			
Contracted, but not provided for	(1)(2)(3)(4)(5)(6)	14,289	13,772
Authorised, but not contracted for	(1)(2)	8,337	6,630
		22,626	20,402

As at 31 December 2023, major projects with capital commitments are as follows:

(1) CPIC Life and the third party joined together to bid for the use right of the land located at Huangpu District, Shanghai. All parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of Ruiyongjing Real Estate is approximately RMB 21,400 million, CPIC Life agreed to provide additional loan of no more than RMB 250 million for Ruiyongjing Real Estate. The registered capital of Ruiyongjing Real Estate is RMB 14,050 million, of which CPIC Life shall make a contribution of RMB 9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to Ruiyongjing Real Estate, which are estimated to be approximately RMB 7,600 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB 17,435 million. As at 31 December 2023, the cumulative amount incurred by CPIC Life amounted to approximately RMB 14,775 million. Of the balance, approximately RMB 510 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 2,150 million was disclosed as a capital commitment authorised but not contracted for.

(2) CPIC Life and CPIC Senior Living Investment obtained the use rights of fourteen parcels of land located at Wenjiang District in Chengdu, Sichuan, etc., and set up fourteen project companies named Chengdu Project Company, etc., accordingly as the owners of the land use rights to parcels of land and construction development subjects for the construction project "CPIC Home". The estimated total investment of the above eleven projects is approximately RMB 16,191 million. As at 31 December 2023, the cumulative amount incurred amounted to approximately RMB 7,209 million. Of the balance, approximately RMB 1,595 million was disclosed as a capital commitment contracted but not provided for and approximately RMB 6,187 million was disclosed as a capital commitment authorised but not contracted for.

(3) CPIC Life and a third party jointly established Taijiashan. The total investment of this project is approximately RMB 5,050 million. Among which CPIC Life subscribed capital contribution of RMB 5,000 million, accounted for 99.01% of the capital. As at 31 December 2023, CPIC Life has cumulatively made a capital contribution of RMB 2,662 million. Of the balance, RMB 2,338 million was disclosed as a capital commitment contracted but not provided for.

(All amounts expressed in RMB million unless otherwise specified)

XII. COMMITMENTS (continued)

1. Major projects with capital commitments (continued)

(4) As at December 31 2023, CPIC Life and CPIC Capital together subscribed 99.98% of the shares of China Pacific Changhang. As of December 31 2023, China Pacific Changhang has invested in two unlisted equities and ten equity investment funds (not including consolidated structured
entities included in the scope of the Group) with a total subscribed contribution of RMB 4,843 million, paid-in contribution of RMB 2,860 million, and uncontributed capital of RMB 1,983 million, which are listed as a capital commitment contracted but not provided for.

(5) As at December 31 2023, the Company, CPIC Life and CPIC Capital together subscribed 90.90% of the shares of CPIC Health Fund. As of December 31 2023, CPIC Health Fund has invested in seventeen equity investment funds (not including consolidated structured entities included in the scope of the Group), with a total subscribed contribution of RMB 4,210 million, paid-in contribution of approximately RMB 3,004 million, and uncontributed capital of approximately RMB 1,206 million, which are listed as signed but unallocated capital commitments.

(6) As at December 31 2023, CPIC Life and CPIC Capital together subscribed 99.99% of the shares of Nanjing Taibao Xinhui Zhiyuan Equity Investment Fund Management Partnership (Limited Partnership) ("Xinhui Zhiyuan"). As of December 31 2023, Xinhui Zhiyuan has invested in four equity investment funds with a total subscribed contribution of RMB 4,120 million, paid-in contribution of approximately RMB 1,590 million, and uncontributed capital of approximately RMB 2,530 million, which are listed as a capital commitment contracted but not provided for.

2. Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	379	854
1 to 2 years (inclusive)	290	458
2 to 3 years (inclusive)	146	351
3 to 5 years (inclusive)	85	203
More than 5 years	72	124
	972	1,990

XIII. RISK MANAGEMENT

1. Insurance risk

(1) Category of insurance risk and concentration of insurance risk

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount as well as time of any resulting claim. The major risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance contract reserves, which are affected by factors such as claim frequency, severity of claim, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected;

Severity risk - the possibility that the cost of the events will differ from that expected;

Development risk - the possibility that changes may occur in the amount of an insurer’s obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts (mainly including life insurance and long-term health insurance), short-term life insurance contracts (mainly including short-term health insurance and accident insurance) and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

Currently, the Group’s insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Meanwhile, insurance risk is also affected by the policyholders’ rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders’ behaviour and decisions.

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(1) Category of insurance risk and concentration of insurance risk (continued)

In order to manage insurance risks more effectively, the Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Three major types of reinsurance agreements, ceding on a quota share basis or a surplus basis or excess reinsurance, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. The reinsurance contract basically covers all insurance contracts with risk liability. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities

Long-term life insurance contracts

Assumptions

Material judgement is required in choosing discount rate assumption, insurance incident occurrence rate assumption (mainly including mortality and morbidity), surrender rate assumption, expense assumption and policy dividend assumption relating to long-term life insurance contracts. These measurement assumptions are based on current information available at the balance sheet date.

Sensitivities

As the relationship between the various assumptions cannot be reliably measured, the Group has measured the impact on insurance contract liabilities of long-term life insurance contracts using sensitivity analysis for reasonably possible movements in key assumptions with all other assumptions held constant.

	31 December 2023		
	Changes in assumptions	Impact on profit before tax	Impact on equity before tax
		Gross of reinsurance	Gross of reinsurance
Mortality rate	+10%	(132)	(627)
	-10%	(235)	314
Morbidity rate	+10%	(1,907)	(3,290)
	-10%	1,524	2,958
Expenses	+10%	(911)	(1,202)
	-10%	909	1,200
Policy dividend	+5%	(1,037)	(1,037)
Surrender rate	+10%	1,591	1,666
	-10%	(1,609)	(1,518)

	31 December 2022		
	Changes in assumptions	Impact on profit before tax	Impact on equity before tax
		Gross of reinsurance	Gross of reinsurance
Mortality rate	+10%	(109)	(588)
	-10%	(383)	141
Morbidity rate	+10%	(1,965)	(3,059)
	-10%	1,471	2,601
Expenses	+10%	(940)	(1,147)
	-10%	896	1,102
Policy dividend	+5%	(1,039)	(1,039)
Surrender rate	+10%	1,405	629
	-10%	(1,499)	(564)

Reinsurance contracts do not have significant influence on the Group’s long-term life insurance contracts, therefore the impact on profit before tax and equity of net of reinsurance is similar to the above sensitivity analysis.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts

Assumptions

The calculation for liability for incurred claims is based on the Group's past claim development experience, including assumptions in respect of average claim costs, claim expenses, inflation factors and number of claims for each accident period. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (for example, changes in external factors such as one-off events, public attitudes to claims, market factors such as economic conditions, judicial decisions and government legislation, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures).

Other key assumptions include risk adjustment for non-financial risk, delays in settlement, etc.

Sensitivities

Changes in above key assumptions will affect the liability for incurred claims for property and casualty and short-term life insurance. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

The Group has measured the impact on insurance contract liabilities of property and casualty and short-term life insurance using sensitivity analysis for reasonably possible movements in key assumptions with all other assumptions held constant.

	31 December 2023				
	Changes in assumption	Impact on profit before tax		Impact on equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Loss ratio	+5%	(3,743)	(2,684)	(3,743)	(2,684)
	-5%	3,743	2,684	3,743	2,684

	31 December 2022				
	Changes in assumption	Impact on profit before tax		Impact on equity before tax	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Loss ratio	+5%	(3,573)	(2,613)	(3,573)	(2,613)
	-5%	3,573	2,613	3,573	2,613

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

The table below presents the claim reserves of gross of reinsurance for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2019	2020	2021	2022	2023	Total
Gross of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	71,637	81,244	101,908	109,894	128,386	
One year later	71,010	80,052	98,801	104,854		
Two years later	70,608	79,948	98,681			
Three years later	70,072	79,394				
Four years later	70,037					
Cumulative claims payments	(69,446)	(77,701)	(93,552)	(89,049)	(88,293)	
Sub-total	591	1,693	5,129	15,805	40,093	63,311
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						5,896
Liability for incurred claims						69,207

The table below presents the claim reserves of net of reinsurance for the property and casualty insurance of the Group:

	Property and casualty insurance (Accident year)					
	2019	2020	2021	2022	2023	Total
Net of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	62,405	71,681	89,762	96,915	111,921	
One year later	61,783	70,520	87,173	93,658		
Two years later	61,350	70,334	87,049			
Three years later	60,897	69,764				
Four years later	60,942					
Cumulative claims payments	(60,583)	(68,520)	(83,065)	(80,330)	(79,037)	
Sub-total	359	1,244	3,984	13,328	32,884	51,799
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						(3,623)
Liability for incurred claims, net						48,176
Total asset for incurred claims						21,031
Liability for incurred claims						69,207

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

1. Insurance risk (continued)

(2) Assumptions and sensitivities (continued)

Property and casualty and short-term life insurance contracts (continued)

The table below presents the claim reserves of gross of reinsurance for short-term life insurance contracts of the Group:

	Short-term life insurance (Accident year)					
	2019	2020	2021	2022	2023	Total
Gross of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	4,628	4,696	4,913	4,075	4,548	
One year later	4,307	4,266	4,547	3,801		
Two years later	4,358	4,180	4,408			
Three years later	4,330	4,138				
Four years later	4,330					
Cumulative claims payments	(4,330)	(4,130)	(4,354)	(3,553)	(3,090)	
Sub-total	-	8	54	248	1,458	1,768
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						3,880
Liability for incurred claims						5,648

The table below presents the claim reserves of net of reinsurance for short-term life insurance contracts of the Group:

	Short-term life insurance (Accident year)					
	2019	2020	2021	2022	2023	Total
Net of reinsurance						
Undiscounted estimate of ultimate claim cost as of:						
Accident year	3,058	3,440	3,967	3,436	4,300	
One year later	3,163	3,339	3,733	3,240		
Two years later	3,222	3,244	3,626			
Three years later	3,195	3,208				
Four years later	3,195					
Cumulative claims payments	(3,195)	(3,200)	(3,571)	(3,011)	(2,944)	
Sub-total	-	8	55	229	1,356	1,648
Adjustment for previous years, unallocated loss adjustment expenses, risk adjustment for non-financial risk, discounting and other impacts						3,866
Liability for incurred claims, net						5,514
Total asset for incurred claims						134
Liability for incurred claims						5,648

XIII. RISK MANAGEMENT (continued)

2. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises three types of risks, namely interest rate risk arising from market interest rates, price risk arising from market prices and currency risk arising from foreign exchange rates.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A market risk policy of the Group setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the risk management and related party transactions committee of the Group. The policy is reviewed regularly by the management of the Group for pertinence and for changes in the risk environment.
- With proper asset allocation and risk limits on portfolio level, the Group ensures both that assets are sufficient for specific insurance contract liabilities and that assets are held to deliver income and gains expected by policyholders.

(1) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Group operates principally in Mainland China, the Group has only limited exposure to currency risk, which arises primarily from certain insurance policies denominated in foreign currencies, bank deposits and securities denominated in the foreign currency.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities by major currency:

	31 December 2023				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Cash at bank and on hand	25,925	5,340	188	2	31,455
Derivative financial instruments	-	17	-	-	17
Securities purchased under agreements to resell	2,808	-	-	-	2,808
Term deposits	164,256	1,222	23	-	165,501
Financial investments:					
Financial assets at fair value through profit or loss	564,127	14,662	2,466	347	581,602
Financial assets at amortised cost	82,334	-	-	-	82,334
Debt investments at fair value through other comprehensive income	1,246,792	643	-	-	1,247,435
Equity investments at fair value through other comprehensive income	97,937	1	27	-	97,965
Restricted statutory deposits	7,105	-	-	-	7,105
Others	11,101	97	28	8	11,234
Sub-total	2,202,385	21,982	2,732	357	2,227,456

	31 December 2023				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Derivative financial liabilities	2	12	-	7	21
Securities sold under agreements to repurchase	115,819	-	-	-	115,819
Bonds payable	10,285	-	-	-	10,285
Commission and brokerage payable	5,846	-	15	-	5,861
Lease liabilities	3,077	-	18	-	3,095
Others	33,458	302	119	-	33,879
Sub-total	168,487	314	152	7	168,960
Net value	2,033,898	21,668	2,580	350	2,058,496

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's financial assets and financial liabilities on the balance sheet by major currency (continued):

	31 December 2022				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Cash at bank and on hand	24,202	8,175	756	1	33,134
Financial assets at fair value through profit or loss	26,240	320	-	-	26,560
Derivative financial assets	-	197	-	-	197
Securities purchased under agreements to resell	21,124	-	-	-	21,124
Interest receivables	19,628	28	-	-	19,656
Term deposits	203,096	1,421	-	-	204,517
Available-for-sale financial assets	700,410	12,001	2,409	265	715,085
Held-to-maturity financial assets	514,115	135	-	-	514,250
Investments classified as loans and receivables	397,270	-	-	-	397,270
Restricted statutory deposits	7,290	-	-	-	7,290
Others	8,456	83	477	7	9,023
Sub-total	1,921,831	22,360	3,642	273	1,948,106

	31 December 2022				
	RMB	USD (in RMB)	HKD (in RMB)	Other currencies (in RMB)	Total
Derivative financial liabilities	1	1		6	8
Securities sold under agreements to repurchase	119,665	-	-	-	119,665
Interest payable	469	-	-	-	469
Bonds payable	9,999	-	-	-	9,999
Commission and brokerage payable	4,638	-	1	-	4,639
Lease liabilities	2,683	-	35	-	2,718
Others	29,820	223	138	-	30,181
Sub-total	167,275	224	174	6	167,679
Net amount	1,754,556	22,136	3,468	267	1,780,427

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

The following tables summarise the Group's insurance contract assets/ liabilities and reinsurance contract assets/ liabilities by major currency:

	31 December 2023			
	RMB	USD (in RMB)	HKD (in RMB)	Total
Insurance contract assets	335	-	-	335
Reinsurance contract assets	35,695	3,579	480	39,754
Insurance contract liabilities	1,865,226	6,556	838	1,872,620

	31 December 2022			
	RMB	USD (in RMB)	HKD (in RMB)	Total
Insurance contract assets	-	-	305	305
Reinsurance contract assets	30,944	1,822	439	33,205
Insurance contract liabilities	1,661,639	2,864	345	1,664,848
Reinsurance contract liabilities	-	-	809	809

Exchange rates used by the Group by major currencies:

	31 December 2023		31 December 2022	
	USD	HKD	USD	HKD
Exchange rate	7.08270	0.90622	6.96460	0.89327

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(1) Currency risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity.

Sensitivity analysis below shows changes in spot and forward exchange rates and reflects the pre-tax impact on profit before tax and equity arising from monetary financial assets and liabilities, insurance contract assets/ liabilities and reinsurance contract assets/ liabilities denominated in foreign currency as at the dates indicated.

	31 December 2023	
USD, HKD and other currencies to RMB exchange rate	Impact on profit before tax	Impact on equity before tax
+5%	353	1,088
-5%	(353)	(1,088)

	31 December 2022	
USD, HKD and other currencies to RMB exchange rate	Impact on profit before tax	Impact on equity before tax
+5%	662	1,337
-5%	(662)	(1,337)

The impact on equity arising from monetary financial assets and liabilities, insurance contract assets/ liabilities and reinsurance contract assets/ liabilities denominated in foreign currency shown above is the total impact from both profit before tax and fair value change.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is generally repriced once a year. Interest on fixed rate instruments is priced on initial recognition of related financial instruments and remains constant until maturity date.

The Group is not exposed to significant concentration risks.

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk:

	31 December 2023						
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Non-interest bearing	Total
Financial assets:							
Cash at bank and on hand with maturity of no more than three months	549	-	-	-	30,901	3	31,453
Securities purchased under agreements to resell	2,808	-	-	-	-	-	2,808
Term deposits	49,777	59,485	51,545	500	-	4,194	165,501
Financial investments:							
Financial assets at fair value through profit or loss	10,671	18,102	12,588	160,723	-	3,400	205,484
Financial assets at amortised cost	14,651	18,737	5,884	42,962	100	-	82,334
Debt investments at fair value through other comprehensive income	48,318	114,044	71,084	1,002,494	-	11,495	1,247,435
Restricted statutory deposits	3,442	2,273	1,040	-	-	350	7,105
Financial liabilities:							
Securities sold under agreements to repurchase	115,695	-	-	-	-	124	115,819
Bonds payable	-	-	9,999	-	-	286	10,285

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

The tables below summarise major interest-bearing financial instruments of the Group by contractual/estimated re-pricing date or maturity date. Other financial instruments not included in the following tables are interest free and not exposed to interest rate risk (continued):

	31 December 2022					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Deposits with original maturity of no more than three months	659	-	-	-	32,475	33,134
Debt investments at fair value through profit or loss	945	768	1,639	3,159	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	21,124
Term deposits	77,215	71,137	56,165	-	-	204,517
Available-for-sale debt investments	36,296	46,472	36,843	178,508	-	298,119
Held-to-maturity financial assets	13,215	23,622	8,640	468,773	-	514,250
Investments classified as loans and receivables	21,465	119,877	56,313	199,615	-	397,270
Restricted statutory deposits	1,459	4,221	1,610	-	-	7,290
Financial liabilities:						
Securities sold under agreements to repurchase	119,665	-	-	-	-	119,665
Bonds payable	5,000	-	-	4,999	-	9,999

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before tax and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet date, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (2022:available-for-sale financial assets). The following tables show the pre-tax impact of fair value change of debt investments on profit before tax and equity.

	31 December 2023	
Change in RMB interest rate	Impact on profit before tax	Impact on equity before tax
+50 basis points	(3,121)	(52,577)
-50 basis points	3,276	58,879

	31 December 2022	
Change in RMB interest rate	Impact on profit before tax	Impact on equity before tax
+50 basis points	(98)	(6,936)
-50 basis points	103	7,691

The above impact on equity represents adjustments to profit before tax and changes in fair value of fixed-rate financial instruments.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(2) Interest rate risk (continued)

Sensitivities (continued)

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact that floating-rate financial assets and liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2023 Impact on profit before tax	31 December 2023 Impact on equity before tax
+50 basis points	155	155
-50 basis points	(155)	(155)

Change in RMB interest rate	31 December 2022 Impact on profit before tax	31 December 2022 Impact on equity before tax
+50 basis points	122	122
-50 basis points	(122)	(122)

Sensitivities on insurance contract liabilities

The following tables show the pre-tax impact that insurance contract liabilities have on the Group's profit before tax and equity due to changes in interest rate as at the balance sheet date.

Change in RMB interest rate	31 December 2023 Impact on profit before tax	31 December 2023 Impact on equity before tax
+50 basis points	4,261	68,027
-50 basis points	(5,082)	(78,143)

Change in RMB interest rate	31 December 2022 Impact on profit before tax	31 December 2022 Impact on equity before tax
+50 basis points	3,165	56,979
-50 basis points	(6,268)	(68,221)

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

2. Market risk (continued)

(3) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring investment objectives, adopting related strategies and managing fluctuations arising from price risk in operating performance.

Financial investments exposed to market price risk mainly consist of stocks and equity investment funds under financial assets at fair value through profit or loss and equity investments at fair value through other comprehensive income.

Assuming that the market price of listed stocks and equity investment funds rises or falls by 10% (based on the book value as at the balance sheet date, taking into account the impact on listed equities and securities investment funds and insurance contract liabilities) and other variables remain unchanged, the impact of the above financial instruments on the Group's equity and net profit based at the end of the reporting date is as follows. For the sensitivity analyisis, for equity investements at fair value through other comprehensive income, the effect is considered as the fair value change of equity investements at fair value through other comprehensive income, other than the impairment losses on financial assets which would impact the income statement (only applicable for 2022).

	31 December 2023			
Changes in prices of equity investments	Impact on equity investments	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity before tax
+10%	30,743	12,430	10,688	18,313
-10%	(30,743)	(12,430)	(10,688)	(18,313)

	31 December 2022			
Changes in prices of equity investments	Impact on equity investments	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity before tax
+10%	23,289	12,622	411	10,667
-10%	(23,289)	(12,622)	(411)	(10,667)

XIII. RISK MANAGEMENT (continued)

3. Credit risk

Credit risk is the risk that one party to a financial instrument or an insurance contract will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with deposit arrangements with commercial banks, financial assets at amortised cost, debt investments at fair value through other comprehensive income, securities purchased under agreements to resell, reinsurance contract assets and other assets.

Due to the restriction of The National Administration of Financial Regulation, majority of the Group’s financial assets are government bonds, government institutional bonds, corporate bonds, term deposits, debt investment plans and wealth management products. Term deposits are placed with national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment plans and wealth management products are guaranteed by qualified institutions. Hence, the related credit risk of the investment should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment before signing contracts and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge, and the maturity period is less than one year. Premium receivables from life insurance are mainly renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group’s consolidated financial statements. The Group grants a short credit period and arranges instalment payment to reduce the property and casualty insurance businesses credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly entered into with highly rated reinsurance companies.

The Group mitigates credit risk by utilising credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

Measurement of expected credit loss

In accordance with the new accounting standard for financial instruments, the Group applies the “expected credit loss model” to measure the impairment of financial assets such as financial assets at amortised cost and debt investments at fair value through other comprehensive income.

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Criteria for judging significant changes in credit risk

Under the new financial instruments accounting standard, the Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has changed significantly since its initial recognition when considering the credit risk stages of financial assets. When determining the impairment stage of financial assets, the Group fully considers all reasonable and well-founded information, including forward-looking information, that reflects whether there has been a significant change in its credit risk. The main factors to be considered are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, etc. The Group based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine the stage classification of financial instruments by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to determine whether the credit risk of financial instruments has changed significantly since the initial recognition, mainly including changes in the debtor's probability of default (“PD”), changes in credit risk classification, and other circumstances indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, the Group considers overdue more than 30 days as one of the criteria for a significant increase in credit risk in accordance with the requirements of the Standard.

Definition of financial assets that are credit-impaired

The criteria adopted by the Group in determining whether credit impairment has incurred are consistent with internal credit risk management objectives for the relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether a debtor has incurred credit impairment, the Group mainly considers the following factors:

- The debtor is more than 90 days overdue after the due date of payment in the contract;
- Internal credit rating is a default rating;
- For economic or contractual reasons related to the debtor's financial difficulties, the creditor gives the debtor concessions that the creditor would not otherwise consider;
- Significant financial difficulties of the issuer or debtor;
- Breach of contract by the debtor, such as default or overdue payment of interest or principal;
- The debtor is likely to go bankrupt or other financial restructuring;
- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for that financial asset;
- Purchase or originate a financial asset at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by a combination of multiple events, not necessarily by individually identifiable events.

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Measurement of expected credit loss (continued)

Parameters of the expected credit loss measurement

The models, parameters and assumptions used in measuring expected credit loss are described as follows:

Impairment provisions are measured in terms of expected credit losses over the next 12 months or throughout the lifetime of the assets, based on whether there has been a significant increase in credit risk and whether the asset has undergone credit impairment. The expected credit loss is the result of discounting the product of the company's exposure at default ("EAD"), PD and rate of loss given default ("LGD") under reasonable and evidence-based forward-looking information that can be obtained without undue cost or effort.

i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime;
ai) PD is the likelihood that the debtor will not be able to meet its payment obligations in the next 12 months or throughout the remaining lifetime;
bi) LGD is the Group's expectation of the percentage of loss on the EAD will be lost. LGD varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Group takes into account changes in the risk of default over the expected lifetime of the financial instruments. The lifetime PD is derived from the 12-month PD based on the maturity information. Impairment for assets assessed on a collective basis is based on observable historical data and on the assumption that assets with the same credit rating and in the same portfolio for collective assessment are in the same situation. The above analysis is based on industry experience and supported by historical data.

Credit risk exposure

Without regard to the impact of guarantees or other credit enhancement methods, the carrying amount of financial assets in the Group's balance sheet reflects its maximum credit risk exposure at the balance sheet date.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table sets out the credit risk exposure of financial instruments under the scope of the expected credit loss assessment (only applicable for 2023):

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Cash at bank and on hand	31,455	-	-	31,455
Derivative financial assets	17	-	-	17
Securities purchased under agreements to resell	2,808	-	-	2,808
Term deposits	165,501	-	-	165,501
Financial Investments:	1,324,659	1,302	3,808	1,329,769
Financial assets at amortised cost	81,291	155	888	82,334
Debt investments at fair value through other comprehensive income	1,243,368	1,147	2,920	1,247,435
Restricted statutory deposits	7,105	-	-	7,105
Others	10,523	683	28	11,234
Total	1,542,068	1,985	3,836	1,547,889

As at December 31, 2023, the collateral for the financial assets that have suffered credit impairment is mainly equity.

The Group closely monitors collateral for financial assets that have undergone credit impairment.

The following table sets out the credit risk exposure of financial instruments as at 31 December 2022:

	31 December 2022						
		Past due but not impaired					
	Not due and not impaired	Within 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Financial assets with impairment considered	Total
Cash at bank and on hand	33,134	-	-	-	-	-	33,134
Financial assets at fair value through profit or losses	6,511	-	-	-	-	-	6,511
Securities purchased under agreements to resell	21,124	-	-	-	-	-	21,124
Interest receivables	19,656	-	-	-	-	-	19,656
Term deposits	204,517	-	-	-	-	-	204,517
Available-for-sale debt investments	290,852	-	-	-	-	7,267	298,119
Held-to-maturity financial assets	514,136	-	-	-	-	114	514,250
Investments classified as loans and receivables	396,222	-	-	-	-	1,048	397,270
Restricted statutory deposits	7,290	-	-	-	-	-	7,290
Others	8,945	-	-	1	1	77	9,023
Total	1,502,387	-	-	1	1	8,506	1,510,894

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table sets out the maximum exposure to credit risk of insurance contracts at the end of reporting period:

	31 December 2023	31 December 2022
Insurance contracts issued	110,42[illegible]	105,76[illegible]
Reinsurance contracts held	39,754	33,20[illegible]

The Group assesses the credit standing of ceded reinsurance recipients on the timely basis, including financial performance, solvency level, etc., and then select those companies with high credit qualifications to carry out reinsurance business. At the end of the year, there was no material change in the credit standing of the Group's ceded reinsurance recipients.

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year:

		2023						
				Stages transfers				
Gross carrying amount	Stage	1 January	Net increase/ (decrease) (Note)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December
Financial assets at amortised cost	Stage 1	89,716	(8,262)	(120)	-	-	-	81,334
	Stage 2	1,586	(297)	120	-	(1,253)	-	156
	Stage 3	944	24	-	-	1,253	-	2,221
Debt investments at fair value through other comprehensive income	Stage 1	1,108,746	135,114	(492)	-	-	-	1,243,368
	Stage 2	4,204	(1,029)	492	-	(2,520)	-	1,147
	Stage 3	6,374	(5,974)	-	-	2,520	-	2,920

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets for the year (continued):

		2023						
				Stages transfers				
Impairment provision	Stage	1 January	Net increase/ (decrease) (Note1)	Transfer between Stage 1 and Stage 2	Transfer between Stage 1 and Stage 3	Transfer between Stage 2 and Stage 3	Write-offs	31 December
Financial assets at amortised cost	Stage 1	49	(6)	-	-	-	-	43
	Stage 2	112	(7)	-	-	(104)	-	1
	Stage 3	657	572	-	-	104	-	1,333
Debt investments at fair value through other comprehensive income	Stage 1	250	(28)	-	-	-	-	222
	Stage 2	257	(20)	-	-	(226)	-	11
	Stage 3	2,177	1,293	-	-	226	-	3,696

Note: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as “low risk”, “medium risk”, “high risk” and “default” according to the internal rating scale. “Low risk” means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. “Medium risk” means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. “High risk” means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of “default” are consistent with those of “credit-impaired”.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

3. Credit risk (continued)

Credit risk exposure (continued)

The following table analyses the credit risk's stages of financial assets at amortised cost and debt investments at fair value through other comprehensive income within the scope of ECLs. The net carrying value of the following financial assets disclosed at the balance sheet is their maximum exposure to credit risk:

	31 December 2023			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Financial assets at amortised cost				
Credit level				
Low	79,345	-	-	79,345
Medium	1,989	156	-	2,145
High	-	-	-	-
Default	-	-	2,221	2,221
Total carrying amount	81,334	156	2,221	83,711
Impairment provisions	(43)	(1)	(1,333)	(1,377)
Net carrying amount	81,291	155	888	82,334

	31 December 2023			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Debt investments at fair value through other comprehensive income				
Credit level				
Low	1,236,417	29	-	1,236,446
Medium	6,951	1,118	-	8,069
High	-	-	-	-
Default	-	-	2,920	2,920
Net carrying amount	1,243,368	1,147	2,920	1,247,435

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk

Liquidity risk is the risk of capital shortage in the performance of obligations associated with financial liabilities.

Liquidity risk may result from the surrender, reduction or early termination of insurance contracts in other forms, the indemnity and payment, and the daily expenses of the Group. Where permitted by the regulatory framework and market environment, the Group seeks to manage the liquidity risk mainly by matching the term of investment assets with the maturity of corresponding insurance liabilities and maintaining sufficient liquidity of investment assets, so as to repay debts and provide funds for investment activities in a timely manner.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Setting up a liquidity risk policy for the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, and exposures and breaches of the policy are reported to the Company's risk management and related party transactions committee. The policy is regularly reviewed by the management of the Group for pertinence and for changes in the risk environment;
- Setting out guidelines on asset allocation, portfolio limit structures and the maturity profiles of assets, in order to ensure that sufficient funding is available for the Group to meet insurance and investment contract obligations;
- Setting up emergency fund plans which specify the sources of emergency funds, the minimum amount of daily reserve funds, and the specific events that would trigger such plans.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows:

	31 December 2023					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	30,906	549	-	-	-	31,455
Derivative financial assets	-	17	-	-	-	17
Securities purchased under agreements to resell	-	2,809	-	-	-	2,809
Term deposits	-	52,866	124,687	587	-	178,140
Financial investments:						
Financial assets at fair value through profit or loss	454	26,543	55,426	200,178	367,031	649,632
Financial assets at amortised cost	-	17,859	34,492	56,912	-	109,263
Debt investments at fair value through other comprehensive income	-	96,126	347,151	1,604,815	-	2,048,092
Equity investments at fair value through other comprehensive income	-	4,662	25,680	1,033	69,488	100,863
Restricted statutory deposits	-	3,883	3,648	-	-	7,531
Others	958	8,612	2,112	-	2	11,684
Sub-total	32,318	213,926	593,196	1,863,525	436,521	3,139,486
Financial liabilities:						
Derivative financial liabilities	-	10	11	-	-	21
Securities sold under agreements to repurchase	-	115,892	-	-	-	115,892
Bonds payable	-	367	11,468	-	-	11,835
Commission and brokerage payable	994	4,160	693	14	-	5,861
Lease liabilities	-	1,021	1,772	731	-	3,524
Others	405	31,660	1,814	-	-	33,879
Sub-total	1,399	153,110	15,758	745	-	171,012
Net amount	30,919	60,816	577,438	1,862,780	436,521	2,968,474

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity analysis of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows (continued):

	31 December 2022					
	On demand/ Overdue	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Financial assets:						
Cash at bank and on hand	32,425	712	-	-	-	33,137
Financial assets at fair value through profit or loss	-	7,191	2,828	3,822	13,936	27,777
Derivative financial assets	-	197	-	-	-	197
Securities purchased under agreements to resell	-	21,218	-	-	-	21,218
Term deposits	-	79,706	140,228	-	-	219,934
Available-for-sale financial assets	220	54,273	129,096	321,841	406,125	911,555
Held-to-maturity financial assets	-	33,879	108,304	859,015	-	1,001,198
Investments classified as loans and receivables	-	40,430	229,760	229,204	-	499,394
Restricted statutory deposits	-	1,587	6,420	-	-	8,007
Others	1,534	5,844	1,797	2	3	9,180
Sub-total	34,179	245,037	618,433	1,413,884	420,064	2,731,597
Financial liabilities:						
Derivative financial liabilities	-	8	-	-	-	8
Securities sold under agreements to repurchase	-	119,740	-	-	-	119,740
Commission and brokerage payable	961	2,939	728	11	-	4,639
Bonds payable	-	5,505	1,198	5,175	-	11,878
Lease liabilities	-	606	1,999	320	-	2,925
Others	1,884	26,643	1,654	-	-	30,181
Sub-total	2,845	155,441	5,579	5,506	-	169,371
Net amount	31,334	89,596	612,854	1,408,378	420,064	2,562,226

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The tables below summarise the maturity analysis of the Group's insurance contract liabilities' present value of the future cash flows as at the balance sheet date. The maturity analysis does not include the parts of insurance contract liabilities that relate to remaining coverage under the premium allocation approach:

	31 December 2023						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Present value of the future cash flows of insurance contact liabilities	(9,116)	(39,497)	3,874	38,773	49,016	1,423,350	1,466,400

	31 December 2022						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Present value of the future cash flows of insurance contact liabilities	(10,730)	(45,578)	(15,832)	9,346	41,357	1,283,573	1,262,136

As at the balance sheet date, the cash flows of lease contracts that have been signed by the Group but have not yet been executed are listed below by maturity date:

	As at 31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	62	68	124	108	362

	As at 31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	21	17	37	7	82

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities:

	As at 31 December 2023		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	31,455	-	31,455
Derivative financial assets	17	-	17
Term deposits	51,561	113,940	165,501
Financial investments:			
Financial assets at fair value through profit or loss	386,825	194,777	581,602
Financial assets at amortised cost	14,056	68,278	82,334
Debt investments at fair value through other comprehensive income	48,934	1,198,501	1,247,435
Equity investments at fair value through other comprehensive income	73,209	24,756	97,965
Insurance contract assets	335	-	335
Reinsurance contract assets	21,632	18,122	39,754
Others	9,262	1,972	11,234
Total	637,286	1,620,346	2,257,632
Liabilities:			
Derivative financial liabilities	10	11	21
Securities sold under agreements to repurchase	115,819	-	115,819
Bonds payable	286	9,999	10,285
Insurance contract liabilities	56,359	1,816,261	1,872,620
Commission and brokerage payable	5,154	707	5,861
Lease liabilities	911	2,184	3,095
Others	32,065	1,814	33,879
Total	210,604	1,830,976	2,041,580

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities (continued):

	As at 31 December 2022		
	Current	Non-current	Total
Assets:			
Cash at bank and on hand	33,134	-	33,134
Financial assets at fair value through profit or loss	20,994	5,566	26,560
Derivative financial assets	197	-	197
Term deposits	77,215	127,302	204,517
Available-for-sale financial assets	447,168	267,917	715,085
Held-to-maturity financial assets	13,215	501,035	514,250
Investments classified as loans and receivables	21,465	375,805	397,270
Insurance contract assets	305	-	305
Reinsurance contract assets	18,183	15,022	33,205
Others	7,221	1,802	9,023
Total	639,097	1,294,449	1,933,546
Liabilities:			
Derivative financial liabilities	8	-	8
Securities sold under agreements to repurchase	119,665	-	119,665
Bonds payable	5,000	4,999	9,999
Insurance contract liabilities	54,021	1,610,827	1,664,848
Reinsurance contract liabilities	809	-	809
Commission and brokerage payable	3,900	739	4,639
Lease liabilities	577	2,141	2,718
Others	28,527	1,654	30,181
Total	212,507	1,620,360	1,832,867

XII. RISK MANAGEMENT (continued)

5. Operational risk

Operation risk is the risk of loss arising from existed issues on internal procedures, employees and information system failure, and impacts from the external events. When controls fail to perform, operational risk can affect the steady development and reputation of the company, give rise to legal or regulatory matters, or lead to financial loss to the Group.

The Group is exposed to many types of operational risks, including inadequate, or failure to obtain, proper authorisations or supporting documentation to comply with operational and informational system procedures that prevent frauds or errors by employees.

Through the establishment and implementation of internal control manuals, continuous optimisation of information systems, and monitoring and response to potential risks, the Group has established a long-term internal control mechanism to mitigate the impact of operational risks on the Group.

The following internal control measures are in place to mitigate the Group's exposure to operational risk:

- Setting up effective segregation of duties, access controls, authorisation and reconciliation procedures and user and authority controls for information system;
- Adopting supervisory measures such as compliance checks, risk investigations and internal audits;
- Regularly carrying out risk and internal control self-assessment and implementing rectification of defects;
- Implementing staff education and appraisals.

6. Mismatching risk of assets and liabilities

Mismatching risk of assets and liabilities is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is lack of investment in assets with a duration of sufficient length to match the duration of its medium and long-term life insurance liabilities. When the current regulatory and market environment permits, the Group will increase the profile of securities with fixed investment returns and lengthen the duration of its assets to narrow the gap of duration and investment returns of the existing assets and liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyses the extent of matching of assets with liabilities.

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

7. Capital management risk

Capital management risk primarily refers to the risk of insufficient solvency as a result of the operation and administration of the Company or certain external events.

It is the Group's objective to maintain a strong credit rating and adequate solvency in order to support its business objectives and to maximise shareholder value. The specific measures are as follows:

- Managing its capital requirements by assessing shortfalls between reported and targeted capital levels on a regular basis;
- Stepping up efforts to maintain multiple sources of financing in order to meet solvency margin needs arising from future expansion in business activities;
- Continuously and proactively adjusting the portfolio of insurance business, optimising asset allocation and improving asset quality to enhance operating performance and the profitability.

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules:

Group	31 December 2023	31 December 2022
Core capital	303,908	332,414
Actual capital	456,938	479,073
Minimum required capital	178,017	187,333
Core solvency margin ratio	171%	177%
Comprehensive solvency margin ratio	257%	256%

CPIC Life	31 December 2023	31 December 2022
Core capital	173,981	207,848
Actual capital	312,005	344,222
Minimum required capital	148,723	157,802
Core solvency margin ratio	117%	132%
Comprehensive solvency margin ratio	210%	218%

CPIC Property	31 December 2023	31 December 2022
Core capital	47,415	45,266
Actual capital	61,775	55,154
Minimum required capital	28,898	27,246
Core solvency margin ratio	164%	166%
Comprehensive solvency margin ratio	214%	202%

(All amounts expressed in RMB million unless otherwise specified)

XIII. RISK MANAGEMENT (continued)

7. Capital management risk (continued)

The table below summarises the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to solvency supervision rules (continued):

CPIC Health	31 December 2023	31 December 2022
Core capital	3,134	3,089
Actual capital	3,488	3,225
Minimum required capital	1,352	1,216
Core solvency margin ratio	232%	254%
Comprehensive solvency margin ratio	258%	265%

PAAIC	31 December 2023	31 December 2022
Core capital	2,836	2,759
Actual capital	3,128	3,020
Minimum required capital	831	818
Core solvency margin ratio	341%	337%
Comprehensive solvency margin ratio	376%	369%

(All amounts expressed in RMB million unless otherwise specified)

XIV. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees for managing assets on behalf of third-party investors. These structured entities are operated based on the contracts. Refer to Note III 6 for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of the Group's unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

As at 31 December 2023, the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	31 December 2023				
	Size	Funding provided by the Group	The Group's maximum exposure	Carrying amount of the Group's investment	Interest held by the Group
Pension funds and endowment insurance products managed by the Group	410,993	-	-	-	Management fee
Insurance asset management products managed by the Group	361,581	166,438	167,464	167,464	Investment income and management fee
Securities investment funds managed by the Group	82,365	12,253	11,379	11,379	Investment income and management fee
Insurance asset management products managed by third parties	Note1	146,777	149,699	149,699	Investment income
Trust products managed by third parties	Note1	570	570	570	Investment income
Bank wealth management products and asset management products managed by third parties	Note1	10,254	10,335	10,335	Investment income
Securities investment funds managed by third parties	Note1	9,935	9,674	9,674	Investment income
Total		346,227	349,121	349,121	

Note 1: These structured entities are sponsored by third party financial institutions and the information related to size of these structured entities was not publicly available.

The Group's interests in unconsolidated structured entities are included in the investment in wealth management products, debt investment plans and funds under financial assets at fair value through profit or loss, debt investment plans and trust products under financial assets at amortised cost, and debt investment plans, trust products and long-term equity investments under debt investments at fair value through other comprehensive income.

(All amounts expressed in RMB million unless otherwise specified)

XV. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note III 29).

The Group's financial assets mainly include cash at bank and on hand, financial assets at fair value through profit or loss, securities purchased under agreements to resell, term deposits, available-for-sale financial assets, financial assets at fair value through profit or loss, financial assets at amortised cost, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income, held-to-maturity financial assets, investments classified as loans and receivables and restricted statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase and bonds payable, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and estimated fair values of financial assets at amortised cost, and bonds payable (31 December 2022: held-to-maturity financial assets, investments classified as loans and receivables, and bonds payable) whose fair values are not presented in the consolidated balance sheet.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held-to-maturity financial assets	-	-	514,250	557,800
Investments classified as loans and receivables	-	-	397,270	400,272
Financial assets at amortised cost	82,334	84,956	-	-
Financial liabilities:				
Bonds payable	10,285	10,462	9,999	10,382

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

XVI. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(1) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
(2) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
(3) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted prices from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy of the Group are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determination to classify fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	31 December 2023			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Term deposits measured at fair value	-	-	131,307	131,307
Financial assets at fair value through profit or loss				
- Stocks	160,555	-	790	161,345
- Funds	58,491	7,326	-	65,817
- Bonds	9,113	190,384	454	199,951
- Others	14,482	22,379	117,628	154,489
	242,641	220,089	118,872	581,602
Debt investments at fair value through other comprehensive income				
- Bonds	542	937,447	-	937,989
- Others	-	604	308,842	309,446
	542	938,051	308,842	1,247,435
Equity investments at fair value through other comprehensive income				
- Stocks	23,963	-	3,147	27,110
- Preferred stocks	-	12,597	-	12,597
- Others	-	28,477	29,781	58,258
	23,963	41,074	32,928	97,965
Derivative financial assets	-	17	-	17
Liabilities measured at fair value				
Derivative financial liabilities	-	21	-	21
Assets for which fair values are disclosed				
Financial assets at amortised cost (Note XV)	-	27,579	57,377	84,956
Investment properties (Note VII 16)	-	-	15,783	15,783
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,462	10,462

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities (continued):

	31 December 2022			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Stocks	9	-	-	9
- Funds	474	3,251	-	3,725
- Bonds	3,394	3,084	-	6,478
- Others	-	6,502	9,846	16,348
	3,877	12,837	9,846	26,560
Available-for-sale financial assets				
- Stocks	170,204	3	11,966	182,173
- Funds	74,314	8,846	-	83,160
- Bonds	1,572	288,132	5,022	294,726
- Others	85	39,094	115,847	155,026
	246,175	336,075	132,835	715,085
Derivative financial assets	-	197	-	197
Liabilities measured at fair value				
Derivative financial liabilities	-	8	-	8
Assets for which fair values are disclosed				
Held-to-maturity financial assets (Note XV)	160	557,640	-	557,800
Investments classified as loans and receivables (Note XV)	-	-	400,272	400,272
Investment properties (Note VII 16)	-	-	16,100	16,100
Liabilities for which fair values are disclosed (Note XV)				
Bonds payable	-	-	10,382	10,382

For the year ended 31 December 2023, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain bonds between Level 1 and Level 2. For the year ended 31 December 2023, the Group has no bond transferred from Level 1 to Level 2 and from Level 2 to Level 1. For the year ended 31 December 2022, the Group transferred the bonds with a carrying amount of approximately RMB 22,545 million from Level 1 to Level 2 and no bond was transferred from Level 2 to Level 1.

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	2023							
	Beginning of year	Increase	Decrease	Transferred to Level 3	Transferred out Level 3	Gains or losses recognised in profit or loss	Gains/ losses recognised in other comprehensive income	End of year
Financial assets at fair value through profit or loss	105,822	34,852	(18,000)	52	(4,396)	542	-	118,872
- Stocks	8,897	1,327	(5,831)	52	(3,010)	(645)	-	790
- Bonds	2,544	-	(1,281)	-	(1,386)	577	-	454
- Others	94,381	33,525	(10,888)	-	-	610	-	117,628
Debt investments at fair value through other comprehensive income	342,224	70,736	(105,163)	-	(1,664)	(114)	2,823	308,842
- Bonds	3,119	-	(1,400)	-	(1,664)	(61)	6	-
- Others	339,105	70,736	(103,763)	-	-	(53)	2,817	308,842
Equity investments at fair value through other comprehensive income	34,045	5,076	(6,755)	-	-	-	562	32,928
- Stocks	3,070	-	-	-	-	-	77	3,147
- Others	30,975	5,076	(6,755)	-	-	-	485	29,781

(All amounts expressed in RMB million unless otherwise specified)

XVI. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows (continued):

	2022							
	Beginning of year	Increase	Decrease	Transferred to Level 3	Transferred out Level 3	Gains or losses recognised in profit or loss	Gains/ losses recognised in other comprehensive income	End of year
Financial assets at fair value through profit or loss								
- Wealth management products	15	-	(12)	-	-	-	-	3
- Debt investment plans	16	14	-	-	-	-	-	30
- Other equity investments	9,663	-	(1)	-	-	151	-	9,813
Available-for-sale financial assets								
- Stocks	5,286	9,392	(1,831)	-	-	-	(881)	11,966
- Preferred shares	12,519	-	(12,519)	-	-	-	-	-
- Other equity investments	95,768	24,531	(4,755)	-	-	(383)	(809)	114,352
- Finance bonds	2,076	3,000	-	-	-	-	(54)	5,022
- Debt investment plans	-	700	-	-	-	-	-	700
- Wealth management products	1,947	800	(1,947)	-	-	-	(5)	795

XVI. FAIR VALUE MEASUREMENT (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments, etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use parameters as unobservable inputs to the model, major assumptions include the expected time-to-market of unlisted equity investments, and the major parameters include discount rate from 3.34% to 5.36%, etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square metre per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

XVII. EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant post balance sheet events.

XVIII. COMPARATIVE FIGURES

As stated in Note IV, due to the adoption of the new insurance standard, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been restated to conform with the current year’s presentation and accounting treatment, and a third statement of consolidated balance sheet as at 1 January 2022 has been presented.

XIX. OTHER IMPORTANT EVENT

1. Directors' and supervisors' remuneration

(in RMB thousand)	2023	2022
Fees	1,350	1,350
Other remuneration		
- Salaries, allowances and other short-term benefits	5,526	5,852
- Contributions to defined contribution plans	1,491	1,431
- Deferred bonus (Note)	-	-
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
Sub-total	7,017	7,283
Total	8,367	8,633

Note: In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

(1) Independent non-executive directors

Included in the fees is an amount of RMB 1,350 thousand paid to independent non-executive directors for the year ended 31 December 2023 (2022: RMB 1,350 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2023.

(in RMB thousand)	2023					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan	350	-	-	-	-	350
WOO Ka Biu, Jackson[1]	175	-	-	-	-	175
LO Yuen Man, Elaine[2]	125	-	-	-	-	125
	1,350	-	-	-	-	1,350

[1] In July 2023, Mr. WOO Ka Biu, Jackson ceased to serve as the independent non-executive director.

[2] In July 2023, Ms. LO Yuen Man, Elaine started to serve as the independent non-executive director.

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(1) Independent non-executive directors (continued)

(in RMB thousand)	2022					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LAM Tyng Yih, Elizabeth	350	-	-	-	-	350
CHEN Jizhong	-	-	-	-	-	-
JIANG Xuping	350	-	-	-	-	350
LIU Xiaodan	350	-	-	-	-	350
WOO Ka Biu, Jackson	300	-	-	-	-	300
	1,350	-	-	-	-	1,350

(2) Executive directors and non-executive directors

(in RMB thousand)	2023				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei[1]	-	856	373	-	1,229
FU Fan[2]	-	1,015	373	-	1,388
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
CHEN Ran	-	300	-	-	300
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
ZHOU Donghui	-	-	-	-	-
John Robert Dacey	-	-	-	-	-
LU Qiaoling	-	300	-	-	300
	-	2,771	746	-	3,517

[1] The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

[2] The final amount of remuneration of Mr. FU Fan is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

XIX OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(2) Executive directors and non-executive directors (continued)

(in RMB thousand)	2022				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
KONG Qingwei[1]	-	973	360	-	1,333
FU Fan[1]	-	1,129	360	-	1,489
Non-executive directors:					
HUANG Dinan	-	-	-	-	-
CHEN Ran	-	300	-	-	300
WU Junhao	-	-	-	-	-
WANG Tayu	-	300	-	-	300
ZHOU Donghui	-	-	-	-	-
LIANG Hong[2]	-	-	-	-	-
John Robert Dacey	-	-	-	-	-
LU Qiaoling	-	300	-	-	300
	-	3,002	720	-	3,722

[1] For the remuneration of executive directors and non-executive directors disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2022, excluding the amount disclosed above, is as follows: Mr. KONG Qingwei RMB 734,000 (before tax), Mr. FU Fan RMB 2.716 million (before tax).

[2] In September 2022, due to work change, Ms. LIANG Hong ceased to serve as non-executive director of the Company.

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB300,000 (before tax) per year. The 2018 annual general meeting also resolved to grant an additional allowance of RMB 50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui and Mr. John Robert Dacey, the non-executive director, waived remuneration during 2023 (2022: HUANG Dinan, WU Junhao, ZHOU Donghui, LIANG Hong and John Robert Dacey), Mr. CHEN Jizhong, the independent non-executive director, temporarily waived remuneration during 2023 (2022: CHEN Jizhong). Except for Mr. HUANG Dinan, Mr. WU Junhao, Mr. ZHOU Donghui, Mr. John Robert Dacey and Mr. CHEN Jizhong, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2023.

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors' and supervisors' remuneration (continued)

(3) Supervisors

(in RMB thousand)	2023				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	
JI Zhengrong[1]	-	771	373	-	1,14
LU Ning	-	-	-	-	
GU Qiang	-	1,983	373	-	2,35
	-	2,754	746	-	3,50

[1] The final amount of remuneration of Mr. JI Zhengrong is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.

(in RMB thousand)	2022				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
ZHU Yonghong	-	-	-	-	
JI Zhengrong[1]	-	879	360	-	1,23
LU Ning	-	-	-	-	
GU Qiang	-	1,971	351	-	2,32
	-	2,850	711	-	3,56

[1] For the remuneration of supervisors disclosed above, in accordance with the requirements of relevant policies, and after assessment and confirmation by the competent authorities, the supplemental disclosure of the remuneration of the relevant personnel during the relevant tenure in the Company in 2022, excluding the amount disclosed above, is as follows: Mr. JI Zhengrong RMB 632,000 (before tax).

Pursuant to the resolution of the 2018 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB 300,000 (before tax) per year. Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, had waived remuneration during 2023. Except for Mr. ZHU Yonghong and Mr. LU Ning, the supervisor, there was no other arrangement under which a supervisor waived or agreed to waive any remuneration during 2023 (2022: ZHU Yonghong and LU Ning).

XIX. OTHER IMPORTANT EVENT (continued)

1. Directors’ and supervisors’ remuneration (continued)

(4) Directors’ retirement benefits

There were no retirement benefits paid to directors during 2023 and 2022.

(5) Directors’ termination benefits

There were no termination benefits paid to directors during 2023 and 2022.

(6) Consideration provided to third parties for making available directors’ services

There were no payments to third parties for making available directors’ services during 2023 and 2022.

(7) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the Company during 2023 and 2022.

(8) Directors’ material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

XIX. OTHER IMPORTANT EVENT (continued)

2. Five highest paid individuals

The five individuals whose remuneration were the highest for the year ended 31 December 2023 in the Group include no director (2022: no director) whose emoluments were reflected in the analysis presented in Note XIX 1.

The number of non-directors, highest paid individuals whose remuneration fell within the following bands is set out below:

	2023	**2022**
HKD 5,500,001 to HKD 6,000,000	-	-
HKD 6,000,001 to HKD 6,500,000	-	1
HKD 6,500,001 to HKD 7,000,000	-	1
HKD 7,000,001 to HKD 7,500,000	-	1
HKD 7,500,001 to HKD 8,000,000	-	-
HKD 8,000,001 to HKD 8,500,000	-	-
HKD 8,500,001 to HKD 9,000,000	-	-
HKD 9,000,001 to HKD 9,500,000	2	-
HKD 9,500,001 to HKD 10,000,000	2	-
HKD 10,000,001 to HKD 10,500,000	-	1
HKD 10,500,001 to HKD 11,000,000	-	-
HKD 11,000,001 to HKD 11,500,000	-	-
HKD 11,500,001 to HKD 12,000,000	-	-
HKD 12,000,001 to HKD 12,500,000	-	-
HKD 12,500,001 to HKD 13,000,000	1	-
HKD 13,000,001 to HKD 13,500,000	-	1
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	**2023**	**2022**
Salaries, allowances and other short-term benefits	16,728	19,118
Discretionary bonuses	27,184	18,468
Contributions to defined contribution plans	2,737	2,204
	46,649	39,790
The number of non-director individuals for the above remuneration	5	5

XX. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the board of directors of the Company on 28 March 2024.

According to the Articles of Association of the Company, these consolidated financial statements will be submitted for the approval of the general shareholders' meeting.

APPENDIX: SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in RMB million unless otherwise specified)

I. NET ASSET RETURN AND EARNINGS PER SHARE

	2023		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	11.4%	2.83	2.83
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	11.4%	2.82	2.82

The Company had no dilutive potential ordinary shares in 2023.

	2022 (Restated)		
	Weighted average return on net assets	Earnings per share (RMB Yuan)	
		Basic	Diluted
Net profit attributable to shareholders of the parent	19.2%	3.89	3.89
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	19.1%	3.87	3.87

Net profit attributable to shareholders of the parent net of non-recurring profit or loss are listed as follows:

	2023	2022 (Restated)
Net profit attributable to shareholders of the parent	27,257	37,381
Add/(Less): Non-recurring profit or loss items		
Government grants recognised in current profit or loss	(219)	(196)
Gains on disposal of fixed assets, intangible assets and other long-term assets, including write-off of provision for assets impairment	(23)	(24)
Custody fees of entrusted operation	(62)	(55)
Other net non-operating income and expenses other than aforesaid items	128	125
Effect of income tax relating to non-recurring profit or loss	53	45
Net profit less non-recurring gains	27,134	37,276
Less: Net non-recurring profit or loss attributable to non-controlling interests	1	1
Net profit attributable to shareholders of the parent net of non-recurring profit or loss	27,135	37,277

In accordance with the Explanatory Announcement No. 1 on Information Disclosure of the Companies Issuing Securities Publicly - Non-Recurring Profit or Loss (Revised in 2023) issued by the CSRC in December 2023, the Group has adjusted the disclosure of non-recurring profit or loss for the year 2023 without adjusting the comparative figures The affected pre-tax amount regarding the decrease of non-recurring profit for the year 2022 is RMB 42 million.